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The Yoke of Finance

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ABSTRACT The use of real estate by capital market makers to generate a global financial crisis makes a fitting end to an undergraduate course on real estate finance after different mental models are explored. The Bryant University Undergraduate Real Estate Finance (Finance 383) course is "a study of instruments, methods, and institutions involved in real estate finance. Students examine the financial techniques of risk and return evaluation, as well as the changes in the mortgage market and the economic environment." Ending the course with the 2008 Financial Crisis allows for an exploration of how risk and return were and were not framed a *priori*. The ***yoke of finance*** can be used in two ways – (1) as a financial management burden to be borne or met and (2) a union created with the financial system that is workable and/or not workable for agents and principals. How generative and values-based the thinking about risk and return are creates an opportunity for cultivating both strength and flexibility in learners' financial decision making. The use of tension, paradox, structure, forms, idealizations, intentions and ever-deepening awareness will cause the learner to change their approach to creative financial management practice in their projects. Applying a philosophic learning process where questions are developed about whom the real estate financial system is meant to serve and the human feeling values that need not be traded away blithely will facilitate learning about the ***yoke of finance***. In the end, the 2008 Financial Crisis will present a contrasting series of flawed frameworks to present a cautionary tale for both professional praxis and teaching in a university.

Keywords: creativity, value creation, finance, real estate, systems thinking, archetype

Introduction

The Bryant University Undergraduate Real Estate Finance course is "a study of instruments, methods, and institutions involved in real estate finance. Students examine the financial techniques of risk and return evaluation, as well as the changes in the mortgage market and the economic environment." It is an elective in both the Finance and Financial Services concentrations in the Bachelor of Science in Business Administration (B.S.B.A.) degree programs. The course level is Finance 383 which is for juniors and seniors who meet the prerequisite course requirements. Undergraduate students who receive a degree from the Bryant University College of Business programs are required to also declare a minor in the College of Arts and Sciences to receive their culminating B.S.B.A. degree. Moreover, the College of Business at Bryant University is accredited by The Association to Advance Collegiate Schools of Business (AACSB International). The mission and vision statements of AACSB International include goals to "accelerate innovation" and "transform business education for global prosperity" respectively.

This paper will emphasize the creative praxis opportunities given the students in the projects in this new version of the course from the spring 2017 semester. Praxis is defined as action combined with written reflection. The key learning outcome for the students' reflective practice is awareness of the individual and group mental models applied in their real estate finance projects. The projects assigned are staged to emphasize the students' expanding stakeholder orientation along with discernment of the relational aspects of wealth in real estate finance. The union of the student's varied internal mental models in the projects with the capital market makers' mental models before, during and after the 2008 period constitute the yoke that can be viewed as either a burden, or as simply workable or not workable.

The projects are called Praxis I, II and III below. After the three projects the students have experienced taking action on decisions in real estate finance with three mental models contrasted: a short-term slumlord (pre-conventional), two versions of longer-term oriented conventional and post-conventional developers. These three mental models are detailed in Figure 1 and are based on Lawrence Kohlberg's Stages of Moral Development (Barger, 2000). After having cultivated these differentiated internal philosophical experiences for themselves through action and reflection in the projects, the students had the ability to differentiate and identify with the mental models of the financial professionals and the citizenry that collectively created the Great Recession. With that awareness came the potential to make choices congruent with one's own values. The interesting demographics of the students for this new course preparation were typical of other junior and senior level finance courses I have taught: 30 men and 4 women.

Level	**Stage**	**Social Orientation**
Pre-Conventional	1. 2.	Obedience and Punishment Individualism, Instrumentalism and Exchange
Conventional	3. 4.	"Good boy/girl" Law and Order
Post-Conventional	5. 6.	Social Contract Principled Conscience

Figure 1: Kohlberg's Stages of Moral Development (Barger, 2000)

In this real estate course, my approach was to lay out ground work in mathematics and praxis slowly layer by layer. This permitted students to apply their work directly in Praxis I and II and then recognize the inner insanity of market makers' mental models as mortgages were converted into *insecure* securities unleashing the 2008 "correction". There were two in-class exams and two in-class quizzes for demonstrating individual mathematical and conceptual understanding followed by a final group presentation (Praxis III) that delved into historical real estate finance issues including financial discrimination.

