DSCG 6
Anglais des affaires

MANUEL & CORRIGÉS

3e édition

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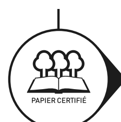

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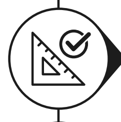

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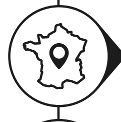

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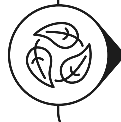

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11 rue Paul Bert, 92240 Malakoff
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ISBN 978-2-10-086776-9

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UE 6. ANGLAIS DES AFFAIRES

Niveau M – 120 heures – 15 ECTS

- Nature : cette épreuve orale comporte une préparation d'une heure sans autres documents que ceux qui sont fournis avec le sujet. Les documents sont en anglais. Dans un premier temps, le candidat doit présenter en anglais l'exposé qu'il a préparé, structuré à partir d'une question sur un thème en relation avec le document. Dans un second temps, un entretien, portant sur le sujet, est mené en anglais.
- Durée : 30 minutes hors préparation (exposé : 15 minutes maximum ; entretien en anglais : 15 minutes maximum).
- Coefficient : 1

1. Finance

Thème	Notions visées
Banking	Banks and financial institutions, money supply, the subprime crisis and the credit crunch, microfinance
Venture capital	Business plan, investing in start-ups
Bonds	Bonds, mortgage, investing in funds
Stocks and shares	Stocks and shares, hedge funds, financial report, investing clients' money
Derivatives	Spread-betting, financial instruments
International financial market	The foreign exchange market, the international financial system
Financial disclosure	Compulsory and voluntary disclosures (financial and non-financial information, environmental, social, etc.)

2. Accounting and auditing

Thème	Notions visées
Standards	National and international frameworks, accounting principles, harmonization, users of accounting and financial information
Financial statements	Presentation and interpretation of profit and loss account, balance sheet, notes, cash-flow statement for entities and groups
Intangibles	Recording and assessment (knowledge, image, innovation, goodwill, etc.)
Management control	Management control, internal and external audit Audit quality
Management accounting systems	Levels of control, measuring performances, dashboard, balanced scorecard

3. Governance and corporate social responsibility

Thème	Notions visées
Stakeholders	Internal and external stakeholders
Governance	Governance modes (shareholders, family, partnership) Mechanisms and tools

4. Information systems and new technologies

Thème	Notions visées
Information systems (IS)	What are information systems? Hardware, software, ERP, databases, networks, procedures
Digital devices	Big data, cloud computing, mobile and web services
Security and quality of IS	Risks Controls of IS
Management and information and communication technologies	Structure 2.0, Interactive control system, remote working

5. Management, Human Resources and Strategy

Thème	Notions visées
Management	What is management? What makes a good manager?
Work and motivation	Managers and motivation
Company structure	Big and small companies, new business model and peer production, IT impact on company structure, non-profit organization
Managing across cultures	Managers, authority, and cultural diversity
Recruitment	Job applications, filling a vacancy
Communication	Internal communication
Strategy and business growth	Construction and implementation of strategies, management of failure, competition, stakeholders and strategy

6. Production

Thème	Notions visées
Production	Capacity and inventory, purchasing and low-cost manufacturing, choosing suppliers
Logistics	Pull and push strategies, supply chain management/workflow environmental management system (EMS)
Quality	Total quality management
Innovations	Innovation classification, research and development unit, selection of innovations process, product launches

7. Marketing

Thème	Notions visées
Products	Products and brands
Marketing	The product life cycle, promoting a new product Negotiation Loyalties
Advertising and communication	Advertising and viral marketing External communication, sensorial marketing
Marketing and information and communication technologies	Personal data and marketing, social network and institutional communication

AVANT-PROPOS

Rédigés par des équipes pluridisciplinaires comprenant des enseignants en masters universitaires, en grandes écoles de management et en classes préparatoires à l'expertise comptable, membres des commissions d'examen, et 100 % conformes aux programmes, les manuels Dunod constituent une **préparation complète** aux épreuves de DCG et DSCG.

Cet ouvrage peut également être utilisé en autonomie par l'étudiant afin qu'il s'approprie toutes les notions et les bons réflexes méthodologiques (↳ **fiches méthodologiques**).

Les compétences au cœur du programme

Les unités sont déclinées en compétences. Ces compétences sont à la fois variées mais limitées par une liste donnée et clairement identifiée. Une compétence peut être définie comme la capacité à utiliser un savoir-faire dans une situation donnée pour produire un résultat requis. Elle s'acquiert dans une situation, d'où l'importance de la structuration et de l'entraînement à la pratique de la problématisation.

Une compétence présente un caractère disciplinaire ; elle vise à résoudre des problèmes liés à la discipline et repose nécessairement sur des connaissances inhérentes à cette même discipline. Mais, dans le même temps, une compétence s'appuie sur des savoir-faire généraux et transversaux (capacité à analyser, à rédiger de manière concise et précise, etc.).

La compétence induit donc un rapport au savoir, elle ne s'y oppose pas. Les savoirs sont les informations qu'il faut être en mesure de mobiliser « à bon escient » avec pour finalité l'élaboration d'un raisonnement structuré ou la résolution d'un problème lié à la pratique de la comptabilité et de l'audit.

Le concept de situation est donc central lorsque l'on évoque une compétence ; la mise en situation donne à l'étudiant l'occasion d'exercer la compétence visée. Une **situation** présente donc divers caractères, à la différence de la simple application de la règle :

- Elle mobilise un ensemble d'acquis et est orientée vers une tâche porteuse de sens.
- Elle fait référence à une catégorie de problèmes spécifiques à la discipline, elle est nouvelle.

Une compétence est évaluable. Elle peut se mesurer à la qualité de l'exécution de la tâche et à la qualité du résultat. Dès lors, une préparation efficace repose sur un équilibre judicieux entre l'acquisition de connaissances et un développement de compétences ciblées centré sur le réinvestissement en contexte. L'évaluation s'en trouve renouvelée ; elle met l'accent sur le cheminement intellectuel et l'esprit critique du candidat. Elle promeut une nouvelle quête de sens.

Le parti pris de nos manuels

Le présent manuel vise à apporter l'**ensemble des savoirs disciplinaires associés à l'unité d'enseignement** « Anglais des affaires » à travers sept parties, structurées en 14 chapitres, respectant scrupuleusement la progression logique du programme.

Le manuel de DSCG 6 propose une approche de l'anglais des affaires en trois temps :

- Dans la section « ***Time to learn*** », toutes les notions théoriques sont exposées et explicitées de manière synthétique et visuelle (définitions, schémas et tableaux de synthèse).
- Dans la section « ***Time to analyze*** », l'étudiant(e) est invité(e) à mettre la théorie en perspective, à la lumière de données récentes issues d'articles et d'infographies (presse, sites institutionnels…) et du vocabulaire approprié.
- Une préparation pas à pas à l'oral, doublée de rappels grammaticaux, est proposée dans la section « ***Time to read & speak out*** ». Cet entraînement s'appuie sur des articles en langue anglaise sélectionnés pour leur qualité linguistique et la pertinence de l'analyse formulée.

