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імені Петра Могили

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Г.С. Дімант

# ECONOMY IN TRANSITION

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Рекомендовано Міністерством освіти і науки  
України як навчальний посібник для студентів  
вищих навчальних закладів



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Даний навчально-методичний посібник призначений для викладання англійської мови студентам-економістам на просунутому етапі навчання. Ціль даного посібника – не тільки покращити і збагатити англійську мову студентів, а також допомогти їм увійти до світу бізнесу. Різноманітні тексти, які пов'язані з мікро- та макроекономікою, фінансами, банківською справою, маркетингом, біографії видатних економістів минулого та сучасності, їх теорії, словник термінів та граматичний довідник стимулюють усне та письмове мовлення на основі розширення і збільшення словникового запасу студентів. Вправи, які подані після кожного тексту, також сприяють досягненню цієї мети.

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# Introduction

This book is intended for students who study economy. The purpose of this publication is not only to enrich and improve their English but also help them enter the world of economics which is changing to reflect the shifting trends in economic affairs, in the world economy, and in society at large. This book evolves along with the science it surveys. Every chapter has moved forward in time to keep pace with economic analysis and policy. In doing this book emphasizes the basic economic concepts, describes the development of several countries with economies in transition. There is also the chapter which gives an impartial review of the thinking of the intellectual giants of economics – from Adam Smith, and David Ricardo to Milton Friedman and Paul Samuelson.

There are a certain number of vocabularies that can be described as special “business” vocabulary which will help students understand many complicated economic concepts and develop their language skills using these terms in different business situations which the students can practise so that they can become more confident, fluent and accurate.

This book contains the basic business English which includes reading, listening and writing tasks as well as discussion, problem – solving and role play. This book also contains grammar reference and grammar exercises.

*Dimant G.*

Цей підручник призначається для викладання економіки для студентів економічного факультету на просунутому етапі навчання. Він забезпечує широкий вибір ділових ситуацій, які дозволяють студентам бути більш впевненими, вільно розмовляти на економічні теми, закріпити у студентів теоретичні знання з граматики, а також стимулювати усне та письмове мовлення на основі розширення і збільшення словникового запасу студентів.

# 1. Basic concepts

## 1.1. The First Modern Economists

*THE MERCANTILISTS.* Between the 16-th and 18-th centuries, the major countries of Europe believed in the economic theory of mercantilism.

Mercantilists **argued** that nations should behave as if they were merchants **competing** with one another for profit. Accordingly, governments should support industry by enacting laws designed to keep labor and other production costs low, and exports high. In this way the nation could achieve what was called a “favorable balance of trade”.

“**Favorable balance of trade**” described a situation in which **exports** exceeded **imports**. The excess, which was like profits to a merchant, would result in an increase in the nation’s supply of gold or silver. And so most people agreed in those days, the true measure of nation’s **wealth** was its **hoard** of gold and silver.

To achieve favorable trade balances, the major European powers sought to **acquire** colonies. Colonies, it was thought, could provide the “mother country” with cheap labor, raw materials and a market for its manufactured **goods**.

In an effort to attain these goals in their American colonies, the British, for example, enacted the **Navigation Acts**. The Navigation Acts protected British industry by prohibiting the colonies from producing certain goods like hats, woolen products and wrought iron. The laws also listed certain “enumerated articles” (mostly raw materials) which could not be sold to buyers in colonies other than England.

**Resentment** towards the Navigation Acts was so great that they are regarded as one of the principal causes of the Revolutionary War.

Today there are people who still argue that their country should **promote** a “favorable balance of trade” that their national government should do what it can to **restrict** imports and promote exports. For that reason, they are often described as **neomercantilists** or “new” mercantilists.

*THE PHYSIOCRATS.* For one group of 18-th century French philosophers and economists, the suggestion that nations should go out of their way to protect **business** and industry made no sense at all. These were the physiocrats.

The physiocrats argued that the products of agriculture and other natural resources were the true source of wealth. Since these were God – given, it made

little sense for government to go out of its way to help business and industry **increase** profits. For similar reasons, they opposed government efforts to promote a “favorable balance of trade”.

In other words, since real wealth came from the land, it followed that the wisest thing government could do would be to keep its hands off business and let nature take its course. This idea was expressed in the slogan “**laissez faire**” (let people do as they choose).

Interestingly, the 200 – year – old argument between those favoring regulation of the economy and those supporting **laissez faire** is still with us. Whether the problem involves individuals (like those living in poverty and **unemployment** or institutions (such as a rising tide of business or **bank failures**, there are those who find the solution in government intervention, and others who favor “laissez faire”, letting natural economic forces take their course.

*Answer the following questions.*

1. What two groups are discussed?
2. How were they different from each other?
3. What is a “favourable balance of trade”?
4. What is “laissez faire” and with which group is the term associated?

*Define the following words and expressions.*

Argue	wealth
resentment	increase
compete	hoard (of gold)
promote	unemployment
export	acquire
restrict	bank failure
import	government intervention
business	

## 1.2. WHAT IS ECONOMICS?

All your life – from **cradle** to grave – you will run up against the **brutal truths** of economics. As a voter, you will make decisions on **issues** – on the government budget, regulating industries, **taxes** and foreign trade – that cannot be understood until you have **mastered the rudiments** of this subject.

Choosing your life occupation is the most important economic decision you will make. Your future depends not only on your own **abilities** but also upon how economic forces **affect** your wages. Of course, studying economics cannot make you a genius.

Economics is exciting and important. Anyone who thinks otherwise has failed to realize that economic ideas have moved people to **rebellion**, and nations to war. The great problems that surround us today—among them international conflict, unemployment, **inflation**, poverty, **discrimination**, and environmental pollution—have **economic roots**. Even the small problems – impossibility to find a parking space, the high price of goods and products in our stores are economic in nature.

***ECONOMICS IS THE STUDY OF HOW SOCIETIES USE SCARCE RESOURCES TO PRODUCE VALUABLE COMMODITIES AND DISTRIBUTE THEM AMONG DIFFERENT PEOPLE.***

Notice that “**scarcity**” in the economic sense doesn’t refer directly to quantity of a resource. The earth has a great deal of land, yet most of the earth land is scarce because it has alternative uses. If land is used for a **college campus**, that same land isn’t **available** for a shopping mall or a park.

All societies **confront** the problem of scarcity which **implies** the existence of **alternatives**; choices must be made among those alternatives. The ways in which the choices are made, are determined by a society’s laws, customs and practices. These constitute a society’s **economic system**. Today, the two major types of economic systems are capitalism and socialism.

### MICRO AND MACRO

Beginning courses in economics are traditionally divided into two components: microeconomics and macroeconomics.

The two branches of economics contain some differences in viewpoint as well as some similarities. Microeconomics is concerned with the specific parts or economic units that make up an economic system and with the relationships between those parts. The main emphasis is placed on understanding the behavior of individual households, firms and industries, and the ways in which such **entities** interact.

Macroeconomics is concerned with the economy as a whole, or the large **segments** of it. Macroeconomics focuses on such problems as the rate of unemployment, the changing level of prices, the nation's total output of goods and services, and the ways in which government raises and spends money.

In simple words microeconomics tries to explain what the trees are, while macroeconomics tries to explain what the forest is.

### *Answer the following questions*

1. What is your main concern being a voter?
2. What is the most important decision in your life?
3. Why is economics so important?
4. What is economics?
5. How do you understand the word "scarcity"?

### *Define the following words and expressions.*

cradle	affect
scarcity	alternative
brutal truth	rebellion
college campus	entity
issue	inflation
available	segment
to master the rudiments	discrimination
confront	total output
ability	economic roots
imply	service

## **1.3. TYPES OF ECONOMIC SYSTEMS**

### **The Traditional Economy**

These systems are found in **remote** areas such as the Brazilian rain forests, Himalayan mountains, or Indonesian jungles. Such systems may characterize **isolated** tribes or groups, or even **entire** countries. People of this system **are engaged** in agriculture or other basic activities such as fishing or hunting. The goods and services produced in traditional economies **tend** to be those that have been produced as they always have been. In short, the questions of what the traditional society produces and how it is produced are **determined** by slowly changing traditions. People in traditional economies live near a **subsistence level**. They have enough to **sustain** them. In fact, if the harvest is poor, some will be unable to sub-

sist and must move – leave the society – or die. But if the yield is high and there is more than enough for everyone, it will be **distributed** traditionally. For example, much of the produced might go to a tribal chief or landholder, while the rest is distributed according to custom.

### **The Command Economy**

A few years ago the USSR and other eastern European countries, Albania, and China relied on command economies. In those countries, governments owned and **managed** most important natural and capital resources. Government officials **aided** by groups of economists, engineers, industrial specialists prepared **detailed plans** describing how the economy was to function, what goods and services were to be produced. If, for example, they decided to increase grain production, they must issue orders to speed up the manufacture of tractors and / or increase fertilizer imports. Similarly, the planners might **encourage** labor to remain on farms raising their wages or commanding them to do so. Government planning agencies decided how goods and services would be produced in command economies. For example, decisions about where to locate a new automobile assembly plant, the kinds of machinery to use, and the type of labor to **employ** were left to the economic planners. Finally, economic planners, acting on orders from the government's political leadership, decided who would receive the goods and services produced. They did this through different strategies such as **fixing wage**, and **rationing** scarce commodities (like housing and automobiles).

### **The Market Economy**

A market economy is one in which the decisions of many individual buyers and sellers interact to answer the questions of **what, how** and **for whom**. There are other **essential** elements in a market economy. One of them is **private property**. It means that individuals and business firms have the right to own the means of production. Private ownership gives people the **incentive** to use their property to produce things that will sell and earn them **profit**.

This profit motive drives sellers to produce things that buyers want, at prices they are willing to pay. The profit motive also gives sellers the incentive to produce at the lowest possible cost. Why? Because lower costs enable them to 1) increase their profit **margins**, the difference between cost and selling price, 2) **reduce** prices to undersell the competition, or 3) both.

### **Mixed Economies**

There are, however, no pure market economies in the world today. 50 years ago government in the USA **purchased** 15 % of all American goods and services. It now purchases 20 %. This **blend** of market forces and government participation has led to mixed economies where government plays an ever-widening and important role.



*Answer the following questions.*

1. Where are the traditional economies found?
2. What do these systems characterise?
3. What determines the questions of what and how to produce in the traditional economy?
4. How is the harvest distributed in this type of economy?
5. What countries relied on command economies a few years ago?
6. Who owned and managed the most important natural and capital resources?
7. Who ruled the economy in the command economy?
8. What strategies were applied to distribute goods and services?
9. Who decides the question of What, How and For Whom in the market economy?
10. What is the essential element in the market economy?
11. Is there a pure market economy in the world?

*Define the following words and expressions.*

remote	tend	distribute
encourage	essential element	margin
isolated	determine	manage
employ	private property	reduce
entire	subsistence level	aid
fixing wage	incentive	purchase
to be engaged	sustain	detailed plan
rationing	profit	blend

## 1.4. ECONOMIC SYSTEMS

By the time your jeans have faded to the perfect color, you have grown a bit taller, and the jeans are too short. You need a new pair. Where will you get them? Probably you or someone in your family will go to the store. How will you pay for the jeans? You will pay for them with money you or your family earned.

We take this process for granted. Yet it is not a simple one. In order for you to buy a pair of jeans you like in a nearby store, many things had to happen first. Millions of tons of cotton were harvested. Many workers in many factories turned this cotton into millions of pairs of jeans. These jeans were carried by trucks or trains all across the country. Some of these jeans were delivered to your store, where other people earn a living by selling clothing to customers like you.

\* \* \*

We call a nation's way of making, using and sharing things its **economic system**. Some systems are very simple. Others are very complicated. To understand how and why people live as they do, we must know about their economic system. We can ask three basic questions about an economic system. What does it produce? How does the system produce it? Who gets what it produced?

### ***WHAT DO ECONOMIC SYSTEMS PRODUCE?***

One purpose of any economic system is to produce what its people need in order to live. Every system must produce things like food, shelter, and clothing. It also must produce whatever tools are needed for getting food, building shelter, and meeting other basic needs. The things an economic system produces fall into two groups—goods and services. **Goods** are things you can see and touch. **Services** are work that is done for people by other people. If you have a job delivering newspapers, you are providing a service. If you work as a babysitter, you are providing a service. The doctor who treats you for illness is providing a service.

### ***Answer the following questions.***

1. Why must every group of nation have an economic system?
2. Are all economic systems the same?
3. How do they differ?
4. **Imagine that you need a new pair of jeans.** (make up a story)
  - Where would you go to find them?
  - How would the store have gotten them?
  - How was the factory able to make them?
  - Where did the cloth come from?
  - Where did the clothmaker get the raw material for the cloth?
  - What would you need to buy jeans?
  - Where would this money come from?
5. Imagine that you live on the remote Pacific island where you couldn't buy the clothes you need. (make up a story)
  - How would you go about getting clothes?
  - Compare the simple process of making or getting clothes with the complicated process in your country.
6. What is the difference between goods and services?
7. What examples of goods and services do you see right here in the room or at the Academy?

## 1.5. MONEY

When the English colonists first settled in the New World, they brought few of the pounds, shillings and pence they had used in England. It didn't really matter, though, because the native Americans they traded with didn't want British money. They **were unwilling** to exchange food for small pieces of paper and metal. However, native Americans would trade fish, furs and other essentials through barter. Barter is the exchange of one good or service for another. For example, a hungry Puritan family with some English cloth might have been able to trade with a native American for fish.

The earliest form of trade was by barter. But barter has many **drawbacks** because people's **precise** needs seldom **coincided**. People needed more practical system of exchange. This problem led to use wampum, a form of money native Americans used in Massachusetts in the 1640s, consisted of **certain** black or white shells. Both colonists and native Americans accepted wampum in payment for anything they had to sell. Wampum became the **medium of exchange** during the early colonial period. Wampum was a vast **improvement** over barter.

From the earliest times **precious** metals-such as gold, silver, or copper have been the most popular forms of money. But throughout history societies have used such things for their money as tobacco, salt, fish hooks, shells, stones, and, of course, various forms of paper. Money should provide:

- ***a medium of exchange***. In a money economy people can sell what they have to anyone, then use the money to buy what they want. Money, therefore, is the medium that **enables** exchanges to be made easily.
- ***a measure of value***. Money enables us to state the price of something in terms that everyone can understand. One can say that a dozen eggs is worth 85 cents. This is far simpler than figuring out how much milk, meat or clothing one could expect for a dozen eggs.
- ***a store of value***. Money enables us to use the value of something that we sell today to make a purchase some time in the future. For example, an egg seller could **save the money** from the day's sale to pay next year's college **tuition**. But imagine the difficulties in saving eggs to pay tuition.

Money should have the following qualities:

- ***stability***. The value of money should be more or less the same today as tomorrow.

- **portability**. Modern money has to be small and light for people to carry.
- **durability**. The material chosen must have a reasonable **life expectancy**.
- **divisibility**. One of the principle **advantages** of money over barter is its ability to be divided into parts.
- **recognizability**. Money should be hard to copy and easy to **recognize** for what it is.

Economists describe assets that are easily turned into cash as “near money.”

They are: currency, checkable deposits, travelers’ checks, savings accounts, securities, bonds.

### *Answer the following questions.*

1. What did the British colonists bring with them?
2. Did native Americans want British money?
3. What drawbacks of barter are mentioned in the text?
4. What was vast improvement over barter?
5. What was the role of precious metals in the earliest times?
6. What does money provide?
7. What qualities does money have?

### *Define the following words and expressions.*

to be unwilling	tuition
precious	certain
drawback	life expectancy
to enable	medium of exchange
precise	advantage
save money	improvement
coincide	recognize

## **1.6. THE PROBLEM OF LIMITED RESOURCES**

Few people will ever be able to buy all the goods and services that they might wish for. You might wish you could buy an airplane, a yacht, and a ski mountain. But there just aren’t enough resources in the world for everyone to have a plane, a yacht, and ski mountain. All economic systems must deal with the problem of scarcity (limited resources). As you will see later, economic systems have different ways of using limited resources. They distribute or (divide and pass out) scarce goods and services in ways that are different. Some economic systems use fewer resources than others. People in these systems don’t have large amounts of food, clothing, or other goods and services. We say that such a system has a low **stan-**

**ard of living.** Such systems have fewer schools and teachers. Fewer people are **literate**. There are fewer hospitals, doctors and nurses.

Other economic systems have vast resources. They produce great amounts of goods and services. Most of people can read and write. The United States and Japan are examples of such systems. Both of them have a high standard of living. There are many doctors, libraries, schools, cars and factories. People share more goods and services.

### **HOW DOES AN ECONOMIC SYSTEM PRODUCE ITS GOODS AND SERVICES?**

Groups or nations decide not only what to produce, but also how they will produce it. For example, all societies must produce food, but they can produce it in very different ways. In countries with fewer resources, or with low standard of living, most farmers don't own machinery. Work is done by hand, or with simple hand tools. People have to work very hard to grow enough food to keep their families alive. Often they do not have food left over to sell.

The level of food production in such countries is low. Countries with higher standards of living use machinery and more **fertilizers** on their farms. Each farmer can work more land and produce more food than they can **consume** themselves. They produce a **surplus**. Farmers sell this surplus, and use the money to buy goods and services.

An industrialized country uses large amounts of resources. It uses a lot of metal, wood and fertilizers. It uses great amount of energy to power machinery and heat buildings. In general, the more resources and energy a system uses, the more it produces.

### *Answer the following questions*

1. Will you probably ever have all the goods and services you could ever want?
2. What will happen if everyone has everything?
3. What do we mean by a low standard of living?
4. Why are many of these people not literate?
5. What do we mean by a high standard of living?
6. What goods and services do you use?

### *Define the following words and expressions.*

Standard of living literate fertilizer	consume surplus
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## 1.7. THE THREE PROBLEMS OF ECONOMIC ORGANIZATION

Whenever people gather into communities, they must necessarily **confront** a few universal economic problems. These fundamental questions are as important today as they were at the **dawn** of human civilization. We'll see that every economy must answer a **triad** of questions:

- **WHAT** commodities shall be produced,
- **HOW** these goods should be produced,
- **FOR WHOM** they will be produced.

**WHAT** commodities are to be produced and in what quantities? How much of each of the many possible goods and services should the economy make? And when will they be produced? Should we produce pizzas or shirts today? A few high quality shirts or many cheap shirts? Should we produce many consumption goods or services (like pizzas and concerts) or few consumption goods and many investment goods (like pizza factories and concert halls), allowing more consumption tomorrow.

**HOW** shall goods be produced? By whom and with what resources and in what technological manner are they to be produced? Who farms and who teaches? Is electricity to be **generated** from oil or from coal? With much air pollution or with little? Are goods produced by hand or with machines? In privately-owned capitalist corporations or in state-owned socialist enterprises?

**FOR WHOM** shall goods be produced? Who gets to eat the fruit of the economy's effort? Or, to put it formally, how the national product to be divided among different **households**? Are we to have a society in which a few are rich and many poor? Shall high incomes go to managers or workers or landlords? Shall the self-ish inherit the earth? Shall the lazy eat well?

These three basic problems are common to all economies, but different societies take different approaches in solving them.

### **INPUTS AND OUTPUTS**

The three central economic tasks of every society are really about choices among an economy's **inputs** and **outputs**.

**INPUTS** are commodities or services used by firms in their production processes. An economy uses its existing technology to combine inputs to produce outputs.

**OUTPUTS** are the **various useful** goods or services that are either consumed or employed in further production. Imagine the "production" of an omelette. We say that the eggs, salt, heat, frying pan and the chef's skilled labor are the inputs. The fluffy omelette is the output.

*Answer the following questions.*

1. What problems do people confront?
2. Why are those problems so important?
3. What questions must economy decide?
4. What problems are decided by these questions?
5. What is the importance of inputs for the economy?
6. What are outputs?

*Define the following words and expressions.*

confront	household
dawn	various
triad	useful
generate	

## 1.8. LAND, LABOR, CAPITAL, ENTREPRENEURSHIP

We classify inputs, also called **factors of production**, into four broad categories: land, labor, capital and entrepreneurship.

**LAND** – or more generally natural resources – represents the gift of nature to our productive processes. It consists of the land used for farming or for **underpinning** houses, factories and roads; energy resources to fuel our cars or heat our homes; and non – energy resources like copper and iron ore and sand. We should also view our physical environment – the air we breathe and the water we drink – as natural resources.

**LABOR** – consists of the human time spent in production – working in automobile factories, **tilling** the land, teaching at school, or cooking in the kitchen. Thousands of **occupations** and tasks, at all skill levels, are **performed** by labor. It is at once the most familiar and the most **crucial** input for an advanced industrial economy.

**CAPITAL** resources form the **durable** goods of an economy, produced in order to produce yet other goods. Capital goods include machines, roads, computers, hammers, trucks, still mills, washing machines, automobiles, and buildings. The **accumulation** of specialized capital goods is **essential** to the task of economic development.

Relating the three economic problems in terms of inputs and outputs, a society must decide:

1. What outputs to produce, and in what quantity;
2. How to produce them – that is, by what techniques inputs should be combined to produce the desired outputs.
3. For whom the outputs should be produced and distributed.

**ENTREPRENEURSHIP.** People who are involved in this kind of business shouldn't be confused with managers. These are people who have the vision, originality, and daring to introduce new ideas in business.

*CLASSIFYING THE FACTORS OF PRODUCTION*

<b>Resource or factor of production</b>	<i>Description</i>	<i>Payment</i>
<b>LAND</b>	Natural resources (e.g. land itself including minerals, water, timber)	<b>RENT</b>
<b>CAPITAL</b>	Produced resources (e.g. tools, factories, machines)	<b>INTEREST</b>
<b>LABOUR</b>	Physical and mental efforts (e.g. hired workers and professionals)	<b>WAGES</b>
<b>ENTREPRENEURSHIP</b>	Ownership function (e.g. organizing financial risk taking)	<b>PROFIT</b>
<b>ANNUAL TOTAL</b>		<b>NATIONAL INCOME</b>

*Answer the following questions.*

1. What are the four factors of production?
2. What does land represent?
3. What does land consist of?
4. What does labor present?
5. What do capital resources form?
6. What are the entrepreneurs?
7. Classify the factors of production.

*Define the following words and expressions.*

factors of production underpinning house till the land occupation perform	crucial durable goods accumulation essential
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## 1.9. BASIC ELEMENTS OF SUPPLY AND DEMAND

### *THE MARKET MECHANISM*

Suppose you woke up one morning with an urge for a new stereo set. How would you get one? You wouldn't dream of saying, "I'll **head down** to the voting booth and vote for the president who will give me a new stereo. Of course I mean one with twin 100 – watt channels and fancy look."

Or to take an actual historical case, suppose that people decided to travel in automobiles rather than on horseback. How would this desire be translated into action? Would politicians tell workers and firms to move to Detroit to make cars? Would the Senate tell the farmers to **slow down** horse production?

How would government get producers to grow cotton for car seats rather than hay for horses? Of course, the **transition** from horses to cars didn't **occur** under government direction. Instead, consumers bought more cars and fewer horses. With higher profits in car production, automakers **geared up**, new firms like Cadillac, and Ford **sprang up** in Detroit, and workers hungry for good jobs moved there. As horses **languished** in the pastures, horse prices fell and horse breeders turned to other fields. As less hay was needed for horses, the price of hay fell and other crops were planted instead. At the same time, the demand for automotive components such as steel, cotton and rubber increased, and the prices of these goods rose, attracting manufacturers into the production of automotive-based commodities.

Through just such forces, we have **witnessed** a great revolution in American transportation during this century, with the horse population falling by 90 % while the car population grew from nothing to 160 million **vehicles**. What brought about this revolution? It occurred as changes in tastes and technology operated through the forces of *supply* and *demand*.

Similar revolutions are taking place in the economic marketplace all the time. As people's **tastes** change and the new technologies are developed, the marketplace **registers** these changes in the prices and quantities of inputs and outputs.

Through changing prices and profits, the price mechanism registers changes in tastes, technologies and trading patterns and thereby rations out the available resources among the competing users.

### *Answer the following questions.*

1. How does the market mechanism work on the everyday level?
2. The market mechanism has been working for long centuries, hasn't it?
3. Can governments rule our choice what to buy?

4. What influences our choices?
5. What is the role of people's taste in the economic marketplace?

*Define the following words and expressions.*

head down	occur
languish	supply and demand
slow down	gear up
witness	taste
transition	spring up
vehicle	register

## 1.10. GOALS OF OUR ECONOMIC SYSTEM

### *TECHNICAL EFFICIENCY*

Engineers measure physical efficiency by the **ratio** of physical output to physical input. The greater the ratio, the greater the physical efficiency. If an engine, for example, uses 100 units of energy input to produce 75 units of energy output, the engine is said to be 75 percent efficient. A firm, an industry, or an **entire** economy is said to have **achieved** technical **efficiency** when it is producing maximum output by making the fullest possible **utilization** of **available** inputs. The available resources are then said to be **fully employed** in the most effective way.

### *ECONOMIC EFFICIENCY*

Suppose a society has achieved technical efficiency and is making full use of its available resources. Would you give high marks to such a society if families who wanted a larger apartment had to wait 10 years before one became available? Would you think the economy is efficient if people who wanted to buy meat for dinner were required to spend all afternoon waiting in line outside the meat market? Most people agree that an economic system ought to **deliver** the goods and services that people want and are able to pay for. A **standard** that is useful in determining the success of an economy is economic efficiency.

#### *Now look at the relation between technical and economic efficiency*

1. A society that has achieved technical efficiency is making full use of its available resources. But the society is not economically efficient unless it is producing the goods that people prefer to **purchase** with their existing **incomes**.

2. A society that has achieved economic efficiency has also achieved technical efficiency. That is, the society is not only producing the largest possible output with the available resources but also satisfying consumer preferences. Economic efficiency is thus a general **concept** that includes technical efficiency.

*Answer the following questions.*

1. How is the physical efficiency measured?
2. How is technical efficiency measured in industry?
3. How is economic efficiency revealed in everyday life?
4. What is the relation between technical and economic efficiency?

*Define the following words and expressions.*

ratio	efficiency
fully employ	purchase
entire	utilization
deliver	income
achieve	available
standard	concept

***ECONOMIC GOALS***

1. ***Economic growth*** – to provide a higher living standard for the citizens.
2. ***Full employment*** – everybody who wants and able to work should be provided with it.
3. ***Economic efficiency*** – to get maximum benefit with minimum costs.
4. ***Stable level of price*** – to avoid significant increase or decrease in prices (inflation or deflation)
5. ***Fair distribution of income*** – people shouldn't be divided into extremely rich and extremely poor.
6. ***Economic freedom*** – everybody involved in business or production should possess high level of freedom.
7. ***Economic security*** – those who are unable to work should be provided with a system of allowances.
8. ***Trade balance*** – the reasonable international trade balance and international financial transactions must be supported.

## **1.11. A BRIEF HISTORY OF TAX**

Tax collectors may be one of the oldest professions in the world. The Bible records that Jesus Christ offered his view on a tax matter, and **converted a prominent** taxman. In its early days taxation didn't always involve handing over money. The ancient Chinese paid with pressed tea, and tribesmen in the Amazon region **stumped up** shrunken heads. As the price of their citizenship ancient Greeks and Romans could be called on to serve as soldiers, and had to supply their own weap-

ons-a practice that was still going strong in feudal Europe. As Ferdinand Grapperhaus writes in his "Tax Tales", the origin of modern taxation can be **traced** to wealthy subjects paying money to their king **in lieu** of military service.

The other early source of tax **revenue** was trade, with **tolls** and customs duties being collected from travelling merchants. The big advantage of these taxes was that they fell mostly on visitors rather than residents. One of earliest taxes **imposed** by England's Parliament, in the 13th century, was "tonnage and poundage" on wine, wool and leather, **targeted at** Italian merchants.

Sometimes rulers went a little over the top. **Excessive** taxation was one reason why King Charles I of England lost his head. Many of those guillotined during the French Revolution of 1789 were much – resented private tax collectors. And the Boston Tea Party was a protest by American patriots against the tea tax imposed by their British rulers.

Income tax, the biggest source of government funds today, is a relatively recent invention. Governments preferred to tax things that were easy to measure and therefore to calculate liability on. That is why early taxes concentrated on **tangible items** such as land and property, physical goods, commodities and ships, or the number of windows or fireplaces in a building. The first income tax was **levied** in 1797 by the Dutch Republic. Britain followed in 1799.

Like most new taxes, they were introduced as temporary measures to finance war efforts. What stands out about the 20th century – and particularly its second half- is that governments around the world have been taking a growing share of their countries' national income tax, mainly to pay for ever more expensive defence effort and for a modern welfare state. Taxes on consumption, such as the sales tax that is a big source of revenue for America's state and local governments, and the value – added tax (VAT) on goods and services in Europe, have become increasingly important. Big differences between countries remain in the overall level of tax. America's tax revenues **amount** to around one – third of its Gross Domestic Product (GDP), **whereas** Sweden's are closer to half. There are also big differences in the methods of collecting it, the rates at which it is levied and the definition of the "tax base."

### *Answer the following questions.*

1. Discuss the text and note the main historical steps of the development of taxes.
2. How did the ancient Chinese pay their taxes?
3. How was the tax problem decided in the ancient Greece and Rome?
4. What was the advantage of the taxes imposed on the travelling merchants?
5. How do you understand the expression "tonnage and poundage"?
6. Why is the income tax the biggest source of government funds today?

7. How is income tax used in most of the countries?
8. What was the reason of the Boston Tea Party (December 16, 1773)?

*Define the following words and expressions.*

convert	tangible items
impose	in lieu
prominent	levy
target at	revenue
stump up	amount
excessive	toll
trace	whereas

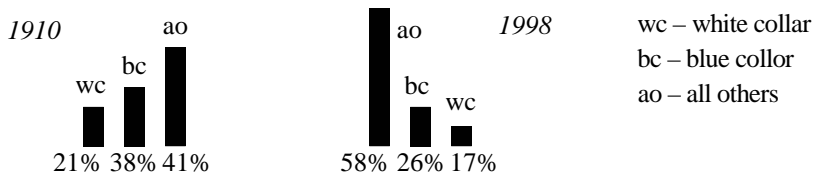
**TASK:** Match the following words with their corresponding meaning:

<i>convert</i>	to impose a tax
<i>stump up</i>	to bring over to a new faith
<i>lieu of</i>	to pay up money
<i>toll</i>	objective, definite
<i>target at</i>	instead of
<i>excessive</i>	a tax or charge
<i>liability</i>	aimed at
<i>tangible</i>	going beyond the limit
<i>levy</i>	debt

## 1.12. LABOR AND WAGES

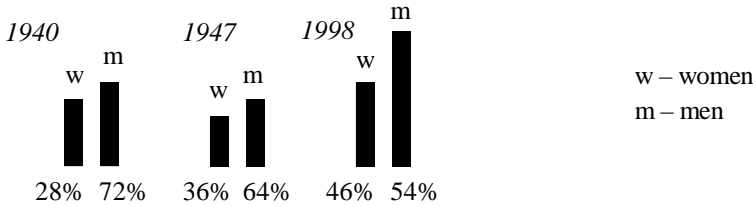
Sooner or later every young man starts thinking about his or her future. Some day they will enter the labor force which consists of all those people 18 years of age or older who are currently **employed** or looking for work. Our labor force has been changing in the 20th century. These changes include:

**1. The number of “blue-collar” jobs has declined, and the number of “white-collar” jobs has increased.**



2. White-collar and service industry employment has been increasing, because technological developments have enabled machines to complete tasks that once could only have been performed by people. Some of the major service industries include: retail trades, transportation, financial, food, hotel industries; and such professions as law, education and medicine.