The mathematics the students then learn to apply in the course is contextualized to situations where students express their values. I hoped this would mean the students would choose to go beyond a formulaic approach to learning financial mathematics. This did occur – late in the semester for some, and early for some – it wasn't uniform. What was uniform in this class was the dawning awareness of the depth and breadth of the insanity of the 2008 financial crisis which I had difficulty conveying in an earlier course. In that earlier course I had used role-plays as a spur-of-the-moment attempt to awaken a deeper conceptual understanding. And after these role-plays one student memorably raised his hand and asked: “did what we just acted out, actually happen?”

Value Creation and the Learning Process for Real Estate Finance

The first reading for the course was about a condominium complex in Evanston, Illinois (Brown, 2015). It went to the heart of real estate during the period of 2000 through 2007 to the 2008 crash. It was about a failed development which the author emphasized as resulting from neighbors’ objections which caused delays. The delays meant the developer made repeated changes to the property design and ultimately “missed the moment” of profitable condominium sales as prices collapsed. Value creation was not emphasized in this first case. We developed questions as a prelude to the first project.

In Figure 2 below is the structure of economic profit. It is a simplified definition of value creation in the real estate development process. Financial gain as a simplistic form of value creation requires assumptions about time and the interior financial tension that the developer assumes. It omits a discussion of the tenant, tenancy needs, neighbors and community development. It omits the interior meaningfulness of peoples’ choices and decisions.

Stages in the Real Estate Development Process				
Acquisition	Improvement	Occupancy	Management	Property Value
An economically profitable real estate project will be expressed mathematically as the costs of both acquisition and improvements to the property subtracted from the resulting property value as marked to the current market price. If the property is held rather than sold, then net income will be the cash flow resulting from occupancy and management of the property and will be part of the ongoing net gain from the property development. This is a reduced view of value creation from development expressed only as financial gain or loss.				

Figure 2: Definition of Creating Value Financially in Real Estate Development

While value creation is the purpose of finance, this creative aspect of finance becomes minor when the emphasis is *financialization* itself. Financialization is about the growth and dominance of financial institutions and markets. This is not about service to a community or a region – it’s about inward-looking financial organizations in service to themselves, rather than generatively serving outward. This is a core issue of this new version of the Real Estate Finance course with a wealth management perspective.

Praxis in Learning Communities

The first day of the class students counted themselves into six groups which are called “Learning Communities” or LC’s 1 through 6. Each LC was given a hypothetical check in the amount of $240,000. The checks are printed on real check paper to have a look and feel that will heighten the tangible excitement of receiving them in class with the first project specifications. Praxis I was done by each of the six LC’s. Praxis II was done by three sets of paired LC’s where they had to pool their funds. And the final presentation, Praxis III, was done by two sets of three LC's as the stakeholder orientation grew and the civic responsibility of the project increased.

Real Estate Finance Course Layers	
Praxis I	Residential real estate rental project under slumlord and conventional thinking. Contrast financial behavior with financing and managing under both mental models. Conventional financing was applied in different mortgage rate environments from 2005-2013. The rate effects on net income and on the health of rental business' financial statements were studied.
Praxis II	Commercial real estate development under conventional and post-conventional approaches. Add on different amortization schedules, variable rate mortgages and balloon payments. Documentary shown (Money & Life 2013) on the opportunities the Great Recession may have awakened. Understanding a fiat currency in a fractional reserve system. Look at civic opportunities missed when the real estate bubble was created and collapsed.
Praxis III	Apply the inner mental model awareness of Praxis I and II to the actors in the Great Recession. Construct a mortgage bond and derivative securities. Seeing behavior through mental models both individual and collective. How mathematical advances may be illusions in practice. Final presentation looks at real estate finance from a civic perspective with a historical context.

Figure 3: Finance 383: Real Estate Finance Course Stages

Praxis I: The Slumlord and the Conventional Developer

The Kohlberg stages of Moral Development have three broad levels. While they were written as stages of maturation, we can see that blindness and ignorance in adults can be very much like immaturity in a chronological sense. Each learning community is asked to construct two scenarios defined by Level 1 and Level 2 of Kohlberg where a residential property in a nearby town is acquired, improved, becomes occupied by tenants at a market price and is then managed. At Level 1 the LC's are asked to behave as slumlords and make financial decisions with their own profit maximization uppermost in mind. Then they are to contrast those decisions with the same property scenario with financial management done in a conventional way. At this level they are to think about fitting in the neighborhood and operating in a respectful way.

