Basic lesson in finance

[Finance](#)

The article " A Basic Lesson inFinance" discusses the consequences of stock market falling. The article contributes significantly financial and economic fields as it offers well-structured and logical study of the problem. The author describes the Black Monday stressing that it was really unexpected and financial sphere appeared not to be prepared for such situation. Actually, the US stock market has dramatically dropped, and it has been the largest crash since 1929.

Nevertheless, equities benefited from such situation as inflation had fallen. The author underlines that the Black Monday passed harmlessly in contrast to credit crunch occurred in the country. I think the article is very analytic and informative as it offers detailed analysis of stock market falling stressing the causes, flowing and consequences. It is known that stocks are very attractive for investors and for common people who are willing to earnmoney. So, fluctuations at stock market cause worries among people.

Nevertheless, economists argue that recession is inevitable and investors should pull back on consumption. In such a way the author cites economists and financial analytics to show the current situation at the stock market. For example, he cites John Kenneth Galbraith who argues thatdepressioncaused more serious damages than stock market falling. Further, the author suggests that stock market recovered from the crisis only since nine months, though he didn't provide evidence to support his position.

Moreover, he writes that stock market falling didn't affect country's economy, though I don't agree with his point. I think that even the slightest fluctuations at the market do affect economic stability as small problems in not managed properly may become disastrous. The credit crunch is said to

become easier, though the borrowers don't see expected returns. Finally, it was interesting to find information about securitization because this problem is relatively new and there is little available information how to manage the problem.