

Using NewsHour Extra Feature Stories

STORY

Markets Falter After Congress Fails to Agree on Rescue Plan

September 30, 2008

http://www.pbs.org/newshour/extra/features/us/july-dec08/bailout_9-30.html

Estimated Time: One 45-minute class period with possible extension

Student Worksheet (reading comprehension and discussion questions without answers)

PROCEDURE

1. WARM UP

Use initiating questions to introduce the topic and find out how much your students know.

2. MAIN ACTIVITY

Have students read NewsHour Extra's feature story and answer the reading comprehension and discussion questions on the student handout.

3. DISCUSSION

Use discussion questions to encourage students to think about how the issues outlined in the story affect their lives and express and debate different opinions.

INITIATING QUESTIONS

1. What are the two houses of Congress? How many people are in each house?

2. What is the stock market?

3. What does it mean if the stock market is down or up?

READING COMPREHENSION QUESTIONS – **Student Worksheet**

1. Why did the stock market falter on Monday, September 29, 2008?

ANSWER

Stock prices tumbled Monday after the House of Representatives voted against a \$700 billion emergency rescue package, ignoring pleas from President Bush and the leaders of both parties.

2. How many votes did the rescue package lose by?

ANSWER

The proposal went down in a 228-205 vote, If 12 House members who voted “no” had voted yes, the rescue package would have passed.

3. What is the DOW and how much did it drop on Monday?

ANSWER

Many investors in New York's stock markets lost confidence in the American economy and sold their stocks, resulting in a 777 point drop in the Dow Jones industrial average — an index of the stock prices of 30 well-known American companies that is used to gauge the relative health of the market as a whole.

4. What do housing prices have to do with the economic meltdown?

ANSWER

Many people bought homes they couldn't afford because there were lots of banks and

mortgage brokers willing to loan them huge amounts of money. Those brokers were willing to make risky loans because they were betting that the prices of homes would keep going up. But the bubble has burst, sending housing prices down and leaving many people with houses that are no longer worth what they paid for them and no way to pay the bank back their loans.

5. What is a credit crisis?

ANSWER

As banks lose more money, they clamp down on loans – even to each other. This is called a credit crisis because no one is willing to lend to anyone and that is slowing down the economy on many levels.

6. What is Treasury Secretary Paulson’s plan to bailout the banks?

ANSWER

Paulson wants the Treasury to buy some of the bad loans from the banks so that they don't have to worry about them any more. The idea is that the government will hold on to the bad loans for a while (trying to help families redefine the terms of the loans so they can stay in their houses) and then sell them when the economy gets back on its feet.

7. Why did Democrats and some Republicans vote against the bill?

ANSWER

Many of the Republicans who voted against the plan oppose it because it goes against their free market principles — they believe the government should not interfere in private banks and businesses.

Many Democrats voted "no" because they feel the plan helps bankers but not the homeowners facing foreclosure or the workers who may lose their jobs.

DISCUSSION QUESTIONS (more research might be needed)

- 1. Do you think the rescue plan was a good idea? Why or why not?**
- 2. Imagine you are a member of congress. Would you vote for or against the bailout? List some pros and cons of each decision.**
- 3. Does the recent financial crisis influence your view on who should be the next president? Why or why not?**
- 4. What should happen next to deal with the financial crisis?**

Extension Activity

Have students write a 300-500 word essay on this topic providing clear examples. Send your completed editorial to NewsHour Extra (extra@newshour.org). Exceptional essays might be published on our Web site.