The reflections done after this part of the project highlighted some surprise on the part of the students about seeing that in the long-term the conventional decision making was superior for wealth and value creation. At best the slumlord would have a higher return in the short-run while the conventional developer had better cash flow stability with a longer-term view. Competition between the LC's was discouraged, and illustrating different ways of putting the two mental models into practice was encouraged. Each LC approached the slumlord decisions a little differently. Some offered lower rental prices with little property maintenance. Others emphasized the term for the mortgage – either lengthening it or shortening it. They were uniform in the rationale for decisions being their own short-term benefit. In one student's reflection after Praxis I, he stated that he realized in his parent's property rental business that one parent had a slumlord mentality while the other had a longer-term conventional mindset. In general most of the students seemed to enjoy creating simple balance sheets and income statements modelling their thinking and highlighting the contrast in the approach of a slumlord versus a conventional "Law and Order" manager who thought about the tenants' and neighbors' wellbeing.

Praxis II: The Conventional and the Post-Conventional Developer

In this version of the interrelated projects each of Learning Communities 1, 3 and 5 are paired with LC's 2, 4 and 6 respectively becoming three contrast communities. The balance of the $240,000 from each LC's Praxis I was pooled in each pair of LC's for a Praxis II partnership in a commercial real estate venture. Here each pair must find one property together and lease it at both conventional and post-conventional levels of Kohlberg. This they did admirably at the conventional level. The post-conventional versions of the commercial development were largely not-for-profit but did not meet the definition of post-conventional with the use of a well-defined shared vision.

This was my mistake in setting up the project. This caused me to amend the syllabus and reduce the number of assignments so there would be time enough for the students to approach the project a second time with more substance. The students had two mental blocks come up for them: (1) they felt they couldn't hand in a commercial project that was unprofitable even if they were running it for only a year or two unless it was a not-for-profit, and, (2) they had difficulty conceptualizing a strong shared vision as defined in the project specifications by Peter Senge:

> Shared vision fosters risk taking and experimentation. When people are immersed in a vision, they often don't know how to do it. They run an experiment. They change direction and run another experiment. Everything is an experiment, but there is no ambiguity. It's perfectly clear why they are doing what they are doing. People aren't saying "Give me a guarantee that it will work." Everybody knows that there is no guarantee. But the people are committed nonetheless (Senge 2006).

The students completed reflections after the first version of Praxis II and acknowledged that they now saw that they had little in the way of shared vision and they had not moved past the conventional level. Like the quote at the beginning of this section, the students were vested in preserving the conventional and hadn't yet conceived of transformative action in a post-conventional approach.

The documentary "Money & Life" was shown on schedule after the first version of the Praxis II project. In future I will show it beforehand. After the documentary – the students got on track with three wonderful projects. A lot of questions surfaced after Praxis II and their imaginations were onboard in the second iteration. In the first version of Praxis II, imagination seemed to have been *avoided*. Then the documentary provided permission to innovate through examples of people questioning their values around money after the Great Recession. Suffice it to say, in a finance class assignment, the students told me they needed greater support and examples than the ones I originally provided which were:

> **Habitat for Humanity** is an international Christian organization founded by Millard Fuller in Americus, Georgia which helps to build modest housing in the quest to eliminate poverty (Fuller, Scott 1986).

Treehouse located in Easthampton, Massachusetts is an intergenerational planned community founded by Judy Cockerton for the purpose of facilitating permanent homes for foster children. Foster families live side-by-side with adults over the age of 55 who can contribute to driving, babysitting, tutoring the foster children as needed (Perrine 2016).

Sober Houses are often operated by people who have gone through drug and alcohol rehabilitation themselves. Sober houses provide intentional community to those transitioning from a medical treatment program. Generally there are different levels of house rules and types of inexpensive rental rooms to help the newly recovered cultivate life skills as sober members of society.

