

Monday October 6th Lesson Plan
A Tale of Two Economies
NY Times Student Connection

Stock Market Crash Phrases

The Great Depression, Black Thursday, Investors, Bad stocks, Imaginary stocks, Economic decline, Wall Street and Hard times.

a. How does David Leonhardt use the story of Meyer Mishkin to illustrate the connection between the Great Depression and today's economic uncertainty?

He shows that people are more likely to want to punish Wall Street than to give it the help it needs to recover, which can hurt us all (Meyer Mishkin lost his job eventually).

b. Underline and number the economic conditions and events that occurred between October of 1929 and 1933.

Recession began in August of 1929

The Stock Market Crash began on October the 24th

October 29th is Black Tuesday

In 1930, the first public run on banks results in waves of bankruptcies

In 1931, another banking panic occurs and the GNP falls 8.5 percent in the spring

1932-1933 are the worst years of the great depression

About \$2 billion have been lost since 1929 and almost 13 million Americans have lost their jobs

c. Circle all of the references to the economic conditions and events of the last 13 months.

Financial markets are global, not local, today, so the problem isn't that the failure of any single bank locks individuals or businesses out of the credit markets. Instead, the nasty surprises of the last 13 months — the sort of turmoil that once would have been unthinkable — have caused an effective breakdown in informational capital. Bankers now look at longtime customers and think of that old refrain from a failed marriage: *I feel like I don't even know you.*

Bear Stearns, for example, was supposed to have solid, tangible collateral standing behind some of its debts, so that certain lenders would be paid off no matter what. It didn't, and they weren't.

The current, more serious stage of the crisis began two weeks ago today, after the collapse of Lehman Brothers and the Fed's takeover of the American International Group. Those events created a new level of fear. Banks cut back on making loans and instead poured money into Treasury bills, which paid almost no interest but also came with almost no risk. On the loans they did make, banks demanded higher interest rates. Over the past two weeks, rates have generally continued to rise — and these rates, not the stock market, are really what you should be watching.

d. How does the issue of "trust" relate to both past and present economic conditions?

In the way that if we don't trust the banks and stock market, and rush in to take out our money before it's too late, we are making it even worse.

e. Based on the evidence presented, do you think another Great Depression is possible? Why or why

not?

I think it's definitely possible, but because the government is working to prevent the worst from happening, I don't think it's going to be as bad as the last depression.