FINANCIAL CRISIS
FINANCIAL CRISES

Contents

Warm-ups
interpret cartoons, definition, personal stance, a quiz – test your knowledge on the eurozone crises, introduction to the European sovereign debt crises

Vocabulary and Language
key phrases, verbs of share price movements, crises jargon, sentence matching & paragraph work, editing, comparison

It’s all Greek to me
Article 1: Getting a basic understanding of the background of the current crises in Greece

Article 2: “Why does this matter for the rest of Europe?”

→ idioms & figurative phrases, word definitions, true/false + false statements corrected, eliciting information from the text, rephrasing, correct tense forms, conditional I

Eurozone crises
Article: “Eurozone: a very overcast outlook”

→ key terms, prepositions, grouping words according to meaning and connotation, answering questions, vocabulary work

Students will

⇒ learn and talk about the eurozone crises: background, overview & an outlook, focus on Greece

⇒ get to know and study key terminology

⇒ scan newspaper articles for information, rephrase and summarize them

⇒ interpret cartoons

⇒ revise and practise key grammar units (comparison, if sentences, prepositions)

⇒ work on their vocabulary (language in use)

⇒ revise skills used in the centralised exam (Standardisierte Reifeprüfung Neu)
1A Your teacher has spread the following cartoons across your classroom. Work together in teams of four students and choose the one you find most interesting. Describe the cartoon and discuss what you think its message is. Also talk about how your cartoon is related to what you know about what is happening in the world economy today. Then present and compare your ideas in class.

Source: http://www.economist.com/node/21564528?zid=293&ah=0bca374e65f2354d553956ea65f756e0

Source: Luojie in China Daily, China. CWS/Cartoonists International.
FINANCIAL CRISES


1B Business dictionary.com offers the following definition of ‘Financial crisis’. Some of the terms used have been mixed up however. Can you find out the real words?

A situation in which the supply of EMYON ____________ is outpaced by the DAMNED ______________ for money. This means that liquidity is quickly evaporated because available money is withdrawn from ASBNK ____________, forcing banks either to sell other investments to make up for the shortfall or to collapse. See also RICENOSES ____________.

Source: http://www.businessdictionary.com/definition/financial-crisis.html#ixzz2Boo8TWA

1C News of the global financial crises has dominated the headlines of international newspapers in recent months. Understanding the financial crises, however, is a daunting task, even for people who are financially literate.

Imagine a virtual line in your classroom ranging from “I’ve no clue what this is all about” on one side to “I’ve got a good understanding of the financial crises” on the other side and position yourself along this line between the two extremes. Together with your teacher discuss the situation in your class.
Test your knowledge: How much do you know about the financial crises in Europe? Read each sentence in the quiz carefully and tick A, B or C. Then compare your results with your teacher. Is there anything that surprises you? Is there anything else that you find interesting and would like to comment on?

1. The EU currently includes 27 Member States. ................. states out of these are also part of the euro area.
   
<table>
<thead>
<tr>
<th>A ten</th>
<th>B eleven</th>
<th>C twelve</th>
</tr>
</thead>
</table>

2. When the euro was first introduced in ................. the euro area was made up of 11 out of then 15 EU Member States.
   
<table>
<thead>
<tr>
<th>A 1993</th>
<th>B 1995</th>
<th>C 1999</th>
</tr>
</thead>
</table>

3. The acronym ESM stands for ................. .
   
<table>
<thead>
<tr>
<th>A European Saving Management</th>
<th>B European Stability Mechanism</th>
<th>C European Shared Money</th>
</tr>
</thead>
</table>

4. The ESM is a new European Union agency, based in ................., that will be able to provide financial assistance to eurozone countries in difficulty.
   
<table>
<thead>
<tr>
<th>A Athens</th>
<th>B Luxembourg</th>
<th>C Brussels</th>
</tr>
</thead>
</table>

5. The ESM has a maximum lending capacity of ................. billion euros to help countries in difficulty.
   
<table>
<thead>
<tr>
<th>A 200</th>
<th>B 500</th>
<th>C 800</th>
</tr>
</thead>
</table>

6. The ESM will eventually replace the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF), which were set up in May ...........
   