After viewing the documentary, the students re-configured their post-conventional projects and seemed to be lighter and more comfortable with the idea of a shared vision that could have temporary reverses. This was an important idea in creativity that I had learned with artist and filmmaker Robert Fritz in Newfane Vermont and through his writings. Peter Senge, author of *The Fifth Discipline: The Art and Practice of the Learning Organization* is a collaborator of Fritz and includes his ideas in his description of the first discipline of systems thinking: personal mastery. All five disciplines are outlined below as used in the Real Estate Finance class.

The Five Disciplines of Systems Thinking and Praxis II.2

The perceived setback of Praxis II on my part which was passed on to the students unintentionally highlights a key feature of systems thinking and the use of failures. Senge (2006) states this quote was on the office wall of inventor Ed Land, who was also the founder of Polaroid: "A mistake is an event, the full benefit of which has not yet been turned to your advantage."

Praxis II will become Praxis II.2. Below is a brief description of the five disciplines of systems thinking as described by Peter Senge and applied in this new version of this course. Recall, the aim is to have the students in this course create a shared vision which must be anchored intrinsically to them and be poised to advance rather than oscillate *in practice*.

1. Personal Mastery

Robert Fritz (2003) has created a metaphor for describing two fundamental creative structures: advancing and oscillating from A as current reality in the direction of B, the created reality. In the oscillating system – the creator would move toward B from A, and then fall back toward A, and repeat numerous times. Resolution of oscillation, R, is in the middle *where inner creative tension slackens for the creator* with respect to both A and B. See Figure 4 below. B is not a sustainable reality, although it may be temporarily achieved.

←====================================→

A ← R → B

Figure 4: Oscillating System

In an advancing system, the creator moves toward B – has brief, temporary, fall back positions, but builds on intrinsic learning from reverses and continues to grow toward resolution, R, at B the created reality as pictured in Figure 5.

←====================================→
A ← R → B

Figure 5: Advancing System

The resolution of contrast between A and B is incrementally addressed and resolution R expands toward B in the advancing system as the LC's skills develop and their shared vision is intrinsically held. The tension between A and B *assists movement* from A to B. The tension itself is the field of practice for expressing shared values and creating the new reality of the students' projects. Skill development and learning are cultivated because they serve the purpose and meaning of their shared vision. The movement to B is sustainable in an advancing system. *And the creator is changed with advance*.

What allows the advancing phenomenon, rather than oscillation, is the inner motivation, and continual learning from reverses which is part of personal mastery. In oscillation, intrinsic powerlessness, or low tolerance for creative tension is what fosters low tension resolution between A and B. Movement has occurred from A to R, but the movement from R to B is unsustainable due to too much creative tension or an inner belief of unworthiness and/or powerlessness. Senge (2006) says "[personal mastery is] the phrase we use for the discipline of personal growth and learning." which is required for the advancing system.

The U Process is the A to B system with two dimensions added here: descent and ascent on the way from A to B. In Praxis I the students were in the first part of the U process in Figure 6 below. In Praxis II they were in the second part of the U process and in the redoing, Praxis II.2, they entered the third phase of the U process and advanced. My description is descent from the first phase to the second, and there is ascent from the second phase to the third phase, Praxis II.2 as the U Process illustrates.

I. Co-sensing (transforming perception)		**II. Co-realizing (transforming action)**
Mental Models		
Team Learning:		Team Learning:
Dialog and practice fields	***The Ascent* =>**	Prototype and adjust
Systems Thinking		Systems Thinking
	III. Co-presencing (transforming self and will)	
***The Descent* =>**	Personal Vision Building Shared Vision	

Figure 3: The U Process and the Five Disciplines (Senge 2006, p. 403) with Descent and Ascent

2. Mental Models

The two mental models, of Praxis I, were understandable to the students. In Praxis II the post-conventional level required a fundamental change in their thinking. It was a new mental model for them even though examples were provided. As Peter Senge (2006) states "new insights fail to get put into practice because they conflict with deeply held internal images of how the world works, images that limit us to familiar ways of thinking and acting."

The students found the post-conventional description of Kohlberg and the examples I provided led only to their concept of a not-for-profit organization. Only the sober houses were for-profit – but they didn't realize that. Once the post-conventional examples in the documentary were witnessed the students felt much more comfortable embracing both the creation and holding of a shared vision for the post-conventional mental model. And from there they understood that post-conventional did not mean not-for-profit, nor did it necessarily mean for-profit either. Praxis II turned out to be a stage of the prototyping process on the way to Praxis II.2. In other words, the students built on their reverse which is a requirement to advance.

