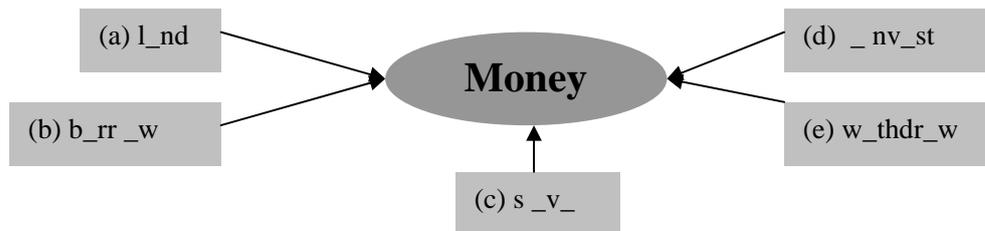


Financial crisis

As it becomes harder to borrow money on the world financial markets, investors ask: how big is the lending crisis?

1 Replace the missing vowels in the verbs (a–e). Create sentences about yourself, using these five collocations.



2 Scan the transcript of the podcast *Investing today*. Put the items (a–d) in the order that they occur.

(a) UK firm in crisis ... (b) US mortgage market ... (c) Questions and Answers ... (d) Private investors ...

“Welcome to ‘Investing today’. In this week’s podcast we look at the global credit crisis, the biggest financial upheaval since the dot.com crash of the 1990’s. There has been huge uncertainty on stock markets around the world in recent weeks. Many investors are worried that the critical situation in the US housing market could undermine the global economy. First, we trace the origins of the problems in the world financial markets – the collapse of the sector of the US mortgage lending market known as ‘sub-prime’. The ‘sub-prime’ market is where people with poor credit histories or those with low incomes are offered loans by the banks. With rising interest rates, people have defaulted on these loans. This resulting collapse has affected lending around the world, since US banks have not been able to lend to banks in other countries.

We then look at the knock-on effect in the UK, where the country’s biggest mortgage provider, Northern Rock, has been unable to borrow money from its usual lenders. The company has been helped by the Bank of England, who lent money at a higher than usual interest rate, although that has not stopped thousands of panicking investors from withdrawing their savings. This is the first time the Bank of England has been the ‘lender as a last resort’ since the 1970’s, so it’s no surprise that investors are worried. Next, we look at you, the individual investor: will the squeeze on credit continue? Is this a good time to be playing the markets, or is property the safest bet? Or should you be investing in pensions or government bonds? Finally, we’ll discuss the results of our earlier phone-in when listeners asked their own questions. So first, let’s hear Jane Lee in New York ...”

3 Read the whole transcript. What happened in the US? What happened in the UK?

4 Find the following words or expressions in the transcript from the definitions.

- | | |
|--|---------------|
| (a) to make something become gradually less effective or successful | (paragraph 1) |
| (b) failed to pay money that you owe | (paragraph 1) |
| (c) when something suddenly fails or stops existing | (paragraph 1) |
| (d) saying something will be done only after trying everything else to solve a problem | (paragraph 2) |
| (e) to make someone have financial trouble, for example by cutting a supply of money | (paragraph 2) |

(Definitions from or based on Macmillan English Dictionary 2nd Edition Text © A&C Black Publishers Ltd 2007)

5 Discuss the following questions in small groups. Be ready to report your findings to the class.

- (a) Describe the housing market in your country. Are interest rates high? Do many people default on loans?
- (b) How easy or difficult is it to get a loan in your country? Do you live in a ‘spending’ or a ‘saving’ culture?
- (c) What do you consider a good investment: property / pension funds / bonds / stocks and shares etc?