

Banking crisis

It has been described as one of the worst weeks for the banking industry for decades. After a week of financial turmoil across the world's stock markets, many wonder if the events of the third week in September have changed the financial world forever.

1 Decide if the words in the box are positive (+), negative (-) or neutral (0). Compare your answer with a partner.

debt	stability	panic	plummet	takeover	meltdown
crisis	rally	bankruptcy	crash	turmoil	loan

2 Put the headlines in the correct chronological order [1-5]. You can check your answer by scanning the transcript.

Markets rally	New UK superbank emerges	Lehman's collapse	AIG - rescue package	Crisis at Northern Rock
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"Good evening and welcome to the Finance Programme. Tonight, we look at one of the most amazing weeks on the markets in living memory. It started on 'Meltdown' Monday – September 15th – as soon as news of the collapse of Lehman Brothers bank came through. This was the biggest bankruptcy in US history, with Lehman's declaring debts of 613 billion dollars. Investors around the world panicked and share prices around the world plummeted.

As one bank fell, the US Federal Reserve stepped in to rescue AIG, the insurance firm. This dramatic move was made on Wednesday to restore confidence in the system and prevent further panic on the markets. And it wasn't only the US who were worried about the stability of the financial markets. The UK remembers only too well the run on Northern Rock last September. As the share price in the Halifax Bank of Scotland dropped to new lows, the government decided to intervene. It ignored competition laws and encouraged the creation of a new 'superbank'. The £12 billion takeover by Lloyds TSB of HBOS, the UK's biggest mortgage lender, was announced on Thursday. Then came the news that the US government was

ready to buy billions of dollars of US banks' bad mortgage-related loans, and by the end of the week, the markets rallied.

On tonight's programme we ask: why? Is it only the banks themselves who are to blame for the global economic crisis – not only lending money to people who cannot repay their debts in last year's sub-prime mortgage crisis but also developing a culture of high risk investments and unsustainable borrowing? Or is the public also partially to blame, living on credit, buying their *i-phones* with money they don't have. Many of us might feel that the city 'fat cats' and their huge bonuses don't deserve our pity. We shudder to think of the dangers of another bank collapsing, but at the same time, we wonder whether tax-payers' money should be spent rescuing the banks from a crisis of their own making.

So, let's look back on an eventful week, one which rocked global capitalism to its core and ask: what does the future have in store for the financial markets? And the economy as a whole ..."

3 Read the whole transcript. Summarise the week's events. Who might be to blame for the financial crisis?

4 Identify the odd word out which does not form a collocation with the word at the end of each line.

4.1	ECONOMIC	(a) meltdown	(b) outlook	(c) forecast	(d) downturn	(e) crisis	(f) plummet
4.2	(a) booming	(b) fragile	(c) buoyant	(d) dramatic	(e) shrinking	(f) global	(the)
4.3	(a) kick start	(b) mishandle	(c) revive	(d) stimulate	(e) spend	(f) regulate	ECONOMY

5 Discuss the following questions in small groups. Report back to the class.

- (a) Should the government intervene to save banks from collapse? Why / why not?
- (b) Describe the current state of the financial markets in your country.
- (c) How do you see the future of the global economy? What about the economy outlook for your own country?