3. Shared Vision

The required development of a shared vision proved at first to be a stumbling block for the students. The emphasis was on business conventions in the students' minds. However, a shared vision emanates from individual inner visions.

> A shared vision is not an idea. It is not even an important idea such as freedom. It is, rather, a force in people's hearts, a force of impressive power. It may be inspired by an idea, but once it goes further—if it is compelling enough to acquire the support of more than one person—then it is no longer an abstraction. It is palpable. People begin to see it as if it exists. Few, if any, forces in human affairs are as powerful as shared visions. (Senge 2006, p. 192)

The three shared visions of the paired LC's resulting from Praxis 11.2 from were significantly strengthened:

- Develop transitional housing for formerly incarcerated men with the aid of social bonds
- Develop a social business incubator site with inventive methods of social finance
- Develop community engagement through an automobile repair and sales project which is part of a neighborhood and engages youth at different ages

Holding the shared vision intrinsically created the answers, the ideas and the creativity for the generation of the new project. Holding the shared vision also created the enthusiasm to develop the project in relation to challenges. And surrendering the creative powerlessness of the oscillating structure allowed reverses to be temporary and transformational for advancing value creation.

4. Team Learning

Team projects are commonplace in business school. However, the underlying structure of team projects is typically competition. I prefer to offer students a collaborative environment to reduce the extrinsic pull of competitions, and permit students' creative energy to be directed toward the available possibilities of the projects. Reflection can then include noticing different legitimate ways of addressing the same set of project specifications. Again, Peter Senge takes this beyond mere collaboration:

> Team learning is the process of aligning and developing the capacity of a team to create the results its members truly desire. It builds on the discipline of developing shared vision. It also builds on personal mastery, for talented teams are made up of talented individuals…(who) know how to play together. (Senge 2006, p. 218-219)

One factor that came up in Praxis II versus Praxis II.2 was pressure exerted by some members of the paired LC's to hold conventional or even pre-conventional visions leading others to feel disempowered to speak up. This frozen energy thawed with the documentary and all three paired Learning Communities appeared to gain energy in the form of enthusiasm. Their reflections discussed that they had to shift their mindsets significantly to move into a principled and socially mutual organizational mindset.

5. The Fifth Discipline: The Level of Structure

The Fifth Discipline is called systems thinking and brings the prior four disciplines above together and deepens the learning process in the organization and in the individuals. Senge describes this unifying discipline in this way:

> I call systems thinking the fifth discipline because it is the conceptual cornerstone that underlies all of the five learning disciplines…All are concerned with a shift of mind from seeing parts to seeing wholes, from seeing people as helpless reactors to seeing them as active participants in shaping their reality, from reacting to the present to creating the future. (Senge 2006, p. 69)

If we contrast the structure of the Kohlberg Levels of Moral Development with the System's Perspective of Senge we see the corresponding relationship of the two models:

Peter Senge: The System's Perspective	**Lawrence Kohlberg: Levels of Moral Development**
Systems Thinking (generative and structural)	Post-Conventional (Principled and Socially Mutual)
Patterns of Behavior (responsive)	Conventional (Law and Order)
Events (reactive)	Slumlord (Individualism)

Figure 4: Mapping Kohlberg's Levels (Barger 2000) to System's Perspective (Senge 2006, p. 52)

Reactivity to events combined with the individualism of Level 1 of Kohlberg is a narrow way of being. Then Level 2 is responsive – responsive is longer term value creating and more cooperative than Level 1. Finally, Level 3 is principled which is generative in the long term and goes to the advancing structure of creating value in a socially mutual way by taking principled action. The oscillation comes from the individualism and the passive response to extrinsic authorities in Level 2. The intrinsic authority is driven by principled action and perhaps nature herself provides this generative potential in us. Senge states: "Generative learning cannot be sustained in an organization where event thinking predominates. It requires a conceptual framework of "structural" or systemic thinking, the ability to discover structural causes for behavior." (2006)

Once Praxis II.2 was complete we observed together the collective seeds of the thinking behind the Great Recession. The reading by Bernard Lietaer called *An Integral View on Money and Financial Crises* (2005) was used to prepare the students to unify the inner individual and inner collective seeds of the financial crisis with the market participants' behavior. Lietaer used Ken Wilbur's Four Quadrants Classifying Domains of Knowledge for an interior-exterior integrated synthetic view which I simplified in Figure 5 below.