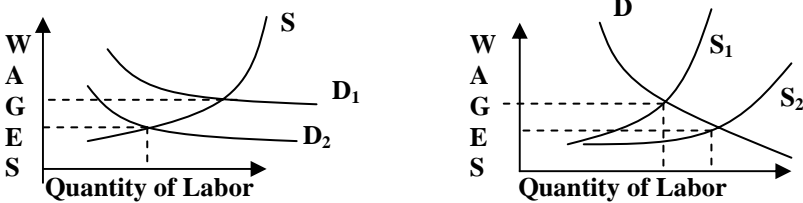
3. The proportion of women in the labor force has been increasing.



4. **Workers have been leaving the farm. In different countries reasons are also different.** In the D. countries small farms are **consolidated** into large farms and the **advanced technology** reduces the need for farm labor. In the L.D.C.- because of the higher living standards in the cities.

5. **Education has become increasingly important.** Technology has given us microcomputers, fiber optics and robots. It has also created a need for a highly trained labor force. Students who finish high school earn 67 % more than those who **drop out**, while college graduates earn about 285 % more than high school dropouts.

**HOW MARKET FORCES AFFECT WAGES**



D<sub>1</sub> – for Rock Musicians, D<sub>2</sub> – for Classical

S<sub>1</sub> – for Laborers, S<sub>2</sub> – for Craft Workers.

<p>The supply of top quality rock and classical musicians is about the same. The difference lies in demand, which is far greater for rock than it is for classical musicians.</p>	<p>The demand for the two categories of workers is about the same. Supply is another matter. The supply of craft workers is far less than that of laborers who earn less than those working in the craft.</p>
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**Answer the following questions.**

1. What are the changes in labour force in the number of “blue collar” and “white collar jobs”?

2. How has the proportion of women in the labour force been increasing since 1940?
3. Why have workers been leaving the farms?
4. How does education influence the labour force?
5. How do market forces affect wages?

*Define the following words and expressions.*

employ major blue colour consolidate white colour	advanced technology enable drop out complete
---	---

### 1.13. PROFIT (Part 1)

Profits remain after the **costs** of production have been **deducted** from sales. These costs include wages and salaries, materials, **rent**, **interest charges**, and more. The profit motive is the force that drives the economic system. You know that the job of an economic system is to **allocate** the scarce resources that go into **creating** goods and services. These sources are factors of production (land, capital, labor, and entrepreneurship). Profits drive entrepreneurs to risk capital, hire workers, and purchase what they need to produce goods and services. Profits also provide the **incentive** to improve products, reduce costs, and **outsell** competitors.

Economists say that the primary goal of every firm is to make the largest possible profit, or to maximize profits. If it does anything else, it would soon be out of business. In its **quest** for profits, one of the first things a firm must decide is its level of production. To understand a firm's **reasoning** look at how profits are determined. A firm's total profit is the difference between its earnings from the sale of its product (or its total revenue) and the amount it pays to produce that product (or its total cost).

***Total Revenue – Total Cost = Total Profit***

The firm **selects** the production level at which it makes the greatest profit. This is not necessarily the same as its highest production level. After conducting a market survey, the Ajax Doughnut Bakery discovered the following:

Daily Production	Profits
50 boxes	\$ 30
75 boxes	40
100 boxes	35

If you were the manager of Ajax Doughnut, how many boxes of doughnuts would you produce each day: 50? 75? 100? In this case it makes sense to produce 75, since that will yield the greatest profit.

How does a firm **calculate** its profit-maximizing output level? One way would be through **trial and error**. That is, the bakers could produce one box of doughnuts the first day, two the second, and so on until they reached their maximum daily output. But this method is **time-consuming** and costly. An easier method is what economists call **marginal analysis**, which uses pencil and paper to examine what happens when a firm decides to produce one more unit of output. Here is how it is done.

As long as the production of one more box of doughnuts adds to Ajax's profits, it pays to bake that box. To an economist, the income from the production of one more unit is **marginal revenue**. **Marginal profit** is the difference between marginal revenue and **marginal cost** – the cost of production one more box:

$$\text{Marginal Revenue} - \text{Marginal Cost} = \text{Marginal Profit}$$

*Answer the following questions.*

1. What is the source of profits?
2. What drives the economic system?
3. What is the job of an economic system?
4. How do the profits help to solve economic problems?
5. What is the primary goal of every firm?
6. What is the first thing for any firm to be decided?
7. What is a firm's total profit?
8. What are the ways to calculate the profits?
9. What is marginal profit?

*Define the following words and expressions.*

cost	calculate
deduct	marginal profit
reasoning	create
marginal analysis	incentive
rent	trial and error
interest	marginal cost
select	outsell
marginal revenue	quest
charge	time-consuming method
allocate	



## 1.14. PROFIT (part 2)

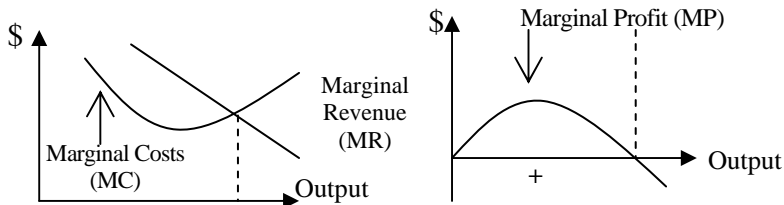
In general, marginal revenue **declines** as production **increases** because firms eventually **lower** their prices in order to sell more. As production increases, marginal costs decline at first, but then increase. That is because a firm's greatest **efficiency** lies somewhere between its level of minimum and maximum output. As output increases toward that point, the cost of producing each additional unit (its marginal cost) falls. Once the point of maximum efficiency is reached, **diminishing returns** set in, and marginal costs increase. Marginal profit is the difference between marginal revenue and marginal cost. Like marginal cost and marginal revenue, marginal profits will be positive up to a **certain level** of output and then become negative. ("Negative profits" are losses.)

How does a firm calculate its profit-maximizing level of production? If producing one more box of doughnuts adds more to total revenue than cost (marginal cost increases with production), then the firm should produce it. If producing one more box of doughnuts adds less to revenue than cost (profits are negative or less than zero), it should not be produced by a profit-maximizing firm.

Since marginal profits generally turn negative as production **exceeds** the point where labor and machinery are most efficient, a firm's profit-maximizing output is the level at which marginal profits are zero. This can be stated in a simple rule:

***Marginal Revenue = Marginal Costs.***

The following figure explains these concepts.



The graph shows how marginal cost (MC) rises and marginal revenue (MR) declines as the bakery increases its output of doughnuts. Since marginal profit (MP) is the difference between the two, the graph shows it declining with output and eventually becoming negative when MC is greater than MR. Now it is clear why a firm wants to produce more until MR equals MC. Up to that point the firm is adding to profits; after that point profits are becoming smaller.

*Answer the following questions*

1. In what case does marginal revenue decline?
2. What is the reason the firms lower their prices?
3. How do marginal costs behave as production increases?
4. What happens to the cost of producing units as output increases?
5. What happens to marginal profits?
6. How do you understand positive and negative profits?
7. To what point does a firm want to produce more goods?

*Define the following words and expressions.*

decline	efficiency
increase	diminishing returns
lower	certain level

## 1.15. SUCCESSFUL ENTREPRENEURS

The earliest computers were highly technical machines, understandable only to scientists. Steven Jobs reasoned that if computers were made easier to use and less expensive, the public would buy them. He was right. With \$ 1 300, Jobs produced what he called the APPLE I computer, which gave him the money to finance the design of new and improved personal computers.

In 1980, APPLE sold its stock to the public for the first time, with the market of \$ 1.79 billion! Bill Gates **was intrigued** by the success of the new personal computers entering the market in the 1970s. Gates realized that the success of personal computers would depend on the **availability** of “user-friendly” (easy to use) software. In 1975 he co-founded Microsoft Corporation, which designed the basic operating **software** for all IBM and IBM-compatible personal computers.

Today Microsoft Corporation is the world’s largest software company, and Bill Gates, by owning 40 % of its stocks, has become the world’s youngest billionaire.

Steven Jobs and Bill Gates are good examples of successful entrepreneurs. The term entrepreneur typically is used to refer to anyone who owns or operates a small business – the corner laundry, a video store or a restaurant.

However, when the term **was coined** by French economist Jean Baptiste Say in 1800, he used it to describe a very important economic activity. An entrepreneur, Say explained, is a person who is able to make decisions that allow more efficient use of economic resources. Say’s definition **emphasizes** the importance of **management decisions** that produce new and better ways to operate a business.

Say would not have considered the owner of a laundry to be an entrepreneur, unless he or she developed a new system or product.

**PROFIT** is the main factor which attracts entrepreneurs into business. It is also the goal of entrepreneurship. Economics affirms that behavior of people is rational – they maximize profits and minimize losses. If we take some firm or a company operating in an economic environment the goal of any entrepreneur is reflected in the desire to achieve maximum profits.

Now we use the word “entrepreneurship” to say that a person has the ability to **combine** factors of production (labour, land, capital and entrepreneurship) and is so **inventive** and **ingenious** that he is able to choose the right orientation of a business. He should also be a person who organizes, manages and **assumes** the risk of a business enterprise.

Successful entrepreneurs follow one or more of these strategies:

- Unexpected **opportunities**;
- Changing market conditions;
- Improving a product or process;
- Providing an alternative product or service;
- **Identifying** population trends.

### *Answer the following questions*

1. What was done by Steven Jobs to make computers available for the people?
2. What did Bill Gates realize?
3. What did Microsoft Corporation design?
4. What is a successful entrepreneur?
5. How did J.B. Say explain what an entrepreneur was?
6. What attracts entrepreneurs into business?
7. In what sense do we use the word “entrepreneurship” now?
8. What are the examples of the strategies entrepreneurs try to follow?

### *Define the following words and expressions*

to be intrigued	software
emphasize	combine
ingenious	opportunity
availability	to coin
management	inventive
decision	identify
assume	

## 1.16. INTEREST AND RENT

**Payment** for the use of someone else's money, or **capital**, is called *INTEREST*.

One of the main reasons **to place** your savings in a bank is to earn interest, the reward or return for allowing someone else (the bank) to use your capital. The **rate of return** is expressed as a percentage of the amount on deposit for a period of one year. For example, a deposit of \$ 100 in an account paying 5 percent would earn a total of \$ 5 in interest over a year. The \$ 5 is the return; the rate of return is 5 percent. Most accounts offer **compound interest**.

This is interest computed on the principal plus the previously paid interest – assuming it is left in the account.

The rate of return offered by banks and savings institutions is different and depends on economic conditions and the length of time they hold your money. It is also important to **distinguish** between rate of return and **yield**, the actual amount of interest earned. Yield depends on the rate of return and the **frequency of compounding**. For example, the First National Bank pays 8 % compounded quarterly (four times a year), on its savings accounts. The Second National Bank pays 8 % annually. A \$ 1 000 deposit in the First National would earn \$ 82.43 by the end of the year, but the same amount deposited in the Second National would only earn \$ 80. The rate of interest was the same at both banks, but more frequent compounding at First National resulted in a yield that was \$ 2.43 greater.

### *RENT*

The price paid for the use of land is called rent. Rent is income to the owner of the land. Da Vinci painted only one Mona Lisa, and if you could pay for its temporary use, you would pay rent. If you were hiring the services of some actors or singers, you would be paying rent for their talents.

The concept of rent **applies** to any factor that is fixed in supply. Any payments for the use **unique** factors of production are *RENT*.

### *Answer the following questions*

1. What is interest?
2. What is one of the main reasons to place your money in a bank?
3. What is the rate of return?
4. What is the compound interest?
5. What does the rate of return depend on?
6. What is the difference between the rate of return and yield?
7. What does yield depend on?
8. What is rent?

*Define the following words and expressions.*

payment	frequency of compounding
distinguish	rate of return
capital	apply
yield	compound interest
to place money	unique

## 1.17. STOCKHOLDERS' EQUITY

Large corporations often **raise funds** through the sale of stocks. Unlike bondholders, who are creditors of the corporation, stockholders are its owners. This **entitles** them to a share of the potential profits. All corporation issue **COMMON STOCK**, but some also issue **PREFERRED STOCK**.

Common stockholders receive a **share** of the profit and have a voice in a corporation management. They are entitled to vote during the election of a **board of directors**. But preferred stockholders usually do not have voting rights. Instead, they receive preferential **treatment** in two ways:

1. they receive a specified dividend before dividends are paid to common stockholders;
2. they receive their share of the **assets** ahead of the common stockholders if the corporation is **liquidated**.

The Securities and Exchange Commission (SEC), an agency of the federal government, is responsible for protecting investors in the sale of **securities**. It operates on the principle of **caveat emptor**, a Latin phrase meaning "let the buyer beware." In applying this principle, the SEC requires corporations to provide the public with **essential** information about their operations and finances in a **prospectus**. A prospectus is prepared for any new issue of securities. It contains important information about the company selling its stock or other securities and describes the risks involved in purchasing them. Having done that, the SEC lets investors determine whether to buy the security.

Those who buy stocks to share in the profits and growth of a corporation for a long time are described as **investors**.

Those who buy or sell stocks to earn a fast profit are known as **speculators**.

Stock market speculators fall into two groups: **bulls** and **bears**.

**BULLS** – hope to profit predicting an increase in the value of a stock. They are said to "**buy long**" – that is, they buy stocks intending to hold them until they can be sold at a higher price.

**BEARS** – hope to profit predicting a decrease in the value of a stock. They are said to “**sell short**”. Expecting the price of a stock to fall, they borrow a stock from their brokers and sell it at today’s price.

*Answer the following questions.*

1. How do large corporations raise their funds?
2. What is the difference between bondholders and stockholders?
3. What kinds of stocks do you know and what’s the difference?
4. What are the two ways the preferred stockholders are treated?
5. What is SEC responsible for?
6. How do you understand the principle of caveat emptor?
7. What does a prospectus contain?
8. What is the difference between investors and speculators?
9. How are stock market speculators divided?

*Define the following words and expressions.*

raise	share
funds	liquidate
treatment	prospectus
caveat emptor	buy long
speculator	board
entitle assets	securities
essential	investor
bulls and bears	sell short

## 1.18. MONOPOLY

To protect the market system the governments of many countries have **enacted ANTITRUST LAWS**, which prohibit practices that reduce competition and increase the power of **MONOPOLIES**. **Monopolies** are firms that have so much control over a market that they can set the price at which their goods are sold and which yields the greatest profit. A market in which there is only one seller is a monopoly. In a monopoly a single firm **determines** supply. This gives that firm the power to select any price it chooses along the **demand curve**.

Monopolies have the following characteristics:

- A single seller or monopolist.
- No close **substitutes**. No other firm offers a similar product. Buyers must either pay the monopolist’s price or do without it.

- **Barriers** to entry. Competing firms are unable to enter a market because the **capital requirements** are too great.

Today most monopolies are **illegal**. However, the law does allow for monopolies in certain situations. Legal monopolies include:

- **PUBLIC UTILITIES** which provide an essential public service including electric, gas and water companies. **Competition** in this field might **harm** public interest.
- **GOVERNMENT LICENCES** which **grant** a particular business the right to operate without competition.
- **PATENTS** which give the inventor the exclusive use of a new product or idea for 17 years (USA). The products of certain industries, such as aluminium, chemicals and electronics are protected by patents. Competing firms cannot enter those industries unless they pay the **patent holders** for **permission** to use the process or find a new method of production not covered by existing patents.
- **COPYRIGHTS**- the exclusive right given to the authors of original writing and artists to sell or reproduce their work. That **copyright** is a special monopoly for the lifetime of the author plus 50 years.
- **TRADEMARKS** are special designs, names or symbols that **identify** a product service or company. **COKE™** is a trademark of the Coca-Cola Company.

*Answer the following questions.*

1. What laws have been enacted to prohibit monopolies?
2. What firms can be defined as monopolies?
3. What power do such firms have?
4. What characteristics do the monopolies have?
5. What legal monopolies do you know?

*Define the following words and expressions.*

barriers	enact
grant	illegal
monopoly	permission
capital requirements	demand curve
patent holders	competition copyright
determine	substitutes
identify	harm

## 1.19. ANTITRUST LAWS

The market economy is based on the belief that competition is in everyone's best interest. When competitors agree to fix prices, rig bids or divide the market, the public loses the benefits of competition. The prices that result are artificially high. This is unfair to consumers who must pay more for the things they buy. It also damages an economy. For that reason, the governments of many countries have enacted legislation known as *ANTITRUST LAWS* – designed to safeguard competition. The major federal antitrust laws in the USA are:

*SHERMAN ANTITRUST ACT, 1890* which makes difficult to create a monopoly, enter into a conspiracy, or “restrain trade.” Individual violators can be fined up to \$ 250 000 and sentenced up to three years in prison. Corporations can be fined up to \$ 1 million.

*CLAYTON ACT, 1914* carries no criminal penalties. It prohibits certain business practices to lessen competition or create a monopoly. The Act permits individuals injured by antitrust violation to sue in federal court their damages.

*FEDERAL TRADE COMMISSION ACT, 1914* which created an agency the Federal Trade Commission (FTC), to enforce the antitrust laws. One of its responsibilities was protection the public against false or misleading advertising.

How do some businesses grow to be worth billions of dollars and large enough to control a market? They do it in two ways-internally and externally. Firms that grow internally expand their activities by adding plant, equipment or personnel. Those that grow externally acquire other companies through mergers.

Following the merger, the acquired firm is either dissolved or becomes a division of the combined, new firm.

Mergers fall into three categories: horizontal, vertical or conglomerate.

*HORIZONTAL MERGERS* – combination of two or more companies engaged in the same business-like two book publishers or two car manufacturers.

*VERTICAL MERGERS* – the combination of two or more companies involved in different steps of the same production process. For example, when an automobile manufacturer buys a steel mill to make steel necessary for its cars.

*CONGLOMERATE MERGERS* – combine two or more unrelated businesses under single management. Examples include Liggett and Meyers, a cigarette manufacturer, merging with Alpo, the dog food company.

Some companies also establish joint ventures where two companies keep their independence while cooperating on a particular project. Toyota and General Motors teamed up to produce the Nova (now called Geo). Joint ventures allow companies to combine their resources.



*Answer the following questions*

1. How is competition observed in the market economy?
2. In what cases does the public lose the benefits of competition?
3. What is the main goal of antitrust laws?
4. What are the major antitrust laws in the USA and their characteristics?
5. What are three categories of mergers?
6. Why do some companies establish joint ventures?

*Define the following words and expressions.*

belief	penalty
damage	advertising
violator	particular
to sue	benefit
dissolve	conspiracy
to fix price	prohibit
safeguard	acquire
to fine	team up
responsibility	unfair
joint venture	restrain
to rig bids	injure
major	merger
	personnel

## 1.20. COMPETITION

Competition refers to the **rivalry** among buyers and sellers. Sellers compete by trying to produce the goods and services buyers want at the lowest possible price. Those unable or unwilling to sell at a price low enough to attract buyers will be unable to sell their goods or services and they will leave the market. Competition benefits us all. It also **motivates producers** to improve the quality and increase the **variety** of goods and services. Now we shall describe the basic competitive markets: perfect competition, monopolistic competition and oligopoly.

**PERFECT COMPETITION** requires all of the following conditions:

- Many buyers and sellers; no individual or business can influence the market.
- Identical goods and services are offered for sale.
- No buyer or seller knows more than any other about the market.
- Buyers and sellers are able to leave or enter the market at will. (The American Stock Exchange is a good example of perfect competition.)
- There are so many buyers and sellers of stocks and bonds that no individual or group can control the market for any single **security**.

- The individual securities of a particular firm are totally interchangeable.
- All securities **transactions** are recorded and the information is made available to the public.
- Traders can buy or sell securities at will.

In general, the more competitive the market, the better it is for consumers.

Perfect competition exists in only a few businesses or industries, nevertheless stockbrokers provide an example of **MONOPOLISTIC COMPETITION** or **IMPERFECT** (when the products in the market are different or thought to be different. Many firms explain how they are “new and improved,” or “the best value for the lowest price.” The process of creating **uniqueness** in products is known as product differentiation, and when it is successful, it enables a firm to create product loyalty so its customers prefer its products over the competitor’s. To attract customers businesses use customer services, highly visible labels, **warranties** and support.

**OLIGOPOLY**. It is a term applied to market dominated by a few (three or five) large firms. General Motors, Ford, Toyota, and Honda are the most important oligopolists in this industry. Price competition is less effective where there is **OLIGOPOLY**. These firms can affect the market price by changing the **quantity** they sell. These firms often practice **PRICE LEADERSHIP** when one firm in the industry, usually the largest, sets a price that other firms follow. Sometimes they use **COLLUSION** – a secret agreement between two or more firms to fix prices or share the market. These agreements usually are illegal. **CUSTOM** is the practice of establishing prices and market shares based on long-standing traditions.

*Answer the following questions.*

1. What is competition?
2. How do sellers compete?
3. How does competition motivate producers?
4. What conditions does perfect competition require?
5. How can you characterise monopolistic competition?
6. How do businesses attract their customers?
7. What is oligopoly?
8. What do such firms practice?

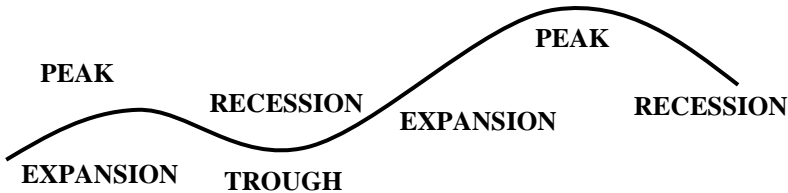
*Define the following words and expressions.*

rivalry	warranty
transaction	variety
motivate	quantity
uniqueness	security
improve	

## 1.21. BUSINESS CYCLES

**Ups** and **downs** in an economy are called **BUSINESS CYCLES**. Times of **prosperity** are above the mid-line, while difficult economic times are below.

These changes can be described by **PEAKS**, **RECESSIONS**, **TROUGHS**, and **EXPANSIONS**.



At the **PEAK**, the economy is **booming**. Business is normally producing at or near capacity, and those looking for work can generally find jobs. Business investment and **consumer spending** are at a very high levels. But because the economy is at or near full employment and the demand for goods and services is increasing, prices are also increasing.

**RECESSION** is defined as two quarters (6 months) of declining real **GDP**.

After a period of “peak” business activity, consumers and businesses begin to reduce their spending levels. Businesses may **lay off** workers, reduce their purchases of raw materials, and reduce production because they have built up **excess inventories**.

**TROUGH** is a period of recession when the economy reaches the lowest point of a business cycle. Businesses operate at less than capacity and unemployment reaches high levels; **total output** of goods and services continues to **decline**. Jobs are difficult to find, and many businesses fail.

After some time the economy begins to **recover**. It enters the **EXPANSION** phase of the business cycle. Business and consumer spending begin to increase. Unemployment declines as additional workers are hired. This leads to higher levels of consumer spending and further expansion of employment, output, and **consumption**. Soon the cycle reaches a peak once again.

### **WHAT CAUSES BUSINESS CYCLES?**

To explain business cycle **fluctuations**, economists often distinguish between **EXTERNAL FACTORS** (inventions and innovations, wars international trade agreements and other significant political and social events) and **INTERNAL FACTORS** (consumption, business investment, and government activity).

*Answer the following questions.*

1. How can the changes in an economy be described?
2. How do businesses behave at the peak?
3. How can recession be characterised?
4. How do businesses operate at the trough?
5. What happens when businesses enter the expansion?
6. What causes business cycles?

*Define the following words and expressions.*

ups and downs	recover
lay off	consumer spending
prosperity	trough
excess	recession
inventories	expansion
peak	GDP
total outputs	fluctuation
boom	

## 1.22. GOVERNMENT REGULATION OF THE ECONOMY

As we have already discussed, there's no **pure market economy** in the world, because government plays an important role in an economy. If we take the government of the USA, it has several responsibilities.

***SAFEGUARDING THE MARKET SYSTEM.*** The free enterprise system, and the laws of supply and demand that govern it, depend on competition. Government protects competition by

1. establishing and **enforcing** "rules of game";
2. furnishing the public with information about market conditions and the state of the economy.
3. helping to **settle disputes**.

***PROVIDING PUBLIC GOODS AND SERVICES.*** Such public goods and services as public schools, roads, police, fire protection and national defense couldn't be provided by private enterprise. These are examples of public goods and services.

***DEALING WITH EXTERNALITIES.*** As our society has become more **densely** populated and the volume of production increases negative **spillover effects** have grown into major threats. But the market system doesn't **assign** cleanup

or healthcare costs to those who caused the problem. In such a case government must limit the effect of these **harmful externalities**. The following government measures fall into the categories of **persuasion**, taxation, subsidy, and regulation.

- persuasion (advertising campaigns)
- taxation (levy taxes on those who **dump wastes** or fill the sky with smoke)
- subsidies (to encourage those who generate beneficial externalities)
- regulation (to set standards to make harmful externalities illegal)

**ASSISTING THOSE IN NEED AND HELPING SPECIFIC GROUPS.** A society should help its low-income citizens to relieve poverty and redistribute income from those earning enough to live on to those in need. Such programs as Social Security, Welfare, Food Stamps, and Unemployment Compensation help to relieve poverty.

**STABILIZING THE ECONOMY.** Government can **smooth** the ups and downs of the economy which often changes particularly in the market conditions. It should find the way to reduce unemployment, stabilize prices, and **promote** economic activity.

*Answer the following questions.*

1. Can there be a pure market economy in the world?
2. How should a government protect competition?
3. Why can't private enterprises provide public goods and services?
4. How must a government limit the effect of harmful externalities?
5. How must a society help its low-income citizens?
6. What are the ways of stabilizing the economy?

*Define the following words and expressions.*

pure market economy assign enforce harmful externalities furnish persuasion settle disputes	dump wastes densely populated smooth spillover effect promote
---	---

## 1.23. THE GLOBAL ECONOMY

Many of the things we use and enjoy every day were made in other countries. In the global economy, goods and services are exchanged across **national boundaries** in a process described as “international trade.” Goods and services purchased from other countries are **IMPORTS**. Goods and services which companies sell to other countries are **EXPORTS**. Look around your house and you will see that your TV was made in Japan, robe is from India, your comb was made in Mexico, your sweater in Scotland, you eat chocolate made by a Swiss company, and read the magazine which was printed on paper manufactured in Finland. We all depend on goods and services from other countries. International trade is based upon the principles of absolute and comparative advantage.

### ***ABSOLUTE ADVANTAGE***

Some areas produce goods others cannot. For example, because of Florida’s warm climate and soil, farmers there grow oranges but not wheat. Kansas farmers grow no oranges, but they do grow wheat. Since people in Florida and Kansas like to have both wheat and oranges, they specialize in their crops and trade the surplus. Of course, Kansas farmers could build **greenhouses** for growing oranges, and Florida farmers might find a way to grow wheat, but the **costs** of doing so are probably very high. So by trading in their specialties, both areas benefit. The same happens in industry. When businesses in a nation can produce an item more **efficiently** than another, they are said to have an **ABSOLUTE ADVANTAGE**.

### ***COMPARATIVE ADVANTAGE***

Not all nations have absolute advantages. Still, they engage in foreign trade because of the principle of comparative advantage. A nation has a comparative advantage in the production of a **particular** item when the opportunity costs of producing that item are lower than the opportunity costs of producing another. The law of comparative advantage explains why it pays nations to specialize in the production of those goods and services in which they have the greatest comparative advantage. When every country does what it can do best, all countries can benefit because more of every good or service can be produced without wasting labor, capital, and natural resources.

### ***THE BARRIERS TO INTERNATIONAL TRADE***

Despite the many advantages of trade between nations, most countries **restrict** that trade in many ways.

**TARIFFS**. A tariff is a duty, or tax on imports. There are two basic types of tariffs.

**REVENUE TARIFFS** are levied as a way to raise money or a major source of income.

**PROTECTIVE TARIFFS** are levied to **protect** a domestic industry from foreign competition. The goal is to make the foreign product more expensive than a similar item produced in a country so people will stop buying the foreign-made items.

**QUOTAS.** Restrictions on the numbers of specified goods that can enter the country from abroad.

*Answer the following questions.*

1. How do you understand the process called “international trade”?
2. Look around in your house and say if all the goods you have are produced in one country.
3. What is international trade based on?
4. What absolute advantage does your region have?
5. What is the main idea of comparative advantage?
6. Why do many countries restrict international trade?
7. What are the methods of restriction?

*Define the following words and expressions.*

national boundaries	particular
greenhouse	restrict
efficiency	protect

## 1.24. FINANCING INTERNATIONAL TRADE

If you have ever traveled to another country you have noticed that some hotels, stores and restaurants don’t want your money which you use in your home country, because every nation has its own form of money. Sellers in each country expect to be paid in their own **currency** for the goods they sell to other countries. As a result, exporters and importers must be able to exchange currencies easily and efficiently.

**Exchange rates** and the foreign exchange market of Foreign currency (or foreign exchange) are bought and sold by currency dealers and banks around the country. These bankers and currency dealers make up the foreign exchange market. **Exchange rates** were not always **determined** in this manner. From 1944 until 1970s most nations operated under a system of **fixed exchange rates**, That is, they agreed to exchange their currency for any other foreign currency at an established rate, which in most cases was expressed in dollars. So, the French would exchange their francs at the rate of five to dollar; the Swiss at the rate of four, and so on. Likewise, the US government agreed to exchange dollars for foreign currencies or

gold at a fixed rate. By 1971 so many dollars were held by foreigners that it was impossible for the USA **to guarantee** to trade them for gold. At that point President Nixon **announced** that the dollar was no longer “**convertible**” into gold, and that its **value** would be determined by the laws of supply and demand. In other words, dollars, francs, pesos and any other currency were really **commodities** like any other **goods** that could be traded in foreign exchange markets. Exchange rates would be **determined** by the laws of supply and demand. In such a way “**flexible exchange rates**” were introduced.

Foreign Exchange Rates: 1965-1997 (in US cents per unit of foreign currency)

	1965	1975	1984	1987	1992	1997
<i>Austria (schilling)</i>	4	6	5	8	10	9.7
<i>Canada (dollar)</i>	93	98	77	75	84	71.3
<i>France (franc)</i>	20	23	12	16	20	19.7
<i>Germany (mark)</i>	25	23	36	54	67	69.3
<i>Mexico (peso)</i>	8	8	5	1	0.3	16.6
<i>Switzer. (franc)</i>	23	39	44	64	75	81.7

So, you see that currencies **fluctuate** in **value** because of the laws of supply and demand. The demand for a nation’s currency is usually a result of the demand for its goods and services. If people in the USA are buying more goods and services from Canada, they will need additional Canadian dollars. This increased demand will raise the price of Canadian currency. Similarly, if Americans want fewer Austrian goods and services, the decreasing demand for the Austrian schilling will reduce the price of that currency.

### *Answer the following questions.*

1. Why is it so necessary to exchange currency?
2. Who makes the foreign exchange market and for what purpose?
3. What was a system under which most nations operated from 1944 until 1970?
4. What is the meaning of fixed exchange rates?
5. How was the dollar exchanged under President Nixon?
6. Look at the table of Foreign Exchange Rates and say what currency and when was the cheapest and the most expensive?
7. Why do the currencies fluctuate?