<table>
<thead>
<tr>
<th>A 2010</th>
<th>B 2011</th>
<th>C 2012</th>
</tr>
</thead>
</table>
7. Germany will provide ........ % of the capital of the ESM, France 20% and Italy 18%.
   A 27                  B 32                  C 37

8. The acronym IMF stands for ....................
   A International Monetary Foundation     B International Money Federation
   C International Monetary Fund

9. Since ..................., the euro area Member States and the IMF have been providing financial support to Greece in the context of a sharp deterioration in its financing conditions.
   A May 2010                B December 2010             C May 2011

10. However, in return for all these loans, the EU and IMF insisted that Greece embark on major ................. measures involving drastic spending cuts, tax rises, and labour market and pension reforms.
    A security                B austerity               C bailout

11. The result of the general election on 17 June 2012 in Greece was greeted with relief in eurozone capitals, the EU and IMF. The win of Antonis Samaras’ ................ eased fears that Greece is about to leave the eurozone.
    A centre-right New Democracy party       B left-wing Syriza bloc

The **European sovereign debt crisis** (often referred to as the **Eurozone crisis**) is an ongoing crisis that has made it difficult or impossible for some countries in the euro area to repay or re-finance their debt without the assistance of third parties.

From late 2009, fears of a sovereign debt crisis developed among investors as a result of the rising private and government debt levels around the world together with a wave of downgrading of government debt in some European states. Causes of the crisis varied by country. In several countries, private debts arising from a property were transferred to sovereign debt as a result of banking system bailouts and government responses to slowing economies post-bubble. In , unsustainable public sector wage and pension commitments drove the debt increase. The structure of the Eurozone as a monetary union (i.e., one without fiscal union (e.g., different tax and public pension rules) contributed to the crisis and harmed the ability of European to respond.

Concerns intensified in early 2010 and thereafter, leading Europe's finance ministers on 9 May 2010 to a rescue package worth €750 billion aimed at ensuring financial stability across Europe by creating the European Financial Stability Facility (EFSF). In October 2011 and February 2012, eurozone leaders agreed more measures designed to prevent the collapse of member economies, including an agreement whereby banks would accept a 53.5% write-off of Greek debt owed to private creditors, increasing the EFSF to about €1

To restore confidence in Europe, the focus across all EU member states has been gradually to implement austerity, adopting the Euro Plus Pact, consisting of political reforms to improve fiscal strength and competitiveness, as well as the Fiscal Compact, including the commitment of each participating country to introduce a balanced budget amendment as part of their national law/constitution. Each the eurozone countries being involved in a bailout program (Greece, Portugal and ) was asked both to follow a program with fiscal consolidation/austerity, and to restore competitiveness through implementation of structural reforms and internal devaluation, i.e. lowering their relative production costs. The European Central Bank (ECB) has done its part by lowering interest rates and providing cheap loans of more than one trillion Euros to money flows between European banks. On 6 September 2012, the ECB calmed financial markets by announcing full support for all eurozone countries involved in a sovereign state bailout program from EFSF/ESM through so-called Outright Monetary Transactions. It is hoped that these measures will decrease current account imbalances among eurozone member states and lead to an end of the crisis.

The crisis has had a major impact on EU politics, leading to power in several European countries, most notably in Greece, Ireland, Italy, Portugal, Spain, and France.

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
<th>P</th>
<th>Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>E</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FINANCIAL CRISES**

- Shifts
- Trillion
- Government
- Currency
- Financial
- On
- Bubble
- Of
- Allow
- Maintain
- Leaders
- Measures
- Greece
- Ireland
- Gradually
- Original
- Approve
To start with, you need to know what causes this financial crisis everywhere in the world. The current crisis in consumer capitalism - which has precipitated a mortgage crisis, a housing crisis, a spending crisis and a savings crisis in the United States and the West - has many causes. However, essentially it started with the credit crunch in the American banks. “Credit crunch” is a liquidity problem. People were so uncertain, and no one wanted to lend to anyone.

One bank can make a series of bad or excessive lending decisions, but when this becomes commonplace, it is not 'the banks' acting in some collective conspiracy, but a systemic problem. In a debt-driven economy typical of countries like the US, the worst result would be a recession, as companies and individuals that rely on debt to operate suddenly find such funding has dried up.

How bad is the situation now? So bad that some even compare it with the Great Depression in the US in the 1920s/1930s. One of the examples is that in one single trading day, the New York Stock Exchange index dropped dramatically and a loss of 1 trillion dollar was reported!!! Another example is that elsewhere the stock markets plummeted.crashed/plunged/nosedived one after another.