Afin de parfaire l'entraînement, deux sujets types d'examen ponctuent les 14 chapitres. Comme tous les exercices et applications (à l'exception des questions ouvertes de la rubrique « *Get ready for the final exam* »), ces sujets sont intégralement corrigés en fin d'ouvrage et émaillés de conseils aux candidat(e)s.

Enfin, des annexes méthodologiques répertorient les outils essentiels pour réussir l'oral.

Notre podcast *Balades en expertise comptable* est disponible sur toutes les plateformes d'écoute ainsi que sur le site Expert Sup de Dunod. Informez-vous en Anglais des affaires grâce à des podcasts d'experts : « Pandemics and intellectual property », « Record-breaking surge in energy prices », « Why branding matters »… et tant d'autres, à retrouver chaque mois !

CHAPTER 1

Banks and financial crises

OUTLINE

Themes

Banks and financial institutions • Money supply • The subprime crisis and the credit crunch • The international financial system

CHAPTER STRUCTURE

Time to learn: 1. Banks and financial institutions • 2. The subprime crisis and the credit crunch

Time to analyze: 1. Glossary • 2. A few landmarks • 3. Useful words

Time to read & speak out: 1. Read and pay attention to... tenses • 2. Mind the gap: expressing the future in the past • 3. Read and pay attention to... tense sequences • 4. Mind the gap: expressing the past, linking past and present • 5. Get ready for the final exam

The 2008 financial crisis made it necessary to bail out the financial sector worldwide. Both the US administration and the UK government, along with many other EU governments and the European Commission, nationalized or refunded banks and insurance companies in a bid to prevent them from domino-collapsing. This unconditional governmental support to banks and financial institutions obviously raises numerous questions: why does such support occur? What is the actual role of banks and financial institutions in the economy? What is their role in times of financial crises? And fifteen years later, are we sure the crisis is over in the wake of the Covid-19 pandemic?

KEY WORDS

Asset • Account • Bankruptcy • Collateral • Core capital • Credit crunch • Debt • Default • Deposit • Downturn • Investor • Financial crisis • Foreclosure • GDP • Leverage • Liability • Loan • Mortgage • Overdraft • Policymaker • Revolving credit • Security • Slump • Solvency • Sovereignty • Supplier • Working capital

TIME TO LEARN

1 Banks and financial institutions

A) The role of banks in the economy

1. Financing household consumption

Banks finance the economy by providing it with liquidity. Banks thus play a key role in economic activity: without the currencies they generate and the money they pump into the economy, households and companies could not operate. Banks grant various forms of loans to support and encourage household consumption:

- **Mortgages** finance the purchase of estate (housing loans). By acquiring property, households bolster the construction industry. These loans are often supplemented with loans for renovations. Through mortgages, banks indirectly and significantly finance the whole estate and construction sector (chart 1.1).

Chart 1.1. Outstanding amounts & annual growth rates (without seasonal adjustment)

	End-of-month level	Annual growth rate (%)		
	June-18	Apr.-18	May-18	June-18
Total	**1.187**	**6.0**	**5.9**	**5.9**
Lending for house purchase	978	5.6	5.7	5.6
Credit for consumption	173	7.4	6.9	7.4
Other lending	36	7.6	6.0	5.5

Banque de France. Stat Info: Loans to individuals – France, 2018.

- Consumer credits enable households to equip themselves with vehicles, furniture, electronics or other appliances. They therefore indirectly support companies in numerous industries (automotive, electronics, house equipment, etc.).

When borrowing money, households are often required to make a **down payment** so that banks do not need to finance their needs in full. As a result, banks can lend money to other households or economic actors. Through this **leverage**, the resources available in the economy can be significantly multiplied. The circle can infinitely restart from the beginning: each round leads to more wealth for economic actors as exemplified in fig. 1.1.

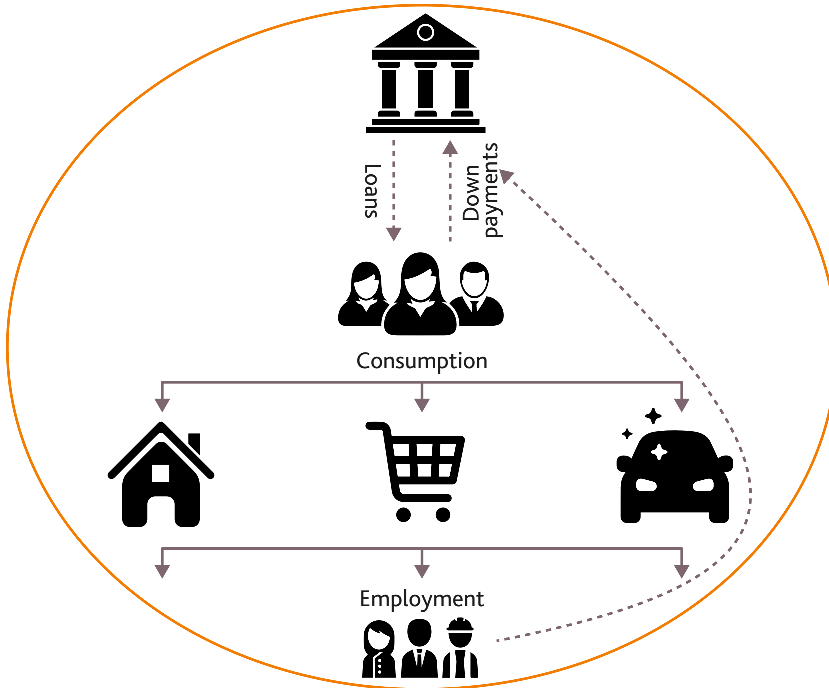

Figure 1.1. The virtuous economic circle

Households can open various types of **accounts** in commercial banks:

Examples

- A checking account is an account on which deposits are directly and instantly available. Each time an expense is made, the account is subject to direct debit.
- A savings account is an account on which deposits are remunerated at an Annual Percentage Rate (APR) offered by the bank. As a counterpart, funds are not instantly available and expenses can be subject to an upper limit set by the bank.
- A credit card account is an account that works as a loan contract with the bank. When they use their credit cards, customers actually borrow the amounts spent and reimburse them later with the resources they cash in. A credit card account offers a combination of deferred debit, **overdraft** and **revolving credit**.

2. Financing companies' investments

Banks mainly finance companies and their activities:

- Using households' savings and accounts to lend money to companies. In other words, banks can lend money exceeding their own financial resources, thereby leveraging funds from households. In 2015, this multiplying effect led the European Commission to launch a €300 billion investment plan aimed at leveraging at least 15 times this amount to finance the European economy on the long run.

FOCUS

The European Fund for Strategic Investments (EFSI)

To many, it sounded like a "fairy tale": you take a bit of money, invest it wisely and within three years, it will have multiplied 15 times over. Yet this is exactly what the European Investment Bank Group and the European Commission set out to do as part of their plan for economic recovery after the worst financial crisis since the late 1920s. With the Investment Plan for Europe, also known as the Juncker Plan, they promised to trigger €315 billion of additional investment in the EU by mid-2018. The key to fulfilling this promise was a €21 billion guarantee programme, the EFSI.

