

Biden Assures Banks are Safe Despite Collapse of Two Banks

VOCABULARY WORDS

1. Deposit (Noun) /dɪ'pɔːzɪt/ an amount of money paid as part of a larger payment; money that is paid into a bank account
Example: We put down a 10% deposit on the property.
2. Bailout (Noun) /'beɪl,aʊt/ an act of giving money to someone to get them out of financial trouble
Example: Financial services company Wells Fargo was kept afloat by a US government bailout in 2008.
3. Collapse (Noun) /kə'læps/ a sudden and complete failure
Example: The documentary offers insight into the events that led to the collapse of the Soviet Union in 1991.
4. Regulator (Noun) /'regjuleɪtər/ a person or organization that supervises a particular industry or area of business
Example: Aviation regulators introduced a number of new safety protocols following the accident.
5. Possession (Noun) /pə'zeʃn/ the state of owning or controlling something
Example: The government has taken possession of this old building and plans to convert it into a museum.
6. Intervention (Noun) /ɪntər'venʃn/ the act of becoming involved in a situation, problem, etc. in order to influence it
Example: The United Nations led a military intervention to put a stop to the civil war.



US President Joe Biden has insisted that the nation's banking system is safe, despite the recent collapse of two banks — something that has brought fears of another financial crisis and saw regulators offer emergency loans to banks to prevent additional failures. US regulators

closed the Silicon Valley Bank after depositors rushed to withdraw their funds all at once. It was the second largest bank failure in US history, behind only the 2008 failure of Washington Mutual.

New York-based Signature Bank has also collapsed, in the third-largest failure in the US. But despite the message from the White House, investors — who may be reminded of the 2008 crisis — continued to dump shares in bank stocks both in the US and in Europe.

The president promised that no losses would be borne by taxpayers and that the Treasury has set aside \$25 billion to cover any losses. Officials said, however, that they do not expect to have to use any of that money.

New York bank regulators took possession of Signature Bank and the federal government agreed to guarantee full deposits, even those over \$250,000 that are not usually insured by the government.

Though these steps represent the largest government intervention in the banking system since the 2008 financial crisis, the actions were quite limited compared with 15 years ago. The two failed banks themselves have not been rescued, and taxpayer money has not been provided to them. Treasury Secretary Janet Yellen said that there would be no bailout like in 2008 but added: "We are concerned about depositors, and we're focused on trying to meet their needs."

Many business owners have found themselves unable to access funds, something that may continue for some time, while some may also find it difficult to cover office expenses and pay employees. New York Governor Kathy Hochul said the government's actions were intended to avoid a bigger crisis involving more banks. But some have already pushed the "panic" button.

DISCUSSION

1. What are your thoughts on the recent collapse of the two US banks?
2. Do you know how your country's economy has been faring in recent months?
3. Was your country badly affected by the 2008 financial crisis?
4. Do you expect a major economic crisis to take place in the near future?
5. Which country do you imagine will have the world's strongest economy 50 years from now?