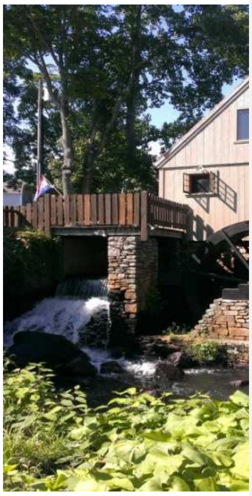
Individual			
	Kohlberg Levels 1, 2, 3	***Financial Behavior***	
Interior (Interpretation of Meaning)	***The Miller Archetype***	***The Fifth Discipline***	**Exterior** (Description of Behavior)
Collective			

Figure 5: Wilbur's Model Applied to the Real Estate Finance Class: The Yoke of Finance

For the purposes of the real estate class my model includes the three quadrants explored in Praxis I, II and II.2. Now we are delving into the fourth quadrant: Interior Collective. In the Wilbur model in Lietaer's paper this is generalized as cultural history and collective-evolutionary psychology. In mine it is specific: The Miller Archetype. Here we have now an inner collective story and language to describe the collective historical industrial mental pattern that may have had much to do with the financial crisis. This archetype may have contributed significantly to the seeds which germinated to explode as the Great Recession.

The Miller Archetype and Financial Catastrophe

The Miller Archetype in Figure 6 below is one example of an archetype. Archetypes are the "blueprints of the basic human drives and qualities we all share" (Johnson, 1987). This is the Jungian view of archetypes. This particular part of the story of the miller comes from Jungian analyst Robert A. Johnson (1993). He describes several versions of the myth of the Handless Maiden and The Miller Archetype which is central to the story. Here I am using the story to describe a fundamental internal consciousness that can be observed in market makers, bankers and citizens collectively.



The Miller Archetype
From: *The Fisher King and the Handless Maiden by Robert A. Johnson*

A miller seeks to increase production in his mill while reducing his efforts in production. In order to do this he strikes a bargain with the devil who extracts a fee of "whatever stands behind the mill." The miller believes what stands behind the mill is an old apple tree, hardly worth a thought. It turns out the miller's daughter is standing near the tree. The miller is horrified, but nonetheless allows the devil to take her and cut off her hands because he is unwilling to give up the added production. He thought he would obtain a practical advance at no meaningful cost – it turns out the cost is high. The daughter's hands are the collective's tender young internal feeling function which has been sacrificed. An outer advantage (production) is gained seemingly for nothing, while in fact the interior feeling function has been wounded in the collective. (1993)

Figure 6: The Miller Archetype – Grist Mill photo by author at Plimoth Plantation in Plymouth, Massachusetts

Parts of The Miller Archetype were explored when a banker alumnus visited the class and spoke about the mortgage loan origination process. A loan (energy product) is processed into being much like raw material is processed into a product in an industrial mill. There are distinct steps in a bank's mortgage loan origination process which is rooted in our collective consciousness as the miller who processes grain into flour (energy product) for the village. The students have initiated at least three versions of mortgages for their projects under different mental models so they already have an inner sense to question *loan quality*. From the documentary *Money & Life* (2013) they have a fresh understanding of what the banker does to create money by originating real estate loans. The fundamental question is about the quality of loans originated during the years prior to the correction that began in 2008 and continued through 2009, for the Miller's Bargain has gone into effect.