Time has passed, hundreds of projects have benefitted from EFSI support and the plan has turned out to be a success: in July 2018, exactly three years after EFSI came into being, the EIB Group surpassed its initial goal. But what can €315 billion do for a continent? Here are some answers to that question. They also explain why European legislators decided to extend EFSI to €500 billion by 2020.

http://www.eib.org/en/efsi, 2019

- Through long-term (over one year) loans which are supposed to finance long-term assets serving the whole economy. Companies employ people to whom they pay wages; they pay taxes to public authorities; they purchase goods and services from **suppliers** and other subcontractors; they pay utility bills, etc.
- Through short-term loans (less than a year) which aim at financing day-to-day activity and cash needs (**working capital**). Banks grant short-term **loans** when current **assets** are not sufficient to cover current **liabilities**.

KEY FIGURES

€408.4 bn investment mobilized by the EFSI, **€75 bn** financing approved for over **1,000** operations to benefit **952,000** small and medium-sized companies (EIB, 2019).

3. Circulating money

The contribution of banks lies mainly in circulating preexisting money. Banks organize the dissemination of cash in the economy through the services they make available to all economic actors: money transfers, money withdrawals at ATMs, cashing of checks, etc. The main responsibilities of banks consist in ensuring financial transactions, sufficient provisioning of accounts in cash and quick transactions.

Banks mustn't just ensure that enough money is always available, they also make sure it circulates quickly enough. The faster transactions are, the more quickly money moves from one hand to another, ensuring economic growth and wealth.

B One banking sector, several kinds of banks

1. Central banks

In most countries, central banks are independent of governments and in charge of monetary policy. They provide other banks with liquidity, aiming to promote economic growth, employment, price stability and exchange rate stability. The activity of central banks takes on three forms:

- They issue money through banknotes and coins;
- They set short-term and long-term interest rates. The higher interest rates are, the more attractive a country is for foreign **investors**. After the 2008 **financial crisis**, a new consensus emerged: high interest rates prevent companies from making investments because repayments are high. Consequently, most central banks have set low interest rates close to 0% to stimulate bank loans and facilitate corporate investments;
- They supervise the activity of commercial banks in their country. They set prudential standards and control their execution by commercial banks.

2. Retail banks

Retail banks are the economy's "everyday-life" banks. These banks use households' savings to lend money to those households and small businesses that need a loan. Three types of retail banks operate:

- Traditional private commercial banks, where people hold their bank accounts;
- Online banks, where every operation or transaction is done either using the Internet or a phone;
- Postal banks – which used to be publicly owned, and which offer side services to post offices.

3. Private banks

These banks are called "private", not just because they are privately owned, but because they are particularly attentive to their clients' privacy. Private banks do not lend money to their patrons. They focus on the wealthiest possible clientele and protect their patrons' privacy.

4. Investment banks

Investment banks, such as Rothschild, Lazard, JP Morgan, Merrill Lynch or Goldman Sachs, are mostly known to the public because of how heavily criticized they are. These criticisms stem in part from the fact that their activities are difficult to grasp and understand. Unlike retail banks, investment banks do not lend money and host accounts, and unlike private banks, they do not offer financial services to wealthy people. In fact, investment banks provide governments and large companies with financial advisory services.

FOCUS **Islamic banks**

Concomitant to the 2008 Global Financial Crisis (GFC), Gulf Cooperation Council countries have grown in such a way that an alternative model to conventional Western banking has seemed to be possible. This has enabled Islamic finance and Islamic banks to develop worldwide, far beyond their historical borders. Islamic banking rests upon the "five pillars" of Islam, through which it differentiates itself from Western banking, among others by rejecting speculation and prohibiting interests, as well as vowing to respect the ethical guidelines of Islam, which include the belief in divine guidance and the ideal of social justice.

C) International financial institutions

1. The International Monetary Fund (IMF)

Established just before the end of WWII (1944), the IMF was initially in charge of providing countries with resources to facilitate reconstruction. Until 2012, the IMF would mostly lend money to countries undergoing severe economic and financial crises (financial distress), to which no other creditor would. Since 2012, the IMF's missions have broadened to embrace granting loans to countries needing financing for major economic reforms (Greece, Malta, Portugal, etc.).

2. The World Bank

Also established in 1944, the World Bank was meant to grant loans to developing countries and foster economic development through the construction of infrastructures aimed at facilitating free-market economy (dams, electrical grids, irrigation systems, roads, etc.).

In 1956, the World Bank extended the scope of its duties to include fighting poverty. To this end, the institution has been allowed to grant loans to private companies in developing countries as well as to engage in microfinance (↪chapter 2).

2 The subprime crisis and the credit crunch

A) Back to the origins of the 2008 crisis: the US mortgage market

Since the fall of 2008, the world has gone through a major financial crisis known as the "Global Financial Crisis" (GFC), which found its origin in the subprime crisis and Lehman Brothers' **default**. The collapse of the US mortgage market enhanced the economy's main weaknesses and then spread worldwide.

The way that US markets work as far as housing loans are concerned is very specific:

- Contracted loans rest upon a floating interest rate, which implies that monthly payments can significantly vary. Borrowing at a floating interest rate relies on the principle that borrowers should be directly impacted by changes in economic circumstances, whether favorable or unfavorable. An implicit assumption is that the economy will continuously grow and that interest rates are likely to decrease over time;
- US banks tend to lend at least three times the borrowers' annual income, assuming both that households' income will always increase and that the estate market will keep growing;
- When households buy property, they mortgage it. At the time the contract is signed, the bank fully owns the house. Its share in ownership decreases over time, as households reimburse their loan. Conversely, households gain shares in their house as they reimburse their mortgage. Hence the high number of **foreclosures** in America at the time of the subprime crisis and after.

Until 2008, the US property market had been steadily and continuously growing. As US banks were granting more loans to households, they were paying less attention to their **solvency**; an increasing number of insolvent households were thus granted loans they would be unlikely to repay. In 2008, the US housing boom came to an end as the

economy was slowing down. Some households ended up being unable to reimburse their loans and were therefore evicted from their homes. This economic **downturn** caused the number of insolvent households to grow fast, leading banks to sell a significant amount of houses. As supply for houses was significantly growing, a general doubt was cast on this market boom. In their turn, private investors started to sell properties. The market for houses was flooded with a massive supply and lower prices. The banks that had granted loans to insolvent buyers threatened to go bankrupt, since they would get their capital back neither from borrowers nor from the houses they would resell. Numerous small local banks eventually defaulted. Through **bankruptcy**, these banks ruined other households who had their savings in their books, which made the mortgage crisis even worse.

B The epicenter: the primes and subprime crisis

The 2008 financial crisis started from the US housing market but differs from most other crises in that it not only revealed a lack of confidence in a particular type of investment, but also rested upon the association of these mortgages with other **securities**. As they were granting loans, US banks would issue securities backed with the mortgaged house. Each loan was also converted into a security that investors could purchase. These securities were known as "primes". As these primes were secured with a tangible asset, they would also serve as **collateral** for other loans that were then backed as well. These secondary assets derived from primes were called "subprimes".