In response, the US government proposed a 700 billion US dollar bailout plan in hope of boosting the confidence. Governments elsewhere, especially those in the euro zone, also came up with policies saving the market by guaranteeing the deposits in the banks or/and by nationalising some of the banks. Some countries central banks also cut the interest rates. Everything they do aimed at calming the nerve.

It seems something worked somehow! Yesterday the stock markets picked up from the huge loss last week and soar/surged/rallied/rocketed with big buying number. But experts warned that there is still a long way to go.

So what’s next?

It’s generally believed that we are going to see a global slowdown, and continued adjustment in parts of the financial services industry. Some financial analysts comment that if there is one lesson that investors should take away from this, it is probably not to be too brave at the current time, but to focus on safe investments and on having a decent level of cash and liquidity in their own mix of personal assets.
The following verbs are used to describe share price movements. Work together with a partner and with the help of a dictionary group the words into those that describe upward movements and those that describe downward movements. Then choose two words of each column and form meaningful sentences.

<table>
<thead>
<tr>
<th>UP</th>
<th>DOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>climb</td>
<td>drop</td>
</tr>
<tr>
<td>dip</td>
<td>lose ground</td>
</tr>
<tr>
<td>soar</td>
<td>slide</td>
</tr>
<tr>
<td>slip</td>
<td></td>
</tr>
<tr>
<td>jump</td>
<td>rise</td>
</tr>
<tr>
<td>rally</td>
<td>plummet</td>
</tr>
<tr>
<td>gain ground</td>
<td>strengthen</td>
</tr>
<tr>
<td>soften</td>
<td>tumble</td>
</tr>
<tr>
<td>be lifted</td>
<td></td>
</tr>
</tbody>
</table>
Crises jargon A-Z: Can you match the terms in column A with their appropriate explanation in column B?

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AAA-rating</td>
<td>A</td>
</tr>
<tr>
<td>2</td>
<td>Assets</td>
<td>B</td>
</tr>
<tr>
<td>3</td>
<td>Austerity</td>
<td>C</td>
</tr>
<tr>
<td>4</td>
<td>Bailout</td>
<td>D</td>
</tr>
<tr>
<td>5</td>
<td>Basel accords</td>
<td>E</td>
</tr>
<tr>
<td>6</td>
<td>Bear market</td>
<td>F</td>
</tr>
<tr>
<td>7</td>
<td>Bull market</td>
<td>G</td>
</tr>
<tr>
<td>8</td>
<td>Capital</td>
<td>H</td>
</tr>
<tr>
<td>9</td>
<td>Capitulation (market)</td>
<td>I</td>
</tr>
<tr>
<td>10</td>
<td>Credit rating</td>
<td>J</td>
</tr>
<tr>
<td>11</td>
<td>Deficit</td>
<td>K</td>
</tr>
<tr>
<td>12</td>
<td>Deflation</td>
<td>L</td>
</tr>
</tbody>
</table>

**A**

1. AAA-rating
2. Assets
3. Austerity
4. Bailout
5. Basel accords
6. Bear market
7. Bull market
8. Capital
9. Capitulation (market)
10. Credit rating
11. Deficit
12. Deflation