### *Define the following words and expressions.*

currency	fixed
convertible	exchange rate
exchange rate	fluctuate
commodity	to guarantee
determine	value
flexible	



## 1.25. DEMAND

Demand is a consumer's **willingness** and ability to buy a product or service at a particular time and place. If you like a new pair of shoes but can't **afford** them, it's a desire not a demand. But if you have the money and you are ready to buy shoes, it's **demand**.

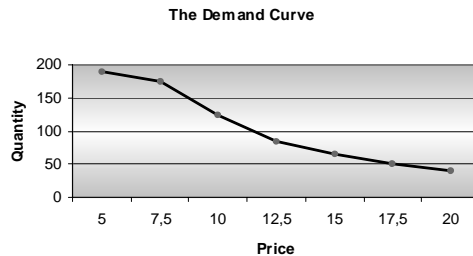
### THE LAW OF DEMAND

Among other things being equal, more items will be bought at a lower price than at higher price. For example, you decide to start a T-shirt business. Before you **invest** money in this business you have to conduct a **survey** to see if people would be interested in your shirts.

#### THE DEMAND SCHEDULE

Price	Quantity Demanded
\$ 5.00	190
7.50	175
10.00	125
12.50	85
15.00	65
17.50	50
20.00	40

#### THE DEMAND CURVE (for T-shirts)



This survey illustrates the law of demand in action. The number of shirts that people were ready, willing, and able to buy was greater at a lower prices.

The following is a brief list of factors that might affect the demand:

- Change in the weather or season.
- Change in income (Income effect of demand)
- Number of buyers.
- Change in styles, tastes, habits.
- Future Price Expectations.

### ELASTICITY OF DEMAND

If the price of milk doubles from \$ 0.80 to \$ 1.60, people will buy less milk. If the price of Cola drinks doubles from \$ 1 to \$ 2, people will buy less Cola. But even though both prices changed by the same percentage, the decrease in milk sales would be far less than the decrease in Cola sales.

This is because people can do without Cola more easily than they can do without milk. The demand for Cola is price **elastic** and the demand for milk is price **inelastic**.

**ELASTICITY** describes how much a change in price affects the quantity demanded.

The demand for some goods and services will be inelastic under the following reasons:

- They are necessities.
- It is difficult to find substitutes.
- They are relatively inexpensive.

*Answer the following questions.*

1. What is the difference between desire and demand?
2. Make up a survey based on the demand schedule.
3. What are the factors which affect the demand?
4. What prices are elastic and inelastic?

*Define the following words and expressions.*

willingness afford survey	invest effect
---------------------------------	------------------

## 1.26. SUPPLY

Economists call the number of items sellers will offer for sale at different prices at a particular time and place **SUPPLY**. It is also possible to develop a supply schedule illustrating the quantity of a product suppliers would offer for sale at different prices.

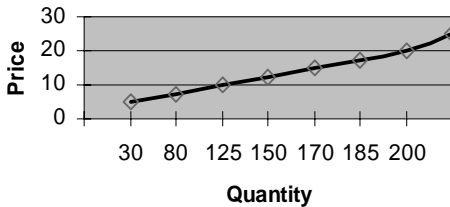
### THE LAW OF SUPPLY

THE SUPPLY SCHEDULE	
Price	quantity supplied
\$ 5.00	30
7.50	80
10.00	125
12.50	150
15.00	170
17.50	185
20.00	200

So, we see that you would love to sell more T-shirts at high prices than at low ones. This agrees with the law of supply, which states that sellers will offer more of a product at a high price and less at a low price.

**WHY DOES THE QUANTITY OF A PRODUCT SUPPLIED CHANGE AT DIFFERENT PRICES?**

The answer is that producers supply things to make a profit. The higher the price the greater the incentive to produce and sell the product. Wouldn't you rather sell 300 shirts at \$ 20.00 each than at \$ 5.00 each?

**The Supply Curve****ELASTICITY OF SUPPLY**

The elasticity of supply measures the proportional change in quantity supplied following a price change. If a change in price has little effect on the quantity of a good or service offered for sale, the supply is inelastic. When a small change in price produces a large change in the quantity offered for sale, then the supply of the good or service is elastic.

Goods or services that are easy to provide have an elastic supply, because sellers can increase or decrease production with price changes. Goods and services requiring time, skills, or technology have an inelastic supply.

A supply curve shows the relationship between the price of a product and the number of units sellers will offer for sale. It slopes upward, from left to right. When supply changes, the supply curve shifts either to the right or to the left.

e.g. If the wages that a shop paid were to double from \$ 4 to \$ 8 per hour, there would be an increase in a number of people applying for those jobs. But, if the price of corn were to double from \$ 2 to \$ 4 per bushel, farmers could not rush more corn to market. This is because their elasticity of supply is different. The supply of people is relatively elastic, but the supply of corn is inelastic. (The wages rise – people are interested in jobs, the wages fall they lose interest, so the supply is described as elastic.) On the other hand it takes time, skills and technology to grow corn. Although the supply can be increased out of reserves which farmers set aside for their livestock, eventually they will have to plant more corn. For that reason, the supply of corn is relatively inelastic.

***Answer the following questions.***

1. How do economists call the number of items sellers offer for sale?
2. Make up a survey based on the supply schedule.
3. What does the law of supply state?
4. Why does the quantity of product supplied change at different prices?
5. What is the elasticity of supply?
6. In what case the supply is inelastic?

***Define the following words and expressions.***

supply relationship	slope upward shift.
------------------------	------------------------

## 2. Economy in transition

### 2.1. UKRAINE'S ECONOMY TODAY

#### Critical conditions

Current developments in various countries of the former Soviet Union show that the transition from a centrally planned, command economy to a market economy is not **pain free**. All of them are experiencing **declines** in output and living standards, as well as increases in inflation and unemployment. As a result of these processes, Ukraine has been **set back** between 20 and 25 years in its development. The continuation of the present rate of decline may result in a halt to the progress toward democratization or even the loss of statehood itself.

Seven decades of Soviet economic development ground to a **halt** in Ukraine. The **deterioration** of economic performance in the USSR had already become **evident** during the last two decades of this period. This decline was a result of the gradual **depletion of national resources**, the inability to **utilize** them extensively and the crisis of a centralized national planning system. An intensified search for an alternative economic system began in Ukraine with its declaration of political and economic independence in August 1991. This was reflected in sometimes **contradictory** decisions that resulted from the lack of an exhaustive and **consistent** program supported by the entire population. The situation was **exacerbated** by political instability and a **ruthless** struggle for power conducted by dozens of political parties.

<i>Indicator</i>	<i>Decreased</i>
National output	57%
Industrial output	47%
Agricultural output	26%
Consumer goods output	54%
Food products	53%
Nonpassenger transportation:	
Railroads	61%
Automobile	77%
Consumer services	53%
Housing	59%

The consequences of this development is an unprecedented fall in the population's standard of living. In real terms, the average income of the population was halved during this period.

Inflation **adversely** has effected external relations as well. It has led to a continuous decrease in the value of the domestic currency. Such **depreciation** stimulates exports

and should have a positive effect on the balance of payment. In view of the lack of legal or economic mechanisms which would guarantee a share of foreign earnings

to the state a substantial part of such funds has been illegally deposited in foreign banks.

As a result, the state has suffered from **chronic shortages** of convertible funds which have restricted imports of even critically needed commodities. On the other hand, the low exchange rate of the Ukrainian currency has provided, in effect, unlimited opportunities for the **fraudulent** disposal of national resources, especially by commercial structures and private enterprises. According to various estimates, Ukraine has lost, approximately \$15 billion during this period. The volume of Ukrainian exports is low because Ukraine's products are not competitive on international markets. Consequently, the volume of Ukrainian external trade has been small: for example, total exports were 70 times smaller than those of Germany in 1993. There was also a drop in foreign investment in Ukraine during this time which was probably associated with the unstable political conditions in the country and the **perception** that doing business there is not an easy matter.

### *Task*

1. Why isn't the transition from a centrally planned to a market economy pain free?
2. What are the possible consequences of this process?
3. What are the reasons of this decline?
4. Give your comments on the table "Basic Economic Indicators in Ukraine".
5. What are the problems with the Ukrainian currency, import and export?
6. Give synonyms to the emphasized words.

## **2.2. FOREIGN FIRMS PUSH INTO UKRAINE**

Despite a difficult beginning, the year 2001 saw many U.S. and other foreign firms pushing into Ukraine to make the most of the country's **varied** trade and investment opportunities. Successful macroeconomic policies have enabled the Ukrainian Government to reduce inflation and stabilize the hryvnia, the national currency. The country received its first international credit rating in October, and investment is rising, **albeit** from very low levels. Nevertheless, the Ukrainian economy continues **to contract** and the country remains a problematic place for foreign companies to do business.

The economic problems that **plague** Ukraine were **offset** somewhat in 2001 by a number of successes. The government's successful monetary policies have brought the **overall** inflation rate to 8.3% in the first 11 months of the year, in

comparison with 40% recorded in 2000. The hryvnia with strong support from the Central Bank of Ukraine, **was valued** at roughly 5.65 to the dollar in late September, a stronger position relative to the dollar than in January of 2000.

Foreign investment in Ukraine continues to rise. As of August, Ukraine had received \$335.5 million in foreign direct investment in 2000, a 46% increase from the same period in 1999. **Cumulative** foreign direct investment in Ukraine is now at \$ 1.75 billion, and an additional \$2.45 billion in foreign credit lines have been **extended** to Ukrainian banks and corporations.

U.S. companies still constitute the largest investors in the country, representing about 25 % of total foreign investment. For the most part, U.S. investments have been in sectors such as finance and insurance (\$45.6 mln.), retail trade (\$42.6 mln.) **engineering** and metal working (\$35.8 mln.), and food processing (\$35.6 mln.). In November, QUALCOM, Inc. Of San Diego, California announced a contract for the sales and service of telecommunications equipment worth an estimated value of \$200 mln. to TELESYSTEMS of UKRAINE, Ltd. Also in November, MORRISON, KNUDSEN CORPORATION of Boise, Idaho announced that it would begin a **dismantling** for nuclear missiles located in Ukraine.

Despite these successes, Ukraine lagged behind many of its neighbours in various respects. While most other countries have **reported** annual GDP growth, according to the **European Bank of Reconstruction and Development (EBRD)**, Ukrainian GDP is expected to decline by about 4.1% this year. The EBRD **anticipates** growth of 1.1% in 2000. Also, official figures used to measure Ukrainian GDP do not take into account the “shadow economy” that is widely believed to account for up to 60% of actual production.

A number of commercial issues have also complicated Ukraine’s relations with both foreign companies and their governments. U.S. and other foreign firms were concerned in April when Ukraine’s Verkhovna Rada – its parliament – passed an **amendment nullifying** the five-year tax **holiday** for companies with foreign investment. The decision also introduced duty **liabilities** on goods imported for domestic production. President Kuchma has drafted a measure **reinstating** the benefits, but it has been rejected by the Rada on several occasions. In March, MOTOROLA NMG, **citing** changing competitive conditions, pulled of Ukraine after it had been chosen as one of the three companies to provide services in Ukraine.

Ukraine has also been involved in disputes with several of its trading partners. In April the Russian Government introduced duties on sugar and alcohol, two major Ukrainian exports, to protect Russian producers. Trade slowed until November, when Ukrainian President Leonid Kuchma personally met with Russian President Vladimir Putin and finally **negotiated** a solution. Ukraine was also a

subject of an investigation by the American Department of Commerce into **alleged “dumping”** of Ukrainian steel in the United States. In general, the commercial climate in Ukraine remains quite difficult: Ukrainian markets are far from **transparent**, the regulatory regime is **onerous**, and contract **enforcement** can be difficult.

### *Task:*

1. Read and translate the text.
2. Put questions to the text in written form.
3. Give synonyms to the emphasized words.
4. Retell the text and discuss it with your groupmates.

## **2.3. OPENING A BANK ACCOUNT IN UKRAINE**

Ukraine has **implemented** a strict regime for regulation of banking procedures and U.S. companies will have to meet a variety of demanding legal and administrative **requirements** when they establish banking relationships there. These requirements have made banking **cumbersome**. Nevertheless, a number of Western and local banks offer services to U.S. and other foreign companies doing business in Ukraine.

The process for opening a bank account in Ukraine is regulated by the May 1996 National Bank of Ukraine’s (NBU) instruction “On the Procedure of Opening Accounts in the National or Foreign Currency of Ukraine.” Holders of hard currency accounts must also have another account denominated in hryvnia, the Ukrainian currency. The process of opening an account is **complicated** and somewhat **intrusive**, and requires documentation from your state government. An account permitting international transfers requires a **license** from the NBU. Nearly 100 Ukrainian banks are **authorized** to deal in foreign currency. Credit Lyonnais, currently the only Western bank licensed in Ukraine, will be joined by America’s Chase Manhattan and Commerzbank AG of Germany.

### **TYPES OF ACCOUNTS**

Several types of bank accounts are authorized under the NBU instruction. There are two categories – one for legally resident **entities** and one for those that are not fully resident in Ukraine. Resident entities are entitled to maintain “settlement”, “current,” “loan,” “deposit,” and “budget” accounts. The settlement account is used to make payments that are allowed in the account holder’s charter. It can also be used to **transfer** funds to and from foreign entities. Companies usually open at least two settlement accounts, one in a hard currency, and another in

hryvnia. Current accounts are essentially the same as settlement accounts but are intended for use by non-commercial entities. Loan accounts are for administering borrowed or loaned funds. The deposit account is used as saving account. The budget account is for receiving funds from Ukrainian government authorities.

Two types of accounts are specifically intended for non-resident entities. The “N” account is for non-resident representative offices. It can be used only for maintenance of the office. It cannot be used to conduct business (no contracts, international transfers, or exchanges). The “P” account is used by permanent representative offices that do not exist as a separate legal entity. It is similar to the settlement account, but cannot be used for exchange or capital transactions.

Opening an account is relatively inexpensive, the cost depending on the bank and the type of account. Hard currency accounts can cost up to \$ 150. Fees for opening hryvna accounts are lower.

### TRANSFERRING FUNDS

International transfers have become a standard practice and generally take one to three business days. Many banks in Ukraine have correspondent relations with banks in the United States. U.S. banks can transfer funds to a Ukrainian recipient, assuming that the recipient has a hard currency account and is authorized to receive foreign funds. Fees vary, from Ukraine Bank which charges 2% on transfers. Once they have reached their destination, 50% of the transferred funds must be converted into local currency and placed in a hard currency account.

Transferring funds from Ukraine is more complicated. For imports, documentation supporting a foreign purchase is required. For **repatriated** profits, a 15% tax is levied.

The Ukrainian Government encourages the use of wire transfers for domestic transactions. Although the system has some shortcomings, it is generally more secure and less costly than using cash.

Various restrictions apply to the withdrawal of funds from a bank account. There is a monthly limit on the amount of cash that can be withdrawn and the purposes for which it can be used. NBU regulations also specify when companies can withdraw funds from their accounts. Many companies report only being able to take funds from their accounts for payroll, travel and necessary fees. Banks are authorized to refuse withdrawals they **deem** to be “unjustified”.

### *Task:*

I. Look at the terms in the left-hand column. Match each one with its correct definition in the right-hand column.



- 1) settlement account   **A** for receiving funds from Ukrainian government authorities
  - 2) budget account       **B** for administering borrowed or loaned funds.
  - 3) current account       **C** is used as a savings account
  - 4) deposit account       **D** is intended for use by non-commercial entities.
  - 5) loan account          **E** to make payments that are allowed in the account holder's charter.
- II. Discuss the text with your groupmates.
- III. Give synonyms to the emphasized words.

## 2.4. ODESSA, UKRAINE

**After reading the text given below give the description of your own city's location, industry and tourism.**

Odessa, Ukraine's fifth largest city, with a population of 1.1 million, has been called Ukraine's "southern window to Europe". Historically, Odessa's location on the Black Sea; its proximity to Moldova, Romania, and Bulgaria; and its role as a major port have exposed it to the wider world and made it more receptive to foreign business. Not surprisingly, the Odessa region attracts almost 13% of all foreign investment in Ukraine, and has the second-highest level of foreign investment of any region in the country after Kiev, according to the Ukrainian Ministry of Foreign Economic Relations.

The Odessa region is the location of four Black Sea ports, which are open year-round. These include the ports of Odessa and Yuzhniy in the city itself; and Belgorod-Dnestrovsk, beyond Ilichevsk. The Port of Odessa is one of Ukraine's main points for the export of chemicals and metals. Container traffic into the port is also increasing substantially. A number of Western firms are involved in port modernization projects in the Odessa region.

### LOCAL INDUSTRY

Local industry has suffered since the breakup of the Soviet market, with total output falling 70% from 1990. There are a number of notable exceptions to this overall decline, however.

ODESSKABEL, a local manufacturer of fiber optic cables, has been approached by a number of Western firms with investment offers, but so far has maintained its autonomy and increased international sales. The region is also home to the Black Sea Shipping Company (BLASCO), one of Ukraine's most important shipping companies, but also one of its most troubled enterprises. U.S. and other Western companies have also found opportunities in the Odessa region. CERES International of Wilmington, North Carolina has been providing stevedore services at the container port for several years. An American-Ukrainian joint venture, INTERWINDOWS, is evaluating the production of more energy-efficient building

materials. S and T Holding, the Ukrainian representative of Hewlett-Packard, will soon open an office in Odessa in response to increased demand for U.S. products. McDonald's hopes to have a restaurant opened in the city by the end of the year. Germany's DAIMLER-BENZ has recently announced its intention to take part in reconstruction of the city's airport and harbor facilities.

### TOURISM

Tourism is another sector that holds promise in the future. The region offers 175 km. of beaches, and there are literally hundreds of resorts along the coast. The city itself has one of the most highly-regarded opera houses in Ukraine, several museums, attractive parks, shopping centers and recreating areas.

## 2.5. THE ROAD TO A FREE MARKET

There were several difficulties on this road. One of them was the absence of comprehensive plans that would enjoy the support of the entire population. Of course, there were several reform programs, but they were too **technocratic**, were not specific enough, and required too many sacrifices from the population, which was already having trouble surviving. But the main **deficiency** of these plans was that they were not sufficiently Ukrainian; in other words, they lacked an understanding of specific Ukrainian problems and, consequently, were unable to offer solutions to these problems. **Subsequently** these attempts were replaced by uncritical transfers of some models supposedly containing universal schemes of market transformation worked out by the "well known" specialists from international financial and economic organizations. As a result, neither the government nor the society has had a clear idea of the role the state sector should play in the new **market environment**. It has been commonly accepted that state ownership and market economy are not **compatible**.

Nevertheless, one has to note some positive and **irreversible** steps toward the marketization of the economy. The Ukrainian parliament passed 76 laws intended to create a legal basis for a market economy. This progress was made despite the resistance of the previous and present parliaments, consisting of a large bloc of men (and a few women), by profession directors of enterprises and sovkhozes, and heads of kolkhozes. They seem to be unable to **reconcile** themselves to the probability that their **fiefdoms** will be denationalized and privatized. For example, at the beginning of 1994 the enterprises auctioned to private individuals and privatized or rented to worker collectives accounted for only 20% of the industrial output and 30 % of the overall number of industrial enterprises. The defenders of the past knew well that without the transformation of ownership and the formation of a private owner class interested in maintaining and increasing national wealth no progress toward market economy was possible.

Although privatization has been progressing at a slow pace, some results are evident. During the first half of 1998 alone, 1,040 enterprises were transferred into private hands. It was expected that 14% of them would be paid by privatisation ownership certificates distributed to the population by the state. Still, as a result of historical conditions, renting state enterprises to management teams and more often to working collectives remains more popular in present-day Ukraine. Such rented enterprises produce more than one-fourth of the total industrial output and account for one-third of all construction work. A new impulse was given to the privatization of large enterprises. For example, the sale of ownership shares of one of the largest machine building enterprises in Ukraine, the Novokramatorsk plant, began in 1994.

Unfortunately, parliament has not supported all the initiatives introduced by the executive branch. The following case may serve as a good example of parliamentary **gridlock**. Even before 1991 the volume of unfinished construction had been growing continuously. This is a well-known Soviet tradition, which became especially pronounced in the seventies and eighties. The president's decree ordering the sale of these unfinished projects was completely justified. Nevertheless, parliament blocked this and other similar initiatives under the **pretext** of preventing the **alleged squandering** of national wealth.

Despite these legislative **setbacks** and the absence of a comprehensive economic plan, the government has continued through various measures to **enhance** the competitiveness of Ukrainian products abroad. It supported the expansion of Ukrainian – foreign enterprises, the number of which rose from about 800 at the beginning of 1993 to over 2.000 after ten months. Also, steps were taken to promote the **infusion** of foreign capital and the introduction of new technologies.

Slow changes are also taking place in the agricultural sector. Regardless of the complications caused by the parliament's **amendments** to the law on agricultural enterprises, reorganization has been undertaken in almost 8.000 kolkhozes and sovkhoses and about 5.000 new collective enterprises and over 1.000 agricultural cooperatives were organized in this sector. Progress in organizing agricultural **infrastructure** also needs to be mentioned. Presently, the following enterprises specializing in agricultural business are functioning: 11 agricultural – industrial commodity exchanges, 18 commercial banks, insurance companies, 10 broker and **middleman** firms, and 14 financial settlement centers.

The pioneers of the rebirth of free agriculture in Ukraine often suffer from shortages of small agricultural vehicles, high prices of repairs and chemicals, and, of course, hostility on the part of kolkhoz and sovkhos directors as well as of all those who are against any economic reform.

The government's policy of continuing to subsidize some enterprises has often served as an **impediment** on the road to a free market. The state should stop subsidizing enterprises with **outdated** technology or those damaging the environment.

Regional economics is another important area in which a visible liberalization of decision making is taking place. The government of the republic should **retain** for itself the power to regulate overall territorial proportions; to watch the levels of interregional development; to carry out large scale programs of economic, ecological and scientific – technical progress; and to oversee the **implementation** of central legislation by regions, including fiscal and customs policies. On the other hand, regional authorities should become responsible for the use of local resources, the choice of policy priorities in their regions, securing and **utilizing** financial resources, and implementing economic reforms within regions.

### *Task:*

1. What are the main problems in the agricultural sector?
2. Why are the changes so slow?
3. What is the role of the state and the regions in the development of economy?
4. Explain the meaning of the emphasized words.

## **2.6. SOME ASPECTS OF THE UKRAINIAN ECONOMY IN TRANSITION**

During the Soviet era, Ukraine was heavily industrialized and at the same time the **“bread basket”** of the whole union. In 1990, the year before independence, industry and agriculture contributed over 40% and 30% of the total net material product respectively. The economic structure was shaped to serve the political purposes of the central planners, and was, to large extend, **geared** to meet military needs.

The heavy heritage of the collapsed socialist system and weak policies toward macroeconomic stabilization and structural **adjustment** made the first years of economic transition in Ukraine very painful. According to official statistics, total output declined by about 14% in 1992 and 32% in 1997. Industrial output is estimated to have fallen by almost 40%. Real GDP in 1997 was less than 60% of its 1989 level. Probably as much as one – third of the labour force of 24 mln. is either on short-time work or indefinite unpaid leave. The annual average inflation rate increased from about 1,400% in 1992 to 6,000% in 1997 with monthly inflation close to 50%. The background of all these difficulties was the **fiscal** deficit which has been largely financed by creating money which fuelled inflation and **eroded** public confidence.

Higher costs for oil and gas imports from Russia was a principle factor in generating large external imbalances. Living standards for most of the population have fallen steeply, by about 40% in 1997 as compared with 1991. Intensified energy shortages led to wide spread rationing and harsh winters for the population.

Historically, Ukraine was an engine for socialist industrialization in the Soviet Union. Exports of food, coal, metal and machinery from Ukraine contributed remarkably to regional development. This important material exchange continues even today. With a population of 16% of the FSU (former S.U.) Ukraine in 1995 absorbed 27% of total imports and contributed 15% of total exports in the interrepublic trade. About half of Russian exports to the FSU went to Ukraine, which accounted for about three quarters of Ukraine's imports from the FSU, while two-thirds of Ukraine's interrepublic exports went to Russia.

### *Task:*

1. What role did Ukraine play in the economy of the Soviet Union and after 1991?
2. What was the nature of the financial crisis in the FSU and how have Russia and Ukraine suffered?
3. Discuss the text together with your groupmates.
4. Explain the meaning of the emphasized words.

## **2.7. DIFFICULTIES ON THE ROAD TO A FREE MARKET AND WAYS TO OVERCOME THEM**

<b>Difficulty</b>	<b>Ways to overcome difficulties</b>
1. Technocratic plans	
2. Neglect of specific Ukrainian problems	
3. Foreign specialists	
4. Resistance of the parliament and reluctance to lose their fiefdoms	
5. Huge taxes	
6. Absence of clearing	
7. Disproportion of our economy	
8. Brain-drain	
9. Problems with privatization	
10. Deficit of the budget	
11. Law – disobedience	
12. Low level of technology	
13. Broken ties with former business partners	
14. Subsidizing of some enterprises	

## 2.8. BANKING IN EMERGING MARKETS

“Bankers are just like the rest of us, only richer,” said Ogden Nash, but what the American poet failed to mention is their tendency enriching itself, to **impoverish** those around. Now in the world’s emerging economies a long line of banking **mishaps** has left taxpayers with their problems to settle and governments wondering how to **pick up the pieces**.

The past two decades have brought more crises, **precipitated** not only by the weak management of banks but also by factors such as unwise economic policies, political **meddling**, financial liberalisation and increased competition. Since 1990 more than 100 developing countries have suffered some kind of serious banking-sector crisis. In some of them, reckless lending had left banks with **unrecoverable** loans that **outstrip** their capital. In others, banks have been **scuppered** by a **sudden** loss of **confidence** that led to runs by depositors.

Many bank – watchers worry that, on the evidence of the past few years, things are getting worse. In Africa, banking systems have been going down the **tubes** at the rate of two a year. According to the World Bank, between 1988 and 1998 systemic banking crises struck in 20 African countries, 5 of which had to spend more than a tenth of their GDP to **mend** the damage. On paper, emerging Asia has been luckier: among its larger countries, only India suffered anything even approaching a crisis in recent years. But, as this survey will explain, the region’s banks and their regulators have been **storing up** problems, and may soon be paying the price.

In Eastern Europe, banks in almost every country have run into trouble as they changed communism for capitalism. Hungary’s government has thrice had to bail out state banks that had been **hived off** from its communist – era central bank, taking with them huge portfolios of bad loans to **smokestack industries**. Over the past 5 years, the financial systems of all 3 Baltic states have been rocked by explosions among the new breed of private banks. The Czech Republic, one of the region’s star economic performers, **blotted** its reputation with a series of banking scandals and **bust-ups** that last year threatened a systemic collapse. In Bulgaria, a failure to reform state industry and banking supervision has left banks with a collective negative net worth of over \$1 billion.

Banks in Latin America have been just as **accident-prone**. Chile suffered a **devastating** banking crisis in the early 1980s. The currency **turmoil** in Mexico at the end of 1994 came on top of banks’ overexpansion and careless lending that had stored up trouble. Mexico’s problems also **tripped up** Argentina’s already – wobbly banks as panicky customers drew out 40% of their deposits in early 1995. Vene-

zuela's banks were brought to their knees by a combination of incompetence and **fraud**.

Banking crises are not confined to emerging countries. Over the past decade or so the rich world too has had to deal with various financial troubles, including a property – lending fiasco in Scandinavia and other developed countries.

### *Task*

1. Read and translate the text.
2. Put questions to the text in written form.
3. Give synonyms to the emphasized words.
4. Retell the text and discuss it with the teacher.

## **2.9. CZECH REPUBLIC** **(From the New Webster's Dictionary)**

... a federal republic (area 30,449 sq. m. population 10,400,000) in central Europe resulting from the dissolution of Czechoslovakia on Jan. 1 1993. Capital: Prague.

AGRICULTURE	Is largely carried out by cooperatives and collective farms. Livestock: cattle, pigs poultry. Agricultural products: cereals, potatoes, sugar beet, hops.
MINERALS	Coal, iron graphite, silver, copper, lead, salt, aluminium, radium, kaolin, oil.
MANUFACTURES	Rolled - steel and engineering products, textiles, paper, fertilizers, cement, shoes, beer, electricity, glass and porcelain, musical instruments, jewelry.
EXPORTS	
IMPORTS	Machinery, manufactures.
MONETARY UNIT	Iron ore, cotton, wool, oil. Koruna divided into 100 haler.

Czechoslovakia was created out of the dual monarchy of Austria-Hungary from the old Slav kingdoms of Bohemia, Moravia and Slovakia.

The country was annexed to Germany after the Munich conference.

Germany invaded the country and created the protectorate of Bohemia and Moravia.

**1945** – The USSR liberated the country.

**1960** – The new Constitution was promulgated establishing a socialist republic.

**1968** – About one million Warsaw Pact troops, largely from the USSR, invaded to put an end to the growing liberalization of the regime, and the country remained occupied.

**1989** – Amid the reforms sweeping eastern Europe, the Communist regime of Gustav Husak resigned.

**1990** – The USSR began to withdraw its troops.

**1993** – The nation was divided into the independent Czech Republic and the Slovak Republic.

## 2.10. MOVING INTO THE EUROPEAN UNION

### *Economic reform in the Czech Republic is reviving buildings and business.*

Workers are **scaffolding** the palaces and town houses of the Czech Republic these days, restoring once – elegant buildings to their former glory after years. The effort is a mark of the renaissance **sweeping** the Czech Republic – a revival that is reflected as well in the country’s effort to reclaim its place at the **hub** of the European commerce and culture.

The communist vision of Eastern Europe was always ill in the Czech Republic, and today the country clearly has set its sights westward. It has applied to join NATO and the European Union, and nearly two thirds of Czech trade is now with the EU. The economy is expected to grow by 4.5% this year. Inflation has more than halved in 3 years to 8 %. In addition, mass privatization of state **assets** has recreated a nation of shareholders, and a private sector that accounts for almost 75% of GDP. **Ingenuity** and **flair** for business are in evidence: ZVU, a major manufacturer of brewery equipment, is selling “microbreweries” with annual capacities of around 3 000 hectoliters.

Business that left the country during the communist era is happily returning. The insurance group GENERALI, which had an office in Prague from 1832 to 1948, came back in 1993. Newcomers are finding a **vigorous** marketplace. When the furniture giant IKEA opened its first Czech store in 1991, it had 250 000 customers in the first 12 months. Last fall, when the company opened a **megastore** on the outskirts of Prague, it drew 100 000 customers in 4 days.

West European companies have invested heavily in the Czech Republic since the fall of the communist regime in 1989, **lured** by a well-educated labour force, relatively low wage rates and the opportunities offered by privatization. Soon to be privatized is SKODA PRAHA, the largest **engineering contractor** in the Czech Republic. The company **boasted** a turnover of \$400 million in 1996.

Today the European firms are being followed by Asian companies, which are taking advantage of the Czech Republic’s favoured status with the EU. A 1995 survey by JETRO, the Japanese external-trade organization, ranked the Czech Republic second only to Britain in Europe in terms of its investment-friendly climate. CZECHINVEST, the government investment agency under the umbrella of the ministry of industry and trade, plans to open a Tokyo office this year in response to wide-spread interest. The Japanese electronics maker MATSUSHITA invested \$66 million last year in a TV assembly plant in Plzen. DAEWOO, a Korean



company, is investing \$321 million over 5 years in a light truck plant. In February, TORAY INDUSTRIES, a leading world producer of **linings and lining materials**, announced a \$150 million investment in a new textile plant in Prosejov.

