

# 7 Investment

2 ValvesP

- ▶ investment banking
- ▶ free vs. regularized markets



## Internet research

Chinese Walls are used in many other contexts than finance. Search for the keywords *Chinese Wall* and *information firewall*. Present an example to the class, explaining why it is or is not desirable.

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bail out  
call the shots  
fat cat  
going rate  
grind to a halt  
market volatility  
weigh in

## 7.1 About business Investment banks

### Discussion

**1** Your bank might use your money in different ways. Which of the following are you happy with? Why? Why not?

- |                                  |  |
|----------------------------------|--|
| 1 lending to private individuals | 6 trading in foreign currencies                    |
| 2 lending to businesses          | 7 trading in gold and other commodities            |
| 3 lending to other banks         | 8 speculating on the stock market                  |
| 4 lending to the government      | 9 speculating on the property market               |
| 5 lending to other countries     | 10 buying and selling debt from and to other banks |

### Scan reading

**2** Read *Investment banks – heroes or zeroes?* quickly. Which paragraphs answer the following questions?


- 1 What is the popular image of what investment bankers do?
- 2 Why have investment banks become controversial?
- 3 Do investment banks use private individuals' money to speculate?
- 4 Why are investment bankers paid huge bonuses?
- 5 Which part of investment banks' activities are many people uncomfortable with?
- 6 How do investment banks assist large companies?

### Reading for detail

**3** Read the article again. What are the banks' counter-arguments to the following criticisms?

- 1 Investment bankers are just brokers who take unjustifiably large cuts on investment in industry.
- 2 Investment banks charge enormous sums for just giving advice on a few balance sheets.
- 3 It is unethical for investment banks to speculate on commodity, exchange and derivatives markets.
- 4 Investment banks should be spun off from retail banks to avoid access to individual customers' cash.
- 5 No individual, however competent, should be paid millions when taxpayers are involuntary shareholders.

### Listening

**4**  2:24 Listen to an interview where Barry Elliot, a financial journalist, talks about why a free market doesn't work for banks. Why does Barry feel greater regulation is needed?

**5**  2:24 Listen again. What does Barry say about the following?

- 1 how business deals work in a free market
- 2 why such deals usually work well
- 3 paying salesmen on the number of sales made
- 4 the role of banks and bankers in the sub-prime crisis
- 5 what happened if debtors couldn't pay
- 6 bankers personal risk
- 7 why salesmen are not in fact paid on the number of sales made
- 8 letting banks go bankrupt

### Discussion

**6** In groups, discuss the following points.

- 1 Heroes of investment and growth, or zeroes of greed and selfishness? What is your view of investment banks and bankers?
- 2 Should politicians weigh in and force universal banks to sell off their investment banking divisions?
- 3 In your opinion, are there individuals in any field whose skills really justify 'Himalayan' pay packages? Should there be salary caps, disincentives for companies that pay excessive bonuses, or a 'millionaire' tax on incomes above a certain ceiling?