**B**

A. In a bear market, prices are falling and investors, fearing losses, tend to sell. This can create a self-sustaining downward spiral.
B. A term increasingly used for the idea of a common, jointly-guaranteed bond of the eurozone governments.
C. The point when a flurry of panic selling induces a final collapse - and ultimately a bottoming out - of prices.
D. An organisation set up after World War II to provide financial assistance to governments.
E. Economic policy aimed at reducing a government’s deficit (or borrowing). It can be achieved through increases in government revenues - primarily via tax rises - and/or a reduction in government spending or future spending commitments.
F. Negative inflation - that is, when the prices of goods and services across the whole economy are falling on average.
G. A private investment fund which uses a range of sophisticated strategies to maximise returns including hedging, leveraging and derivatives trading. Authorities around the world are working on ways to regulate them.
H. The policies of the central bank. A central bank has an unlimited ability to create new money. This allows it to control the short-term interest rate, as well as to engage in unorthodox policies such as quantitative easing - printing money to buy up government debts and other assets.
I. A US investment bank, whose collapse in September 2008 sparked the most intense phase of the financial crisis.
J. The best credit rating that can be given to a borrower’s debts, indicating that the risk of a borrower defaulting is minuscule.
K. A loan that carries a higher risk to the lender (and therefore tend to be at higher interest rates) because they are offered to people who have had financial problems or who have low or unpredictable incomes.
L. For investors, it refers to their stock of wealth, which can be put to work in order to earn income. For companies, it typically refers to sources of financing such as newly issued shares.
<table>
<thead>
<tr>
<th>13</th>
<th>European Banking Authority (EBA)</th>
<th>M</th>
<th>The group of eight major industrialised economies, comprising the US, UK, France, Germany, Italy, Canada, Japan and Russia.</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Eurobond</td>
<td>N</td>
<td>A period of negative economic growth.</td>
</tr>
<tr>
<td>15</td>
<td>Federal Reserve</td>
<td>O</td>
<td>A situation in which it suddenly becomes much more difficult for banks to obtain cash due to a general loss of confidence in the financial system.</td>
</tr>
<tr>
<td>16</td>
<td>G8</td>
<td>P</td>
<td>The financial rescue of a struggling borrower.</td>
</tr>
<tr>
<td>17</td>
<td>Hedge fund</td>
<td>Q</td>
<td>A company responsible for issuing credit ratings. The major three rating agencies are Moody's, Standard &amp; Poor's and Fitch.</td>
</tr>
<tr>
<td>18</td>
<td>International Monetary Fund (IMF)</td>
<td>R</td>
<td>The assessment given to debts and borrowers by a ratings agency according to their safety from an investment standpoint - based on their creditworthiness, or the ability of the company or government that is borrowing to repay. Ratings range from AAA, the safest, down to D, a company that has already defaulted.</td>
</tr>
<tr>
<td>19</td>
<td>Investment bank</td>
<td>S</td>
<td>The amount by which spending exceeds income over the course of a year.</td>
</tr>
<tr>
<td>20</td>
<td>Lehman Brothers</td>
<td>T</td>
<td>A pan-European regulator responsible created in 2010 to oversee all banks within the European Union</td>
</tr>
<tr>
<td>21</td>
<td>Liquidity crisis</td>
<td>U</td>
<td>Things that provide income or some other value to their owner.</td>
</tr>
<tr>
<td>22</td>
<td>Monetary policy</td>
<td>V</td>
<td>The US central bank.</td>
</tr>
<tr>
<td>23</td>
<td>Nationalisation</td>
<td>W</td>
<td>A bull market is one in which prices are generally rising and investor confidence is high.</td>
</tr>
<tr>
<td>24</td>
<td>Rating agency</td>
<td>X</td>
<td>The act of bringing an industry or assets such as land and property under state control.</td>
</tr>
<tr>
<td>25</td>
<td>Recession</td>
<td>Y</td>
<td>A set of agreements by the Basel Committee on Bank Supervision (BCBS), which provide recommendations on banking regulations. The purpose of the accords is to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses.</td>
</tr>
<tr>
<td>26</td>
<td>Sub-prime mortgages</td>
<td>Z</td>
<td>Investment banks provide financial services for governments, companies or extremely rich individuals. They differ from commercial banks where you have your savings or your mortgage.</td>
</tr>
</tbody>
</table>

Source: http://www.bbc.co.uk/news/business-15060411
Connect the parts in column A with the ones in column B and put them into the right order to produce four meaningful paragraphs. Write them down below. What do the phrases in bold mean? Can you explain them in English?

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor Angela Merkel appears to be holding all the cards -</td>
<td>she fears weaker countries will keep coming back for more, while her own voters may lose patience.</td>
</tr>
<tr>
<td>But if she does not provide the money, she risks letting the euro fall apart, in which case Germany will face a catastrophe</td>
<td>reasoning that this is the only way to keep the euro together in the long-term.</td>
</tr>
<tr>
<td>Any rescue of the eurozone therefore ultimately relies on German money.</td>
<td>- massive losses on loans already provided by the country's banks, government and central bank to southern Europe, a collapse in demand from Germany's biggest export markets, and an angry political backlash from the country's closest allies.</td>
</tr>
<tr>
<td>She is trying to use her power, and the reliance on her country's money, to force through greater integration of the eurozone,</td>
<td>she presides over Europe's strongest economy and strongest government finances.</td>
</tr>
</tbody>
</table>

Source: http://www.bbc.co.uk/news/business-18284747
The following explanations refer to the words in bold taken from the article Eurozone summits: Moments of truth or waste of time? Find out which words these explanations refer to.

