

1) What is a credit crunch?

Credit crunch is when there is a shortage for money from the bank or other lenders and the government has to get involved to help and save the bank. During the credit crunch some banks might close down due to shortage of money.

2) How did the Credit Crunch of 2007-2008 begin?

The credit crunch happened in America and as America is the centre of all the banks and as soon as the sub prime began to take loans from the banks they weren't able to pay it back so that meant banks from other countries faced the same problem too so that means for example people in the UK had to go to the banks to get their money out before the bank closed down.

3) What were the effects on:

a) Business

Business profit went down because people could not afford products. Some business could not afford to have employees so they had to leave.

b) Individuals?

Some people became homeless because they could not afford to pay their rent because they didn't have a job due to the fact that not so many companies were hiring people. People's life was stressful because they did not have enough money to pay for daily things.

4) What did the Government do to alleviate the effects of the Credit Crunch?

The government had to give money to the bank so that they pay the other banks and the government had to organise to deal with people who suffered in the credit crunch.