

Using NewsHour Extra Feature Stories

STORY

Shifting Away From Free Market Ideals, U.S. Government Buys Big Stakes in Banks 10/17/08

http://www.pbs.org/newshour/extra/features/us/july-dec08/banks_10-17.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 is the "free market"? What are some of the ideas behind a "free market"?

2. What is credit?

3. What are taxes? What are tax payers?

READING COMPREHENSION QUESTIONS – [Student Worksheet](#)

1. What did the U.S. Treasury do this week?

ANSWER

Following the lead of several European nations, the United States decided to use \$250 billion in taxpayer money to buy pieces of some of America's largest banks in an effort to help fix a struggling financial system.

2. Why are some of President Bush's friends saying, "What happened to him?"

ANSWER

Instead of letting the market work itself out, President Bush, announced October 14 that the Treasury Department, which is part of the executive branch of the federal government, would use half the \$250 billion to buy stock in nine of the nation's largest banks. The rest will go into smaller banks.

3. What is the cause of the current crisis and why is it important?

ANSWER

The cause of the current market crisis is lack of credit, meaning that banks and other lenders are not lending money because of fears that it will not be repaid. Credit is essential so important because large companies use their credit to get short-term loans to fund essential parts of their businesses: paying employees, shipping products or buying materials.

4. Could this credit crisis affect other sections of the economy? How?

ANSWER

Yes, lack of credit could force some companies out of business, and when businesses fail, the economy suffers – people lose jobs and stores close.

5. This is not the first plan to help out the current economy, what was the original plan?

ANSWER

The original plan was to buy some bad investments – based on risky home loans - from banks. When that plan failed to fix the problem, America followed Britain, France and Germany's lead in taking the next step: buying parts of some of the biggest banks, also known as "nationalizing" those banks. By buying a share of these banks, the government supplies them with more money and implies to investors that these banks are guaranteed by the government and won't be allowed to fail.

6. Name three other countries that have recently proposed bank nationalization plans.

ANSWER

The United Kingdom, France and Germany.

7. What are some other economic factors that are keeping the market unstable?

ANSWER

New economic data showed that less people were shopping at malls and buying new cars in September, the Dow average dropped 7.9 percent on October 15, the second-biggest drop in history, the Washington Post reported.

DISCUSSION QUESTIONS (more research might be needed)

1. Which would you pick, a free market system or a more nationalized banking industry? Why?

2. Can you name other industries heavily regulated by the government? Do you think regulation is more important in some industries than others?

3. Imagine you have invested in a bank that is going under, how would you react to the latest government action? Imagine you invested in a bank that is doing fine, do you feel the same?

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.