Through primes, US banks could outsource part of their risk to private investors and maintain or increase their own solvency. In doing so, they could grant more loans without exceeding the required **core capital**. Thanks to subprimes, banks could multiply the financial effect of a single loan and lend even more money to borrowers. In other words, primes and subprimes enabled massive leverage on initial loans (fig. 1.2).

The **slump** of the US housing market led to what is nowadays known as the "subprime crisis" and has revealed this system's main weaknesses. Whilst primes were eventually backed by a tangible asset, subprimes were not. They were guaranteed through the promise of a return on a tangible asset indirectly associated with this contract.

When the US housing market slumped in 2008, it was not only borrowers and lending banks that were ruined, but all those who had invested in primes and subprimes as well. When the first borrowers defaulted in September 2008, the primes and subprimes associated with their loans lost their value, making other investors (households, private companies, insurance companies and banks) incur losses, leading many of them to bankruptcy. The default of private companies resulted in higher unemployment and even more insolvent households (↪chapter 9). It also led to a credit crunch: after a number of major financial institutions collapsed, the flow of credit was dramatically reduced, triggering a global recession.

Definition

A **credit crunch** is a crisis that occurs when loans suddenly become scarcer, or when the conditions required to obtain a loan become more stringent. During credit crunches, investors often decide to sell higher-risk investments and purchase safe investments (a mechanism known as flight-to-quality), which tends to negatively affect small to medium size businesses.

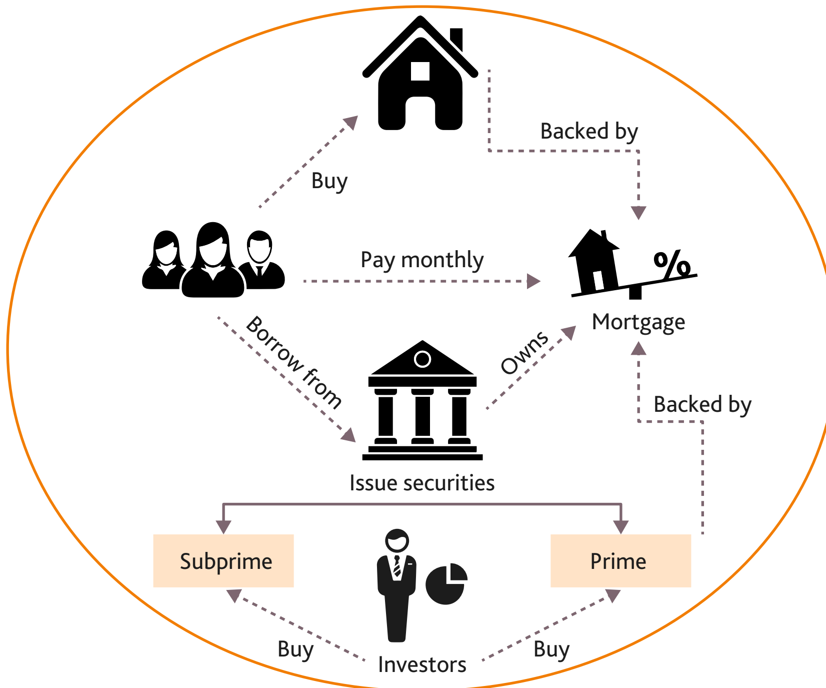

Figure 1.2. The leveraging system on initial loans

C) The aftershock: bailing out banks to prevent contagion

It wasn't only local banks and regional businesses that defaulted, but major institutions that were said to be "too big to fail" as well. The business world and political leaders became conscious of the importance of the subprime crisis after two major banks (Lehman Brothers and AIG) and two major insurance companies (Fannie Mae & Freddie Mac and Northern Rock) defaulted.

Among the galaxy of investment banks, Lehman Brothers was the most exposed to the risk associated with subprimes. In order to hedge its own risk, Lehman had massively invested in subprimes issued by other financial institutions. Very soon, investors understood that Lehman would never recover from massive mortgagee default.

Subsequent to the default of Lehman Brothers, doubt was cast on the viability of all investment banks and insurance companies listed on the New York Stock Exchange. Given the role played by banks in the economy, it was crucial that any contagion effect should be averted. If other banks and insurance companies failed, millions of households and companies would lose all their savings and be ruined. In case of massive failure, existing companies could not be funded and would therefore be forced to default.

All in all, the massive failure of financial institutions would destabilize not just the financial system but the whole economy. A domino-collapsing effect would occur: the cascade of bankruptcies would have caused mass unemployment worldwide, as employees would have been on redundancy plans. As another major consequence, governments would take in very

little tax from businesses and income tax from households, thus risking bankruptcy. A vicious circle would be engaged. Therefore, when other financial institutions were threatened with bankruptcy, **policymakers** and business leaders decided it was necessary to try to make sure it would not happen again.

D) A side effect: the sovereign debt crisis

1. The Icelandic case

Iceland was severely struck by the subprime crisis as three of the country's major banks failed. Unlike the US and British governments, the Icelandic government decided not to rescue its banks. It was however forced to nationalize one of the three banks that failed in order to secure some of its households' savings. Subsequent to this nationalization, the Icelandic government was short of financial resources to pay for its own **debt** (Treasury bills). In November 2008, the country announced that it would not pay its creditors and declared bankruptcy. Urged by the Dutch and the British governments to honor its debt, the Icelandic government negotiated with the IMF a Stand-By Arrangement according to which debt would be repaid progressively, as the economy recovered. In 2011, the Icelandic economy eventually did recover and the country was able to repay its debt.

The subprimes directly affected European countries following the Lehman Brothers bankruptcy in October 2008. Owing to the various bailout operations of banks in which the US and the UK governments had engaged, there was a suspicion that European countries would be soon concerned. Following this logic, the solvency of European countries came under sharp public scrutiny.

2. The Greek tragedy

In 2008, Greece had already been underestimating its sovereign debt for quite a long time. A reassessment from EU authorities shed light on public debt amounting to €300 billion. In the meantime, it became apparent that Greek banks had massively invested in US mortgages and subprimes, undermining their solvency. Investors anticipated that the Greek government would be confronted with the imperative of bailing out national banks. These joint revelations led Greece's creditors to seriously doubt the country's ability to repay its sovereign debt. The Greek government endeavored to issue new Treasury bills to repay previous debts. This worked until April 2010, when investors became convinced that the country would never reimburse its current debt.

Confronted with its sovereign insolvency, the Greek government called for a rescue from the IMF, the European Commission (EC) and the European Central Bank (ECB). A first €110 billion loan was granted over three years in exchange for structural economic reforms. In October 2011, this loan proved to be insufficient, and Greece got an additional €130 billion loan in exchange for further structural reforms. In August 2015, an additional €86 billion loan was granted to the Greek government.

As a full member of the Eurozone, Greece's situation was far more problematic than the Icelandic case. Greece's policy was entirely revisited in order to reach a long-standing balanced budget whereby public spending would no longer exceed resources. Greece only regained its **sovereignty** in 2018.