For the Czechs, these new developments will be built on historic strengths. A century ago, the region produced 70% of the industrial output of the Austro-Hungarian Empire, of which it was then a key part. Between the two world wars, as Czechoslovakia the country had one of the most developed economies in the world. Its **precision engineering**, arms and vehicles enjoyed the same prestige as the traditional **staples** beer, fine glass and shoes. It was the only democracy east of the Rhine. Its literate and urbanized people had a **per capita income on a par** with that of France, well ahead of Austria and Italy.

Though its people suffered in the Second World War, less physical damage was done to it than to its neighbours. After the war, the communists collectivized agriculture and did their best to **rout out** the private sector. It escaped the worst excesses of Soviet – style planning, however, sharing the highest living standards in the Soviet block with the East Germans. The economy, though it **stagnated** in the 1980s, was reasonably balanced. It maintained some consumer-oriented industry and it escaped the colossal foreign debts that **crippled** the communist nations. The “**velvet divorce**” from Slovakia at the end of 1992, in which Czechoslovakia split in two, enabled the Czechs to press ahead more rapidly with economic reform. The Soviets had concentrated their military-industrial plants in Slovakia. Demand for their products collapsed with the end of the cold war, and fear of high job losses made the market economy less attractive to Slovaks. Czechs had no such **inhibitions**.

Unemployment is around 4% nationally, and virtually nonexistent in Prague. Recovery has been bold. In 1991, many prices were liberalized and subsidies **slashed**. The exchange rate was **pegged** and the koruna was made convertible for trade purposes. Government spending as a share of GDP dropped by almost 15% in two years. Privatization was also swift, and far-reaching. Billions of dollars worth of real estate was returned to its real owners. Scores of small businesses, shops and restaurants were auctioned off, and others were sold directly. Today, privatization is four-fifth completed.

Price controls still affect housing, water, energy, some foods and transport. The aim of complete deregulation by the end of the decade involves some pain. It will, however, complete the Czech Republic’s return to the European mainstream.

### *Task*

Read, translate, discuss, make up dialogs and explain the emphasized words.

## 2.11. PLAYING THE STRATEGIC ROLE

### *The Czech Republic banking sector matures*

As the Czech Republic transformed its economy over the past 8 years, the banking sector played a major role. Today the country's "Big Four" commercial banks, all partially state owned, are proving themselves increasingly important as the Czechs move closer to membership in the European Union.

Czechs banks **tend** to follow the German **template** in providing universal services and in being closely involved in the management of other companies. Several have their own brokerage houses and control big fund-management companies, which makes them owners as well as lenders, a **duality** that needs to be handled with care. Their control of major investment funds gives them considerable influence over the range of privatized enterprises.

In the 3 years from 1990, the Czech National Bank (CNB), licensed 55 new banks, but several fell victim to inexperience. CNB was obliged to announce a **moratorium** on new licenses. Since then, the Big Four – Investicni a Postovni Banka (IPB), Komerčni Banka, The savings bank Ceska Sportelna and Ceskoslovenska Obchodni Banka (CSOB) – have strengthened their position with more than two thirds of banking business. Miroslav Kostel, Deputy Executive Director of CNB says that there is no reason to expect bank failures, because the banking sector stabilized now.

### *Task:*

1. What conclusion can you make out of this text?
2. Read, translate, discuss and make up dialogs.
3. Explain the meaning of the emphasized words.

## 2.12. A RICH HISTORY AND DEVELOPED SERVICE LURE VISITORS TO THE CZECH REPUBLIC

Tourism is a powerful engine of growth for the Czech Republic, and has been so since the fall of the **Iron Curtain**. 17 million tourists visited the country in 1996, bringing in \$2.8 billion, an amount equivalent to 17% of total export earnings. The city's marvellous architecture is a particular **lure**, reflecting its past. Prague was a prosperous crossroads a thousand years ago. From the 13<sup>th</sup> century, it developed as a Gothic town and many of its stone-built houses having survived in

their old form. During the 14<sup>th</sup> century, Czech king and Holy Roman Emperor Charles IV expanded the city several times over. He founded the Carolinum University in 1348, the first seat of the higher learning in Central Europe.

Architects, **stucco artists**, painters and sculptors combined in the 17<sup>th</sup> and 18<sup>th</sup> centuries to produce the distinctive Czech baroque and its masterpieces. In the 19<sup>th</sup> century came the style of the Czech National Theatre, powerful buildings that emphasized the desire for political independence from Austria-Hungary. Music-jazz, rock, opera, **chamber**, church, symphonic – is constant companion in Prague, as it has been for centuries. Mozart's "Don Giovanni" was premiered in the Estates Theatre, close to the House of the Three Queens, where Franz Kafka lived. Great numbers of students, Europeans and Americans, visit each year and many have stayed to make the city their home. Many visitors combine health with pleasure. The **curative** properties of mineral and thermal springs, and mud and **pits**, have been known for more than 1.000 years. By the 19<sup>th</sup> century, **thriving spa** towns offered theatre, opera, art galleries and casinos as well as cures. Nor is food neglected, from Irish pubs to restaurants that tempt **palates** of every preference. Moroccan **cuisine** of the new Casablanca restaurant found in the heart of Prague at Saviran Palace. The largest is Karlovy Vary, perhaps the most famous spa in Europe under its former name of Carlsbad. The spa was such a favourite with the Russians-Tolstoy and Turgenev. Its 60 mineral curative springs offer "curative drinking" for **glandular and circulatory** problems.

Mountains and valleys **embrace** the country along almost all its borders. Close to Austria there are such beautiful buildings that they were put on the UNESCO list of world cultural monuments in 1993. South Bohemia is known as the "Land of the Thousand Lakes." On the Polish border sits the highest mountain in the country, Snezka. Although it is only 5.256 feet, the region offers good skiing. The forests are paradise for hunting and **falconry**.

Czech beer itself offers a **fascinating slice** of the region's history. First brewed in the 10<sup>th</sup> century, it led to disputes between commoners and noblemen over the right to brew it. Europe's oldest glass-works, founded in 1414, are still in operation in North Bohemia, making superb cut glass that is a **must buy** for visitors-and yet another example of the old Europe that still lives in the Czech Republic.

### *Task:*

1. What places of interest are described in the text?
2. What made possible to attract tourists to the country?
3. Imagine that you're a guide. Make the excursion to each place being described and answer the questions of the tourists.
4. Define the emphasized words.

## 2.13. TANZANIA (From the New Websters's Dictionary)

...a republic with an area of 364,900 sq. m. population 100 mln. people, formed on April 27, 1964 by union of Tanganyika and Zanzibar. Capital: Dar es Salaam.

AGRICULTURE	Rice, cassava, sweet potatoes, chillies, tobacco, corn, tropical fruit, coconut oil, clove oil.
EXPORTS	The same products.
IMPORT	Cereals, flour, textiles, gasoline, vehicles.
MONETARY UNIT	Tanzanian shilling (100 cents)

Tanzania as the member of the Commonwealth in East Africa was formed by the union of Tanganyika and Zanzibar.

1977 – The Constitution of the country was proclaimed.

## 2.14. TANZANIA'S OPPORTUNITIES FOR INVESTORS

International business is awakening to the opportunities in this giant East African country, strategically situated at the heart of a region of 100 million people. Many businessmen and companies prefer to put their money in this country. It's not difficult to see why. Tanzania is an **Aladdin's cave** of mineral wealth. Gold, diamonds, rubies, nickel and copper are found here. There are deposits of natural gas and coal. Land and seascapes combined with **stunning** wildlife make this a wonder of the tourist world. Its 40 million hectares of arable land support coffee, tea and cotton plantations, flowers and exotic fruit. Investment in the works include gas pipelines, gold mining and hydro developments and other significant deals in fields ranging from cotton **ginning** to ceramics.

But that's not the only thing which has drawn investors to this country. The main thing is political stability. Not a shot was fired during elections and the change to a multiparty system was smooth and peaceful. This stability is unique in Saharan Africa. An excellent education system **promoted** unity and created Swahili-speaking population with a knowledge of English as well. Since 1967 Tanzania has been a socialist state, nationalizing banks and industries. A free-market philosophy came a decade ago. State-owned companies have been privatized and for the first time they began to pay dividends to their new owners and to the government. Notable successes have been registered in brewing, tobacco, diamond mining, electrical goods and construction materials. Key sectors, including energy, telecoms and other utilities, **have been thrown open to competition**. Gross

domestic product (GDP) was falling in the early 1980-s but has since the 1980s averaged 4% real annual growth. Foreign debt is very high but with debt relief and export growth it will become more **manageable** in three or four years. Inflation peaked at 40% three years ago. It is now down to 13%.

The government determines to create a better and more predictable investment climate for the country. It is now discussing the reforms which will result in new and realistic tax system.

*Task:*

1. What attracts investors in this country?
2. What is the role of political stability for the economic development?
3. How do you understand the expression "have been thrown open to competition"?
4. Define the emphasized words and expressions in the text.
5. Discuss the text with your groupmates and compare it with economic development of our country.

## **2.15. MAIN STEPS TO SPEED UP THE ECONOMIC GROWTH (From the interview with the President of Tanzania Benjamin M. Mkapa)**

...we started with the strengthening of our tax administration. In one year, we have almost doubled government revenues. To step up the fight against corruption I set up the Commission, whose report I made public as soon as it was presented to me at the end of the last year. The report makes the political suggestions on how to deal with this menace, and now steps are being taken to implement those suggestions and to deal with corrupt elements. In 1992 my political party undertook a major review of strategy for the promotion of economic growth and development. As a result it adopted reform policies aimed at transforming the public sector economy into a private one. The private sector has been enabled to be a dynamic engine of economic investment and growth. In order to protect the interests of our people, we are establishing a Privatization Trust Fund to assist our people buying shares in the privatized firms. At the same time, we are enforcing a tight monetary policy that has seen inflation come down to 14% from 27% last year. Discoveries in recent years have revealed the existence a variety of untapped minerals, such as diamonds, high-quality gold, nickel and uranium. More than 400 potential investors from 44 countries take a great interest in the economic cooperation with our country.

*Task:*

1. What are the main steps to speed up the economic growth?
2. Develop the idea of each of these steps.
3. If you were the president what would you do to uproot the corruption.

## **2.16. HOW TO REDUCE CORRUPTION (From the magazine Economic Reform Today)**

- Government can increase wage levels and introduce pay bonuses for discovering corrupt behaviour.
- Ethical codes can be introduced that raise the moral satisfaction for ethical behaviour and the moral cost of corrupt behaviour.
- The opportunities to receive bribes can be diminished by reducing a public official's monopoly power.
- Employing a system of information to increase the probability of catching corrupt officials.
- Stiff penalties can be imposed if an official is caught.

## **2.17. A HUB FOR REGIONAL TRADE**

Tanzania connects East and Central Africa to the rest of the world – and is a natural bridgehead for global trade. A quick glance at a map reveals why: the country is a transshipment point for six neighbouring countries. Turning the benefits of geography into economic growth requires rapid **INFRASTRUCTURE** development.

Privatization awaits Air Tanzania, the state – owned airline. It supports a domestic and regional trade structure, serving the main Tanzanian cities and neighbouring countries. The government is looking for new investors to acquire between 51 and 75% of the company.

On the ground, the Integrated Road Program is under way to improve and **UPGRADE** the existing networks. The reconstruction which began in 1995, aims to bring 80% of trunk roads to good condition by the end of the decade.

The port itself handles some 500 deep-sea vessels each year. Substantial recent investment means that the port has a capacity of 4 million tons of dry cargo per year. A 30.000 ton grain **SILO** has been built. The oil **JETTY** has been **REHABILITATED** to take tankers of 40.000 tons. Cranes with a 7-ton capacity handle

general cargo. A modern container terminal handles second-generation vessels with a handling capacity of 120.000 tons a year.

*Task:*

1. What is the importance of air transport in the developing of the country's economy?
2. What is positive and negative in privatization of the air transport?
3. How does the quality of roads influence the development of the national economy of any country?
4. Why does the government pay much attention to the development of the port infrastructure?
5. Define the emphasized words.

## **2.18. A VAST AND UNSPOILED LAND**

Travellers find in Tanzania the best of Africa. A dozen national parks are home to virtually all the variety of continent's wildlife. Hunting and historic islands of the spice trade touch the imagination, while coral atolls, 500 miles of beach and towering mountains that reach to the roof of Africa speak to the adventurer's soul.

Tourism has become Tanzania's major foreign-exchange earner. From a base of just \$10 million a decade ago, it brought in \$300 million in 1997. The number of arrivals is climbing steadily. This year, 359 000 visitors are expected, up from 30000 last year.

Despite the growth of tourism, there has been little environmental impact.

Two thirds of tourists visit the northern game parks. To encourage such traffic, new resorts on the high scale are opening on the coast. There is a private resort at Mnemba Island with big game-boats, snorkelling and diving. The combination of beach and bush provide the ideal base for an adventure program and the reason why the company is developing the net of resorts for both. The company has also completed the Pangani River Lodge with a dramatic cliff-top view, offering big-game, fishing, river safaris and snorkelling at the nearby coral reef.

Inland, the north is one of the world's natural wonders. It centres on the highest free-standing mountain in the world snow-capped Mount Kilimanjaro, more than 19.000 feet but easily climbable. The vast plains have game on an unequalled scale. To the west are two of the world's greatest freshwater lakes, Victoria and Tanganyika.

The southern part is immense and little known. Its game reserve is home for 420 species of birds and the largest population of elephants in Africa.

*Task:*

1. What attracts foreign tourists to the country?
2. Does tourism bring profit to the country and why?
3. What are the visitors to the country provided with?
4. You are a representative of the tourist company. Make a report about the perspective of tourism in the nearest future.

## 2.19. INDIA: A PASSAGE FROM THE PAST

In the last 240 years, India has completed an epic journey from empire to British colony to the world's largest democracy.

1757	The British East India Company gains control of Bengal after Lt. Col. Robert Clive defeats French and Mogul forces.
1858	After a century of growing influence on the Subcontinent, the British government takes direct control of India.
1906	Muslims establish the Muslim League to defend their interests against the Hindu majority.
1920	Mahatma Gandhi takes over the Indian National Congress and presses for "nonviolent disobedience".
1935	The British government approves a constitution that gives Indians more political
1942	power.
1947	The Congress party passes a resolution calling on the British to leave. India gains independence one day after Pakistan is created and D.Nehru
1974	becomes prime minister.
1994	India explodes its first nuclear device, but declares it has "no intention of producing nuclear weapons".
1994	India's rupee is made fully convertible.

... a republic with an area of 1,261,597 sq. miles, population – 846,000 mln., member of the British Commonwealth in South Asia.

Capital: New Delhi. Largest cities: Calcutta, Bombay, Madras.

AGRICULTURE	Cattle, goats, sheep, poultry, horses. Rice, sugarcane, jute, cotton, peanuts, mustard, tobacco, spices, vegetables, fruit, tea, coffee, wool.
MINERALS	Coal, manganese ore, petroleum, iron ore, copper, bauxite, marble,
INDUSTRIES	granite.
EXPORTS	Cotton, jute, silk textiles, engineering, iron and steel, sugar, chemicals, pottery, shipbuilding, hydroelectricity.
IMPORTS	Tea, jute, coffee, leather, iron ore, peanuts, sugar.
	Machinery, wheat, cotton, oil, vehicles, chemicals, rice, metals.



## 2.20. INDIA: GROWTH FOR THE NEXT CENTURY

On August 15, 1947, India **bid farewell** to Britain – and for decades after, it sometimes seemed this vast Asian nation had turned its back on the rest of the world as well. Isolation became the rule, and policies that protected domestic industry **choked** foreign investment and growth. But those days have ended, since the undertaking of free-market reforms in 1991 under former Prime-Minister Narasimha Rao.

India's **turnaround** began the same year with a balance-of-payments crisis. Foreign exchange reserves had dropped to \$1 billion, inflation had **soared** to more than 16%, and the rupee was grossly overvalued. Forced to borrow heavily to stay afloat, the Indian government turned its attention to budgetary reforms **at the behest** of international creditors. In the following two years, taxes were **simplified**, the scope of centralized controls **diminished**, foreign investment liberalized and tariffs **slashed**.

The results have reshaped India: the country's estimated export earnings for 1996-97 are \$33.1 billion, and the rupee is stable. Inflation is at 6.4%. GDP growth for the last fiscal year marked a **solid** 6.8%. Agricultural output, which makes up nearly 20% of the country's exports, is up 5.7%, and incomes for agricultural workers have been rising by more than 8% a year – figures that **inspire** investors hoping **to tap** into the growing Indian consumer market.

India continues to suffer from infrastructural **bottlenecks**, and it is estimated that the country will need some \$150 billion over the next 5 years to **upgrade** its telecom, power and transport sectors. Such investment have increased more than tenfold since 1990, but India's leaders acknowledge that need to do more.

Ongoing liberalization policies are aimed at insuring that such growth can occur. Import duties are being cut from unrealistically high levels, and capital outflow in the form of overseas investments is expected to increase as India gradually moves toward full capital account convertibility of its currency. Already, such reforms have increased competition and brought a **surge** in business interest. For example, in the automobile sector, well-established local players like MARUTI and TELCO now face a host of entrants, including FORD, GM, DAEWOO, HYUNDAI and FIAT.

The increased competition is only one part of the story. The government is working also to attract both local private investments and direct foreign investments. Key legislative changes with respect to ownership, taxation and investment by insurance companies in the infrastructure sector are anticipated in the next year. India's **boom** in foreign investment shows no signs of **abating**, and the forces behind the surge are apparent: a growing middle-class market, liberalized investment regulations and the opportunity to partner with well-placed domestic partners.

The numbers show this change: from \$68 mln. in 1991, direct-investment proposals increased to \$1.6 bln. in 1997. In addition to reforms that allowed foreign companies to hold majority **stakes** in Indian ventures, the government also relaxed restrictions on **royalty** and other payments.

Symbolic of the country's new approach to international investors is the International Tech Park (ITP) which includes such industrial giants as SIEMENS, GEMPLUS and HITACHI. This is India's first world-class business park with **state-of-the-art** facilities built to international standards. Multinational company GENERAL ELECTRIC will complete 100 years of its operations in India in 2002.

### *Task:*

1. What attracts foreign firms and multinational companies to India?
2. Discuss the text together with your groupmates.
3. Explain the meaning of the emphasized words.

## **2.21. HUNGARY: RICH PAST AND BRIGHT FUTURE**

1000	At Christmas Stephen is crowned king of Hungary. This coronation defines Hungary as one of the Christian states in Europe.
1456	Hungarian Army defeated Turkish Army. This event is commemorated by ringing of church bells.
1620	Gabor Bethlen established a first college.
1708	Ferenc Rakoczi released from feudal bondage those serfs taking part in his freedom fight.
1825	The Hungarian Academy of Sciences was established which marked the beginning of the country's bourgeois transformation.
1848	As a result of the bourgeois revolution, the last feudal Parliament passed the acts which terminated feudalism and created the foundations of the modern Hungarian state.
1956	Revolution for democracy and independence.
1989	Hungary started removing barbed-wire fence from the Austrian boarder.

## **2.22. BUILDING A NEW HUNGARY**

### **An interview with Prime Minister Gyula Horn**

The transition to democracy and market economy has been rapid and crisis – free compared with other countries because we had a rapprochement with the West at an early stage, even at an official level and when East-West relations were cool. A reform element has always been present. It was subterranean at times, but

it remained part of our thinking. For example, reforms in the second half of the 1960s provided elements of a market economy that didn't exist in neighbouring countries.

As for NATO membership, ratification of this project is underway. Formal accession is scheduled for April 4, 1999. We also hope for membership in the EU between 2000 and 2002. We have some problem with inflation, but in general we are very close to the economic requirements. The pace of our industrial growth is good. We anticipate real annual growth of 4 to 5% in the coming years, higher than in many EU countries. We have some advantages in information technologies and job training. Our infrastructure is a handicap, however. It may be the best in the region, but it is far from EU standards. We need long-term transport and environmental investment.

Without privatization, industry couldn't have been reshaped. It also brought huge revenues. The majority of that went on the repayment of our foreign debt, which had been accumulating for almost 50 years.

#### **Taking Stock**

International investors love the Hungarian stock market. Over two thirds of total market capitalization is in foreign hands. But today, Hungarians themselves are coming to the market as well, a sign of increasing stability. There are 300000 Hungarians who have shares in different businesses. It's easy to see why the market has been so successful: in 1997 share prices on the Budapest Stock Exchange rose by 130%-the most rapid growth recorded by any of the world's exchanges.

#### **Telephone Lines**

The 15-year waiting list for a telephone line are dead and buried. They have evaporated under the assault of modernization program mounted by MATAV, the national telecom company. The number of access lines has doubled since 1993 to 2.3 million.

Almost two thirds of the system is digitalized, higher than in some EU countries. A great effort was also made with mobile phones. MATAV is the largest mobile-telecom provider with more than 400000 subscribers. A new consortium, MKM-Tel, was set up last year by Hungarian Railways MAV and oil company MOL. It intends to compete with MATAV and all services from 2002.

#### **Auto Production**

In March 1992 an Opel Astra the first car to be produced in Hungary since World War II. Hungary's born-again car industry has attracted close to 2 billion in direct foreign investment. The sector has spawned thousands of jobs in the new-car and component plants and support services. Budapest was chosen as the sales and marketing centre for the new Opel office for its existing infrastructure, advanced communications and good position. The attractions of Hungary are not lost on other manufacturers such as Audi, Ford, Jaguar and Mazda.

## 2.23. LATIN AMERICA: A NEW WAVE OF REFORMS

A decade of market-opening measures has altered the region's appearance. The continent has **unshackled** its trade, reconstructed its **rickety** banks and tightened its fiscal belt. Thousands of bumbling, state-owned companies have been sold to private groups-adding billions to government **coffers**.

Now comes the hard part – **garnering** political support for what the International Monetary Fund calls a “second generation” of reforms. They include **streamlining** bureaucracies, educating the work force and strengthening regulatory agencies. If those steps are taken, the continent will have positioned itself for an extended period of prosperity. “Latin America is doing well,” says Geoffrey Scott of the Institute for International Economics in Washington, “but there is lots more work to do.” The InterAmerican Development Bank, in its latest report agrees. “Despite the favourable trends, the economic performance of Latin America should be greeted with caution, not **euphoria**. “In 1999, every Latin American country will achieve positive economic growth – the first time that’s happened in 30 years. Mexico. Chile and Peru are all expected to grow to more than 6%, while Argentina has a projected growth of 8%. Even more, Latin America’s average inflation rate this year will be 12% – the lowest level in half a century. Brazil will **rake** in some \$18 billion in privatization receipts over the next two years.

### Argentina

Argentina is the region's current star. The country's once crippling inflation rate is virtually nonexistent. The country has produced record grain harvests. Mining firms project that exports, led by copper, and gold, will grow from \$30 million this year to \$1.8 billion by the turn of the century. Oil and gas output has doubled; multinational companies ranging from DOW to ROYAL DUTCH / SHELL PETROLIUM to MERCEDES are investing huge sums in the country.

### Venezuela

The new mood stretches even to Venezuela, until recently **shunned** by foreign investors. A banking crisis in 1994 sent Venezuela into a **tailspin**. But prompted by IMF, it has enacted a series of reforms – chief among them to open the country's huge oil sector to foreign investment. Venezuela aims to double its oil production by the year 2006, becoming the world's second largest exporter (after Saudi Arabia). Last month foreign investors snatched up \$4 billion in long – term Venezuela bonds – more than double the projected amount.

## 2.24. THE WAY TO STAY OUT OF DEBT

In these changing times, managing family resources can be a challenge. How can you meet the challenge successfully? The answer is not necessarily more income. Financial experts say that the answer has to do with having a sense of where the money is coming from and where it is going. To do this you need a budget.

Budgets, however, “conjure up all sorts of images of dreariness,” says financial adviser, Grace Weinstein. So, many people simply will not make one. Managing money and making money call for different skills, and most people are not trained to manage money. Budgeting, though, is easy to learn. It involves making a list of income and a list of expenses – and then KEEPING THE EXPENSES WITHIN THE INCOME. This work can be enjoyable, and living by it can be satisfying.

### FAMILY BUDGET

	Actual amount		
	Spending	Essential	Budgeted
<b>Expenses</b>			
Food			
groceries			
eating out			
hospitality			
Housing			
Clothing			
Transportation			
Gifts			
Taxes, insurance			
<b>TOTAL (compare with income)</b>			
<b>Income</b>			
Salaries			
Interest on savings			
<b>TOTAL (compare with expenses)</b>			

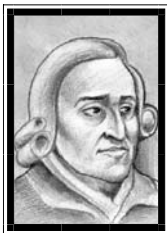
In the “Actual Spending”, enter the amount you currently spend for each item. The column “Essential?” is vital to consider if an item is essential or not. If it is, enter “Y”, if no, enter “N”. Remember, that total listed in the “Amount Budgeted” column cannot be greater than your monthly income.

### *Task:*

1. What do you think about on hearing “state budget” and “family budget”?
2. Work in group and say if this chart is worth using in your family.
3. Using this chart say what your monthly income and expenditures are?

## 3. The History of Economic Thought

### 3.1. ADAM SMITH (1723 – 1790)



Author of the first systematic study of capitalism, eighteenth – century Scottish economist Adam Smith is generally known as the “ Father of Economics.” Smith’s most famous theory – that an “**invisible hand**” guides the free-market economy – argues that individuals who pursue their own self -interests actually produce economic results **beneficial to society as a whole**. Smith’s general thesis that free markets are the most efficient allocators of scarce resources remains at the heart of **mainstream** economics today.

Adam Smith was born on June 5, 1723, in Kirkcaldy, Scotland, a tiny fishing and mining village near Edinburgh. His father, a lawyer and government official, died 2 months before his birth. In school Smith **immersed** himself in mathematics and the classics. His scholastic ability was such that he was accepted at the age of 14 into Scotland’s Glasgow College. At 17 he graduated with the master of arts degree and a scholarship to Oxford University.

#### OXFORD

At Oxford Smith was **miserable**. The University seemed to him to suffer from a lack of intellectual spirit: Professors often **skipped** lectures, tutors **shirked** their responsibilities and university officials offered students little guidance. Still worse, Scottish students suffered **blatant** discrimination. Smith’s fellow students and even faculty members laughed at his accent and called him names. As a result, he grew depressed and his health suffered at Oxford. He complained of “**inveterate scurvy**” and developed a nervous tic-an **involuntary** “shaking of the head”. In addition he suffered from **blackouts**. Such neurological disturbances **plagued** him throughout his adult life.

Despite his difficulties at Oxford, Smith remained there for 6 years, most of the time studying on his own in the University’s grand library. In 1746 Smith left Oxford, returning first to Kirkcaldy and, failing to find a regular job, moving to Edinburgh 2 years later. There he gave a successful series of public lectures on such topics as philosophy, jurisprudence, and political economy. His lectures attracted

the attention of several of Edinburgh's leading intellectuals; their sponsorship allowed him to continue lecturing for several years.

### PHILOSOPHY AND TEACHING

In 1751, Glasgow College officials offered him the newly created post of professor of Logic. Smith accepted and within the year was promoted to the Chair of Moral Philosophy. He became well respected as a philosopher, and his lectures were popular among students. His first book, **The Theory of Moral Sentiments**, published in 1759, made him well known among other intellectuals. One statesman who was particularly impressed by the book was Charles Townshend. He sought Smith as a teacher for his teenage stepson, the duke of Buccleuch. In 1763 Smith left Glasgow to accept the position and spent next three years in Toulouse, France, with the young duke. To **alleviate his boredom**, Smith used his spare time to make a **thorough investigation** of economics, and began to **commit** some of his ideas on the subject to paper.

### THE WEALTH OF NATIONS

Smith returned to Scotland in 1766, **endowed** by the duke with a generous pension for life. At home in Kircaldy, he continued to develop the economic ideas he had begun to explore during the time abroad. Ten years later, he completed and published his most famous book on the subject, entitled **An inquiry into the Nature and Causes of the Wealth of Nations**. In *The Wealth of Nations* Adam Smith **emerges** as a free – market economist we recognize today. Here he expressed belief that private enterprise, operating in an unmediated **competitive manner**, is the most **efficient** and **equitable** economic system. Moreover, he argued that individuals in such a system who **pursue** their own self – interests will, as if guided by an invisible hand, produce results beneficial to all of society. Smith sharply criticized the existing British government's interventions into domestic colonial, and international economic matters, maintaining that such acts **upset the natural equilibrium** of a free – market economy. Today we refer to this notion as "**laissez – faire**" economics.

*The Wealth of Nations* was enormously successful; five editions were published during Smith's lifetime, winning him international acclaim as an economist. His influential ideas spread quickly among the many **disciples** who developed them into what we now regard as the classical tradition of economics.

Smith passed his remaining years **industriously** in Scotland. In the last year of his life, in spite of the fact that he was severely ill, he undertook a thorough revision of his **Theory of Moral Sentiments** for the sixth edition. As death drew near, he had his unfinished manuscripts burned without explanation. A week later, on July 17, 1790, he died, leaving the **legacy** of his theories, which gave birth to modern economics.

*Task:*

1. Why is Adam Smith known as the “Father of Economics”?
2. What is the idea of his most famous theory?
3. Say a few words about his life before Oxford University.
4. Why was Smith miserable at Oxford?
5. What was the University life at that time?
6. Did all these difficulties break his desire to study?
7. What was his life after the University?
8. Explain the meaning of the underlined words.
9. What was Adam Smith occupied with?
10. What book made him well known among other intellectuals?
11. Where did he begin to make a thorough investigation of economics?
12. When did he complete and publish his most famous book?
13. What ideas did he express in his book?
14. Why did he sharply criticize the British government?
15. Was this book a success?
16. Where did he spend the remaining days of his life?
17. When did he die?
18. What legacy did he leave?
19. Explain the meaning of the emphasized words.
20. Discuss the text with your groupmates.

### 3.2. JEREMY BENTHAM (1748 – 1832)



The **assumption** that individuals act in ways that maximize their level of satisfaction is one of the most basic ideas economists use to analyze human behaviour. The notion was introduced by eighteenth – century British economist Jeremy Bentham, who developed it in an effort to **encourage** changes in economic policies. Today it forms the **crux** of our analysis of consumer behaviour.

Born February 15, 1748 in London, young Jeremy **gave his parents little ground for complaint**. At age three he was reading, by five he wrote phrases in Latin, and by the time he was seven he wrote as well in French as in English and could play the piano and the violin. At the activities that would have earned him the companionship of other boys, however, Jeremy proved a disap-



pointment. The usual boyhood games tired him; he was, in his own recollection, “**the feeblest of all feeble boys**” Emotionally sensitive as well, he **shrank away** from fishing and hunting, activities his father enjoyed, upset that the sports caused living beings pain and suffering. At the age of seven, the **precocious** boy was sent to boarding school at Westminster. He **despised** the place and felt desperately lonely. His mother died while he was there, and his **despondency** over her death **intensified** the bitterness he felt for the school. In 1760, at age 12, Bentham left Westminster to study at Oxford. Though unhappy there as well-perhaps influenced by the **morose disposition** of his tutor – Bentham stayed and earned his undergraduate degree three years later. He had formed a deep **distaste** for law but, at his father’s insistence, began studying the subject at Oxford and Lincoln’s Inn in 1764. In 1769, at age 21, Bentham **was admitted to the bar**. Shortly thereafter **he chanced upon** a copy of Joseph Priestley’s **Essay on Government**, which introduced him to the utilitarian principle – the ethical theory that holds an action to be right if it achieves the greatest happiness for the greatest number of people. This **appealed** strongly to Bentham’s way of thinking, and he became convinced that the principle was the only true standard of **distinguishing** good laws from bad. He now understood his hatred of English law, by which, as he saw it, criminals were treated in a way that did not reflect the amount of harm done by the crime.