1. having become weaker and less effective
2. to severely damage sth or make sth weaker (informal)
3. an official meeting or series of meetings between the leaders of two or more governments at which they discuss important matters
4. very many
5. to continue slowly and steadily for a long time
6. to criticize sb strongly in public
7. to find an acceptable solution to a problem or difficulty

Then read through the text. In some lines of the text there is one word that has been added and is not necessary. Write the extra word in the space provided after each line. Some lines are correct. Indicate these with a tick. The first two have been done for you.

Eurozone summits: Moments of truth or waste of time?
By Richard Anderson
22 October 2012
http://www.bbc.co.uk/news/business-19959759

Eurozone leaders met for the umpteenth time in October in their latest attempt to shore up on the faltering economies of Europe and restore confidence in the euro. Since the onset of the financial down crisis in 2008, there has been an almost constant string of the meetings among top policymakers in a concerted effort to resolve that the debt crisis that has
decimated the Greek economy and dragged the eurozone to the brink of its second recession in three years. And yet still the crisis rumbles on, with Spain looking at increasingly likely to follow Greece, the Republic of Ireland and Portugal in seeking a bailout as it struggles as to bring its debts under control. So what have all these meetings, talks, lengthy negotiations and summits been in aid of? What have they actually been achieved? Bankers have long pilloried policymakers for their inability to get to grips with the crisis and implement effective reforms to solve it off. But do they have done a point?
Comparison: First study and revise the information on how to compare things and people in English. Then look at the graph showing countries most exposed to Greek debt and form six meaningful comparative sentences.

**How to compare things and people**

1. **...as... as... or ...not as... as...**
   - I am as old as my brother.
   - Liz is not as good at Maths as Susan.
   - The Samsung Wave is not as expensive as the iPhone.

2. **Comparative: ( ...than....)**
   - I am older than my brother.
   - Susan is better at Maths than Liz.
   - The iPhone 4 is more expensive than the Samsung Wave.

3. **Superlative: ( ...the....)**
   - I am the oldest girl in our class.
   - Susan is the best student in her course.
   - The iPhone 4 is the most expensive mobile phone in our store.

**Countries most exposed to Greek debt**

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank and private lending</th>
<th>Government debt exposure</th>
<th>$bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td></td>
<td>39.91</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>6.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>8.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>3.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Greece total debt: $407bn (€327bn)

Source: BIS July 2012, Elstat
3 A “It’s all Greek to me: Understanding the debt crises in Europe” is the title of a newspaper article published by The New York Times in May 2010. Get together with your partner and discuss what the article might be about. Then find out what the idiom ‘It’s all Greek to me’ generally and in this particular context means.

3B The following words are taken from the article below. Try to match them with their definitions and write the numbers in the boxes.

<table>
<thead>
<tr>
<th></th>
<th>predecessor</th>
<th>the lowest point or level that is possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>rock-bottom</td>
<td>to ask for sth very firmly</td>
</tr>
<tr>
<td>3</td>
<td>revelation</td>
<td>to be deliberately unfriendly to sb, creating difficulties, etc. in order to stop or discourage them from doing sth or taking part in sth</td>
</tr>
<tr>
<td>4</td>
<td>to freeze sb out</td>
<td>a state of great anxiety and confusion</td>
</tr>
<tr>
<td>5</td>
<td>austerity</td>
<td>a person who did a job before sb else</td>
</tr>
<tr>
<td>6</td>
<td>to demand</td>
<td>to leave an important job or position and let sb else take your place</td>
</tr>
<tr>
<td>7</td>
<td>turmoil</td>
<td>a fact that people are made aware of, especially one that has been secret and is surprising</td>
</tr>
<tr>
<td>8</td>
<td>to step down</td>
<td>a situation when people do not have much money to spend because there are bad economic conditions</td>
</tr>
</tbody>
</table>

3C Learn more about the background of the current crises in Greece and read the article below. Then do the tasks.