3. The Irish dilemma

In November 2008, the Irish government announced that the main six banks in Ireland had massively invested in primes and subprimes and that they were disclosing a €100 billion loss. In order to prevent its citizens from being financially ruined and companies from going bankrupt, the Irish government guaranteed the banks. The bailout of Irish banks resulted in a public deficit amounting to 32% of the Gross Domestic Product (GDP). It was obvious that Ireland would need financial assistance from the EU and the IMF, which lent €85 billion in total. By December 2013, Ireland had managed to repay its bailout and recover financial stability, even if present wages are still 20% less than they were before.

Definition

The **GDP** measures the market value of the whole production of services and goods in a given period of time. It enables international comparisons and ratings.

Investors feared a massive default of most European countries placed in two groups:
- Portugal, Ireland, Italy, Greece and Spain (PIIGS), considered as most likely to fail;
- France, Belgium and the United Kingdom perceived as countries that would fail if the PIIGS did.

Hence the importance of Greece (and other Latin countries) being rescued.

FOCUS **Shadow banking, crime and financial crises**

Since 2004 and the Clearstream scandal involving numerous public figures in affairs relating to tax evasion and money laundering, the activities of banks have been more tightly supervised. The financial scandals subsequent to 2004 have shed light on banks' dirty activities:
– money laundering proceeding from tax evasion;
– money laundering proceeding from criminal activities;
– financing of terrorist activities;
– financing of illegal trafficking (human beings, drugs, weapons and ammunition, etc.).

Such illegal financial flows may be explained by two factors, which most authorities in the world have fought:
– tax havens;
– bank secrecy.

Concomitant to the Arab Springs in 2010 and the rise of the Islamic State (ISIS), international flows have been subject to stricter controls:
– money transfers exceeding certain amounts are now subject to investigation;
– payments in cash cannot exceed certain amounts (generally €1,000);
– identity checks are systematic for any financial transaction.

Accordingly, crime has jumped to alternative financing characterizing shadow banking and finance:
– cryptocurrencies (↪ chapter 3);
– the Darknet for illegal transactions (ex.: SilkRoad, which was shut down in 2016);
– technology that makes recording electronic activity impossible (ex.: TorBrowser, Virtual Private Networks, etc.).

1 Glossary

In the words below, the syllable bearing primary stress is in **bold**.

- Asset: *actif*, *valeur*
  - **cur**rent **a**ssets: *actif circulant*
  - **fi**xed **a**ssets: *immobilisations*
- Ac**count**: *compte*
  - **state**ment of ac**count**: *relevé de compte*
  - ac**counts pay**able: *dettes fournisseurs*
  - ac**counts** re**cei**vable: *créances clients*
  - **cur**rent/**check**ing/**cre**dit card/de**po**sit ac**count**: *compte à vue (courant)*
  - **sa**vings ac**count**: *compte d'épargne*
- **Bail**out: *plan de sauvetage*
- Bank: banque
- **bank**ing fees: *frais/commissions bancaires*
- **Bank**ruptcy: *faillite*
- Bill: *bon, billet, traite, facture*
  - **Trea**sury bill: *bon du Trésor*
  - bill of ex**change**: *traite*
- Brick-and-**mor**tar: *point de vente physique*
- **Ca**pital: *capital*
  - Core **ca**pital: *fonds propres réglementaires*
  - **Work**ing **ca**pital: *fonds de roulement*
- **Cre**dit: *crédit*
  - cash **cre**dit: *crédit de caisse*
  - con**su**mer **cre**dit: *crédit à la consommation*
  - credit **ba**lance: *solde (compte)*
  - **cre**dit bill: *facture de crédit*
  - **cre**dit card: *carte de crédit*
  - **cre**ditor: *créancier*
  - re**vol**ving **cre**dit: *crédit renouvelable*
  - **un**secured **cre**dit: *crédit non garanti (risqué)*
- **Co**llateral (see "Securities"): *garantie (pour un crédit)*
- Con**sump**tion: *consommation*
- Crunch: *contraction brutale, choc*
- Debt: *dette*
  - **deb**tor: *débiteur*
  - **so**vereign debt: *dette souveraine*
- De**fea**sance: *annulation/défaisance* (*e.g.*: mortgage defeasance loans, *prêts hypothécaires américains*)
- De**fault**: *défaillance, défaut*
- Dis**tress**: *détresse, situation extrême*
- **E**quity: *capitaux propres*
- Fore**clo**sure: *saisie*
- Gross Do**mes**tic **Pro**duct (GDP): *produit intérieur brut (PIB)*
- **In**terest: *intérêt*
- **In**terest rate: *taux d'intérêt*
  - out**stand**ing/ac**crued in**terest: *intérêts échus / à échoir*
  - to bear **in**terest: *rapporter des intérêts*
- In**ves**tor: *investisseur*
- **Le**verage: *effet de levier, influence*
- Loan: *prêt, crédit*
  - float (to) a loan/grant (to) a loan: *lancer/accorder un crédit, un prêt*
  - **go**vernment-**sub**sidized loans: *prêts subventionnés par le gouvernement*
  - loan on col**la**teral: *avance sur garantie*
  - loan re**pay**able: *prêt remboursable*
  - **mort**gage loan: *prêt hypothécaire* (mortga**gee**: *prêteur, créancier*)
  - **res**cue loan: *plan de sauvetage*
  - take (to) out a loan: *souscrire un emprunt*
- **Mer**gers & Acqui**si**tions (M&A): *fusions et acquisitions*
- **O**verdraft: *découvert bancaire*
- **Po**licymaker: *responsable politique/ décideur*
- Real es**tate** (US) / es**tate** (British): *immobilier*
- Se**cu**rities: *titres financiers*
- **Sky**rocket (to): *grimper en flèche, flamber*
- Soar (to): *monter en flèche, s'élever*
- **Sol**vency (or **cre**dit **worth**iness): *solvabilité*
- **So**vereignty: *souveraineté*
  - **so**vereign in**sol**vency: *insolvabilité souveraine*
- Stock ex**change**: *bourse*
- Sub**con**tractor: *sous-traitant*
- Sup**ply**: *demande* (supplier: *fournisseur*)
- Tax **ha**ven: *paradis fiscal*
- To **bor**row from: *emprunter à*

2 A few landmarks

Timeline: Key events in financial crisis:
https://eu.usatoday.com/story/money/business/2013/09/08/chronology-2008-financial-crisis-lehman/2779515/

2007-2008: Subprime Crisis

- **2007**

Housing crisis deepens. Banks and hedge funds that invested big in subprime mortgages are left with worthless assets as foreclosures rise. The damage reaches the top echelons of Wall Street.

- **2008**

– Sept. 7: Mortgage giants Fannie Mae and Freddie Mac are taken over by the government.

– 15: Bank of America agrees to purchase Merrill Lynch for $50 billion. Lehman Brothers files for bankruptcy-court protection, setting off turmoil in financial markets worldwide.

– 16: American International Group, the world's largest insurer, accepts an $85 billion federal bailout that gives the government a 79.9% stake in the company.

