
Callum: Hello I'm Callum Robertson and with me today for 6 Minute English is Jackie Dalton – hello Jackie.

Jackie: Hello Callum.

Callum: Now Jackie, I'm going to play you something and I wonder if you can guess what is being talked about. This is Ian Macwhirter, who's a political commentator:

Ian Macwhirter

The thing is that this is a bubble, and all bubbles eventually burst, and when they burst a lot of people get hurt.

Jackie: Well you gave me a clue when you said that he's a political commentator – so it's something to do with politics ...

Callum: Well yes and no, really – not exactly politics, but certainly politics are involved.

Jackie: Can I listen again?

Callum: Of course. Here's Ian Macwhirter again

Ian Macwhirter

The thing is that this is a bubble, and all bubbles eventually burst, and when they burst a lot of people get hurt.

Jackie: Well I guess it's to do with the economy and the one thing that comes to mind at the moment is the housing market.

Callum: Exactly right well done. He was talking about the state of the housing market in Britain. Can you explain what he means when he says 'it's a bubble and it's going to burst'?

Jackie: The price of property in Britain has been growing very quickly for over a decade now. Prices have risen far far higher than salaries. So this increase in prices happened in a strong economic period, but now things are not so good in the economy and the prediction is that prices will fall again very quickly.

Callum: Exactly, I'm going to try and demonstrate this now. I have a balloon here, and as I start blowing it gets bigger, and bigger, and bigger but it can't go on getting bigger for ever, at some point it becomes too big and it bursts. So that's what's happened to the housing market in Britain. Prices have got so high, they couldn't get any higher and the bubble has burst – prices are coming down.

Jackie: You would think that would be good news because it means that houses would become cheaper, more affordable.

Callum: It's good if you want to buy, but for those who want to sell it means their house might not be worth as much as they paid for it – this can lead to a lot of financial difficulty – the hurt that Ian Macwhirter referred to. This situation is known as 'negative equity', 'negative equity'. Effectively this means your property is worth less than you paid for it. Ian Macwhirter had a warning about this – but who was his warning for, listen and find out.

Ian Macwhirter

I think particularly first time buyers really need to be warned that if you buy anywhere now you'll be in negative equity within about a year, eighteen months.

Callum: So Jackie, who needs to be careful.

Jackie: Well he talked there about 'first-time buyers'. 'First-time buyers'. A first-time buyer is someone who hasn't owned a property before and so therefore is buying a house for the first time.

Callum: That's right, lets' listen to Ian Macwhirter again

Ian Macwhirter

I think particularly first time buyers really need to be warned that if you buy anywhere now you'll be in negative equity within about a year, eighteen months.

Callum: So Jackie, talking about this issue, what about you? Do you own a house or do you rent?

Jackie: I rent, I would love to be able to own a house but as we know in London it's very very very expensive and it's actually hard to buy your first house.

Callum: It is, it's very hard and it's very difficult to get that first 'rung' on the 'property ladder'. Now the 'property ladder' is what everybody talks about. What does that mean?

Jackie: It's kind of the idea that once you've bought your first house, after that, if you want to move again, you're going to need extra money to buy a nicer house. So once you've bought your first one you can sell that, take the money from it and move up into a bigger or nicer house which costs more money.

Callum: Yep, so it's like a ladder, you keep going up and up and up. But it's very difficult to get that first step on to the property ladder.

Now one thing that people are talking a lot about this moment, it's like a new expression that's come into the language, and it's the 'credit crunch'. Have you heard this expression Jackie?

Jackie: Yes, it's been on the news all the time, hasn't it?

Callum: Absolutely, you can't listen to a programme, you can't turn over a newspaper without seeing the expression 'credit crunch'. What does it mean though?

Jackie: Well a 'credit crunch' is a period when it's very difficult to get credit and the interest rates are very high because the banks are scared of losing money. So it's not really a new phenomenon but the term is very new in everyday vocabulary.

Callum: I did a search of the BBC website and Jackie, when do you think the first use of this term I came across was? Was it in January 2007, June 2007 or December 2007?

Jackie: I think I can make a good guess at this one. I think it was June 2007 because that's when this all started up again and it became big in the news.

Callum: Exactly, well done. The answer is indeed June 2007. Now that won't be the first time that term was ever used, but it was the first reference to it that I could find on the BBC website! Maybe you can find an earlier one. It did exist as a term known and used by economists but now everyone knows it. It's like a new expression that's been born in our lifetime! And as you said it does seem to be in the headlines everyday.

Well that's all the time we have time for this programme, but do join us again for another 6 Minute English soon. Goodbye

Jackie: Goodbye.