

The Stock Market Game™



Week In Review

September 26, 2008

By: Elizabeth Reidel, SIFMA Foundation for Investor Education

The current soggy weather on the East Coast is certainly an appropriate reflection of the gloominess felt on Wall Street. It's been another tough week with the state of the economy weighing heavily on everyone's minds (but in positive news – there is no writer's strike on the horizon this year, so we at least have new episodes of our favorite TV shows to look forward to this Fall!).

The \$700 billion financial markets bailout has monopolized the headlines this week sending the Dow Jones Industrial Average into positive territory briefly today as investors hold out hope Congress will pass the proposed financial sector rescue plan. Even if the plan to buy up bad mortgage debt from troubled banks does pass and curbs executive pay packages at participating firms, many feel it probably won't be enough to stop the economy from getting worse. The general feeling on the Street is the nation could be facing its worst economic downturn since the Great Depression. Former powerhouses such as Bear Stearns, Lehman Brothers, and Merrill Lynch that survived the Depression, the crash of 1987, and the aftermath of 9/11 have fallen by the wayside and the list keeps growing. Economists say that without a restoration of credit, unemployment would likely shoot up to over 10% from 6.1% today and GDP (gross domestic product – felt to be the best barometer of the country's economic health) could fall at an annual rate of between 2% and 4%.

The bailout plan talks stalled on Thursday after House Republicans stated they couldn't proceed with plans devised by the White House and congressional Democrats. The difference in opinion focuses on who "foots the bill." House Republicans say they want Wall Street to pay for its mistakes in a "workout" – not a bailout by taxpayers. "There are disagreements over aspects of the rescue plan. But there's no disagreement something must be done," President Bush stated this morning shortly after the markets opened. It is felt an agreement will be ironed out by Sunday at the latest.

In other political news, the debate between John McCain and Barack Obama will take place tonight as planned (8pm EST), despite McCain stating earlier this week he would bow out until action had been taken on the bailout plan. As mentioned in a previous Week in Review, in anticipation of the teachable moments that will spring up around the media coverage of the presidential election, The Stock Market Game program has prepared a project that has students determine the impact of the "election cycle" on the stock market using the Dow. The new SMG project, *The Election Cycle*, asks students to first determine the motion of the Dow during a presidential term and then asks them to develop investment strategies based on their interpretation of the data they have gathered. The project is accessible under the "Projects" section of the [Teacher Support Center](#). Select "Tracking Your Investments" as the unit, "Cause for Stock Price Change" as your "Topic" and then "Middle School" or "High School" as your Grade.

In closing, The Stock Market Game program remains committed to educating students (and teachers) on the importance of saving and investing and the following quote is definitely appropriate in the current economic climate: "We cannot always build the future for our youth, but we can build our youth for the future" – Franklin D. Roosevelt.