The Miller's Bargain

A *fruitless* increase in mill production is granted by extracting a destructive promise that the Miller's Daughter be given up by the Miller to the devil in the mythical story (Johnson 1993). The Miller can increase production in the grist mill by speeding up the old machinery, building new facilities; developing new machinery, increasing labor productivity, extracting more raw materials, reducing product quality or any variation of these tactics. The Miller's Bargain is struck with the devil for increased production *he believes is cost free and creative*. However, the cost is to give up the feeling function in the symbolic form of the Miller's Daughter is destructive. The Miller's Daughter symbolizes the interior feeling function – cutting off her hands is done in exchange for the increased production. Feeling and valuing are related. Here is the key to our industrial age *financialization*. We are continually looking for increases in financial production and to gain the increases, feeling must be repressed or cut off. Robert Johnson (1993) reminds us:

> "Thinking is that cool faculty which brings clarity and objectivity—but provides no valuing; sensation describes the physical world—but provides no valuing; intuition suggests a wide range of possibilities—but provides no valuing. Only feeling brings a sense of value and worth; indeed, this is its chief function. Without feeling there is no value judgment. To lose one's feeling function is to lose one of the most precious human faculties, perhaps the one that makes us most human. We can understand the term feeling more accurately if we define it as the capacity to value or give worth to something. People who have a finely differentiated feeling function bring grace and good feeling with them; one feels valuable in their presence."

Financialization is Oscillation

The students are ready to read about the Great Recession now that they have both cultivated and explored individual internal mental models in real estate financial decision making and collective internal consciousness through The Miller Archetype and The Miller's Bargain. *Leveraging Lunacy* is the title of chapter nine of Gillian Tett's book *Fool's Gold: The Inside Story of J.P. Morgan and How Wall Street Greed Corrupted Its Bold Dream and Created Financial Catastrophe* (2009*)*. Both the terms *Leveraging Lunacy* and *Fool's Gold* underscore the destructiveness of the catastrophe unleashed.

The historical account in this chapter has many interesting Miller's Bargain structures: the mechanical mindsets of market makers, contrarian investors accelerating the market by taking positions favorable in a collapse, competitive greed spurring mindless imitation further accelerating the market, the pure indifference of individuals in firms as they hew only to how they are paid (again mechanical). Financial leverage grows risk, but also *growth*. Growth is growth and therefore *always* good. The participants in all these structures are destroying value because feeling values have been set aside due collectively to The Miller Archetype increasing destructive production *and demand for production*. This is also due to the split between the awareness of mortgage loans underwritten in communities and the far distant products turned out in Wall Street's "financial product mills". And ratings agencies and government agencies add their miller-archetypal consciousness to the furor. Enough citizens and developers are trading real estate properties rather than holding long term which further expands mortgage loan demand, fueling rising property prices.

Financialization accelerates because a mechanical advance to increase production in a mill is analogous to a mathematical advance in the financial product mill alongside (paradoxically) reduced quality control in the form of financial ratings. An additional key flaw in this ubiquitous mill system according to Tett (2009) is derivative product prices which are also created through mathematical models rather than the auction method of matching a willing buyer with a willing seller. The belief that a mathematical pricing advance is a fair substitute for real valuing exacts a high cost collectively. The mathematical approach can be carried out digitally but valuation requires that human feeling not be cut off. The ensuing crash is an oscillation because no inner change takes place to advance.

Praxis III and the Yoke of Finance

Praxis III is the final phase of the Real Estate Finance course. It involves a final presentation preceded by an in-class exam on the conceptual framing of financial mathematics explored throughout the course. Risk and return are explored through understanding valuation using the classic discounted cash flow (DCF) model. The DCF model requires assumptions that we explore with an inner emphasis (Kohlberg Levels) rather than a behavioral financial emphasis. In the subsequent presentation questions were developed about whom the real estate financial system is meant to serve and the human feeling values that need to be experienced for valuation to serve in an advancing way. It can serve a larger more profitable financial sector or it can serve the value creation needs of communities. This is the basis of Praxis III and the question development assignment. Here LC's 1, 2 and 3 collaborated and LC's 4, 5 and 6 collaborated. Both groups were given a local city to study with the opportunity to conduct a Do-It-Yourself site visits.

They were each asked to look at historical government regulation such as the Community Reinvestment Act or the Fair Housing Act for financial discrimination and inclusion in real estate. They had to look at the impact on local real estate of industrial production moved off-shore, as well as the havoc experienced due to the financial sector collapse in 2008. Their role in this project shifted to the civic perspective and how a mayoral administration might develop important questions in light of current demographics. The ability to form questions was demonstrated at a high level by only one group of LC's. Next time I need to put more thought into outcome improvements in Praxis III. Below in Figure 7 is a thematic summary of the inner tension, paradox, structure, forms, idealizations and intentions explored from Praxis I through III.