Greece
Updated: 8 November 2012

Over the last decade, Greece went on a debt binge that came crashing to an end in late 2009, provoking an economic crisis that has decimated the country’s economy, brought down its government, unleashed increasing social unrest and threatened the future of the euro.

Since a change in government revealed the true size of the country’s massive deficits, Greece has been kept afloat by its fellow euro zone countries, but at a steep price: the austerity measures demanded by France and Germany in return for two massive bailout packages, totaling 240 billion euros, have ripped holes in the Greek safety net and plunged the country into a recession of near-Great Depression dimensions. […]

Background
In late 2009, the new government of Prime Minister George A. Papandreou announced that it had discovered that its conservative predecessor had falsified budget figures, concealing a swollen debt that was growing rapidly.
in the wake of the global economic meltdown.

The roots of the crisis go back to the strong euro and rock-bottom interest rates that prevailed for much of the past decade. Greece took advantage of this easy money to drive up borrowing by the country’s consumers and its government, which built up $400 billion in debt, much of it lent by banks in France and Germany.

When the global economy crumpled, those chickens came home to roost.

After the revelation of the true size of its deficit, Greece was quickly frozen out of the bond markets, and in May 2010 began to rely on an aid package of €110 billion, or $152.6 billion, agreed to by its richer European neighbors.

The price was a series of austerity measures meant to cut the country’s bloated deficit and restore investor confidence. Greece cut the pay of its public workers—a quarter of the work force—by 10 percent—but continued to miss deficit targets as its economy sank deeper into recession, shrinking by an estimated 5.5 percent in 2011.

Throughout 2010 and 2011, investors continued to demand ever higher interest rates for Greek borrowing as the market appeared to conclude that some sort of default was inevitable. Mass demonstrations turned violent in October 2011 as Parliament barely passed additional austerity measures Europe demanded to keep the bailout money flowing.

Also that month, European leaders won agreement from banks to reduce some of Greece’s debt by 50 percent. But the conditions coming along with the aid plunged Athens into turmoil, and in November, Mr. Papandreou decided to step down. Lucas Papademos, an economist and former vice president of the European Central Bank, was named prime minister and assembled a temporary government of national unity that pledged to quickly approve the tough terms of a second European aid package of $150 billion.

a) What does the article mean by using the following figurative phrases? Find out with the help of a dictionary and then explain them in your own words.

a debt binge

to keep afloat

a global economic meltdown

those chickens came home to roost

the country’s bloated deficit
b) Read through the text again and decide whether the following statements are true (T) or false (F). Correct the false statements.

<table>
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<th></th>
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<th>T</th>
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<tbody>
<tr>
<td>1</td>
<td>The debt crises in Greece started in 2009.</td>
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<td>Mr. Papandreou’s government had concealed the country’s real debt figures.</td>
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<td>3</td>
<td>In order to receive help from Germany and France, Greece had to accept massive spending cuts.</td>
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<td>4</td>
<td>It did however not reach the targets set by its richer European neighbours.</td>
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<td>5</td>
<td>The article says that the recession Greece is currently trapped in is worse than the 1930s Great Depression.</td>
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<td>6</td>
<td>In October 2011, the Greek expressed their anger about additional spending cuts in violent mass demonstrations.</td>
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<td>7</td>
<td>Mr. Papandreou left his office when he could not convince banks to reduce some of the country’s debt.</td>
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False statements corrected:

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Discussions about the current crises in Greece often refer to the so-called TROIKA. But do you know what the Troika is and what it does? Read through the definition provided by the BBC crises jargon buster and choose the correct tense for each gap. Write your answers in the boxes provided.

A term used to 1 refer to the European Union, the European Central Bank and the International Monetary Fund - the three organisations 2 charged with monitoring Greece's progress in carrying out austerity measures as a condition of bailout loans 3 provided to it by the IMF and by other European governments. The bailout loans are 4 released in a number of tranches of cash, each of which must 5 be approved by the troika's inspectors.

1. a) referring  b) refers  c) refer
2. a) charged  b) are charged  c) have charged
3. a) providing  b) provided  c) are provided
4. a) be released  b) being released  c) released
5. a) approve  b) have approved  c) be approved


The following article explains why the Greek crises actually matters to the rest of Europe. Read the article and do the tasks below.

a) Fill in the missing verbs from the box and make sure to use the correct tense and form.

become  force  agree  owe  not repay  repay  to be  move
Why does this matter for the rest of Europe?