On October 14, 1772, Bentham wrote to his father that his distaste for law **rendered** him powerless to practice it with any **zeal**. He asked permission to retire. His father **consented** with regret, and Bentham **abandoned the bar**. Believing his son incapable of providing for himself, his father gave him two properties that **yielded** a modest income. In exchange, Bentham wrote, “I was to appear as a gentleman, with **lace and embroidery** on occasion.” He lived in a **thrifty** manner, using most of his income to purchase books and take vacations to the country.

Writing became Bentham’s **outlet**. Completing essay after essay, he developed the “greatest happiness” principle and offered legislators and judges’ methods with which they could apply the utilitarian ethical standard. In 1776 he published anonymously, **A Fragment on Government**. In 1780 he completed **An Introduction to the Principles of Morals and Legislation**, which he published in 1789 after much **prodding** by his friends.

### THE “UTILITY” THEORY

In **Principles** Bentham developed his system of **assessing** the value of all activities. Everyone, Bentham argued, prefers pleasure to pain. All people act to benefit themselves according to this preference. Individuals, therefore, seek to **maximize** – a word he invented to express his meaning – “**utility**”, or their level

of satisfaction. The idea of utility as the driving force of individuals within society is a **cornerstones** of economic theory today. What Bentham tried to achieve was an explanation of human behaviour that put economics on the same level as the physical sciences. If individuals acted rationally in an effort to maximize their own utility, their behaviour could be systematically analyzed and explained.

Bentham argued that public policy decisions should be formulated on a utilitarian bases. He believed that the value of an act carried out in the “public interest” was the sum of its utility to all the individuals affected by the act. With this idea, Bentham made a **passionate attempt** at reforming English law. Many **sweeping reforms** in legislative and judicial procedures were initiated either by Bentham or by his disciples, and quite a few were put into law.

Jeremy Bentham retired in 1818 and died in 1832. In the interest of anatomical science, he had directed that his body be **dissected**. His skeleton, dressed in the clothes he commonly wore and supporting a **wax effigy** of his head, is preserved in the Anatomical Museum of University College in London.

### *Task:*

1. What notion was introduced by J. Bentham to analyze human behaviour?
2. Why did young Jeremy give his parents little ground for complaint?
3. What was his attitude towards the usual boyhood games?
4. Describe his stay at boarding school at Westminster. What made him dependent there?
5. Where did he study law and what was his attitude towards this subject?
6. What made him think in a new way about the only true standard of distinguishing good laws from bad?
7. Why did J. Bentham abandon the bar and how did he earn his living?
8. What was he busy with after all?
9. What theory did he develop in “Principles”?
10. What do individuals seek according to his theory?
11. How did J. Bentham explain human behaviour?
12. How did his theory influence reforming English law?
13. What were last years of his life?
14. Explain the meaning of the emphasized words and expressions.
15. Discuss the text with your groupmates.

### 3.3. JEAN BAPTISTE SAY (1767 – 1832)



Adam Smith wrote his famous text, **An Inquiry into the Nature and Causes of the Wealth of Nations**, in 1776. However, his economic ideas did not become popular until the nineteenth century, when the so – called classical economists took the profession by storm. Smith’s **insistence** that the economy would allocate goods and services efficiently if left to its own devices became the **battle cry** of the classical economists. One of the most famous of the classical economists was Jean Baptiste Say.

Jean Baptiste Say was born on January 5, 1767, to a Protestant merchant family in Lyons, France at that time, and the government’s secret police persecuted people who **subscribed** to Protestant and other “revolutionary” beliefs. The Say family fled from France and moved to England while Jean Baptiste was still a boy.

#### AN EARLY INTEREST IN BUSINESS

Following in the footsteps of other family members, Say developed an interest in business. He serves **two business apprenticeships** in England and, when he decided it was safe he returned to France and accepted a position at an insurance firm in Paris. At his employer’s suggestion, Say read Adam Smith’s **Wealth of Nation**, as a result of which he decided to become an economist. Because of the political climate in France, however, “becoming an economist” was not an easy task. Formal university training in the subject **was banned** by the ruling class. Say was forced to learn the subject **on his own**. As a revolt against the monarchy began in France, Say became an enthusiastic supporter of the Revolution. In exchange for his **outspoken** defence of the new republic, Say was made a member of the French **Tribunate** in 1799.

#### NEW CAREERS

In 1806, Say’s political career ended **abruptly** when he refused out of principle to **concur** with Napoleon’s financial plans. He removed himself from political life altogether. He moved to northern France, where he established a textile mill. Borrowing cotton-spinning techniques from the British, Say quickly became a successful entrepreneur, gaining new insight into the role. Napoleon’s defeat at Waterloo in 1815 cleared the way for Say to return to Paris. He sold his textile mill and began a new career, giving lectures on politics and economics at the Athenee in Paris.

Say also published another economic book in 1815, his **Cathelism d'economie politique**. Less than two years later the restored Bourbon government acknowledged Say's contribution to the field by creating a position for him as Chair of Industrial economy. In 1829, Say published a work intended to teach economics to the French **populace, Cours complet d'economic politique pratique**. The six-volume text, his last major work, was intended to be a complete course "to teach statesmen, landowners, businessmen, and, in general all citizens, about political economy".

Shortly after the publication of the **Cours complet**, Say was awarded the Chair of Political Economy at the College de France. It was the first chair of political economy created in that country. He died in 1832 at the age of 65. Economists still use the circular-flow model that Jean Baptiste Say developed. His insight that income generated by the production of goods also provides for the consumption of those goods, as well as his work defining the factors of production – especially the entrepreneur – are today regarded as foundations for economic analysis.

### *Task:*

1. Who opposed the reading of Adam Smith's works and why?
2. Describe the political situation in France in the second half of the 18<sup>th</sup> century.
3. What was the beginning of Say's carrier?
4. Why did J.B. Say decide to become an economist?
5. Was it an easy task to become an economist at that time?
6. What helped him to become a member of the French Tribunalate?
7. Why did Say's political career end so abruptly?
8. What was he busy with in northern France?
9. What cleared the way for Say to return?
10. How did the restored Bourbon government appreciate him?
11. What was his major work intended to be?
12. What was he awarded after the publication of the Cours de complet?
13. Do the economists still use his teaching?
14. Explain the meaning of the emphasized words?
15. Discuss the text with your groupmates.

### 3.4. DAVID RICARDO (1772 – 1823)



The law of comparative advantage is an important argument for free trade. This principle, which was developed by David Ricardo, argues that it is in each country's best interest to produce the goods in which it has the greatest degree of advantage, and then import goods in which it does not.

David Ricardo was born on April 18, 1772, in London, England. He was the third son of Abraham Ricardo, a successful member of the Stock Exchange. Young Ricardo was raised in the Jewish faith. He studied abroad at the Talmud Tora, a Jewish Commercial School, until he was 14, then returned home to work for his father. At first he was **assigned** only minor tasks, but his mathematical mind was quick to **grasp the complexities** of the Exchange, and he gradually **assumed** more and more of the responsibilities of his father's business. There was, however, **friction** between Ricardo and his father. Early in his life he had begun to **rebel** against his family's strict religious rules. **The final straw** came in 1793, when Ricardo announced that he was marrying Priscilla Anne Wilkinson, the daughter of a prominent Christian leader. Bitter, his father **disinherited** him and **stripped** him of his job and his hopes for a seat on the Exchange. However, while working for his father, Ricardo had met many bankers and business leaders. By the time he was 22, he had **persuaded** several of these contacts to lend him the money he needed. He then invested the capital in deals that paid off-quickly and **handsomely**. Indeed, by the time David Ricardo was 42, he had **amassed** an enormous sum and was able to retire on the income generated by that fortune. Ricardo's reputation on the Stock Exchange earned him the respect of London's financial and political leaders. Although he was largely uneducated, his **brilliance was undisputed**. He was clearly one of the financial leaders of the day.

He became interested in economics in 1799 and he became **to socialize** with economists, expressing his ideas in discussions with them. Among his friends were Thomas Robert Malthus, James Mill, and Jean Baptiste Say. They wrote numerous letters to one another in which they presented and debated economic ideas. Ricardo's ideas about political economy, which he **expounded** in his letters, would **ultimately** prove central to the development of economic thought. But it was 10 years before he felt confident enough to attempt publication. Writing was difficult for him, and he worried that his lack of formal education would **hinder** his ability to express his ideas **persuasively**.

Finally, in 1809, Ricardo published **The High Price of Bullion: A Proof of the Depreciation of Bank Notes**. The Pamphlet, which argued that England's inflationary ills were due to the Bank of England's failure to **restrict** the issue of currency, was enthusiastically received by political and business leaders.

Still, it was 5 years before he had the courage to publish another work – one which expressed an idea that soon became the **cornerstone** of classical political economy. His **Essay on the Influence of a Low Price of Corn on the Profits of Stock** describe the **diminishing returns** that would result from added investments of capital and labour applied to land. The law of **diminishing marginal returns** states that, all other things equal, the addition of a **variable** factor of production to other fixed factors will **yield** diminishing marginal returns.

In 1817, Ricardo published a major economic work, **On the Principles of Political Economy and Taxation**. The book was, as economic historian puts it, a “badly written, highly abstract, **frantically** disorganized tract.” Nonetheless, it was one of the most important publications in the development of political economy. It **shaped** the way economics was approaching for nearly 100 years.

In his **Principles**, Ricardo developed the concept of comparative cost, or comparative advantage. The law of comparative advantage states that if each country specializes in the production of goods for which its **sacrifice** is lowest, the total output of goods available in the world will be increased. The notion of comparative advantage was the **apex** of nineteenth – century free – trade **doctrine**, and it remains the standard argument for free trade today. David Ricardo retired from the Stock Exchange in 1814 to his newly purchased estate, Gatacomb Park, in Gloucestershire. He devoted his time to studies of political economy and to the cause of political reform.

In 1823, at the age of 51, David Ricardo died of cerebral complications resulting from an ear infection. When he died, he was a wealthy, well-respected man. A business person and a politician, Ricardo's practical knowledge about the way the economy works made him one of the most important economists of his day.

### *Task:*

1. In what family was David Ricardo raised?
2. What was the final straw in friction between Ricardo and his father?
3. Why did Ricardo's reputation earn him respect on the Stock Exchange?
4. What were his first ideas about political economy?
5. What book by David Ricardo was enthusiastically received by political and business leaders?
6. What is the central idea of the law of diminishing marginal returns?
7. In what book did Ricardo develop the concept of comparative cost or comparative advantage?

8. What does this law state?
9. Explain the meaning of the emphasized words and expressions.
10. Discuss the text together with your groupmates.

### 3.5. ANTOINE – AUGUSTIN COURNOT (1801 – 1877)



He was the first to draw a **demand curve**. He was the first to present a systematic analysis of monopoly and perfect competition. While Cournot was not the first to apply mathematics to economic theory, his early and **insightful** use of this tool marks him as the founder of the mathematical approach to economics.

Antoine – Augustin Cournot was born in France on August 28, 1801, to a family of **peasant stock**. He was raised by his grandmother, uncle, and two **maiden aunts**.

After completing his secondary education, he worked for four years in a lawyer's office. During this **internship** he learned the legal **intricacies** of the French political system. A copy of Laplace's **Systeme du Monde** sparked in Cournot an interest in mathematics, which **steered** him away from his work at the law office. In 1821, Cournot **enrolled** in the Ecole Normale Superieure in Paris to **pursue** this interest. The following year, however, the university was closed by the government, and many students, including Cournot, were kept under **surveillance** by the French police. Cournot remained in Paris to continue his studies in mathematics. In his free time he offered his services as a mathematic tutor. In 1823, Marshal Gouvin Saint-Cyr, a French military leader, hired Cournot to instruct his young son. Cournot's **diligence** in his duties **earned him favour with** the Marshal, who made Cournot his personal secretary. Cournot **collaborated** in the editing and publishing of Saint-Cyr's **memoirs**.

Cournot had close contact with the military and political leaders who worked with the Marshal and had the potential for a highly successful career among their ranks. However, he continued to study mathematics, earning his doctorate in 1829.

He published eight papers in the **Bulletin des Sciences**, which attracted the attention of Simeon Poisson, the recognized authority in mathematics at the University of Paris. After Cournot left the service of Saint-Cyr in 1833, Poisson **secured a position** for him at the Academy of Paris. Then, in 1835, with Poisson's help, Cournot was appointed Professor of Analysis and Mechanics at the University of Lyon. The administrative skills that had impressed Saint-Cyr also earned the respect of Poisson. One year later, Poisson appointed Cournot Rector of the

Academy at Grenoble, the Cournot's career as a high official in the French University system was set.

Cournot's genius lay in his application of mathematics to the social sciences, especially economics. In 1838, he published a volume small in size but monumental in importance. **Recherches sur les Principes Mathematiques de la Theorie des Richesses**, a mathematical Theory of economics. Cournot himself **predicted** his method would fail to gain the support of economists. He wrote in the preface to *Recherches*, "I intend to apply to [theoretical research] the forms and symbols of mathematical analysis. This is a plan likely, I confess, to draw on me on **the outset the condemnation of theorists of repute.**" Cournot was wrong. His work suffered a fate worse than condemnation: it was ignored. Disappointed by the silence which greeted his work, he turned to other pursuits. He was appointed inspector General of the University of France, a position he held over 10 years.

**Disgusted** by the government's policies toward the university and **plagued by failing vision**, Cournot retired in 1862 from all public functions and quietly settled in Paris. He died in 1877, just before he could accept the honour of having been elected the member of the Academie des Sciences Morales. Shortly before Cournot's death, Leon Maleas and Stenley Jevons **simultaneously** began work on methods not unlike those of Cournot, which would attract serious attention from economists and establish mathematical economics as a field of study. Both men cited Cournot's influence on their thinking.

In 1933, the Royal econometric Society published the first volume of the journal **Econometrica**. Volume 1, Number 1 was dedicated to Antoine – Augustin Cournot as the founder of mathematical economics.

### *Task*

1. Cournot was the first in many things, wasn't he?
2. What did he learn during his internship?
3. What sparked his interest in mathematics and where did he pursue this interest?
4. What happened in the following year?
5. What could change his life in 1823?
6. How did Simeon Poisson influence his life?
7. In what sciences did Cournot apply mathematics?
8. What was he afraid of?
9. How was his book met by the theorists of repute?
10. Who followed his teaching?
11. Explain the meaning of the emphasized words and expressions.
12. Discuss the text together with your groupmates.



### 3.6. KARL MARX (1818 – 1883)



Karl Marx is **simultaneously** one of history's most **revered** – and most **reviled** personalities. The powerful **implications** of his ideas spark feelings of either respect or disgust. But whether one agrees or disagrees with the doctrines set forth by this nineteenth – century revolutionary, his place in history is fixed. Although Marx died more than a century ago, millions of people still **cling to**, and fight for, his ideals. Few people have had such an impact on human society.

Karl Marx was born on May 5, 1818, in Trier, Prussia. Born a Jew, Karl's father **converted** to Christianity in order to practice law, a profession then forbidden to Jews. Accordingly, Karl was **baptized** into the Lutheran church in 1824 at the age of 6. At 12 he enrolled in a Lutheran school where he studied until he was 17. He became **proficient** in French and Latin and enjoyed the classics, especially the works of Shakespeare.

In 1835 Marx entered Bonn University, where he decided to pursue a degree in philosophy. Marx's career at the university was a disaster. He enrolled in nine courses his first semester and, with no time to do justice to any of them, performed miserably in all. Marx's troubles didn't end with his schoolwork. His lack of discipline about money became **startlingly** clear while he was at the university. Eventually Marx's parents convinced him to transfer to Berlin University. Here he became more serious about his work and finished his doctoral dissertation in philosophy in 1841. Later that year he returned to Trier to marry the beautiful Jenny Von Westphalen, whom he had known since high school. The two would remain passionately in love for a lifetime.

In 1842 Marx became an editor of **Rheinische Zeitung**, a liberal newspaper based in Cologne, Germany, where the couple moved later that year. After a short stay in Cologne, they moved to Paris. In Paris Marx met 24-year-old Friedrich Engels. The two young men had similar backgrounds and became friends at once. Sharing an interest in economics, they studied the subject together and began developing ideas about the way an economic system should work. Engels had previously studied communism, and he introduced his friend to communist ideas. In 1845 the government of France **expelled** Marx, whose activities with working-class leaders had aroused **suspicion**. He moved to Brussels, where he founded the German Workers' party and became an active member of the Communist League. The League **commissioned** Marx and Engels to write a tract that would serve as a statement of purpose for the group.

Their **assignment** was not only to **clarify** the League's principles, but also to **incite** the masses to revolt against their governments. The **Communist Manifesto** was published in 1848. Perhaps the most important political **treatise** ever written, the **Communist Manifesto** emphasized the issue of class conflict and struggle. Capitalist societies were divided into two classes: the working class, or proletariat, and the capitalists, or bourgeoisie. Marx and Engels believed that the capitalists exploited workers by paying them less than they were worth. The difference between workers' productivity and the amount they were actually paid was profit in the capitalists' pockets. The **Communist Manifesto** **urged** workers to revolt against the bourgeoisie and **eliminate its dominance** in the society. Capitalism would be replaced by a communist system, which would be characterized by the absence of classes. The **Communist Manifesto** proclaimed that this was the **ultimate** goal of human historical development.

Marx's association with the Communist League did not **endear** him to government officials, who expelled him from Belgium the year the **Communist Manifesto** was published. He lived briefly in Cologne before being exiled again by the French. In 1849 Marx moved to London, where he lived the remaining 34 years of his life. In London the Marx family lived in **abject poverty**. Marx worked as a foreign correspondent for the **New York Daily Tribune** and in 10 years contributed 350 articles. The job offered a paltry salary, which he attempted to supplement by submitting articles to other English-language newspapers, but he earned very little. In a particularly desperate three-year period, three of Marx's children died. The family would have been in far worse **straits** were it not for the financial support of Engels. Ironically, Engels became a member of the wealthy bourgeoisie when he took over father's business.

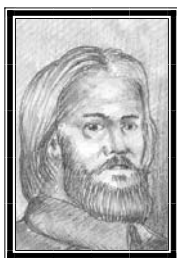
Despite his poverty and poor health, Marx dedicated countless hours to research and writing. In 1859 he published **Critique of Political Economy**. That was followed in 1867 by Volume I of **Das Kapital**, a treatise scholars still study today. He worked on Volumes II and III through 1879, but they were not published until after his death. **Theories of Surplus Value**, which Marx completed in 1863, was also published posthumously.

Marx was ill with variety of **ailments** during the last year of his life. **A man of charm and wit**, a loving father and husband to the last, Marx died in his home on March 14, at the age of 64.

### Task

1. Why was Karl Marx one of the history's contradictory personalities?
2. What were his early years of life?
3. How did Karl Marx study at Bonn University?
4. At Berlin University he became more serious, didn't he?
5. How did the friendship between K. Marx and F. Engels influence their ideas?
6. Describe K. Marx activity at the Communist League.
7. What work has become ideological basis of the Communist League?
8. What ideas did the Communist Manifesto emphasize (describe in details)?
9. What was the attitude of the government officials towards his activity?
10. How did he earn his living in London?
11. What works did he write in the last period of his life?
12. Explain the meaning of the emphasized words and expressions.
13. Discuss the text together with your groupmates.

## 3.7. Marie Esprit Leon Walras (1834 -1910)



In the preface of the fourth edition of his **Elements of Pure Economics**, Leon Walras wrote: "...those economists who do not know any mathematics... will always have to face the alternative either of **steering** clear of this discipline... or of **tackling** [its] problems without the necessary equipment, thus producing not only very bad pure economics but also very bad mathematics."

The **cantankerous** Lausanne professor understood all too well the importance of mathematics to economic model building. He also understood what it meant to lack mathematical skills, for their absence had disabled his professional growth for the first half of his life.

Marie Esprit Leon Walras was born December 16, 1834 in Evreux, France. Although his father, Auguste, had written several books on political economy, he had never been accepted as a member of France's select group of government economists. He settled for a rather low-level bureaucratic job as a school administrator but was determined to share his love for economics with his son.

### A VARIETY OF CAREERS

In 1854, Walras applied to the Ecole Polytechnique, where he hoped to study engineering. His application was denied; his mathematical background, which included the equivalent of high school algebra and analytical geometry, was con-

sidered too weak. He applied and was turned down a second time before deciding to try his luck at the Ecoldes mines. There he was allowed to study engineering but quickly became disillusioned with it. He **altered** his career goals, hoping to find success as a novelist. While two of his works were published, he recognized that he would probably never win **acclaim** in literary circles, so, in 1858, he sat out to find a regular job. Walras's employment history for the next twelve years was **irregular** at best. He tried his hand first at journalism and later at clerical work. By 1863 it became **imperative** that he find **steady** employment when his companion, Celestine Ferbach, gave birth to twin daughters. Soon thereafter Walras was hired as manager of a bank, a position he enjoyed. Leon Say, grandson of classical economist Jean Baptiste Say, worked at the bank as well.

In addition to their jobs at the bank, Walras and Say worked together for two years editing **La travail**, a magazine for which they wrote articles on economic topics. Walras also wrote on economics for other newspapers and journals. In 1870, the Academy of Lausanne in Switzerland founded a chair of economics in its school of law. Walras was offered the position because several faculty members had seen his work and were impressed.

### THEORY OF GENERAL EQUILIBRIUM

The position at Lausanne offered Walras the opportunity to focus his attention solely on the field he had enjoyed for so long. With the help of colleagues who were better mathematicians than he, Walras began exploring the application of mathematical model of general equilibrium. The results of this study were published in his **Elements of Pure Economics** in 1874. Walras examined the economy as a system of supply and demand equations for all goods. **Each good had a demand function that depended on several factors:** preferences, income, the price of the good, and the prices of other goods. His system was thus one of general equilibrium, in which everything depends on everything else, and all the supply and demand equations are solved **simultaneously**.

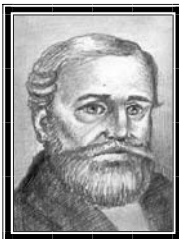
Many economists today regard Walras as one of the greatest economic theorists ever. However, his work was little appreciated in his day. When he presented a simplified version of his model to colleagues at a Paris meeting in 1873, it was greeted with **hostility**. There were a few who appreciated his work, but it was far too analytical to appeal to the average professor. Hence, he had few friends even among his colleagues at Lausanne. The financial trouble that had **plagued** him before he came to Lausanne continued to wear on him. Celestine was stricken by a fatal illness early in 1872. Walras's income didn't even begin to cover the expenses incurred as a result of her illness. To supplement his income, he took on consulting work and wrote a regular column for the **Gazette de Lausanne**. In

addition, he borrowed heavily. The constant stress took its **toll** on his creative abilities. Celestine died in 1879. Walras's remarriage in 1884 ended his financial **woes**. The yearly **annuity** of his wife, Leonide Maily more than doubled the Walras household income. The relief from financial difficulties released a **torrent** of work. Walras completed the fourth edition of *Elements*, carefully **refining** his model, **revamped** his theories of money and capital, and developed proposals for monetary reform. In 1892 Walras retired from the University of Lausanne. He continued to write, publishing two volumes of papers and articles. In 1900, after the death of his wife, he moved into a small apartment in Clarens, where he died ten years later.

### *Task*

1. What did Walras think about importance of mathematics for economics?
2. What was his father, Auguste, busy with?
3. Why was Walras's application to the Ecole Polytechnique denied?
4. What jobs did Walras change and why?
5. How did his work with economics begin?
6. Why was he offered the position at the Academy of Lausanne?
7. What did he begin exploring?
8. How did he regard the economy?
9. How was his work appreciated by his colleagues?
10. How did the financial troubles reflect his creative work?
11. Explain the meaning of the emphasized words and expressions.
12. Discuss the text together with your groupmates.

## **3.8. WILLIAM STANLEY JEVONS (1835-1882)**



One of the most **pressing problems** in economics today is explaining **fluctuations** in general economic activity. Why is the economy experiencing a **recession**? When will employment **pick up**? How long prices continue to rise? Perhaps no one has devoted as much energy to the topic as nineteenth – century economist William Stanley Jevons. Dedicating most of his life to the study of business cycles, Jevons **pioneered** a method by which economic fluctuations could be analyzed. John Maynard Keynes later referred to Jevons's work as marking “the beginning of a new stage in economic science”.

William Stanley Jevons was born on the 1<sup>st</sup> of September, 1835, in Liverpool, England. He enrolled in University College at the age of 16 to study the physical sciences. His excellent scores in chemistry attracted the attention of managers at the Sydney **Mint in Australia**, and, at the age of 18, he was offered a well – paid position as **assayer** at the mint. The Jevons family **had fallen on hard times** and Jevons **felt compelled** to take the job, greatly disappointed that he could not complete his degree. After 5 years, Jevons returned to London and to University College. While working to complete his bachelor’s and master’s degrees, he began to write about economic matters.

Intrigued by changes in the world of economics, Jevons began a systematic study of the business cycle, analyzing monthly economic data from as far back as 1731.

### MEASURING ECONOMIC PERFORMANCE

Jevons did not have the wealth of data that economists today take for granted – regular estimates of GNP, for example, were more than a century away. Thus, he had to **piece together** his own measures of economic performance. He chose four **variables**: the price of English funds, the price of wheat, the number of bankruptcies, and the **interest rate**. In the early 1860s Jevons undertook the **painstaking task** of collecting and analyzing these data. He used a “statistical diagram”- what we recognize today as a time series chart. While Jevons was not the first to use diagrams, he made a regular economic **tool**, and it was an important step in making economics more scientific. After Jevons finished diagramming the data, he had before him a picture of English economic performance. From it he could answer many important questions about business cycles. For example, he was able to differentiate between seasonal and cyclical changes in economic activity. Eventually, he formed a theory about the causes of the business cycle, blaming economic **booms and busts** on fluctuations in investment.

Although Jevons’s work in business cycle theory was **pathbreaking**, it received little attention in his lifetime. But finally his break came. Alexander Macmillan, a London publisher, agreed to publish Jevons’s book on resource economics, **The Coal Question**, in 1865. With it Jevons at last **won critical acclaim**. Scientists and policymakers praised Jevons’s **insight**. The book **boosted** not only his **ego** but his career; less than a month after the publication of *The Coal Question*, Owens College offered Jevons a post as professor of Logic, Philosophy and Political Economy. For the first time in 8 years he had a regular paying job.

### FARFETCHED SPECULATIONS

During the **tenure** at Owens Jevons began work on an attempt to provide meteorological explanation for commercial **disturbances**. A colleague sparked Jevons’s

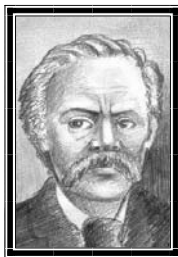
interest in the topic by pointing out that the length of business cycle was the same as the length of the principle sunspot cycle. Jevons's new theory of the trade cycle began in the heavens. Scientists at that time believed that the sunspot cycle began and ended at 10,5 year intervals. These intervals seemed to correspond to **drastic** disturbances in crop harvest, particularly in India. Because England depended so much on trade with India, Jevons argued, crop crises in that country had direct **consequences** on the business climate in England, which also appeared to suffer commercial crises about every 10,5 years. Commercial crises were thus the result of solar activity.

Jevons suffered a great deal of professional **ridicule** regarding his theory. He began work on another economics text shortly after retiring from teaching in 1878, but his life ended tragically before he was able to complete it. Early one Sunday morning in August 1882, Jevons drowned while swimming off England's southern coast. The 46-year-old economist left a widow and three young children. It is unfortunate that Jevons is so often remembered for his sunspot theory, because his earlier work on business cycles was far more important – and extremely **accurate**. The **Theory of Political Economy** (1871) was according to Keynes, “the first modern book on economics.”

### *Task*

1. What questions are closely connected with fluctuations in general economic activity?
2. What stage in economic science did Jevons pioneer?
3. Why was the Sydney Mint in Australia interested in Jevons?
4. What was Jevons involved in after returning to London?
5. What four variables did Jevons use due to the lack of data that economists today take for granted?
6. What diagram did Jevons use to analyze economic performance?
7. What did diagramming the data give him?
8. What kind of theory did Jevons eventually form?
9. How did the sunspot cycle (according to his theory) influence the business climate in England?
10. How was the theory regarded by professionals?
11. Describe the last years of his life.
12. Explain the meaning of the emphasized words.
13. Discuss the text together with your groupmates.

### 3.9. ALFRED MARSHALL (1842-1924)



It would be difficult to imagine economics without the contribution of A. Marshall. To Marshall, economics made its own **exquisitely** organized universe, in which demand and supply work together in **precise** mathematical harmony. **Marginal analysis** is the key to the universe. With it, Marshall brilliantly explained the nature of demand and supply and showed how, like the blades of a scissors, each requires interaction with the other to achieve an **equilibrium** solution.

Alfred Marshall was born on July 26, 1842. His father, a cashier at the Bank of England, was a **stubborn** man, determined that his son would become a pastor. He **imposed** a rigorous but narrow **agenda** of study on the boy, making sure he was trained in biblical languages and in classics but denying him **access** to mathematics and the scientific subjects he loved.

When Alfred was offered a scholarship to Oxford University, his father was delighted; Oxford was known for turning out Anglican **ministers**. Much to his father's **dismay**, however, the young man had made other plans. With the help of another scholarship and a loan from an uncle, he enrolled at Cambridge University to study physics. By 1867 Marshall was not only **excelling** as a student of mathematics, he was also teaching the subjects to fellow students. It became clear that teaching was his **forte**.

At Cambridge, Marshall was considered a bit eccentric in his **passion** for the outdoors. He often left the university for days, **toting** a book-filled **knapsack** and hiking into the country-side and through the streets of **distant** towns. On these "vacations," as he called them, he began carrying fewer books about mathematics and more about philosophy. He became deeply interested in the great **issues of life**, such as the nature of ethical systems and the problem of poverty. Soon he knew what he wanted to do with his life: to work forward **elimination** of poverty. He wrote, "I visited the poorest quarters of several cities and walked through one street after another, looking at the faces of the poorest people. Next, I **resolved** to **make as thorough a study** as I could of Political Economy."

Thus, this **compassionate** young man turned his attention to economics, the subject he believed powerful enough to explain and eliminate poverty. Marshall's first book on the subject, **The Economics of Industry**, was published in 1879. He was assisted in its writing by his new bride, and former student, Mary Paley Marshall. In 1885, the year he was offered a teaching post at Cambridge, Marshall



began the book with which he would **make his mark**. His **Principles of Economics** was published in 1890 and won **instant acclaim**.