– 21: Goldman Sachs and Morgan Stanley, the last two independent investment banks, will become bank holding companies subject to greater regulation by the Federal Reserve.

– 25: Federal regulators close Washington Mutual Bank, and its branches and assets are sold to JPMorgan Chase in the biggest US bank failure in history.

– 29: Congress rejects a $700 billion Wall Street financial rescue package, known as the Troubled Asset Relief Program or TARP, sending the Dow Jones industrial average down 778 points, its single-worst point drop ever.

– Oct. 3: Congress passes a revised version of TARP and President Bush signs it. Wells Fargo & Co., the biggest US bank on the West Coast, agrees to buy Wachovia for about $14.8 billion.

– Nov. 18: Ford, General Motors and Chrysler executives testify before Congress, requesting federal loans from TARP.

– 23: The Treasury Department, Federal Reserve and Federal Deposit Insurance Corp. agree to rescue Citigroup with a package of guarantees, funding access and capital. Citigroup will issue preferred shares to the Treasury and FDIC in exchange for protection against losses on a $306 billion pool of commercial and residential securities it holds.

2019-2020: COVID-19 pandemic

- Dec. 19: The US Treasury authorizes loans of up to $13.4 billion for General Motors and $4 billion for Chrysler from TARP.
- 2019/2020: COVID-19 pandemic and its economic consequences (to be continued).

3 Useful words

Fill in the gaps using the words or phrases from the list below (the first letter is given to help you):

mortgages • **foreclosure** • **consumption** • **consumer spending** • **loans** (× 2) • **supply** • **asset** • **demand** • **debt-financed** • **figures** • **interest rates** (× 2) • **increase by** (to) • **rise** • **incomes** • **homeowners** • **bankers** • **housing boom**

A conundrum [formal word] is a problem or a puzzle which is difficult or impossible to solve (Cobuild, HarperCollins).

The housing price conundrum and the 2008 financial crisis

In 2007, US c.......... was larger than its output (GDP). Steadily decreasing i.......... r.......... backed by the Federal Reserve and foreign financing fueled the h.......... b.......... and encouraged d.......... f.......... consumption. The ability to receive l.......... easily kept demand falsely high. L.......... were to be used primarily for housing. From 2000 to 2004, there was a 40% increase in housing prices, but looking at some f.........., housing prices should have reduced during this period. The supply of houses i.......... b......... 6% and d.......... according to population growth and lower average i.......... should have reduced by approximately 1.4%. When s.......... is greater than d.........., prices fall.

However, b.......... realized that by making financing easier, *i.e.* giving out loans more readily, aggregate demand also increases. If standards for mortgage lending were lowered, for example, smaller down payments, credit scores and less job stability were required, more people would get loans. This resulted in h.......... refinancing their homes at lower i.......... r.......... or financing c.......... s.......... by taking out second m.......... But how does this benefit the banks if people are unable to pay back their loans? As long as demand for houses is kept high, prices r.........., and banks would never lose out in this investment – if a person is unable to pay the loan back, they may choose to sell their house at a profit and repay the loan, or face f.......... and return the a.........., which will be worth more.

www.catch21.co.uk

1 Read and pay attention to... tenses

A few tips

- **Balance**: *solde (d'un compte/d'un crédit), reste dû*
- **Equity**: *valeur résiduelle (d'un actif, d'une action)*
- **Frenzied**: *fou, frénétique*

The Original Subprime Crisis

While critics of today's mortgage crisis call for government intervention to suppress subprime lending, few are aware that government intervention created subprime mortgages in the first place.

The National Housing Act [NHA] of 1968, part of President Lyndon Johnson's Great Society, provided government-subsidized loans to expand homeownership for poor Americans. Liberal policymakers hoped that these loans, called Section 235 loans, would enable poor Americans – urban blacks in particular – to buy their own homes.

Under the program, a poor family could obtain a mortgage from a lender for as little as $200 down and pay only a small portion of the interest. If the borrower defaulted, the government paid the **balance** of the loan. If the borrower made payments on time, the government covered all of the loan's interest above 1 percent. Homebuyers could borrow up to $24,000, as long as Federal Housing Administration inspectors declared the property to be in sound condition.

By 1971, Congressional and press investigations found the program riddled with fraud. Section 235 accelerated existing white flight by providing poor African-Americans with money to buy out their anxious white neighbors, who in turn accepted below-market prices for their houses. Real estate agents frightened white homeowners with visions of all-black neighborhoods financed by government money, and then pocketed the proceeds from the resulting high home turnover.

Existing homeowners lost their equity, but a canny alliance of brokers, lenders and federal housing inspectors inserted themselves as middlemen between the buyers and the sellers to reap profits. White speculators, often real estate agents themselves, bought houses cheaply from fleeing white homeowners, did superficial renovations and then sold the houses at steep prices to black first-time homeowners.

As the properties changed hands, the speculators profited and the government paid the tab. When the Federal Housing Administration was not paying interest on inflated mortgages, it was left holding properties in inner-city neighborhoods that could not be sold.

But corrupt opportunists were not the only reason Section 235 failed. Structurally the program could not work because it tried to solve a problem of wealth creation through debt creation.

Homeowners cannot build **equity** in an overvalued house, no matter what the terms of the mortgage. Whether that inflated value comes from corrupt inspectors or **frenzied** markets is immaterial. The crisis, now as then, is a symptom of inequality – not its cause.

Note: The NHA of 1968 (commonly refered as the Title VIII of the Civil Rights Act) aims at preventing discrimination on the real estate and rental markets. It was passed a few days after Martin Luther King's death, in 1968.

Louis Hyman,
The New York Times, December 26, 2007

2 Mind the gap: expressing the future in the past

The future in English is typically expressed with the modal auxiliary ***will*** or the verb phrase ***be going to***. To express the future from a past point of view, for instance in reported speech, you simply need to use ***would*** instead of ***will***, or use the phrase ***be going to*** in the past instead of in the present. In other words:

- "I will buy two more companies in the coming year" becomes "She said that she would buy two more companies in the coming year".
- "We are going to need to hire a new managing director" becomes "The board declared that they were going to need to hire a new managing director".

One extra difficulty for French speakers arises where future subordinate clauses (*les propositions subordonnées au futur*) are concerned. In English, unlike in French, the future is never expressed in subordinate clauses. Compare:

- « *La banque vous accordera un prêt quand vous en aurez besoin* » vs. "The bank will grant you a loan when you need one".
- « *Nous ferons une offre quand nous aurons choisi notre nouveau PDG* » vs. "We will make an offer once we have chosen our new CEO".

Because of this rule, it is impossible to use *would* or *was/were going to* in those subordinate clauses when you wish to express the future in the past. Instead, as the verb is in the present tense in the original sentence, you simply need to put it in the past in the target sentence. Observe:

- "The bank will grant you a loan when you need one" becomes "The clerk told me that the bank would grant me a loan when I needed one".
- "We will make an offer once we have chosen our new CEO" becomes "The company representative declared that they would make an offer once they had chosen their new CEO".

Of course, this implies that you must not mistake the verb in the past tense for an actual past.

The subordinate clauses that require remembering this rule typically start with ***when***, ***once*** or ***as soon as***.