22 August 2012
http://www.bbc.co.uk/news/business-13798000

[...] If Greece
........................ its creditors, a dangerous precedent will have been set. This will make investors increasingly nervous about the likelihood of other highly-indebted nations, such as Italy, or those with weak economies, such as Spain, .................... their debts. If investors stop buying bonds issued by other governments, then those governments in turn will not be able to repay their creditors - a potentially disastrous vicious circle.

To combat this risk, European leaders ..................... a 700bn-euro firewall to protect the rest of the eurozone from a full-blown Greek default.

Equally, if banks that are already struggling to find enough capital ...................... to write off money over and above that which they have already agreed to, they ..................... weaker still, undermining confidence in the entire global banking system. Banks would then be even more reluctant, and less able, to lend to one another, potentially sparking a second credit crunch, where bank lending effectively dries up.

For example, Greece ......................... French banks $38bn, German banks $5.5bn, UK banks $8.2bn and US banks $3.5bn.

This problem would be exacerbated by savers and investors taking money out of banks in vulnerable economies, such as Greece, Portugal and Spain, and ................. it to banks in safer economies such as Germany or the Netherlands. This could lead to more banks defaulting on their loans.

These potential scenarios would be made immeasurably worse if Greece ................. to leave the euro. The country would almost certainly reintroduce the drachma, which would devalue dramatically and quickly, making it even harder for Greece to repay its debts.

b) Go through the article again and summarize its main points in your own words in 3-4 sentences.

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c) *What if Greece leaves the Eurozone?* Get together with a partner, study the graph below and write down six *IF*-sentences about Greece’s future.

Source: http://www.bbc.co.uk/news/business-18074674
4A  In the news on the Eurozone crises, one regularly reads about “AUSTERITY”. Study the definition of this term and fill in the correct prepositions.

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Austerity
Economic policy aimed through reducing a government’s deficit (or borrowing). Austerity can be achieved through increases in government revenues - primarily via tax rises - and/or a reduction through government spending or future spending commitments.


4B  Get together in groups of four students and look at the following, alphabetically listed, words. Sort these words into categories that you determine and name yourself. Words may appear in multiple categories. Consult a dictionary if needed!

austerity  flawed assets  recession
banking system  forecast  recovery
competitiveness  growth  relatively slow
decline  IMF  Spain
economy  Ireland  spending policies
EU  lending  survey
euro  membership  taxation
figure  property prices

Then walk around the classroom and observe how the other groups categorized and labelled the same set of words.

Together with your teacher discuss the following questions: What commonalities or patterns did you see? What differences? What did you notice about the words? Based on this exercise, what do you expect an article that contains these words to be about?
Eurozone: A very overcast outlook
By Andrew Walker
BBC World Service Economics correspondent
November 15, 2012
http://www.bbc.co.uk/news/business-20344506

The eurozone is back in recession.

Economic activity declined in the third quarter of the year, according to new data from the EU's statistical agency, after a contraction in the previous period too.

1. ________________ the eurozone has been very close to recession for a longer period.

In the first quarter of this year, there was no growth and a decline at the end of 2011. So it's a year since the eurozone's economy grew at all, and you have to go back to the beginning of last year to find a figure that would, under more normal economic circumstances, have been considered reasonable growth (0.6%).

Another indicator of the depth of Europe's problems is the fact that the recovery from the last recession lasted less than three years.

This weakness is, 2. ________________, consistent with the pattern that influential academics have found in the period after financial crises. Carmen Reinhart and Kenneth Rogoff say that the recovery from a recession caused by a financial crisis tends to be relatively slow.

Weakness in Europe

3. ________________ Europe, the financial crisis - that's to say, the extent to which the problems were rooted in the banking system - was particularly acute in the case of Spain and Ireland. Booms in lending and property prices were followed by sharp retrenchments and bank failures.

But across the eurozone banks were hit by investments in flawed financial assets or by lending to financially-stressed governments.

4. ________________ that some degree of weakness was to be expected in Europe.

But has it been aggravated by austerity, the spending and taxation policies pursued by many European governments seeking to reduce their borrowing needs?

