

Reading about the subject

profit-taking

euphoria

panic

displacement

boom

1. ____

This happens when people become excited about a new situation and want to invest in it, for example, a new type of technology or interest rates being unusually ¹ **small/low/less**.

2. ____

To begin with, prices of the asset ² **increase/increasing/increased** slowly after the displacement. However, due to it attracting a lot of interest in the media, there are large numbers of investors and traders, which leads to prices ³ **risen/rose/rising** more quickly.

3. ____

During this stage, the prices of the asset ⁴ **inflated/inflate/inflating** enormously at great speed. Everyone gets caught up in the idea that there will always be more buyers, regardless of how high prices go. Cautious investing is almost non-existent as everyone is trying to make as much money as quickly as possible. There is a great deal of excitement.

4. ____

Smart investors begin to realize that the market is about to ⁵ **crashing/crash/crashed** and start to sell their assets. There is often great disagreement over when a bubble is about to burst, however, as it is difficult to work out the real value of an asset. This is due to the fact that the usual factors of supply and demand are no longer setting the price.

5. ____

It can only take a small event to cause the bubble to ⁶ **deflating/deflate/deflated**, yet when it starts, it will not reinflate. Suddenly prices ⁷ **decrease/decreasing/decreased** just as rapidly as they increased, and all of the people who had bought the asset realize that they have something that is not worth what they paid for it. Everyone tries to sell quickly in order to recoup or limit their losses. Supply now ⁸ **surged/surging/surges**, becoming much larger than demand and invariably a lot of people lose a lot of money, which has consequences elsewhere.

Before you watch, match the words to form collocations that you will hear in the video.

- | | |
|--------------|--------------|
| 1. partial | a. age |
| 2. golden | b. craftsman |
| 3. high | c. demand |
| 4. trading | d. flower |
| 5. exotic | e. loop |
| 6. intrinsic | f. ownership |
| 7. skilled | g. value |
| 8. feedback | h. vessels |

1. _____ a period in the past when a type of art or an activity was at its peak
2. _____ a worker who has a particular skill, such as a carpenter
3. _____ when a lot of people want a particular asset
4. _____ how much something is worth, which may differ from how much it cost
5. _____ a boat or ship that carries cargo or passengers for profit
6. _____ more than one person owns something, e.g., a company
7. _____ the outputs of a system are circled back and used as inputs
8. _____ often grown in subtropical climates, but usually from a different geographical region

Introducing the topic

Number them in the correct order.

At different points in time, tulips, real estate, and stock in pets.com have all sold for much more than they were worth. ____

Economists call this a bubble. ____

How about a million dollars? Probably not. Well, how much would you pay for this house or partial ownership of a website that sells pet supplies? ____

How much would you pay for a bouquet of tulips? A few dollars? A hundred dollars? 1 ____

In each instance, the price rose and rose and then abruptly plummeted. ____

So what exactly is going on with a bubble? ____

Watching for details

Now watch the whole video and answer these questions.

1. During the ____ Amsterdam was greatly significant as a port and a center of commerce
 - a. 1640s
 - b. 1650s
 - c. 1630s
 - d. 1620s
2. Wealthy citizens of Amsterdam liked to display their wealth by ____
 - a. sending large bouquets of flowers to family and friends
 - b. having flower displays around their house.
 - c. collecting exotic flowers.
 - d. surrounding their houses with flower gardens.
3. Certain tulips were rarer and considered more beautiful than regular tulips as they had been ____ .
The demand and price for these tulips increased.
 - a. transported from Asia
 - b. affected by a virus
 - c. grown in a laboratory
 - d. favored by the royal family
4. At the peak of "tulip mania," a skilled craftsman's salary was ____ the cost of one tulip bulb.
 - a. ten times less than
 - b. half
 - c. ten times more than
 - d. twice

5. Typically, stock prices increase due to ____
- a. a greater supply of shares.
 - b. the perceived future earning potential of a company.
 - c. the track record in sales of a company.
 - d. an even distribution of supply and demand of shares.
6. An economic bubble bursts when ____
- a. there are no longer any shares left to sell.
 - b. demand for a product outweighs supply.
 - c. everyone realizes the price is higher than the intrinsic value of the stock.
 - d. the stock market crashes.
7. The history of "tulip mania" is useful because ____
- a. it's an example of the rules which create an economic bubble.
 - b. it warns us that plants and flowers are a bad investment.
 - c. it enables us to accurately predict future bubbles.
 - d. it prevented a similar problem with real estate in the 2000s.
8. The speaker predicts that in future, the economy will ____
- a. avoid economic bubbles due to what we have learned in the past.
 - b. see more economic bubbles than ever before as a result of the Internet.
 - c. mainly have economic bubbles related to real estate.
 - d. continue to fluctuate and see more economic bubbles occur.

Now put the collocations into the correct gap in these sentences.

1. What goods or skills are in _____ in your country?
2. In your opinion, what was the _____ of film and music? Why?
3. Do you own something which has an _____ that is far less than its sentimental value? What is it? Why?
4. When it comes to improving systems in your company, do you have a _____? How does it work?
5. Are you a _____? Would you like to be one? What would you like to be able to make?
6. Have you ever received or given an _____ as a gift? Why? What happened?