Well before its eighth and final edition was published in 1924, it had become the standard book of reference for economics students the world over. **Principle of Economics** was not a success because it presented a revolutionary set of **prescriptions** for the world's economic ills. On the contrary, the book explained very simply and carefully the basic principles of the subject. His ability to **elucidate** economic concepts and to **convey their relevance** and power was what made Marshall's text so great.

In **Principles of Economics**, Marshall systematized a **host** of new concepts and left them permanently **ingrained** in the main body of economic thought – concepts such as marginal analysis, **elasticity**, the price – determining interaction of demand and supply, the notion of equilibrium, and the difference between long – and short – run equilibrium.

The book's success and his skill at teaching made Marshall's economics classes the most popular on campus. To his students he was the **quintessential professor**, with his white, **wispy** hair always somewhat **disheveled**, his **fluffy** white moustache and his gentle but **flustered** manner.

While Alfred Marshall enjoyed the success **Principles** brought him, he was also somewhat disappointed. The **tedious** process of revising the text for new editions commanded a great deal of his time. He had provided an excellent means for others to understand economic problems, but his impact on the elimination of poverty seemed **slight**. The condition of the poor – and their number – changed little during his lifetime.

**In the twilight of his career**, the great economist wrote sadly, "If I had to live over again I should have devoted it to psychology. Economics has too little to do with ideals."

### *Task*

1. What contribution into economics did A. Marshall make?
2. Describe his early years of life
3. What was his forte?
4. Why was Marshall considered to be eccentric?
5. What was he deeply interested in?
6. What did A. Marshall want to devote his life to?
7. What subject did he turn attention to eliminate poverty?
8. What work became the book of reference for economics students the world over?
9. What made his book so great?
10. What did his **Principle of Economics** systematize?
11. What was A. Marshall for his students?

12. Why was he disappointed in the twilight of his career?
13. Explain the meaning of the emphasized words.
14. Discuss the text together with your groupmates.

### 3.10. JOHN MAYNARD KEYNES (1883-1946)



The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite **exempt** from any intellectual influences, are usually the slaves of some **defunct** economist.

British economist John Maynard Keynes wrote those words in 1936, in a book that revolutionized the field of political economy: **The General Theory of Employment, Interest and Money**. The words were marvellously **prophetic**. Perhaps no other economist has had so great an impact on economic thought and policy.

John Maynard Keynes (pronounced “canes”) was born on June 5, 1883, in Cambridge, England. His father, John Neville Keynes, **registrar** to Cambridge University, was a well – regarded logician, and his mother, Florence Brown Keynes, devoted her energies to public service and once served as a mayor of Cambridge. He grew up among his parents’ academic, literary, artistic and political friends.

Keynes won a full scholarship to Eton, England’s finest secondary school, and another to King’s College at Cambridge University, where he **majoried** in mathematics. Economic historian Robert Heilbroner **sums up** Keynes’s college days: “Cambridge was a triumph. Alfred Marshal **begged** him to become a full-time economist. Professor Pigou-Marshall’s **heir-to-be** – had him to breakfast once a week. He was elected Secretary of the Union, a post automatically carrying an eventual presidency of one of the most famous nongovernmental debating societies in the world.”

After receiving his degree, Keynes turned to the civil service, accepting a position in India in 1907. He later complained that his only important duty had been making arrangements to ship a **pedigreed** bull to Bombay. He was miserable and bored, but the lack of **intellectual challenge** allowed him to take up other pursuits. He chose to analyze the Indian economy.

In 1909, Keynes gave up the civil service and returned to Cambridge to teach. He became editor of Economic Journal, England’s most influential economics

publication, and in 1913, he published *Indian Currency and Finance*, a book that earned him respect for his **insight** into monetary issues.

With the outbreak of World War I, Keynes returned to civil service. His mastery of financial issues and his diplomatic **flair** led to a rapid climb up the Treasury ladder and by the end of the war he held a position equivalent to an assistant secretary. He resigned in 1919 in protest against British diplomatic policies.

After the war Keynes started dealing in commodities and international currencies. He spent one-hour in bed each morning **poring over** financial statistics and making phone calls to his broker. That was all Keynes needed, it seems, **to parley** an initial investment of a few thousand pounds into a large personal fortune. While attending a ballet performed in London by Diaghilev's Ballet Russe, Keynes was **enraptured** by one of the ballerinas, Lidia Lopokova. They were married in 1925.

Not long after the American stock market crash of 1929, Keynes published **A Treatise on Money**, in which he began to depart from one of the basic **tenets** of classical economics: that the economy automatically corrects any **lapses** from its full-employment level of income. By 1936, after visiting the Depression-stricken United States and witnessing the economic **deterioration** throughout Europe, Keynes published **The General Theory of Employment, Interest and Money**. In it, he agreed that the economy tended toward equilibrium but argued that equilibrium didn't necessarily occur at full employment. Indeed, he argued, the economy could **stall** far short of the full-employment ideal, and it could remain stalled indefinitely.

The length of **severity** of the Great Depression provided **ample** support for Keynes's assertions. But he wasn't **content** merely to explain the problem; he offered a solution. Where private industry failed to provide the investment and thus the employment and the income-necessary to get the economy back on its feet, government could come to the rescue. Keynes **advocated** large-scale government spending as a means of restoring economic health. Keynes didn't live to witness the importance his theories would have in economic policy making, but he was aware of the impact his book would have.

In a letter to George Bernard Shaw shortly before completing the manuscript, he wrote, "You have to know that I believe myself to be writing a book on economic theory which will largely revolutionize – not, I suppose at once, but in the course of the next ten years-the way the world thinks about economic problems." Keynes spent the remaining decade of his life travelling around the world on various diplomatic and intellectual missions. Although he was quite involved in cultural and commercial concerns as well, his activities were **curbed** somewhat by a heart condition. In the spring of 1946 he died of heart failure at the age of 63.

### Task

1. How do you understand Keynes's words written in 1936?
2. Describe his childhood and years at Cambridge University.
3. What was his business in India and what other pursuits did he take up?
4. What did he do after he had given up his civil service?
5. What position did he hold with the outbreak of World War I?
6. What was J. Keynes busy with after the war?
7. How did he meet his future wife?
8. What tenets did he begin to depart in his book *A Treatise on Money*?
9. The Great Depression supported Keynes's assertions, didn't it?
10. What was his own opinion of the book *The General Theory of Employment, Interest and Money*?
11. Explain the meaning of the emphasized words.
12. Discuss the text together with your groupmates.

## 3.11. SIMON SMITH KUZNETS (1901-1985)



The gross national product is one of the most often quoted statistics, a favourite of economists and the new media alike. The ability to measure numbers such as GNP and national income arose **fairly late** in the development of economic theory. In fact, before this century such **estimates** seemed beyond the **realm** of human calculation. It was not until 1941 that the US Department of Commerce published the first national income estimates. At the **forefront** of this pathbreaking work, for which he won the Nobel Prize, was Russian-born economist Simon Smith Kuznets.

Simon Kuznets was born April 20, 1901, in Pinsk originally a Polish city but under the Russian flag at the time. His father, a Jewish fur merchant, emigrated to the United States when Kuznets was young, hoping to earn enough in America to send for his wife and sons.

But war kept the family apart. It was 1921 before Simon Kuznets and his brother Solomon travelled to the United States to join their father. After spending the summer teaching themselves English, the brothers enrolled in Columbia University to study economics. A year later Kuznets received his B.A. (Bachelor of Arts) and remained at Columbia for his graduate work. During these years he developed a deep respect for his professor and doctoral thesis chairman, Wesley C. Mitchell.

In 1920 Mitchell had formed the National Bureau of Economic Research (NBER), a group of highly **capable** researchers. In 1927 a year after completing his Ph. D. Kuznets joined the Bureau. Among the other young economists Mitchell hired was Edith Handler, who, like Kuznets, had received her training at Columbia University. Within two years of meeting one another, Handler and Kuznets were married.

In 1921 – 1922, Mitchell and his colleagues published a two-volume work in which they made **preliminary** estimates of the national income. During this time, the Department of Commerce was working to estimate the value of all goods and services produced in the United States and they turned to Mitchell and NBER for help.

#### ESTIMATING GNP

Kuznets was given responsibility for the project as the country began to slip into the greatest depression of its history. He later recalled that the lack of national economic data at the time was a scandal: “ No one knew what was happening.” Kuznets began the complicated task of estimating the nation’s gross national product (a term he coined) with the assistance of Lillian Epstein and Elizabeth Jenks, who were statisticians. Seven years later their first report was published, an estimate of the nation’s income for 1929 – 1932. The figures showed that the national income had plunged from \$89 billion in 1929 to \$49 billion in 1932, a drop that had a catastrophic effect on the economy.

In 1938 Kuznets published a second report of national income calculations from 1919 to 1935. In 1941, with the assistance of Epstein and Jenks, he published his **mammoth** two-volume work National Income and Its Composition, 1919 – 1935.

Kuznets was the first economist to attempt such a comprehensive estimate of the performance of the economy. He did more than simply count all the thousands of goods produced. He started by establishing a three – part **framework** for his estimations.

First, he calculated the nation’s product as the sum of the expenditures made by different classes of buyers on different classes of goods. Gross national product was thus **obtained** by taking the sum of expenditures made by consumers (consumer goods), businesses (investment), government (goods and services), and foreigners (net exports).

The second step was to take the sum of incomes produced in the economy. Thus the national product was the sum of wages, interest, rent and profits **paid out** to individuals. The remaining step followed from this: to add up all the income **received** by the individuals in the economy. The result, the GNP, was a measure of national economic performance.

#### OTHER CONTRIBUTIONS

Kuznets’s work didn’t end with the GNP. After calculating GNP back to the middle of the nineteenth century, he **embarked on a study** of economic growth in the United States. His data enabled him to look closely at how the distribution of

income had changed in the country and to make discoveries about the **fluctuations** in national economic performance. When Kuznets was awarded the Nobel Prize in 1971, his work in business cycle theory and economic growth was the committee's primary **consideration**. Kuznets taught at the University of Pennsylvania for nearly 24 years before accepting a post at John Hopkins, where he taught until his retirement in 1971. Remembered as a quiet, thoughtful man, Kuznets nevertheless made an impression on all who met him. He died July 9, 1985.

Although today the technical structure of the GNP is somewhat different from Kuznets original conception, he remains recognized as the "Father of the GNP."

### *Task*

1. What is the meaning of the GNP for a country's economy?
2. Describe the early years of Simon Kuznets.
3. How did S. Kuznets join NBER?
4. When was the first preliminary estimates of the national income made?
5. Why is the task of estimating the GNP impossible without statisticians?
6. As you know, Kuznets has established a three-part framework for his estimation. What is the first step?
7. What are the second and the third steps?
8. Kuznets didn't work only with the GNP, did he?
9. Describe the last years of his life.
10. Explain the meaning of the emphasized words.
11. Discuss the text together with your groupmates.

## **3.12. JOAN ROBINSON (1903-1983)**



The perfectly competitive market is an economist's ideal. The efficient allocation of an economy's resources comes naturally in this market, where price and the profit motive work together to guide the decisions of experienced entrepreneurs. But real-world **deviations** from this theoretical, well-organized system abound. Economics textbooks today list several examples of markets that fail to achieve the standards of "perfect competition," like markets characterized by monopoly power.

Joan Robinson, a twentieth-century British economist, is one of the theorists **credited** with the development of a model **to accommodate** markets that fall short

of the perfectly competitive ideal. Today her work on the economics of “imperfect competition” is standard in textbooks.

Born in 1903 to Sir Frederick Maurice and Helen Margaret Maurice, Robinson learned from an early age that one must stick to one’s ideals, even if doing so brings **condemnation** from **peers**. Her father, a major general in the British Army, was stripped of his rank when he passionately objected to Britain’s policies during the First World War. Joan’s grandfather, F.D. Maurice, was also **no stranger to controversy**; his **outspoken** defense of Christian Socialism did not **endear** him to other members of his social (and economic) class.

In 1922, while a student in Girton College at Cambridge, Robinson enrolled in her first economics class. She found the subject fascinating and concentrated on economics during her last 3 years at Cambridge. In one of her classes, she met Austin Robinson, a well-respected economist and lecturer at Cambridge. One year after her graduation from the university, the two were married. After that, the Robinsons went to India, where they lived for several years. Joan Robinson grew to love the country and remained interested in Indian affairs for the rest of her life. In 1929, she and her husband returned to Cambridge, where he **resumed** his teaching responsibilities. Robinson continued to study economics, assisting her husband in his **endeavors** and working independently. By 1931, her brilliance as an economist earned her an assistant lectureship at Cambridge. It wasn’t long before she began to command the attention of her peers.

Robinson’s **debut** into the economic **limelight** occurred in 1933 with the publication of **Economics of Imperfect Competition**. It came as no surprise to those who knew that her first major publication would boldly challenge **entrenched** opinions.

Robinson’s contemporaries accepted two **tidy** explanations for market mechanics. **Foremost** was the perfectly competitive model, which portrayed the economy as a well – oiled machine that, through the price mechanism, evenly allocated scarce resources.

This other model was an industry characterized by a monopoly firm with high prices and restricted output. Thus, mainstream economics in Robinson’s day described markets in black and white terms, as either competitive or restrained by monopoly’s iron **grip**. Robinson dismissed this view as being too simplistic. The real world, she argued, couldn’t be **confined** within the frames economists tried to place on it. She believed that most markets are characterized by elements of both monopoly and perfectly competitive behavior. In part this is the result of product differentiation. In the real world, each firm benefits by distinguishing its products from similar products produced by other firms. Two firms may produce soap, but each firm is a “partial” monopoly in the market for its own particular type of soap. Regardless of the number of com-

peting firms in the industry each will insist that its own product is unique. Absolute perfection of competition, Robinson argued, was “an impossibility”.

As far as she was concerned, the whole perfectly competitive model, held so sacred by economists, could be tossed out the window.

The perfectly competitive model wasn't the only economic idol Robinson **blasphemed**. Even more shocking were her warnings about what she **perceived** as the social injustices of capitalism. She wrote extensively about other market systems, especially socialist markets. She also made significant contributions to the economics of international trade and finance and to the role of capital accumulation in economic development.

Joan Robinson was not a popular person. Indeed, many considered her **abrasive** and bullheaded. Her economic theories, especially those having to do with international issues aroused a great deal of controversy.

In 1965, Robinson was offered a full professorship at Cambridge. She became chair of the economics department upon her husband's retirement from the post. With her colleagues at the university she continued to enjoy intellectual **rapport** and friendship.

On August 5, 1983, Joan Robinson died after a long illness. She had spent the last several months of her life in a coma. She was survived by her husband, their two daughters, and five grandchildren. Those closest to her remembered her as a warm, caring woman. Those on the outside remembered her for her **fiery** independence.

### *Task*

1. Why is the perfectly competitive market an economists' ideal?
2. What theory did J. Robinson deal with?
3. What did she learn from the early age?
4. How did her family influence her outlook?
5. When and why did J. Robinson concentrate on economics?
6. Describe the period of her life in India.
7. When did Robinson's debut into the economics occur?
8. What two explanations for market mechanics existed at that time?
9. How did J. Robinson regard the real world?
10. How did she regard the absolute perfection of competition?
11. What is Robinson's contribution to the economics?
12. Describe the last years of her life.
13. Explain the meaning of the emphasized words.
14. Discuss the text together with your groupmates.



### 3.13. JAN TINBERGEN (born 1903)



As more countries become industrialized and operate in the highly competitive world market, the use of econometric models to plan and encourage economic growth has become **crucial**. Economists have made vast progress in developing economic and statistical tools to use in these planning efforts.

Jan Tinbergen has been one of the pioneers in this important field.

#### STARTING IN THE HARD SCIENCES

Jan Tinbergen was born on April 12, 1903 in the Hague, Netherlands. His parents' enthusiasm for the sciences turned into a lifelong passion for several of their five children: Luuk Tinbergen became a professor of zoology, Nikolaas Tinbergen shared the 1973 Nobel Prize in biology with a colleague, and Jan Tinbergen won the first Nobel Prize awarded in economics in 1969.

At the age of 19, Tinbergen enrolled at the University of Leiden, where he studied physics. Although his **scholastic** energies were devoted to the hard sciences, a concern for socioeconomic **issues** was evident in his extracurricular activities. A member of the Socialist Youth Association, Tinbergen was also actively involved in the Social Democratic Labor Party. His social conscience led him to refuse **army conscription** which was **mandatory** in the Netherlands at the time. Government officials allowed him an alternative- a job in prison administration in Rotterdam. Later he was transferred to the Government's Central Bureau of Statistics in The Hague. His job there, to develop quantitative models of the ways markets and economies work, combined the best of both worlds for Tinbergen – the mathematical background he had received as a physics major and his interest in social issues.

He returned to Leiden briefly in 1929, when he submitted his doctoral dissertation to the University. The dissertation, entitled "**Minimum problems in Physics and Economics**", provided a preview of the work to which Tinbergen would dedicate his life. With this work, he began **to forge** the path for a new generation of economists who would approach economic issues using mathematical techniques.

After receiving his Ph.D. Tinbergen returned to the Central Bureau of Statistics, where he joined a newly created department for business cycle research. In addition to holding this full-time position, he taught economics at the University of

Amsterdam and development planning at the Netherlands School of Economics in Rotterdam. In 1945 he left the Central Bureau of Statistics to become director of the Central Planning Bureau of the Netherlands, an agency established to direct economic policy.

Here Tinbergen performed much of the research for which he would later receive the Nobel Prize.

### CONTRIBUTION TO ECONOMICS

The goal of Tinbergen's research was to provide a model with which governments could effectively direct economic growth. During the 1930s and early 1940s he developed several quantitative theories of business cycles, then turned his attention to a mathematical theory of economic growth. The endless columns of numbers and mathematical formulas he analyzed and tested led to his development of practical policy tools. Tinbergen showed that government manipulation of three instruments – **the level of government spending, the level of taxes, and the rate of growth of the money supply** – could be used in an effort to achieve full employment, a **stable price level, and a balance-of-payment equilibrium**.

In 1969 Sweden's Royal Academy of Sciences awarded Tinbergen the first Nobel Prize ever given for Economic Science. The award, which Tinbergen shared with Norwegian economist Ragnar Frisch, was for their achievements in the use of econometrics as a tool for macroeconomic policy.

A brilliant **man with an eye for** the practical application of his work, Tinbergen has devoted the latter half of his career to developing planning models for less developed countries. He has traveled extensively as a consultant to many countries, including India, Turkey, Suriname, and Syria. Concerned about the social issues involved in economic growth, he has argued for international development policies that would result in more equitable distribution of the world's resources.

His biographer, Henk Bos, recalls that, after Tinbergen's selection for the Nobel Prize in Economics had been announced, "a **frequent opinion** expressed was that he would have been an equally worthy candidate for the Nobel Peace Prize".

Tinbergen's **grave** concern for the world's future peace, culture, and welfare confirms this view of the driving force of his great achievements as an economist."

### *Task*

1. What was the reason for the use of econometric models?
2. What was J. Tinbergen busy with at the University of Leiden?
3. What sciences did he combine to perform his job in the Hague?
4. What role did his work "Minimum Problems in Physics and Economics" play for a new generation of economists?
5. What was he busy with at the Central Bureau of Statistics?

6. What was the goal of Tinbergen's research?
7. What three instruments could be used to achieve economic growth?
8. What notions do these instruments include? (explain each of them)
9. What was J. Tinbergen awarded the first Nobel Prize for?
10. What has he devoted the latter half of his career to?
11. Where did Tinbergen travel to develop planning models for less developed countries?
12. Explain the meaning of the emphasized words?
13. Discuss the text together with your groupmates?

### 3.14. WASSILY LEONTIEF (born 1906)



The American economy runs nonstop. Millions of businesses provide goods and services, most of which are purchased by America's 80 million families; these families, in turn, provide resources for the operation of businesses. Many such relationships, some of them extraordinarily complex, link the various **segments of the economy**. Wassily Leontief has spent a lifetime studying these relationships, which are taken for **granted** by most economic participants. It was for his highly technical work in analyzing the inputs and the outputs of the private sector that he was awarded the Nobel Prize in Economics in 1973.

#### EARLY YEARS IN RUSSIA

Leontief was born on August 5, 1906, in St. Petersburg, Russia. His father taught social sciences at the University; his mother was an art historian. The family lived a quiet, academic life in St. Petersburg until 1917, the beginning of the Russian Revolution.

The revolution had a **major impact** on Leontief. In high school, he developed an interest in science and research. His **inclination** to defend his ideas landed him in trouble with the authorities, however, and at the age of 14 he was jailed briefly and **interrogated** by the secret police. At 15 he entered the University of Leningrad, where he studied economic geography because it "was a subject that was not politically sensitive." At 16 he published his first economic work, a translation of a highly regarded German book on currency stabilization. Shortly thereafter he wrote a lengthily technical article for the **Journal of Academy Sciences**. The article was accepted, but government censors forbade its publication. Leontief realized that if he was to be a scientist he would have to leave Russia, which he did after graduating in 1925.

### IN BERLIN AND CHINA

Leontief found a remarkably different intellectual atmosphere at the University of Berlin, where he began to work on his Ph.D. in economics, and at the Institute of World Economic Research, where he was involved in research. He made many friends at the Institute and spent long lunch breaks discussing economic issues. At an outdoor cafe in Berlin, two visitors from China, sitting at a nearby table, became involved in one discussion. Leontief **subsequently** received a telephone call from the Chinese ambassador in Berlin, and then a telegram from Nanking, asking him to work for a year in China as an economic advisor to the Minister of Railroads. Leontief accepted and, having received his Ph.D., traveled to Nanking in 1928.

### INPUT – OUTPUT ANALYSIS

On his return to the Institute, he **pursued** his economic research and wrote several articles. One of them caught the attention of economists at the National Bureau of Economic Research (NBER) in New York. The Bureau offered him a **fellowship** which he accepted in 1931.

Leontief worked at the NBER for only 3 months before receiving a job offer from Harvard University. As a condition for accepting this position, he requested financial support for a research project. The advisory committee considered the impractical but **grudgingly** gave the money anyway.

With \$1 200 grant in hand, Leontief hired an assistant and set to work on the research that would eventually win him the Nobel Prize.

The project was a 42 – industry input – output table showing how changes in one sector of the economy lead to changes in other sectors. A change in the output of automobiles, for example, requires an increase in steel output, which, in turn, requires more coal. The model, which he later revised to include additional industries as well as government, household, and foreign transactions, was used by the U.S. Department of Labor to plan for the transition to a peacetime economy after World War II. Whereas governments may attempt to plan their economies with input – output analysis, Leontief argues that economies cannot and will not be governed. Rather than providing policy guidelines, his system attempts to use information about an economy to predict how changes will affect it. Using the table he developed for the Department of Labor, for example, Leontief predicted that the United States would not suffer economic depression and widespread unemployment after W W II.

He has also used the tables to prove that world disarmament, a topic of great interest for him, would not result in world economic depression. Undertaken for the United Nations in 1962, this study suggested that the economic consequences of disarmament could be minimized if the money saved on arms were reallocated to the industries hurt most by the cuts in military spending.

Leontief left Harvard University after 35 years. He and his wife Estelle now live in New York City, where he directs the Institute of Economic Analysis at New York University and finds time to enjoy art, philosophy, and music.

### *Task*

1. What has W. Leontief spent his life for?
2. What were the reasons to leave Russia?
3. How did intellectual atmosphere in Berlin differ from that of Russia?
4. Describe the period of his life in the 30s.
5. What did input – output table show?
6. How did this table help to anticipate future economic development?
7. Explain the meaning of the emphasized words.
8. Discuss the text together with your groupmates.

## **3.15. JOHN KENNETH GALBRAITH (1908-1999)**



At the age of 32, John Kenneth Galbraith held one of the most powerful positions in the United States. As deputy administrator for the Office of Price Administration during World War II, he set the price of virtually every goods sold in the country.

Recalling those days, he once remarked, “ I reached the point that all price fixers reach – my enemies **outnumbered** my friends.”

Galbraith was born on the 15<sup>th</sup> of October, 1908, on a livestock ranch near Iona Station, Ontario. The only son of William and Catherine Galbraith, his days were filled with ranching chores, which he detested. His father, a man of strong political **convictions**, gave **rousing speeches** in support of the Liberal platform, and from him John Kenneth Galbraith learned a sense of civic responsibility.

After graduating from high school, he enrolled in Ontario Agricultural College, where he studied **animal husbandry**. He completed his undergraduate work at the University of Toronto, and traveled to the United States to do graduate work at the University of California, Berkeley. There he grew interested in the field of economics. It was the height of the Great Depression, and Galbraith along with many other students, spent much time debating ideas for rescuing the world’s economy.

After receiving his Ph.D. in agricultural economics in 1934, Galbraith went on to teach economics at Harvard University for several years, until Princeton hired

him as an assistant professor in 1939. World political and economic conditions provided an exciting intellectual challenge for the young professor. The U.S. economy was slowly recovering from the greatest collapse in its history and Europe was caught up in a World War. As the United States was ready to aid the Allies, Galbraith took part in these effort.

In 1940 he became an economic advisor to Chester Davis of the National Defense Advisory Committee. The Office of Price Administration hired him the following year as an assistant administrator of prices. By 1942, Galbraith was in charge of the administration of prices for almost everything sold in the United States.

Galbraith left his government position in May 1943 and in 1949, after working as a consultant to other federal agencies and serving on the editorial board of **Fortune** magazine, returned to Harvard as professor of Economics. Since then his brilliant, witty, **acerbic** prose has made him one of the most widely read economists in history.

In his first critically acclaimed book, **American Capitalism: The Concept of Countervailing Power**, published in 1952, Galbraith began his famous attack on the dominance of large corporations in the American economy. In 1958 he published **The Affluent Society**, in which he criticized what he called the “frivolous” abundance of consumer goods in the American economy – an economy that was allowing public services to decline. Rather than waste our wealth on **trivial** consumer goods, Galbraith argued, we should put more money in the hands of the public sector, which would provide for “genuine” needs: housing, environmental protection, education, health care, and support of the arts.

The third book in his trilogy, **The New Industrial State**, published in 1967, argued that giant firms are able to manipulate consumer demand. Rather than producing goods that will increase consumer **well – being**, large corporations produce goods that will increase revenues – and then convince consumers that these goods are **worth – while**. Galbraith also advocated increased public -sector involvement in setting wages and prices and recommended a critical approach toward the military – industrial complex.

Despite their popularity, Galbraith’s theories remain **controversial**. His insistence on increased public control on the economy runs counter to the mainstream economics, which **extols** the virtues of the free market. Many economists argue that Galbraith’s interpretation of the facts **distorts** the overall economic picture in support of his own theories.

Right or wrong, Galbraith is widely known and his books and articles are influential. His life – style has always been highly visible; he served as ambassador to India under President John F. Kennedy, appears often on television, and has written many articles in popular magazines and a number of trade books, including an autobiography and a fascinating history of the great Wall Street crash in 1929.

John K. Galbraith died in 1999.

### Task

1. What was Galbraith's position in the 40s and how did he comment it?
2. What was the atmosphere in which young Galbraith raised?
3. Where did his interest in the field of economics begin to grow?
4. Describe his ascending the scale of ranks.
5. Describe his literary activity (his trilogy).
6. What did Galbraith advocate in his books?
7. What was his life-style?
8. Explain the meaning of the emphasized words and expressions.
9. Discuss the text together with your groupmates.

## 3.16. MILTON FRIEDMAN (born 1912)



Milton Friedman is among the most famous economists of our time. A popular writer and recipient of the 1976 Nobel Prize in Economics, Friedman's name is synonymous with monetarism.

### FROM MATHEMATICS TO ECONOMICS

Milton Friedman was born on July 31, 1912, in Brooklyn, New York. As a high school student he developed a love for mathematics. Because he could think of no other mathematical careers, Friedman decided to become an **insurance actuary**. The college education he needed seemed to be out of reach, as his family was quite poor. A "lucky accident", as he later would call it, gave Friedman the means to attend college. The state of New Jersey advertised scholarships of free **tuition** to attract bright students to Rutgers. Friedman won one of the scholarships and enrolled in 1928. He took on a series of odd jobs to pay for room and **board**.

At Rutgers, Friedman was introduced to economics. Two members of economics faculty had a particularly strong influence on him: Arthur Burns, who later became chairman of the Federal Reserve Board, and Homer Jones, who went on to become vice – president of research at the Federal Reserve Bank of St. Louis. For his graduate work, Friedman had to choose between scholarships to study either **applied mathematics** at Brown University or economics at the University of Chicago. He chose the latter, explaining, "I graduated from college in 1932, when the United States was at the bottom of the deepest depression in its history.

Under the circumstances, becoming an economist seemed more **relevant** to the burning issues of the day than becoming an applied mathematician or an actuary.”

Friedman often comments that his life has been filled with “lucky accidents.” One of them **occurred** in the class of a professor who insisted on seating his students in alphabetical order. The seat next to Friedman was assigned to a student named Rose Director. Friedman **was smitten with** Rose, and eventually married her.

### **GOVERNMENT PROJECTS**

Friedman received his M.A. in economics from the University of Chicago in 1933. He then began to work on several government projects, including a study being conducted by the National Bureau of Economic Research for the Department of Commerce. His **mentor** on this project was Simon Kuznets, the architect of modern national income accounting. The two economists concluded their study with the publication of **Income from Independent Professional Practice**, which Friedman submitted to Columbia University as a doctoral dissertation. Although Friedman and Kuznets finished the book before the outbreak of World War II, it wasn't published until after the war. Since publication of the dissertation was a requirement of the doctoral degree, Friedman had to wait until 1946 to receive his Ph.D. During the war he served as an economist with the Treasury Department and as a mathematician for the Statistical Research Group of the Division of War Research at Columbia University.

### **FOUNDATION OF MONETARISM**

In 1946 Friedman returned to the University of Chicago as an Associate Professor of Economics. He became a full professor there in 1948. In 1956, the University published Friedman's book, **Studies in the Quantity Theory of Money**, which laid the foundation for his extensive work on monetary economics throughout the remainder of his career. In 1976, the Royal Swedish Academy awarded Friedman the Nobel Prize in Economic Science for his contributions to this field. Although he believes that his main contribution to economics was “a little book on consumption” published in the late 1950s, Friedman remains best known as America's leading monetarist. He argues that money is the **crucial** element affecting the level of economic activity. Changes in the quantity of money directly affect economic trends. Because money has so strong an influence on economic performance, Friedman argues, the Federal Reserve should employ a strict approach to monetary policy. In fact, the Federal Reserve shouldn't use **discretionary** monetary policy at all but instead should follow a money – supply rule, increasing the money supply at a **steady** rate that is **consistent** with the economy's growth and its capacity to produce. He believes that attempts to stabilize the economy through the use of discretionary monetary policy have actually contributed to economic instability.



Friedman has been a **tireless** advocate of monetarist principles as well as many other political and economic ideas. He has published several popular books that **extol the virtues** of a free market. For more than two decades, he contributed columns to Newsweek magazine.

Friedman is Professor **Emeritus** at the University of Chicago. He also serves as a senior research fellow at Stanford University's Hoover Institution on War, Revolution and Peace. He and his wife, still happily married, live on the California coast north of San Francisco.

### *Task*

1. What is Friedman's name synonymous with?
2. What was the first "lucky accident" that helped him to become a student?
3. Why did he choose economics at the University of Chicago?
4. What was his second "lucky accident"?
5. How did Friedman cooperate with S. Kuznets?
6. What work was the foundation for his work on monetary economics?
7. What is the essence of his monetary economics?
8. How should the Federal Reserve use the money in Friedman's opinion?
9. Explain the meaning of the emphasized words and expressions.
10. Discuss the text together with your groupmates.