Professor Paul de Grauwe, of the London School of Economics, says the eurozone is in a "double-dip recession which is entirely self-made". He blames what he calls "excessive austerity in southern countries".

The idea that the austerity has deepened Europe's downturn is widely shared. It is another question whether there is a realistic alternative.

Several eurozone governments have debt burdens that are rising unsustainably. There is a debate to be had, 5. ________________, over how rapidly they should do that. The International Monetary Fund has suggested there is a case for moderating the pace of cuts.

The countries in the most acute financial and economic difficulty also have problems with competitiveness.
Membership of the euro means they don’t have the option of allowing their currency to depreciate to readdress that problem. 666666, they have been hoping that reforming their economies, notably their labour markets, would do the job.

There are signs of progress in that area.

In the case of Greece, the EU’s commissioner for economic affairs, Olli Rehn, recently said "by the end of this year, all of the competitiveness loss experienced by Greece between 2001 and 2009, relative to the rest of the euro area, will have been recouped".

It is nonetheless a process that takes time, much more time than a currency depreciation.

**Worse ahead?**

777777, many economists expect worse to come.

Surveys of business have suggested a further deterioration is likely, even in Germany. Growth there has already slowed. The most recent figure was a decidedly sluggish 0.2% in three months. If Germany were to slip into recession, that would be a powerful symbol of the eurozone's problems.

It would also be another headwind to recovery. As well as being an exporting powerhouse, Germany is also a major buyer of goods and services from the rest of the eurozone.

It is, then, a very overcast outlook. To take one example, the London-based consultants Capital Economics forecasts a contraction of 2.5% for the eurozone next year.

The European Commission is less pessimistic. Its recent forecast has the eurozone growing in 2013 year. But the figure is a frankly pitiful 0.1%, followed by a still rather lacklustre 1.4% the following year.

Even if the Commission turns out to be right, that would be a very long period of sub-par performance.

---

**A** in the case of

**B** even if

**C** what this means is

**D** looking ahead

**E** in fact

**F** then

**G** up to a point

**H** instead

**I** however

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a) Answer the questions using your own words.

The article starts with a gloomy picture of Europe’s economic situation. What does it say about growth in the eurozone’s economy and its recovery from the financial crises?

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According to Professor Paul de Grauwe, how are austerity measures linked to the economic situation Europe currently finds itself in?

As said in the article, the IMF argues for a deceleration of spending cuts in European countries. What’s the reasoning behind that?

The article reports that even Germany’s economy is slowing down at the moment. Why is that problematic for the rest of Europe?
b) Now read through the article again and in teams of 3-4 students find three additional questions that can be answered with the information from the article. Write them on a sheet of paper together with the answer and hand it in. Your teacher will collect your questions and put them together in a questions pool. Then form two groups. Your teacher will read the questions to you. The group who knows the answer sends one student to the front of the class to answer the question. The group with the highest number of correct answers wins.

c) Vocabulary work: Find the appropriate words from the article for the following explanations taken from a dictionary.

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ACROSS
8 a group or an organization that has a lot of power
9 a thing or things that are owned by sb; a possession or possessions
10 a person who studies or writes about economics
11 a time when a problem, a bad situation or an illness is at its worst point
12 the probable future for sb/sth; what is likely to happen

DOWN
1 an increase in the size, amount or degree of sth
2 a thing that you can choose to do or have out of two or more possibilities
3 the system of money that a country uses
4 a sudden increase in trade and economic activity, a period of wealth and success
5 a difficult time for the economy of a country, when there is less trade and industrial activity than usual and more people are unemployed
6 the situation of owing money, especially when you cannot pay
7 a plan of action agreed or chosen by a political party, a business, etc.
Chancellor Angela Merkel appears to be holding all the cards - she presides over Europe's strongest economy and strongest government finances. Any rescue of the eurozone therefore ultimately relies on German money. If Chancellor Merkel provides the money too readily, she fears weaker countries will keep coming back for more, while her own voters may lose patience.

But if she does not provide the money, she risks letting the euro fall apart, in which case Germany will face a catastrophe - massive losses on loans already provided by the country's banks, government and central bank to southern Europe, a collapse in demand from Germany's biggest export markets, and an angry political backlash from the country's closest allies.

She is trying to use her power, and the reliance on her country's money, to force through greater integration of the eurozone, reasoning that this is the only way to keep the euro together in the long-term.