

FEELING THE CRUNCH?

By James Faulconbridge, MYP for Nottinghamshire

Global credit crisis", "credit crunch", "banking crisis" seem to be headlines that are appearing on the news on a regular and frequent basis. But is it something that young people should be worried about? Well the short answer to that question is yes!

All these headlines identify an issue across the globe whereby the lifeblood of economies, credit, is becoming increasingly difficult to acquire. British financial institutions, such as banks and building societies, in the past had gained a reputation for being naturally cautious when it came to lending money to individuals or businesses. But over recent years their actions have been deemed somewhat "irresponsible" as the emergence of the sub-prime debt era allowed fewer restrictions on low-income households borrowing credit.

The nature of sub-prime debt has resulted in families struggling to keep up with their interest

payments, some package payments increasing by up to 40%. This has then led to people's own personal property being repossessed which has resulted in serious repercussions, not only for the families who are being evicted but for the national economy as a whole. The effect has caused house prices to drop dramatically due to excess supply on the property market, and low demand.

"Is it something that young people should be worried about? Yes."

Now, how does this affect us as young people you ask? Well those young people who are looking to move into a rented property are going to be hit by higher costs. Because house prices are falling, people are less

likely, and willing to purchase a house due to the risk of the property losing its value, not to mention the difficulty in acquiring a mortgage in order to purchase one. The only other alternative to buying a property is to rent one, and as demand increases on this section of the market there is an upward pressure on prices for renting flats and houses.

So where does this leave us as a country? Government are certainly left with a dilemma on what to do in terms of fiscal policy, such as whether to increase taxes, or increase spending. But after years of borrowing the Government has left little room for manoeuvre, unless Mr Brown is willing to abandon one of his golden rules, prudence, and move over the 40% borrowing limit, in proportion to national income. This would be the only viable option that is available to the Government as other sectors in the economy have little or no ability to increase their spending capacity.

It's not all doom and gloom - here are 8 things you can do for free (or nearly free!)

1. Watch a sunset
2. Read that book you were always going to read
3. Visit a museum or historical site
4. Learn sign language
5. Borrow a Wii from someone and organise a competition
6. Make and fly paper aeroplanes
7. Attend a free concert
8. Solve a 1000-piece jigsaw puzzle