## **3.17. WALTER HELLER (1915-1987)**



It wasn't until the early 1960s that Keynesian theory came to have great influence on the policies on the U.S. government. If any one economist can be credited with successfully promoting Keynesian ideas in Washington, that person is Walter Heller.

### **A TRADITION OF PUBLIC SERVICE**

Walter Heller was born on August 27, 1915 in Buffalo, New York to a family with a strong tradition in public service. His father, Ernst Heller, was a civil engineer who had immigrated to the United States from Germany in 1910.

When Walter enrolled in Oberlin College in 1931, he planned to take up a career in public service. In Oberlin, he met Ben Lewis, an economics professor whose influence led him to change his field of study. Heller also recalled being

impressed by Lewis's activities as a governmental consultant. "That **whetted** my appetite for a combination of academic life and public service."

### INTRODUCTION TO KEYNES

After graduating from Oberlin in 1935, Heller went on to the University of Wisconsin. There he **encountered** Keynes's *The General Theory of Employment, Interest and Money*. Heller came to appreciate and eventually became enthusiastic about Keynes's ideas. They seemed to point a way out of the problems of the Depression, with which classical economic theory seemed unable **to cope**. While studying at Wisconsin, Heller encountered another important influence, Emily Karen Johnson, also a graduate student at the University. On September 16, 1938, they were married.

By 1941, Heller had earned his doctoral degree. He applied for military service but **was barred** because of poor eyesight. Nonetheless, he joined the war effort as an economic analyst for the Treasury Department. There he helped to put an income **tax withholding system** into place. He quickly moved up the ranks at the department, holding the position of assistant to the director of the tax research division when he left in 1946 to join the faculty at the University of Minnesota.

Although Minnesota remained Heller's home until his death, his governmental activities required frequent travel.

As a consultant to various governmental **entities** – including the Economic Cooperation Administration, the government of Jordan, the Governor of Minnesota, and the United Nations—Heller earned a reputation for the **clarity** of his economic ideas, and for his **persuasiveness**.

He met then – Senator John F. Kennedy in 1960: "I thought he [Kennedy] would just dismiss me after the introduction," Heller said in a 1985 interview, "but instead he **riveted** me with a series of very tough questions about the economy. "

Kennedy was impressed with Heller's answers. Shortly after winning the campaign, the newly elected president revealed his choices for the Council of Economic Advisors (CEA). That particular CEA was one of the most influential and effective councils any president has ever had. Three of its members went on to win Nobel Prizes in Economics. Through its efforts – and the strong leadership of Heller – Keynesian economics came to be widely accepted in Washington. The CEA recommended several Keynesian measures for avoiding periods of **recession** or inflation. Through the use of new taxes or tax cuts, the council argued, Congress could **smooth out** economic rough spots. One reason for the council's suc-

cess was that it had a particularly receptive president. As Heller pointed out: “It was the first time in modern history that a president was willing to apply macroeconomics of a Keynesian sort to get the economy moving again, and indeed that’s what happened. “ Another reason for the council’s success was that it had a particularly persuasive chairman. An **imposing figure** standing six feet, four inches tall, Heller was charming and **eloquent**, and when he spoke about economic issues he commanded the full attention of the president.

After Kennedy **was assassinated** and Lyndon Johnson became president, the CEA encountered a much less receptive presidential audience. In 1964, Heller resigned his position as chairman of the council and returned to Minnesota, where he **resumed** his teaching responsibilities. But he didn’t leave public service behind.

Until his death in the summer of 1987, Heller continued to travel around the world, consulting for many different private and public organizations. Not long after his seventieth birthday he remarked, “As long as I can make some contribution to solving the severe economic problems that exist throughout the world, I intend to keep on.”

The power of economics became manifest in Heller’s career. Just as he felt an obligation to serve in the public interest, he believed that economic theory could and should serve as an instrument for the public good. Indeed, Heller was a key participant in bringing Keynesian theory from academia into the councils of business and government where it affects our lives.

### *Task*

1. Why did W. Heller intend to take up a career in public service?
2. What event changed his intention?
3. Why did W. Heller become enthusiastic about Keynes’s ideas?
4. What was he busy with during WW II?
5. What was his impression about J.F.Kennedy?
6. What post did Heller occupy under Kennedy’s presidency?
7. What was the activity of the CEA?
8. The performance of the CEA was a success. Why?
9. Why did W. Heller resign after Kennedy had been assassinated?
10. Explain the meaning of the emphasized words and expressions.
11. Discuss the text together with your groupmates.

### 3.18. PAUL SAMUELSON (born 1915)



When we think of great economists, we typically associate them with their two or three major ideas. But Paul Samuelson, the first American to win the Nobel Prize in Economic Science, has contributed important ideas to many different areas of economics. “I once claimed,” he has said, “to be the last generalist in economics, writing about and teaching such diverse subjects as international trade and econometrics, economic theory and business cycles, demography and labor economics, finance and monopolistic competition, history of doctrines and locational economics.”

Samuelson’s influence **spans** virtually the entire range of economic **inquiry**, and he is a leading theorist in many diverse areas. However, he established himself as a prominent Keynesian economist early in his career.

Samuelson’s **vocation** became clear to him in his first semester. “I was only a freshman in an economics class full of upperclassmen, but I couldn’t believe the material was so easy. It was as if I were a fish just made swim in the water of that course.”

Samuelson **thrived** in the **stimulating environment** of Chicago’s economics department. The excellent faculty challenged the bright young economics **major** and provided him with, in his words, a “superlative education.”

His brilliance at Chicago won Samuelson a Social Science Research Council fellowship, permitting him to pursue graduate work in economics. Under the conditions of the fellowship he could choose any school – other than Chicago. “I didn’t really want to leave,” he remembered, “I thought Chicago was the only place in the world to study economics.” After consulting with his professors, Samuelson chose Harvard, where he completed his master’s and doctoral degrees in 1936 and 1941. In 1940 Samuelson accepted a job as assistant professor of Economics at the Massachusetts Institute of Technology, where he spent his professional career.

His doctoral dissertation, **Foundation of Economic Analysis**, became famous and helped him win the prestigious John Bates Clark Medal of the American Economic Association.

His textbook, **Economics**, first published in 1948, has gone through many editions. Samuelson’s life work, in addition to winning him the Nobel Prize, has earned him recognition from the American Academy of Arts and Sciences, the

National Academy, the American philosophical Society, and the British Academy. Samuelson's success has spread well beyond academic boundaries and his gift for translating economic theory into practical policy has also been recognized by the several foreign governments that have sought his advice.

If there is anything that can be identified as Samuelson's unique contribution to economic analysis, it is his **insistence** on mathematical **rigour** in presenting economic theory. His **Foundations of Economic Analysis** showed the mathematical **underpinnings** of a wide area of economic thought, and his subsequent work has continued in that direction. Economists used mathematics long before Samuelson, but he gave the profession several leaps forward in its exploitation of mathematics.

Samuelson once described his career as "marvellous hunt through enchanted forests." They are forests all the more enchanting because of Paul Samuelson's contribution.

### *Task*

1. What is P. Samuelson different from other great economists?
2. How did he describe his first meeting with economics?
3. How did his career develop in the 30s and 40s?
4. He was recognized by many Societies and Academies, wasn't he?
5. What was Samuelson's contribution to economics?

## **3.19. Robert A. Mundell (born 1932)**



Robert A. Mundell was born in Canada in 1932. After completing his undergraduate education at the University of British Columbia and the University of Washington, he began his post-graduate studies at the London School of Economics. Mundell received his Ph.D. from M.I.T. in 1956 with a thesis on international capital movements. After having held several professorships, he has been affiliated with Columbia University in New York since 1974.

Robert Mundell's most important contributions were made in the 1960s. During the latter half of this decade, Mundell was among the intellectual leaders in the creative research environment at the University of Chicago. These were exciting times at Chicago and many of his students from this period have become successful researchers in the same field, building on Mundell's foundational work. Mun-

dell's scientific contributions are original. Yet, they quickly transformed research in international macroeconomics. Characterized by uncommon foresight about the future development of international monetary arrangements, they became increasingly relevant in the policy-oriented discussion of monetary and fiscal policy and exchange rate systems. The impact of Mundell's ideas was enhanced by the simplicity and clarity of his exposition, whether in algebraic or geometric form. A sojourn at the research department of the International Monetary Fund, 1961-1963, apparently stimulated Mundell's choice of research problems; it also gave his research additional leverage among economic policymakers.

This survey begins by describing Robert Mundell's most important contributions: his analysis of stabilization policy in an open economy and his development of the theory of optimum currency areas. After a brief account of some of his work in other fields, it is asked how well Mundell's research – several decades later – stands up to contemporary scrutiny.

#### **Economic policy exchange rates and capital mobility**

Robert Mundell has established the foundation for the theory which dominates practical policy considerations of monetary and fiscal policy in open economies. His work on monetary dynamics and optimum currency areas has inspired generations of researchers. Although dating back several decades, Mundell's contributions remain outstanding and constitute the core of teaching in international macroeconomics.

Mundell's research has had such a far-reaching and lasting impact because it combines formal – but still accessible – analysis, intuitive interpretation and results with immediate policy applications. Above all, Mundell chose his problems with uncommon – almost prophetic – accuracy in terms of predicting the future development of international monetary arrangements and capital markets. Mundell's contributions serve as a superb reminder of the significance of basic research. At a given point in time academic achievements might appear rather esoteric; not long afterwards, however, they may take on great practical importance.

#### **The Effects of Stabilization Policy**

In several papers published in the early 1960s – reprinted in his book *International Economics* (1968) – Robert Mundell developed his analysis of monetary and fiscal policy, so-called stabilization policy, in open economies.

#### *The Mundell-Fleming Model*

A pioneering article (1963) addresses the short-run effects of monetary and fiscal policy in an open economy. The analysis is simple, but the conclusions are numerous, robust and clear. Mundell introduced foreign trade and capital movements into the so-called IS-LM model of a closed economy, initially developed by the 1972 economics laureate Sir John Hicks. This allowed him to show that the

effects of stabilization policy hinge on the degree of international capital mobility. In particular, he demonstrated the far-reaching importance of the exchange rate regime: under a floating exchange rate, monetary policy becomes powerful and fiscal policy powerless, whereas the opposite is true under a fixed exchange rate.

In the interesting special case with high capital mobility, foreign and domestic interest rates coincide (given that the exchange rate is expected to be constant). Under a *fixed exchange rate*, the central bank must intervene on the currency market in order to satisfy the public's demand for foreign currency at this exchange rate. As a result, the central bank loses control of the money supply, which then passively adjusts to the demand for money (domestic liquidity). Attempts to implement independent national monetary policy by means of so-called open market operations are futile because neither the interest rate nor the exchange rate can be affected. However, increased government expenditures, or other fiscal policy measures, can raise national income and the level of domestic activity, thereby escaping the impediments of rising interest rates or a stronger exchange rate.

#### *Monetary Dynamics*

In contrast to his colleagues during this period, Mundell's research did not stop at short-run analysis. Monetary dynamics is a key theme in several significant articles. He emphasized differences in the speed of adjustment on goods and asset markets (called *the principle of effective market classification*). Later on, these differences were highlighted by his own students and others to show how the exchange rate can temporarily "overshoot" in the wake of certain disturbances.

An important problem concerned deficits and surpluses in the balance of payments. In the postwar period, research on these imbalances had been based on *static* models and emphasized *real* economic factors and *flows* in foreign trade. Inspired by David Hume's classic mechanism for international price adjustment which focused on *monetary* factors and *stock* variables, Mundell formulated *dynamic* models to describe how prolonged imbalances could arise and be eliminated. He demonstrated that an economy will adjust gradually over time as the money holdings of the private sector (and thereby its wealth) change in response to surpluses or deficits. Under fixed exchange rates, for example, when capital movements are sluggish, an expansive monetary policy will reduce interest rates and raise domestic demand. The subsequent balance of payments deficit will generate monetary outflows, which in turn lower demand until the balance of payments returns to equilibrium. This approach, which was adopted by a number of researchers, became known as the *monetary approach to the balance of payments*. For a long time it was regarded as a kind of long-run benchmark for analyzing stabilization policy in open economies. Insights from this analysis have frequently been applied in practical economic policymaking – particularly by IMF economists.

### Other Contributions

Mundell has made other contributions to macroeconomic theory. He has shown, for example, that higher inflation can induce investors to lower their cash balances in favor of increased real capital formation. As a result, even expected inflation might have a real economic effect – which has come to be known as *the Mundell-Tobin effect*. Mundell has also made lasting contributions to international trade theory. He has clarified how the international mobility of labor and capital tends to equalize commodity prices among countries, even if foreign trade is limited by trade barriers. This may be regarded as the mirror image of the well-known Heckscher-Ohlin-Samuelsen result that free trade of goods tends to bring about equalization of the rewards to labor and capital among countries, even if international capital movements and migration are limited. These results provide a clear prediction: trade barriers stimulate international mobility of labor and capital, whereas barriers to migration and capital movements stimulate commodity trade.

## 3.20. John Forbes Nash (born 1928)



**John F Nash's** father, also called John Forbes Nash so we shall refer to him as John Nash Senior, was a native of Texas. John Nash Senior was born in 1892 and had an unhappy childhood from which he escaped when he studied electrical engineering at Texas Agricultural and Mechanical. After military service in France during World War I, John Nash Senior lectured on electrical engineering for a year at the University of Texas before joining the Appalachian Power Company in Bluefield, West Virginia. John F Nash's mother, Margaret Virginia Martin, was known as Virginia. She had a university education, studying languages at the Martha Washington College and then at West Virginia University. She was a school teacher for ten years before meeting John Nash Senior, and the two were married on 6 September 1924.

Johnny Nash, as he was called by his family, was born in Bluefield Sanatorium and baptised into the Episcopal Church. He was:

- ... *a singular little boy, solitary and introverted ...*

but he was brought up in a loving family surrounded by close relations who showed him much affection. After a couple of years Johnny had a sister when Martha was born. He seems to have shown a lot of interest in books when he was



young but little interest in playing with other children. His mother responded by enthusiastically encouraging Johnny's education, both by seeing that he got good schooling and also by teaching him herself.

Johnny's teachers at school certainly did not recognise his genius, and it would appear that he gave them little reason to realise that he had extraordinary talents. They were more conscious of his lack of social skills and, because of this, labelled him as backward. Although it is easy to be wise after the event, it now would appear that he was extremely bored at school. By the time he was about twelve years old he was showing great interest in carrying out scientific experiments in his room at home. It is fairly clear that he learnt more at home than he did at school.

Martha seems to have been a remarkably normal child while Johnny seemed different from other children. She wrote later in life:-

*Johnny was always different. [My parents] knew he was different. And they knew he was bright. He always wanted to do things his way. Mother insisted I do things for him, that I include him in my friendships. ... but I wasn't too keen on showing off my somewhat odd brother.*

Nash first showed an interest in mathematics when he was about 14 years old. Quite how he came to read E T Bell's *Men of mathematics* is unclear but certainly this book inspired him. He tried, and succeeded, in proving for himself results due to Fermat which Bell stated in his book. The excitement that Nash found here was in contrast to the mathematics that he studied at school which failed to interest him.

He entered Bluefield College in 1941 and there he took mathematics courses as well as science courses, in particular studying chemistry which was a favourite topic. He began to show abilities in mathematics, particularly in problem solving, but still with hardly any friends and behaving in a somewhat eccentric manner, this only added to his fellow pupils view of him as peculiar. He did not consider a career in mathematics at this time, however, which is not surprising since it was an unusual profession. Rather he assumed that he would study electrical engineering and follow his father but he continued to conduct his own chemistry experiments and was involved in making explosives which led to the death of one of his fellow pupils.

Nash won a scholarship in the George Westinghouse Competition and was accepted by the Carnegie Institute of Technology (now Carnegie-Mellon University) which he entered in June 1945 with the intention of taking a degree in chemical engineering. Soon, however, his growing interest in mathematics had him take courses on tensor calculus and relativity. There he came in contact with John Synge who had recently been appointed as Head of the Mathematics Department and taught the relativity course. Synge and the other mathematics professors

quickly recognised Nash's remarkable mathematical talents and persuaded him to become a mathematics specialist. They realised that he had the talent to become a professional mathematician and strongly encouraged him.

Nash quickly aspired to great things in mathematics. He took the William Lowell Putnam Mathematics Competition twice but, although he did well, he did not make the top five. It was a failure in Nash's eyes and one which he took badly. The Putnam Mathematics Competition was not the only thing going badly for Nash. Although his mathematics professors heaped praise on him, his fellow students found him a very strange person. Physically he was strong and this saved him from being bullied, but his fellow students took delight in making fun of Nash who they saw as an awkward immature person displaying childish tantrums. One of his fellow students wrote:

*- We tormented poor John. We were very unkind. We were obnoxious. We sensed he had a mental problem.*

Nash received a BA and an MA in mathematics in 1948. By this time he had been accepted into the mathematics programme at Harvard, Princeton, Chicago and Michigan. Now he felt that Harvard was the leading university and so he wanted to go there, but on the other hand their offer to him was less generous than that of Princeton. Nash felt that Princeton were keen that he went there while he felt that his lack of success in the Putnam Mathematics Competition meant that Harvard were less enthusiastic. He took a while to make his decision, while he was encouraged by Synge and his other professors to accept Princeton. When Lefschetz offered him the most prestigious Fellowship that Princeton had, Nash made his decision to study there.

In September 1948 Nash entered Princeton where he showed an interest in a broad range of pure mathematics: topology, algebraic geometry, game theory and logic were among his interests but he seems to have avoided attending lectures. Usually those who decide not to learn through lectures turn to books but this appears not to be so for Nash who decided not to learn mathematics "second-hand" but rather to develop topics himself. In many ways this approach was successful for it did contribute to him developing into one of the most original of mathematicians who would attack a problem in a totally novel way.

In 1949, while studying for his doctorate, he wrote a paper which 45 years later was to win a Nobel prize for economics. During this period Nash established the mathematical principles of game theory. P Ordeshook wrote:

*- The concept of a Nash equilibrium  $n$ -tuple is perhaps the most important idea in noncooperative game theory. ... Whether we are analysing candidates' election strategies, the causes of war, agenda manipulation in legislatures, or the actions of interest groups, predictions about events reduce to a search for and description*

*of equilibrium. Put simply, equilibrium strategies are the things that we predict about people.*

Milnor, who was a fellow student, describes Nash during his years at Princeton in:-

*He was always full of mathematical ideas, not only on game theory, but in geometry and topology as well. However, my most vivid memory of this time is of the many games which were played in the common room. I was introduced to Go and Kriegspiel, and also to an ingenious topological game which we called Nash in honor of the inventor.*

In fact the game “Nash” was almost identical to Hex which had been invented independently by Piet Hein in Denmark.

In 1950 Nash received his doctorate from Princeton with a thesis entitled *Non-cooperative Games*. In the summer of that year he worked for the RAND Corporation where his work on game theory made him a leading expert on the Cold War conflict which dominated RAND’s work. He worked there from time to time over the next few years as the Corporation tried to apply game theory to military and diplomatic strategy. Back at Princeton in the autumn of 1950 he began to work seriously on pure mathematical problems. It might seem that someone who had just introduced ideas which would, one day, be considered worthy of a Nobel Prize would have no problems finding an academic post. However, Nash’s work was not seen at the time to be of outstanding importance and he saw that he needed to make his mark in other ways. We should also note that it was not really a move towards pure mathematics for he had always considered himself a pure mathematician. He had already obtained results on manifolds and algebraic varieties before writing his thesis on game theory. His famous theorem, that any compact real manifold is diffeomorphic to a component of a real-algebraic variety, was thought of by Nash as a possible result to fall back on if his work on game theory was not considered suitable for a doctoral thesis.

In 1952 Nash published *Real algebraic manifolds* in the *Annals of Mathematics*. The most important result in this paper is that two real algebraic manifolds are equivalent if and only if they are analytically homeomorphic. Although publication of this paper on manifolds established him as a leading mathematician, not everyone at Princeton was prepared to see him join the Faculty there. This was nothing to do with his mathematical ability which everyone accepted as outstanding, but rather some mathematicians such as Artin felt that they could not have Nash as a colleague due to his aggressive personality.

From 1952 Nash taught at the Massachusetts Institute of Technology but his teaching was unusual (and unpopular with students) and his examining methods

were highly unorthodox. His research on the theory of real algebraic varieties, Riemannian geometry, parabolic and elliptic equations was, however, extremely deep and significant in the development of all these topics. His paper  *$C^1$  isometric imbeddings* was published in 1954 and Chern, in a review, noted that it:

- ... contains some surprising results on the  $C^1$ -isometric imbedding into an Euclidean space of a Riemannian manifold with a positive definite  $C^0$ -metric.

Nash continued to develop this work in the paper *The imbedding problem for Riemannian manifolds* published in 1956. This paper contains his famous deep implicit function theorem. After this Nash worked on ideas that would appear in his paper *Continuity of solutions of parabolic and elliptic equations* which was published in the *American Journal of Mathematics* in 1958. Nash, however, was very disappointed when he discovered that E De Giorgi has proved similar results by completely different methods.

The outstanding results which Nash had obtained in the course of a few years put him into contention for a 1958 Fields' Medal but with his work on parabolic and elliptic equations was still unpublished when the Committee made their decisions he did not make it. One imagines that the Committee would have expected him to be a leading contender, perhaps even a virtual certainty, for a 1962 Fields' Medal but mental illness destroyed his career long before those decisions were made.

During his time at MIT Nash began to have personal problems with his life which were in addition to the social difficulties he had always suffered. He met Eleanor Stier and they had a son, John David Stier, who was born on 19 June 1953. Nash did not want to marry Eleanor although she tried hard to persuade him. In the summer of 1954, while working for RAND, Nash was arrested in a police operation to trap homosexuals. He was dismissed from RAND.

One of Nash's students at MIT, Alicia Larde, became friendly with him and by the summer of 1955 they were seeing each other regularly. In 1956 Nash's parents found out about his continuing affair with Eleanor and about his son John David Stier. The shock may have contributed to the death of Nash's father soon after but even if it did not Nash may have blamed himself. In February of 1957 Nash married Alicia; by the autumn of 1958 she was pregnant but, a couple of months later near the end of 1958, Nash's mental state became very disturbed.

Norbert Wiener was one of the first to recognize that Nash's extreme eccentricities and personality problems were actually symptoms of a medical disorder. A long sad episode followed which included periods of hospital treatment, temporary recovery, then further treatment. Alicia eventually divorced Nash, although she continued to try to help him, and after a period of extreme mental torture he appeared to become lost to the world, removed from ordinary society, although he

spent much of his time in the Mathematics Department at Princeton. The book is highly recommended for its moving account of Nash's mental sufferings.

Slowly over many years Nash recovered. He delivered a paper at the tenth World Congress of Psychiatry in 1996 describing his illness; it is reported in. He was described in 1958 as the:

- ... *most promising young mathematician in the world ...*

but he soon began to feel that:

- ... *the staff at my university, the Massachusetts Institute of Technology, and later all of Boston were behaving strangely towards me. ... I started to see crypto-communists everywhere ... I started to think I was a man of great religious importance, and to hear voices all the time. I began to hear something like telephone calls in my head, from people opposed to my ideas. ...The delirium was like a dream from which I seemed never to awake.*

Despite spending periods in hospital because of his mental condition, his mathematical work continued to have success after success. He said:

- *I would not dare to say that there is a direct relation between mathematics and madness, but there is no doubt that great mathematicians suffer from maniacal characteristics, delirium and symptoms of schizophrenia.*

In the 1990s Nash made a recovery from the schizophrenia from which he had suffered since 1959. His ability to produce mathematics of the highest quality did not totally leave him. He said:

- *I would not treat myself as recovered if I could not produce good things in my work.*

Nash was awarded (jointly with Harsanyi and Selten) the 1994 Nobel Prize in Economic Science for his work on game theory. In 1999 he was awarded the Leroy P Steele Prize by the American Mathematical Society:

- ... *for a seminal contribution to research.*

### **ECONOMISTS SHARE NOBELTRIO PIONEERED USE OF GAME THEORY IN THE FIELD**

Three economists who were pioneers in using games like chess and poker as the foundation for understanding complex economic issues were awarded the Nobel Prize in economics yesterday -- exactly half a century after John Von Neumann and Oskar Morgenstern launched the field with the publication of "The Theory of Games and Economic Behavior."

John F. Nash of Princeton University, John C. Harsanyi of the University of California at Berkeley and Reinhard Selten of the Rheinische Friedrich- Wilhelms-Universitat in Bonn, will share the award, which this year amounts to \$930,000.

It marks the first time that the Swedes have recognized work in game theory.

The significance of Von Neumann and Morgenstern's contribution was recognized by economists and others almost immediately. The lessons they drew from homely games like chess and poker had nearly universal application to economic situations in which the participants had the power to anticipate and affect other participants' actions – that is, that there was a strategic aspect to most behavior.

But economists had little immediate success in applying their insights to a field whose preoccupation with the idea of “free competition” required that the ability of each particular participant to influence outcomes be negligible.

So instead, game theory found all kinds of immediate applications in the 1950s to problems of the Cold War, everything from airplane dog-fights to doctrines of massive retaliation. In a fascinating paperback book called “Prisoner's Dilemma,” writer William Poundstone records the heady intellectual excitement around the Institute for Advanced Study at Princeton and Rand Corp. in Santa Monica, Calif., where much of the early work was done.

Nash notched the first formal breakthrough while a young instructor at the Massachusetts Institute of Technology when he succeeded in generalizing a set of problems known to economists since the 1840s, when Augustine Cournot began writing about what might happen when two big companies collide with one another in the marketplace.

Nash formulated a universal “solution concept” for many-person “noncooperative” games (meaning those in which no outside authority assures that players stick to some predetermined rules). His name was thus attached to the whole range of possibilities that might arise from successfully seeing through a rival's strategy – they have been “Nash equilibria” ever since. “It was a very deep achievement,” said Princeton's Avinash Dixit, who was among those who nominated Nash for the prize.

Nash accomplished many other things, including introducing into economics a formal theory of bargaining (which the Swedes did not mention in the main body of their citation). But he made his way mainly as a pure mathematician, doing widely admired work, exhibiting many of the eccentricities that are associated with the caricature of that professional type.

Then in 1968, while on leave from Princeton in Paris, he suffered an extensive nervous breakdown, and has done no work in his field since.

Friends say that just in the last few months has Nash, now 66, resumed sitting with other mathematicians at meals and teas at the Institute for Advanced Study in Princeton, instead of keeping to himself. His hold on the larger world still seems

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frail, they say, and it is unlikely that he will take full advantage of the spotlight that a trip to Stockholm affords to most laureates.

Once again, the Nobel award illuminates the Swedish angle of vision in economics, in which deep work on which rigorous foundations are erected is preferred to more intuitive and revealing styles. In doing so, they passed up the opportunity to honor the discoverers of the “prisoner’s dilemma,” a bargaining situation of wide applicability. They also ducked the chance to recognize Thomas Schelling, a University of Maryland economist who showed how many game theory concepts could be applied to economics. Hence the awards to Harsanyi, 74, a theorist who fled Hungary for the United States in 1956, and Selten, 64, a German scholar. Both researchers proved important mathematical theorems while refining the concept of Nash equilibrium, and Harsanyi in particular has ventured into topics of philosophy.

Neither is likely to turn up on the nightly news, however, arguing passionately for their views; their bliss has to do with highly abstract mathematical models of conflict and cooperation, of potential price wars and illegal collusion.

## 4. SUPPLEMENT

### 4.1. Dictionary of economic terms and expressions

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#### A

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1. **ABC inventory analysis**  
інвентаризація на 3 класи  
*system of classifying inventory into 3 classes  
(A – high value, B – medium value, C – low value)*
2. **Ability to pay**  
платоспроможність  
*possibility to pay.*
3. **Absolute advantage**  
абсолютна перевага  
*of country A to produce a the ability commodity more  
efficiently than country B.*
4. **Abstract of account**  
витяг з рахунку  
*a short version of statement of income and  
expenditure.*
5. **Access to markets**  
доступ до ринку  
*way of approach to markets.*
6. **Acquisition**  
придбання, поглинання  
*the gaining of something for oneself, act of acquiring.*
7. **Account**  
рахунок  
*statement of income and expenditure, a bill  
for work or services.*
- types of accounts  
budget account.....(бюджетний) – for receiving funds from a government.  
current account.....(поточний) – for use by non – commercial entities.  
deposit account.....(депозитний) – is used as a savings account.  
loan account.....(позичковий) – for administering borrowed or loaned funds.  
settlement account..(розрахунковий) – to make payments that are allowed in the  
account holder's charter.
- expressions  
– for one's own account – за власний рахунок;  
– for the account of another person – за рахунок іншої особи;  
– to draw up an account – (write out) – виписати рахунок;  
– to settle an account – (pay, regulate) – сплатити рахунок;  
– to withdraw from an account – (remove, take money back) – зняти гроші
8. **Accountant**  
бухгалтер  
*a person skilled in keeping accounts or  
someone who examines the accounts of companies*
9. **Accumulation**  
накопичення  
*increase of (money) or something else in  
number or quantity.*



<b>10. Accuracy</b>	<i>the quality of being accurate, precision.</i>
точність, достовірність	
<b>11. Act</b>	<i>a law passed by a legislative body.</i>
акт	
- act of purchase (покупки)	
- act of sale (продажу)	
- antitrust acts (антитрестовські)	
prohibit monopolization, restraints of trade and collusion among firms, to raise prices or inhibit competition.	
<b>12. Advance</b>	<i>to pay over money before the date when it is due.</i>
аванс, підвищення	
<b>13. Advanced</b>	<i>progressive.</i>
передовий	
<b>14. Affidavit</b>	<i>a written statement, signed in the presence of a lawyer.</i>
письмове свідчення у присутності адвоката.	
<b>15. Airfreight</b>	<i>using airplanes to transport cargo (more convenient, not expensive)</i>
повітряне перевезення	
<b>16. Aggregate asset</b>	<i>a total made by addition.</i>
сукупна кількість активів.	
<b>17. Allocation</b>	<i>placement of money or securities.</i>
розміщення, розподіл	
<b>18. Allowance</b>	<i>a regular, periodical sum of money to assist in some programs.</i>
знижки, допомога	
<u>expressions</u>	
- children's allowance – допомога дітям	
- disability allowance – допомога по інвалідності	
- unemployment allowance – допомога по безробіттю	
<b>19. Amortization</b>	<i>to provide for paying off gradually a large capital or a debt.</i>
поступове погашення боргу, амортизація	
<b>20. Amount</b>	<i>the total sum, a quantity.</i>
кількість, сума	
<u>expressions</u>	
- amount of business – торговий обіг	
- amount in cash – сума готівки	
- amount due – сума збитків	
<b>21. Analysis</b>	<i>the process of analysing or investigation.</i>
аналіз	
<b>22. Annual</b>	<i>occurring regularly once a year.</i>
щорічний	
<u>expression</u>	
- annual earnings – щорічний прибуток	

23. **Anticipate** to look forward, to expect.  
передбачати, прогнозувати
24. **Appeal** to call about a high authority to review something,  
просьба, to be pleasant.  
привабливість, апеляція
- expressions  
- advertizing appeal – привабливість реклами  
- consumer appeal – привабливість товару для покупця  
- low – price appeal – привабливість через низьку ціну  
- visual appeal – зовнішня привабливість
25. **Application** the act of applying, a turning to a practical use.  
заява, замова використання (to apply)
26. **Appreciation** an increase in money value.  
зростання вартості капіталу,  
ревальвація
27. **Arbitrage** the buying of goods or securities in one place  
(arbitration) in order to sell them in another at a higher price.  
арбітраж
28. **Arrears** (pl.) debt  
заборгованість, борги
- expressions  
- arrears of rent – заборгованість по виплатам  
- arrears of wages – заборгованість по заробітній платні
29. **Article** a piece of writing, a particular thing, a commodity.  
річ, товар, виріб, стаття, пункт
- expressions  
- articles of expenditure – стаття витрат  
- articles of partnership – договір про партнерство  
- articles of prime necessities – товари першої необхідності
30. **Assets** the positive items on a balance sheet, anything one  
активи, майно owns, the total property of a person, firm or institution.
31. **Assurance** convincing reason on which one can rely, guarantee.  
страхування, гарантія
32. **Auction** a public sale at which the goods are sold to  
аукціон, торги whoever will pay the most. (to auction)
33. **Audit** full check and examination of account books.  
Auditor a person responsible for audit.  
перевірка, ревізія  
головний бухгалтер
- expressions  
- balance – sheet audit – ревізія балансового звіту;  
- bank audit – ревізія банківського звіту;  
- cash audit – ревізія касових залишків.
34. **Authorisation** legal power or right, officially approved.  
Authorise  
дозвіл, уповноважити.

