

JIM C'S QUIZ OF THE WEEK

MONDAY - 8/20/2007

Borrowers, lenders, Wall Street, and rating agencies all speculated in the sub-prime market with tragic results: foreclosures, hedge fund failures, finger pointing, and a massive global credit crunch.

The current credit crunch is an example of the butterfly effect, where tiny wings flapping in one part of the globe has lead to a chain of events that culminates in financial hurricanes elsewhere.

HOW DID THE TERM “*CREDIT CRUNCH*” ORIGINATE?

Investopedia: “Credit crunches are usually considered to be an extension of recessions. A credit crunch makes it nearly impossible for companies and consumers to borrow because lenders are scared of bankruptcies or defaults, which result in higher rates.”

Online Etymology: Two word combination - 1) “Credit - 1526, from Latin *creditum* "a loan, thing entrusted to another” and 2) “Crunch - 1814, from *craunch* (1631), probably of imitative origin. The noun with the sense of "critical moment" is from 1836, but the term was first popularized by Winston Churchill around 1939.”

***Credit squeeze* originated in the early 1950s, but the phrase *credit crunch* was coined in mid 1966 to describe the Federal Reserve’s restrictive monetary policy to slow the growth of demand.**

CW: Credit Crunch = A return to sanity, or a black hole of rationing

Moment of Zen: Every credit crunch has its own expert enablers