	Praxis I	**Praxis II.2**	**Praxis III**
Inner Tension	Slumlord vs. Conventional inner approaches to financial decisions differentiated in conceptual practice.	Ability to differentiate Conventional vs. Post-Conventional was increased by students with active imagination.	Feeling and valuing matter in real estate finance.
Paradox	Short term profit maximization strategies create weaker cash flow than the longer term thinking and behavior.	Long term vs. longer-term is generative and advancing to mutual interest.	Generative is not about growth only, and gentrification can be destructive.
Structure	Residential real estate	Commercial real estate	Historical issues informing future of civic real estate needs in two present-day cities
Forms	Conventional mortgages used to grow balance sheet.	Conventional mortgages used to grow balance sheet.	Mayoral issues in real estate given the finance, insurance and real estate industries
Idealization	Short term profit is idealized. When contrasted with neighborly thinking the idealization breaks.	Certain demographics are available for innovative real estate development if the conventions of ***financialization*** are broken.	Certain demographics are available for innovative real estate development if the conventions of PAST ***financialization*** are broken.
Intentions	Contrast slumlord and conventional approach for value creation assessment.	You can go beyond profit to create value with a shared vision to build community through intrinsically conscious financial practice.	We are a financial union. The notion of common wealth is important in land management.

Figure 7: Summary Praxis Themes

Conclusion

Clearly the 2008 financial crisis represented an oscillating system. In this class we approached this from the idea that our individual and collective mental models could drive behavior and be reactive (slumlord) and conventional (appearing to be responsive) while unintentionally hampering civic financial life. The students' efforts in developing post-conventional projects points to financial convention itself as a possible internal collective mental limit that precludes making meaningful changes to housing and real estate issues both in the finance industry and beyond it. This was the conclusion of the students – and quite unexpected for them. And this points to a needed shift in teaching from the mental model perspective rather than from a financialized approach.

The students in this new version of the real estate finance class are finance majors. Fundamentally from a wealth management perspective the students appeared to have understood that in one's own financial planning for real estate it is best to keep one's own counsel and not let envy or "experts" lead to excessive mortgage balances. There was surprise and excitement by the students as they saw their flexibility and creativity grow with Praxis II.2. The ideas of financial generativity and reactivity were new to them. Conventions in finance had been taken for granted – indeed conventions had been studied! Now, they were being asked if these conventions themselves were reactive or generative. Again, this puts values first before profits in university teaching.

Many common conventions of business and finance create inner psychological limits for business students and practitioners. Recall the banker as miller originates loans which are then sold to another miller who pools them into raw material for the bond and derivatives markets. Both financial millers seek to increase practical production with no important cost to the respective financial millers. The loan origination process demands what Johnson (1993) calls "*woundedness in the feeling faculty"*. After all, how many human hands worked on loans, bonds and derivatives that should not have been created for the destruction they caused? Fruitlessness is repeated exponentially: the bond-derivatives mill again stirs the loans together in pools where they are rated with foolish ratings by other millers (rating agencies) who are again wounded in the feeling and valuing faculty. Then the loans, mortgage bonds and derivatives are passed into the marketplace. Citizens who also have this miller-mindset seek loans they should not receive, buy bonds and derivatives that seem better than they are. This is not a bargain for anyone. It is an oscillating system being constructed on a grand scale. There is no pride of workmanship because creating these loans and later securities is not about creating value! Feeling values are cut off like the hands of the Miller's Daughter. And the overarching implication for teaching finance is then that feelings are linked to values – and then questions of emotions and overwhelm can point the way to appropriate financial management. This means finance can be taught from the humanities perspective.

From my own experience as a Certified Financial Planner® much of the curriculum of my profession is about financial behavior it is not about intrinsic feelings and values. While ethics is addressed in professional certification standards of *behavior*, it leaves unaddressed the human feelings and reduces client decisions about financial planning to low volatility measures or benchmark chasing. This is inadequate. And this too represents the financial miller seeking return rather than understanding on a deep level what one owns (equity) and to whom or what one is lending (debt). And the emphasis on financial diversification in the industry expands the debt, equity and derivative ignorance demanded of client and professional alike. I want to offer my university finance students more than this impoverishment of feeling and valuing.

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