

ECON 1a, Fall 2009
Online video assignment

Instructions: open up the video at <http://fee.org/videos/64>. You will find a link there to download the audio if you prefer to do that, but I recommend watching the video. As you watch or listen, answer the questions in the space provided. The questions are all in sequence and you can pause the video if necessary.

Name at least three of the four aspects of the “high school history” story of the Great Depression. (Note: he mispronounces the French phrase *laissez faire*.)

The Great Depression was a massive failure of what institution, according to Horwitz?

Name one of the two popular explanations for the “cluster of errors” that Horwitz mentions.

If you see a spate of car crashes, what has most likely gone wrong, according to Horwitz?

Macroeconomics is about time and what else?

What is the key price in the market where time and money come together?

When the Fed injects new money (credit) into the economy what happens to interest rates? Do they rise or fall?

Lower interest rates make longer-term projects more or less attractive?

The low interest rates that the Fed caused during the boom time starting in 2001. Which is the mistake, according to Horwitz, the boom or the subsequent

recession.

Are housing markets very sensitive or very insensitive to interest rates? 4

Were Fannie Mae and Freddie Mac, institutions which purchased mortgages in the secondary market, free-market institutions?

Fannie and Freddie were told to encourage mortgage loans to low-income people. True or false?

There was a Congressional mandate to increase home ownership in what ethnic group?

Risky securitized mortgages were often given AAA ratings. True or false: Horwitz considers the three rating agencies to be free-market institutions.

The credit markets were said to be “frozen” in the fall of 2008, but Horwitz disputes that. The banks that weren’t lending were mainly the big New York investment banks or the smaller regional banks?

How high did unemployment rate get in 1934 and how high was it after six years of New Deal policies?

“Consumption is the source of wealth.” Does Horwitz agree? What is the source of wealth?

The recession is the recovery, if you just let it happen. Do we need a “recovery plan” according to Horwitz?

How did Roosevelt set the price of gold?