A Observe, analyze, draw your conclusions and translate the following sentences.

1. Liberal policymakers hoped that these loans, called Section 235 loans, would enable poor Americans – urban blacks in particular – to buy their own homes.

2. Under the program, a poor family could obtain a mortgage from a lender for as little as $200 down and pay only a small portion of the interest.

3. By signing the Fair Housing Act, President Johnson hoped he would protect black people from discrimination.

B) Translate the following sentences using the simple past and the modal auxiliaries "would" or "could".

1. *Les responsables politiques espéraient que toutes les familles américaines pourraient s'acheter une maison.*

2. *Ils pensaient que les familles noires, notamment dans les villes, seraient ainsi à l'abri de toute discrimination.*

3. *Ils espéraient donc que ces familles pourraient ainsi réaliser le rêve américain.*

4. *Mais ils ne savaient pas que des intermédiaires rachèteraient ces maisons, feraient quelques travaux et les revendraient plus cher que ce qu'elles valaient.*

5. *Les politiciens au pouvoir n'avaient pas prévu que cette loi serait finalement un échec et qu'elle générerait de la dette.*

3 Read and pay attention to... tense sequences

A few tips

- A dearth: *un manque, une lacune*
- A **last**ing **leg**acy: *un effet durable*
- Ar**rears**: *des arriérés (échéances non remboursées)*
- **Damp**en (to): *calmer les ardeurs*
- Ditch (to): *laisser tomber/abandonner*
- Grow and burst (to): *croître et éclater*
- Miss out on (to): *passer à côté de quelque chose*
- Re**co**very: *reprise*
- Steep cuts: *coupes claires*
- To sweep the board: *tout gagner, rafler la mise*

Ten years on, how countries that crashed are faring

A decade of austerity has had a **lasting legacy** for Eurozone members Ireland, Portugal, Greece and Spain

Ireland

Three years after it was saved from bankruptcy in 2010 with a € 67.5 bn rescue loan, Ireland became the first stricken eurozone state to stand on its own two feet.

Dramatic austerity measures, including **steep cuts** to many public sector workers' pay, had satisfied the European Union, the European Central Bank and the International Monetary Fund that their loans would be safely paid back.

The finance minister at the time, Michael Noonan, was quick to **dampen** the celebrations with a warning against ever allowing another property bubble **to grow and burst**. The crash, he said, caused the country's worst period since the potato famine of the 19th century.

Noonan was probably upset to see a recent Knight Frank global property report that ranked Ireland in the top five hotspots over the past year, and figures showing prices in the swankier areas of Dublin are getting close to their 2007 peak.

A **dearth** of housebuilding over the past 10 years, despite rising household incomes

...
and a sharp increase in employment (from 1.8 million in 2012 to well over 2.1 million last year), has also sent rents soaring, leaving many young workers to miss out on the recovery.

Meanwhile homelessness remains a major problem across the country. And in some areas negative equity and mortgage **arrears** mean the scars of recession remain. More than 8% of the population live in consistent poverty and 7% of mortgages are still more than three months in arrears.

It makes for a divided nation, uneasy about a recovery. A recent *Irish Times*/Ipsos MRBI poll found that 52% of voters are "dissatisfied with the way the government is running the country" compared with only 37% that are satisfied.

Portugal

Lisbon followed the post-crash route charted by the UK and Ireland of punishing austerity before voters in 2015 **ditched** the rightwing government led by Pedro Passos Coelho in favour of the socialist leader António Costa. Since then, austerity has eased, consumer and business confidence has recovered and GDP growth has stayed above.

Costa recently told the European parliament that, thanks to his government's alternative economic approach, Portuguese people, in contrast to many European countries, had regained their "trust in the democratic institutions and in their belief in the EU".

He reeled off a list of economic achievements, including reduced inequality, increasing employment and a budget deficit well within EU rules. Last year the European commission released Portugal from its bailout conditions.

Last October Costa **swept the board** in local elections that gave the socialists a record haul of 158 town halls out of the country's 308 cities and towns.

Like Ireland, Greece and Spain, the country suffered an exodus of young people in the wake of the crash, many of whom are unlikely to return. With a public-debt-to-GDP ratio of 146% last year, there is still a mountain to climb to reduce the credit bill.

Greece

The collapse of the rightwing New Democracy government amid riots and strikes in 2015 ushered in the radical leftist government of Alexis Tsipras, who agreed a bailout with the EU of €86 bn. It was the third time Greece had almost gone bust since 2010, when the Greek debt crisis started and the country received €110 bn in bailout money before Brussels agreed a further €130 bn in 2012.

The Guardian, Phillip Inman, June 16, 2018

4 Mind the gap: expressing the past, linking past and present

A Observe, analyze, draw your conclusions and translate the following sentences.

1. A decade of austerity has had a lasting legacy for Eurozone members such as Ireland, Portugal, Greece and Spain.

2. A dearth of housebuilding over the past 10 years, despite rising household incomes and a sharp increase in employment (from € 1.8 million in 2012 to well over 2.1 million last year), has also sent rents soaring, leaving many young workers to miss out on the recovery.

3. He reeled off a list of economic achievements, including reduced inequality, increasing employment and a budget deficit well within EU rules.

4. Dramatic austerity measures, including steep cuts to many public sector workers' pay, had satisfied the European Union.

5. Portuguese people, in contrast to many European countries, had regained their "trust in the democratic institutions and in their belief in the EU".

B Translate the following sentences using the present perfect, the simple past or the past perfect.

1. *Toutes ces mesures d'austérité prises au cours de ces dix dernières années ont des effets durables sur plusieurs pays de l'Union européenne, dont la Grèce, pays ayant bénéficié d'un plan de sauvetage.*

2. *Cette crise économique, qui a affecté le secteur de l'immobilier, n'a pas permis à tous les jeunes qui commencent à travailler de sentir les effets de la reprise malgré un rebond du marché de l'emploi et l'augmentation des revenus des ménages.*

3. *Lors de la dernière réunion, ce responsable politique a montré comment il a essayé de combler le fossé entre les riches et les pauvres et permis une reprise du travail.*

4. *L'Union européenne avait été rassurée par une série de mesures d'austérité de grande envergure prises dans plusieurs pays.*

5. *Certains pays de l'Union européenne comme le Portugal avaient réussi, plusieurs années après la crise financière, à retrouver confiance dans les institutions européennes.*

C Translate the following sentences and check your grammar.

1. *Dans de nombreux de pays de l'Union Européenne, on ne pensait pas que cette crise financière aurait de tels effets sur l'économie.*

2. *Nombre d'Américains ne se doutaient pas qu'ils seraient licenciés aussi rapidement.*

3. *En 2007, les conséquences de la crise financière étaient déjà très nettement perceptibles aux États-Unis.*

4. *Des économistes et responsables politiques avaient prédit la crise financière des « subprimes ».*

5. *Néanmoins, les Américains n'avaient pas anticipé une reprise aussi rapide.*

6. *Les citoyens européens ont ressenti la crise plus tard qu'aux États-Unis et, dans certains pays, elle a eu des effets durables, ce qui n'avait pas été prévu.*

7. *Depuis cette crise, certains pays sont contraints d'appliquer des mesures d'austérité, même encore aujourd'hui.*

5 Get ready for the final exam

A From what you understood by reading the chapter and the articles above, answer the following questions and elaborate with the information, the vocabulary and the examples given in this chapter.

1. What caused the subprime crisis?

2. Which countries beneffited from bailouts and why?

3. Would you say the subprime crisis is over?

4. Is it possible to regulate banks and financial institutions?

5. Can banks be held responsible for financial crises?

6. What are the differences and similarities between the financial and economic crisis caused by the coronavirus outbreak and the previous financial crises of the 20th and 21st centuries?

7. To what extent is the coronavirus crisis a turning point for the global economy?

8. What is the role of banks in the economy?

9. Why did the subprime crisis spread so rapidly?

B Watch and listen carefully to get another approach on:

- A debate between two famous economists, P. Krugman and O. Blanchard

https://www.youtube.com/watch?v=zndOEQnMC44

- The Coronavirus outbreak: the impact that COVID-19 is having on the global economy

https://www.youtube.com/watch?v=0cGLrSpaf4o

CHAPTER 2

Microfinance, microcredit and social development

Themes

Banks and financial institutions • Microfinance

CHAPTER STRUCTURE

Time to learn: 1. Poverty and social inclusion • 2. From charity to proper finance • 3. Exploitation of the poorest?

Time to analyze: 1. Glossary • 2. A few landmarks • 3. Useful words

Time to read & speak out: 1. Read and pay attention to… verbs in the passive voice • 2. Mind the gap: using the passive voice • 3. Read and pay attention to both active and passive voices • 4. Mind the gap: using active and passive voices • 5. Get ready for the final exam

Commercial banks have traditionally financed the conventional economy: companies, governments and households. Thus, they have supported people and organizations capable of depositing sufficient resources which they could leverage through loans. Because of this very selective activity, commercial banks have been accused of leaving the poorest and the weakest aside. Therefore, alternative forms of banking have emerged since the 1990s, with economic development and poverty alleviation as ultimate aims. These alternative forms of banking are known as microfinance and microcredit.

KEY WORDS

Business plan • Crowd-donating • Crowdfunding platform • Default risk • Fixed costs • Fundee • Guarantor • Hedge • Investee • Marketplace • Microcredit • Microfinance • Microloan • Non-Governmental Organizations • Operating costs • Overdraft • Overhead costs • Poverty line • Predatory lender • Quasi-monopoly • Sharing economy • Variable costs • Working capital

1 Poverty and social inclusion

A An alternative to conventional commercial banking

1. A response to the gap left unfilled by conventional commercial banks

Microfinance, also known as microcredit, originated from an attempt by Pr. Muhammad Yunus at funding the informal economy that conventional commercial banks would otherwise never finance.

Conventional banking excludes the poorest from credit and banking, and that is mostly for financial security reasons. Owing to the recurrence of financial crises, generally associated with the insolvency of debtors (↪ chapter 1), commercial banks have been urged to be increasingly selective in their granting of loans. Accordingly, they have developed stricter procedures for credit risk analysis and rigid criteria for lending money. These criteria mostly consist in ratios aimed at highlighting a borrower's default risk and repayment capacity. Prior to granting a loan, commercial banks examine the borrower's financial history: previous loans, bank activity, resources, income and expenses, etc.

Traditionally, commercial banks grant loans on the basis of the borrower's current financial situation and future financial prospects. In order to hedge **default risks**, lenders also require that the borrower's assets be mortgaged or pledged, if not secured by an external **guarantor** (fig. 2.1).

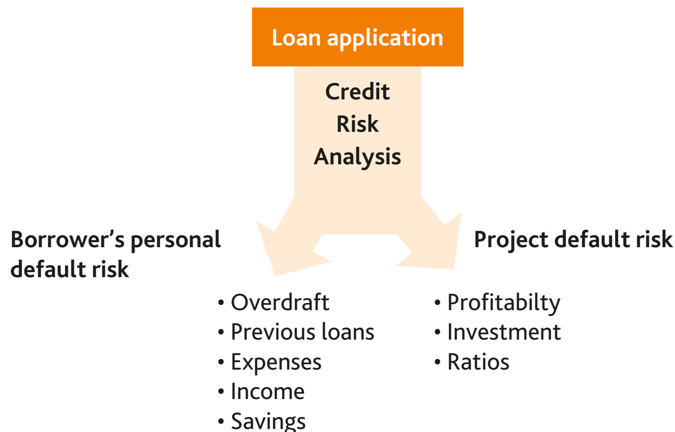

Figure 2.1. **Credit Risk Analysis**

In addition to credit risk analysis records, banks agree to grant loans under two conditions:

- Borrowers should have active bank accounts and should periodically transfer their income to them;
- The amount that banks lend should be high enough to cover the fixed **operating costs** in the transaction.

As a result, people without a bank account or sufficient bank activity are *de facto* excluded from credit. Hence a limited access to funding both for people in developing countries and poor people in developed countries.

2. Microfinance as a response (Muhammad Yunus and Grameen Bank)

Muhammad Yunus, Professor of economics at Chittagong College in Bangladesh, was awarded the Nobel Peace Prize in 2006 for his contribution to social and economic development in deprived communities. Noticing that conventional commercial banks would not provide sufficient funding to enable people living under the **poverty line** to survive, he decided to establish alternative sources of financing. He strongly believed in microfunding and microfinance as a means of fostering economic growth amidst poor communities.

In 1983, Yunus launched Grameen Bank, the first financial institution aimed at funding the poorest. Grameen Bank's main clients have been women willing to extract themselves from poverty through entrepreneurship. Though acknowledged as a tool in poverty reduction, small business development has to date not made a sufficient impact in this regard. Such initiatives rest upon the belief that giving small, unsecured loans to the poor to start businesses or grow existing ones contributes to poverty alleviation. The proponents of microfinance argue that it enables poor people, in particular women, who are often excluded from access to institutional finance, to obtain loans and start a business.

FOCUS **Grameen Bank as a means of fighting poverty**

Banks in the traditional system have been reluctant to lend money to anyone unable to give some form or other of security. Grameen Bank, on the other hand, works on the assumption that even the poorest of the poor can manage their own financial affairs and development given suitable conditions. The instrument is microcredit: small long-term loans on easy terms.

When Grameen Bank was awarded the Nobel Peace Prize in 2006, more than seven million borrowers had been granted such loans. The average amount borrowed was 100 dollars. The repayment percentage was very high. Over 95 per cent of the loans went to women or groups of women. Experience showed that that ensured the best security for the bank and the greatest beneficial effect for the borrowers' families.

https://www.nobelprize.org

B A new form of lending

1. Small loans for small projects

Historically, microfinance has been directed at those who could never access credit and bank services. When Grameen Bank was first established, microfinance mainly concerned women in developing countries. Over time, other banks for the poor have appeared, both in developing countries and in developed countries, opening for men or women, young people and the elderly. Anyone without access to conventional banking could be granted a loan.