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35. <b>Available</b> доступний, наявний, корисний, придатний.	<i>ready for use, helpful.</i>
36. <b>Average</b> середня величина. (average income)	<i>the result coming from adding some numbers and dividing the total result by their number. 20+18+4 – the average is 14</i> <i>A common or usual standard</i>
37. <b>Axe</b> скорочення витрат	<i>drastic cutting of expenditures.</i>

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## B

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38. <b>Baby-boomers</b> люди, які народились у 40-60-ті роки	<i>people between 1946-1964 who form the major generation for business. Comes from the fact of the great boom in births after World War II</i>
39. <b>Bedroom community</b> спальний район	<i>a district outside a city from which many residents commute to the city to work</i>
40. <b>Back</b> фінансувати підтримувати	<i>to give a moral and material support.</i>
41. <b>Backlog</b> заборгованість, <u>expression</u> - to work off backlog – зменшити заборгованість.	<i>an accumulation of uncompleted work or unpaid money.</i>
42. <b>Bail out</b> вихід з економічних труднощів	<i>rescue of an enterprise through the injection of funds.</i>
43. <b>Balance</b> баланс, сальдо, підсумовувати	<i>the difference between debit and credit sides. to make a footing.</i>
44. <b>Balance sheet</b> балансовий звіт.	<i>a written statement of assets and liabilities.</i>
45. <b>Bank</b> банк	<i>a place where money is kept, paid out, lent, borrowed issued or exchanged.</i>
46. <b>Bankrupt</b> bankruptcy банкрут, банкрутство <u>expression</u> to go bankrupt – стати банкрутом	<i>a person who cannot pay his debts, the state of being bankrupt.</i>
47. <b>Bargain</b> справа, домовитися <u>expressions</u> - to bargain away – віддати дешево. - to make a bargain all-or-nothing – операція з принципу "все або нічого", без знижок у ціні	<i>an agreement, deal.</i>
48. <b>Batch</b> партія товару.	<i>a quantity of things taken together.</i>
49. <b>Benefit</b> вигода, прибуток, привілей	<i>help, profit, allowance. (benefits in taxation)</i>

50. <b>Bid</b> (bade, bidden) пропонувати ціну брати участь у торгах. <b>bidder</b> – особа, яка пропонує ціну.	<i>to offer prices.</i>
51. <b>Big-ticket items</b> дорогі речі	<i>expansive goods</i>
52. <b>Bilateral agreement</b> Двостороння угода	<i>an agreement between 2 countries on international trade problems</i>
53. <b>Bill</b> рахунок, вексель	<i>an account for goods or services.</i>
54. <b>Black</b> мати позитивне сальдо, користуватися кредитом.	<i>to have profit.</i>
55. <b>Blank</b> бланк order blank – бланк замовлення.	<i>a form.</i>
56. <b>Board</b> правління, рада. board of Directors – Рада Директорів. board of Trustees – Опікунська Рада.	<i>a council or authoritative body.</i>
57. <b>Bond</b> облігація.	<i>a document issued by a government or a company recording money borrowed and the promise to pay back with interest to the holder.</i>
<u>expressions</u>	
- baby bond – дрібна облігація.	
- corporate bond – промислова облігація.	
- savings bond – ощадна облігація.	
- bond – holder – особа, яка має облігації.	
58. <b>Bookkeeper</b> бухгалтер, рахунковий робітник	<i>someone keeping the accounts of a business.</i>
59. <b>Boost</b> ріст товарного обігу, стимул.	<i>a lifting up, increase in something.</i>
60. <b>Borrow</b> borrowing позичати, позика.	<i>to take something on the understanding that it will be returned later.</i>
61. <b>Bottleneck</b> вузьке місце (в економіці)	<i>lack of something, a narrowing.</i>
62. <b>Brain drain</b>	<i>the exodus of technically trained people from a country</i>
63. <b>Brainstorming</b> мозковий штурм	<i>the process when members of the group generate as many ideas as possible to solve problems or to find some solution</i>
64. <b>Brand</b> якість, торгова марка, фабричне клеймо.	<i>quality, trade mark.</i>

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65. <b>Bribe</b> хабар	<i>a secret gift (usually of money) offered to a person in a position.</i>
66. <b>Broker</b> брокер, комісіонер, маклер.	<i>a professional middleman in some special market</i>
67. <b>Budget</b> бюджет.	<i>a written statement of money.</i>
68. <b>Bulk</b> оптова партія. <u>expression</u> - to buy something in bulk – купувати оптом.	<i>a large amount of commodities.</i>
69. <b>Bullion</b> злитки срібла та золота.	<i>bars of gold and silver.</i>

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## C

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70. <b>Cancel</b> скасувати, анулювати.	<i>to abolish, nullify.</i>
71. <b>Capacity</b> обсяг, здібність, спроможність. <u>expressions</u> - capacity for labour – працездатність. - capacity to pay debts – спроможність платити борги.	<i>the ability to contain, the ability of a factory.</i>
72. <b>Capital</b> капітал <u>expressions</u> : - to invest capital – інвестування, капіталовкладення; - aggregate capital – сукупний капітал; - tax-sheltered capital – прихований капітал.	<i>the stock of goods and commodities in a country.</i>
73. <b>Capital assets</b> основні фонди	<i>equipment buildings and plants</i>
74. <b>Captain of industry</b> керівник великої промислової компанії або фірми.	<i>manager of a big industrial company.</i>
75. <b>Card</b> картка формуляр. <u>expressions</u> : - credit card – кредитна картка; - fake card – підроблена(фальшива)картка; - social security card – картка соціального захисту.	<i>a rectangular piece of paper for writing or printing.</i>
76. <b>Cargo</b> вантаж. <u>expressions</u> : - bulk cargo – насипний вантаж; - way cargo – попутний вантаж.	<i>load.</i>

- 77. Case** *affair, a set of circumstances or conditions, a matter for trial.*  
діло, справа,  
випадок, судова справа.
- 78. Case study** *a method, used in many business schools to analyze a business situation. Students analyze data, information and make theoretical decisions.*  
ділова ситуація на прикладі
- 79. Cash** *money in the form of coins or paper.*  
готівка.  
expressions:  
- by cash – готівкою;  
- to cash a bill – отримати гроші по векселю;  
- cash at bank – банківська готівка.
- 80. Certificate** *a written statement of some fact or qualification.*  
сертифікат, посвідчення.  
expressions:  
- certificate of deposit – депозитний сертифікат;  
- certificate of employment – особисте посвідчення;  
- certificate of fitness – сертифікат придатності до експлуатації.
- 81. Challenge** *complicated task, problem, an invitation to compete.*  
складна проблема, виклик.  
expressions:  
- to face the challenge – стикатися з проблемою;  
- to offer the challenge – відкривати перспективи.
- 82. Channel of distribution** *allocation through trading net and middlemen*  
канал розподілу
- 83. Charge** *the price to be paid for goods or services, responsibility, a legal accusation.*  
плата, відповідальність,  
обвинувачення.  
expressions:  
- free of charge – безкоштовний.
- 84. Charter** *an official document, granting rights, the lease of an airplane or a ship.*  
статут, чартер.
- 85. Check** *a controlled test, a bill for service, a restraint.*  
чек, перевірка, стримувати.  
expression:  
- to keep a check on activity – стримувати економічну діяльність.
- 86. Circulation** *a movement in a circuit, distribution.*  
обіг  
expressions:  
- commodity circulation – товарний обіг;  
- currency circulation – обіг валюти;  
- circulation of securities – обіг цінних паперів.
- 87. Claim** *the demanding of something as a right.*  
позов, претензія, вимога.

expressions:

- claim for damages – вимоги за пошкодження;

- claim of ownership – позов за майно;

- wage claim – вимога про підвищення платні.

88. **Clause** *an item (article) in a document.*

положення, стаття договору.

89. **Clearance** *selling off at a low price.*

розпродаж за низькими цінами.

90. **Clearing** *the bank process of honouring checks.*

безготівковий рахунок, кліринг.

91. **Collar**

комір.

expressions:

- blue collar – виробничий робітник;

- white collar – службовець.

92. **Collection** *the act of collecting.*

крошовий збір, інкасування.

93. **Collusion** *a dishonest, secret agreement.*

таємна угода.

94. **Combat** *fight or struggle against.*

Боротьба з інфляцією,

безробіттям

95. **Commerce** *the exchange of goods on a high scale.*

commercial

торгівля, реклама.

96. **Commitment** *something which engages one to do something,*

зобов'язання по виконанню *an obligation.*

expression

commitment letter – гарантійний лист.

97. **Commodity** *an article of trade.*

товар.

98. **Company** *a number of people united in an industrial or*

компанія,

корпорація.

expressions:

- assurance company – страхова

- bubble company – фіктивна

- close company – закрита

- engineering company – машинобудівна

- holding company – холдінгова (яка володіє контрольним пакетом акцій)

- wild cat company – компанія, що займається обманом.

99. **Company policy** *rules and standards that a company has established*

політика компанії

*(not to install personal software on computers, or fly first class during business travel)*

100. <b>Compensation</b> компенсація.	<i>repayment for a loss.</i>
101. <b>Competition</b> competitor конкуренція, конкурент. <u>expressions:</u> - aggressive competition – агресивна конкуренція, - would – be competitor – потенційний конкурент.	<i>a contest in which companies compete (trade competition), someone who takes part in competition.</i>
102. <b>Complain</b> complaint скаржитися, скарга, претензія.	<i>to express dissatisfaction.</i>
103. <b>Concern</b> концерн, інтерес. <u>expression</u> - to concern oneself with something – цікавитися, займатися.	<i>a business firm or organisation, a matter of direct interest, anxiety, worry.</i>
104. <b>Conform</b> conformity приспосовуватися, відповідність.	<i>to adapt, to correspond, correspondence.</i>
105. <b>Confidential</b> конфіденційний, секретний.	<i>spoken or written in secret.</i>
106. <b>Consistent</b> послідовний. consistency послідовність.	<i>in accordance, true to some principles or a policy.</i>
107. <b>Constant</b> постійна величина.	<i>a quantity or factor that doesn't change.</i>
108. <b>Consumer</b> споживач. <u>expressions:</u> - consumer goods – споживчі товари, товари широкого вжитку; - consumer needs – потреби споживача; - consumer price index (CPI) – індекс коливання вартості, індекс цін на споживчі товари; - consumer survey – опитування споживача.	<i>someone, who uses articles, made by another.</i>
109. <b>Consumption</b> споживання. <u>expression:</u> - per capita consumption – споживання на душу населення.	<i>the use of goods by consumers or producers.</i>
110. <b>Contract</b> контракт, угода. <u>expression:</u> - to accept a contract – прийняти контракт.	<i>an agreement, to undertake work or supply goods at a certain price.</i>
111. <b>Contractor</b> підрядник.	<i>a person or a firm undertaking to do work or to supply goods.</i>



- 112. Conversion**  
перехід на випуск  
нової продукції,  
переказ грошових одиниць.  
convert  
convertibility  
*a change of role, purpose, a change of stocks,  
convertible shares, money into others.*
- 113. Copyright**  
авторське право  
*the exclusive right to reproduce any work of art given  
by law for a certain period of time, indicated by the  
letter C in the circle.*
- 114. Correlate**  
correlation  
співвідношення, співвідносити.  
*degree of relationship, to bring into mutual relation.*
- 115. Cost**  
витрата, коштувати.  
expressions:  
- cost analysis – аналіз витрат;  
- cost effectiveness analysis – аналіз економічної ефективності;  
- cost of goods manufactured – вартість виробленої продукції;  
- cost of goods sold – вартість проданих виробів;  
- cost – of – living – вартість життя.  
*the price paid or to be paid, to require expenditure.*
- 116. Counterfeit**  
підроблений, фальшивий,  
підробляти.  
*copied or made in imitation and pretending to  
be genuine, to imitate.*
- 117. Court**  
суд.  
expressions:  
- court of appeals – апеляційний суд;  
- court of arbitration – арбітражний суд.  
*a place where justice is administered.*
- 118. Credit**  
кредит.  
expressions:  
- to obtain credit – отримати кредит;  
- to run out of credit – утратити довіру;  
- creditworthy – кредитоспроможний.  
*the system of buying and selling goods without  
immediate payment.*
- 119. Creep**  
повзти, повзучий.  
expression:  
- creeping inflation – повзуча інфляція.  
*to move quietly and slowly, to crawl.*
- 120. Currency**  
валюта.  
expressions:  
- currency assets – валютні кошти;  
- currency in circulation – валюта в обігу.  
*the coins, notes in circulation as a means of  
exchange.*
- 121. Current**  
поточний.  
*a checking account (Am.)*

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122. <b>Current assets</b> оборотний капітал	<i>cash to be used within 1 year</i>
123. <b>Customer</b> замовник, клієнт, споживач.	<i>a person, wishing to make a purchase from a store or firm, someone who buys regularly.</i>
<u>expressions:</u>	
- customer complaint – претензія споживача;	
- customer satisfaction – задоволення потреб клієнта.	
124. <b>Customs</b> митниця.	<i>the government department which collects customs duties.</i>
<u>expression:</u>	
- customs duties- митні збори.	

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## D

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125. <b>Data</b> дані.	<i>a known fact, a starting point from which a survey is made.</i>
126. <b>Deadline</b> кінцевий строк.	<i>a set time limit for completing a piece of work.</i>
127. <b>Deal(ing)</b> dealer. справа, операція.	<i>a business transaction, someone who buys and sells some commodity.</i>
128. <b>Debt</b> debtor борг, боржник.	<i>money owed to another, a person who owes money or service.</i>
<u>expression:</u>	
- debt obligation – боргове зобов'язання.	
129. <b>Debenture</b> боргова розписка	<i>a certificate issued by a company acknowledging a loan which interest is payable until the loan is repaid.</i>
130. <b>Decline</b> зниження цін.	<i>to fall off, diminish, decrease.</i>
<u>expression:</u>	
- decline in market prices – зниження ринкових цін.	
131. <b>Deduct</b> відрахувати.	<i>to subtract, take away.</i>
132. <b>Default</b> невиконання зобов'язань	<i>a failure to carry out an obligation.</i>
133. <b>Defer</b> відстрочувати.	<i>to put off, taking action.</i>
134. <b>Deficit</b> deficiency дефіцит, відсутність.	<i>financial accounting loss, a lack, a shortage</i>
<u>expressions:</u>	
- to cover deficit – покрити дефіцит;	
- budget deficit – дефіцит бюджету(витрати перевищують надходження)	
- outstanding deficit – непокритий дефіцит.	

<b>135. Deflation</b> дефляція	<i>decline in prices, opposite to inflation</i>
<b>136. Deliver</b> delivery постачати, поставка.	<i>to transport goods to an address as instructed, the transporting of goods on purchaser's instruction (often free)</i>
<b>137. Demand</b> попит, потреба. <u>expressions:</u> - fair demand – жвавий попит; - filled demand – задоволений попит; - fixed demand – постійний попит; - demand keeps pace with supply – попит не відстає від пропозиції.	<i>the amount of goods or services which potentially would be bought at a certain price, at a certain time.</i>
<b>138. Denomination</b> вартість, деномінація.	<i>one of a series of units in numbers, weights or money.</i>
<b>139. Deposit</b> вклад, депонувати, завдаток. <u>expression:</u> - deposit at a bank – вклад в банку.	<i>something entrusted for safekeeping.</i>
<b>140. Depreciate</b> depreciation списувати вартість, знецінення.	<i>to diminish the value of...</i>
<b>141. Depression</b> депресія. <u>expressions:</u> - the Great Depression (1929-1933) - to set off the depression – спричинити депресію.	<i>the condition of being less active than usually</i>
<b>142. Devaluation</b> девальвація. devalue проводити девальвацію.	<i>lowering the legal value of a depreciated currency in a crisis.</i>
<b>143. Discharge (fire)</b> звільнення, звільнити, розгрузити.	<i>to free oneself from work, to dismiss, to unload.</i>
<b>144. Discount</b> знижка, дисконт. <u>expression:</u> - to allow a discount – надати знижку.	<i>a reduction in price, offered to the public e.g. if it is paid immediately or in advance.</i>
<b>145. Diseconomy</b> Негативний економічний ефект.	<i>negative consequences of economic activity.</i>
<b>146. Distribution</b> розподіл. <u>expressions:</u> - distribution network – дистриб'юторська мережа; - distribution of profit – розподіл доходу.	<i>put at different places, to spread, to scatter</i>
<b>147. Dividend</b> дивіденд.	<i>the interest or share of profits payable to shareholders on stock or bonds.</i>

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<b>148. Domestic</b> вітчизняний, внутрішній, побутовий. <u>expressions:</u> - domestic consumer services – побутове обслуговування; - domestically produced – вітчизняного виробництва.	<i>of one's own country, not foreign, a household</i>
<b>149. Draft</b> переказаний, вексель, план	<i>the payment of money from an account held for this purpose by a bank, plan of work to be executed.</i>
<b>150. Dumping</b> демпінг, продаж товару за надзвичайно низькими цінами.	<i>to sell in quantity at a very low price.</i>
<b>151. Durable goods</b> товари довгострокового вжитку.	<i>commodities designed to last more than 3 years</i>
<b>152. Duty</b> збір.	<i>payment due to the government for import, export, manufacture or sale goods.</i>

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## E

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<b>153. Earnings</b> дохід, зарплата, надходження. <u>expressions:</u> - earnings per share – прибуток з розрахунку на акцію; - earnings ratio – коефіцієнт прибутків; - net – of – tax earnings – прибутки крім податків; - earnings flow – потік прибутків.	<i>money earned by work or commerce.</i>
<b>154. Economic activity</b> господарська діяльність <u>expressions:</u> - economic aid – економічна допомога; - economic efficiency ..... ефективність; - economic indicator ..... показник; - economic freedom ..... свобода; - economic recovery ..... оздоровлення.	<i>relating to economics.</i>
<b>155. Economize</b> економити	<i>to refrain from wasting, to reduce expenses.</i>
<b>156. Efficiency</b> продуктивність, прибутковість.	<i>the degree of effectiveness with which something is done.</i>
<b>157. Elaborated</b> старанно виконаний, розроблений.	<i>made with care and in detail.</i>
<b>158. Elasticity of D and S</b> еластичність попиту та пропозиції	<i>how responsive is something to a price change</i>

159. <b>Employee</b> службовець. employment зайнятість, робота.	<i>someone paid to work on a regular basis, the state of being employed.</i>
160. <b>Employment office/agency</b> бюро з працевлаштування	<i>provides a search of company to fill specific jobs</i>
161. <b>Employee benefits</b> службові пільги	<i>the variety of medical, life and pension benefits</i>
162. <b>Enclosure</b> додаток.	<i>something enclosed in a letter or parcel.</i>
163. <b>Enact</b> запроваджувати закон.	<i>to make a bill into a law.</i>
164. <b>Encourage</b> заохочувати, стимулювати.	<i>to give confidence, to raise the hope, to help by advice.</i>
165. <b>Endorsement</b> підтвердження	<i>the promotional marketing of products and services by well known individuals in entertainment or sport</i>
166. <b>Energy cost</b> енергоємний	<i>using much energy</i>
167. <b>Enterprise</b> підприємство, установа.	<i>a venture.</i>
168. <b>Environment</b> середовище. <u>expression:</u> - economical environment – економічна обстановка.	<i>material and spiritual surroundings which influences the growth, development and existence of people.</i>
169. <b>Equilibrium</b> рівновага. <u>expression:</u> - disturbed equilibrium – порушення рівноваги.	<i>a state of balance.</i>
170. <b>Equity</b> активи (банку), звичайна акція, чиста вартість капіталу за вирахуванням зобов'язань.	<i>stocks and shares which do not pay a fixed interest, the value of property after deducting any charges.</i>
171. <b>Estimate (evaluate)</b> оцінювати. estimation оцінка. <u>expressions:</u> - approximate estimation – приблизна оцінка; - double – ended estimation – двостороння оцінка.	<i>a judgment of size, quantity, quality, value, and distance.</i>
172. <b>Eurobond</b> евроблірації.	<i>bonds of European Investment Bank (EIB) available in yen denomination, German marks, Swiss francs, issued for sale in Western Europe.</i>
<b>Eurocheque</b> еврочки.	<i>credit card for use in Western Europe.</i>

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<b>Eurocurrency</b> євровалюта.	<i>cash on deposit in the European money market, available for loans outside the country of its origin.</i>
<b>Eurodollar</b> євродолар.	<i>American dollars deposited in banks outside USA especially in Europe.</i>
173. <b>Exceed</b> перевищувати.	<i>to go beyond (a given limit)</i>
174. <b>Excess</b> надлишок.	<i>the state of being greater than something else.</i>
<u>expression:</u> - to dispose of excesses – реалізувати лишки.	
175. <b>Exchange</b> обмін, розмін, валюта.	<i>the giving or receiving of one thing in return for something else, the conversion of the money of one country into that of another.</i>
<u>expressions:</u> - The Stock Exchange – Лондонська фондова біржа; - American Stock Exchange – Американська фондова біржа; - Commodity exchange – товарна біржа; - freely convertible exchange – вільно конвертована валюта.	
176. <b>Excise</b> акциз, взимати акциз.	<i>a tax duty on the manufacture, sale or consumption within a country.</i>
177. <b>Execute</b> виконувати, здійснювати.	<i>to carry out, to put into effect.</i>
execution виконання.	<i>carrying out, putting into effect, fulfilling</i>
executive виконавчий, виконавча влада.	<i>concerned with or relating to, the executive branch of power, a person holding an executive position in a business firm.</i>
178. <b>Expansion</b> поширення.	<i>a widening, growth, increase.</i>
179. <b>Expenditures</b> єхрєnces. витрати.	<i>the amount or amounts spent.</i>
<u>expression:</u> - capital equipment expenditures – витрати на обладнання; - current expenditures – поточні витрати.	
180. <b>Expiration date</b> дата закінчення терміну вживання, використання.	<i>end of a limited time.</i>
181. <b>Extra</b> надзвичайна якість	<i>a superior quality, an additional charge.</i>
<u>expression:</u> - extra fine – високоякісний.	

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**F**


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181. <b>Face value</b> номінальна вартість	<i>the value as stated on a coin, note or bond.</i>
182. <b>Facilitate</b> (promote) сприяти	<i>to make easy or easier.</i>
183. <b>Fail</b> терпіти невдачу. failure невдача.	<i>to crash financially, go bankrupt, to be unsuccessful. an unsuccessful person, thing or profit, end of performance.</i>
184. <b>Fair</b> ярмарок, справедливий. <u>expression:</u> - fair trade – торгівля за договірними цінами.	<i>a large scale exhibition to promote trade, according to the rules.</i>
185. <b>False advertisement</b> реклама, що не відповідає дійсності.	<i>untrue, meant to deceive, lying.</i>
186. <b>Favourable</b> сприятливий. <u>expression:</u> - least favourable – менш... - most favourable – більш...	<i>attractive.</i>
187. <b>Feasible</b> можливий, практично здійснений. <u>expression:</u> - technologically feasible – технічно можливий.	<i>possible to do or achieve.</i>
188. <b>Fee</b> внесок, гонорар, винагорода. <u>expressions:</u> - affiliation fee – вступний внесок; - membership fee – членський внесок.	<i>a payment for services, the entrance charge.</i>
189. <b>finance</b> фінанси.	<i>monetary affairs, the management of company or company revenue.</i>
190. <b>fine</b> штраф, штрафувати.	<i>a sum of money paid as a penalty, to punish by imposing a fine.</i>
191. <b>first rate</b> першосортний.	<i>of the finest quality.</i>
191. <b>Fiscal</b> бюджетний, фінансовий. <u>expressions:</u> - fiscal policy – бюджетна політика; - fiscal year – бюджетний, фінансовий рік.	<i>pertaining to the public treasury or revenue.</i>

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192. <b>Fixed assets</b> нерухоме майно, основний капітал, основні фонди. <u>expression:</u> - fixed costs – основні витрати.	<i>durable capital goods used over a period of time e.g. machinery, buildings, tools.</i>
193. <b>Floating</b> плаваючий. fluctuate коливатися. <u>expressions:</u> - floating assets – оборотні фонди; - floating exchange rate – плаваючий валютний курс.	<i>not fixed.</i>
194. <b>Foreign economic activity</b> Зовнішньоекономічна діяльність.	<i>activity having to do with other countries.</i>
195. <b>Fraud</b> обман, шахрайство.	<i>a deception.</i>
196. <b>Franchise</b> франчайзинг	<i>a privilege to use a company's name and product</i>
197. <b>Free trade zone</b> зона вільної торгівлі.	<i>zone of unrestricted commerce.</i>
198. <b>Fund</b> фонд. International Monetary Fund (IMF) – Міжнародний Валютний Фонд (МВФ) European Development Fund – Фонд Європейського Розвитку	<i>a store of immaterial resources.</i>

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## G

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199. <b>G7(8)</b> велика 7(8)	<i>the largest economic nations: UK, USA, Canada, France, Italy, Japan, Germany, Russia</i>
200. <b>Gain</b> виручка, приріст, дохід, мати прибуток. <u>expression:</u> - marginal gain – найбільший прибуток; - sales gain – приріст обсягу продажу.	<i>financial profit, increase, to earn a profit.</i>
201. <b>Galloping inflation</b> галопоуюча інфляція.	<i>fast or progressing quickly.</i>
202. <b>Gambling</b> спекуляція, ризиковане підприємництво.	<i>a risky undertaking.</i>
203. <b>Gap</b> проміжок, дефіцит.	<i>a break in continuity, a pause.</i>



expressions:

- budget gap – бюджетний дефіцит;

- price gap – розрив цін.

204. **Genuine** *authentic, real.*

справжній, дійсний.

205. **Give-and-take** *compromise, the making of mutual concessions, exchange of ideas.*

взаємні поступки,

206. **Goods** *merchandise, things to be transported.*

товари.

expressions:

- day-to-day goods – товари повсякденного попиту;

- duty free goods – безподаткові товари;

- home-made goods – товари вітчизняного виробництва;

- luxury goods – предмети розкоші.

207. **Global business** *the selling of products and services overseas which needs more complex business planning and financing the putting off period, delay.*

208. **Grace period**

пільговий строк.

209. **Grant**

дотація, allowance.

субсидія.

210. **Graph** *a diagram, a table.*

графік, таблиця.

211. **Gross Domestic Product** *the total output produced inside a country during a given year.*

GDP

Валовий внутрішній продукт.

212. **Gross National Product** *the output produced by factors owned by the country.*

GNP

Валовий національний продукт.

213. **Guarantee** *a firm promise, assurance.*

гарантія.

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## H

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214. **Haggle** *to argue about the price of an article as a process of buying and selling, argument about the price.*

торгуватися.

215. **Hamper** *to make difficult.*

утруднити.

expression:

- to hamper trade – утруднити торгівлю.

216. **Handle** *to deal with, to control.*

керувати.

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217. <b>Hardware</b> металеві вироби, апаратне обладнання (ЕОМ), технічні засоби.	<i>metal goods, equipment used in computing.</i>
218. <b>Haul</b> перевіз, перевозити.	<i>to transport by road or railroad.</i>
219. <b>Hawker</b> вуличний торговець.	<i>someone who sells goods from a cart moving from place to place and shouting his wares (goods).</i>
220. <b>Headquarters</b> штаб-квартира.	<i>a centre from which operations or deals are directed.</i>
221. <b>Hi-fi</b> високоякісний, високоточний.	<i>high – fidelity, reproduction of colour and sound with little distortion.</i>
222. <b>Hidden tax</b> прихований податок	<i>concealed tax.</i>
<u>expressions:</u> - hidden inflation – прихована інфляція; - hidden asset – прихований основний капітал.	
223. <b>Hire</b> прийняття на роботу	<i>to obtain the services of someone for an agreed wage.</i>
224. <b>Holding</b> володіння.	<i>having or keeping shares, land etc.</i>
<u>expression:</u> - currency holdings – валютні резерви.	
225. <b>Holiday</b> пільга.	<i>an allowance.</i>
<u>expression:</u> - tax holiday – податкова пільга.	
226. <b>Hyperinflation</b> гіперінфляція.	<i>extreme daily rise in prices, destroying the value of money.</i>

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## I

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227. <b>Idle</b> вільний, незайнятий, невикористані можливості.	<i>not working, to be lazy.</i>
<u>expression:</u> - to be idle for some time – не працювати деякий час.	
228. <b>Image</b> престиж, образ.	<i>mental picture or concept.</i>
229. <b>Illegal</b> незаконний.	<i>violating the law.</i>
230. <b>Immunity</b> пільга, недоторканість.	<i>exemption from a tax, duty.</i>

231. **Impeach**  
обвинувачувати,  
ставити під сумнів.  
232. **Implement**  
здійснювати, виконувати.  
233. **Import**  
імпорт.  
expressions:  
- import cargo – імпортний вантаж;  
- import duties – імпортне мито;  
- import license – ліцензія.  
234. **Impoverish(ment)**  
зубожіння, збідніння.  
235. **Improve(ment)**  
оздоровлення фінансового стану.  
expression:  
- price improvement – підвищення цін.  
236. **Inability to pay**  
неплатоспроможність.  
237. **Inanimate demand**  
млявий попит.  
238. **Inalienable rights**  
не відчужені права.  
239. **Income**  
прибуток, дохід.  
expressions:  
- \* declaration – декларація доходів;  
- \* distribution – розподіл доходів/прибутків;  
- \* tax – податок;  
- \* yielding property – власність, що приносить дохід;  
- per capita \* – дохід на душу населення.  
240. **Incompetence**  
некомпетентність  
incompetent  
некомпетентний  
241. **Inconvertible money**  
конвертовані гроші  
242. **Incorporate(d)**  
акціонерний, зареєстрований,  
як корпорація.  
243. **Increase**  
збільшення.  
expressions:  
- \* in supply – збільшення пропозиції;  
- \* in demand – збільшення попиту;  
- \* of purchasing power – збільшення купівельної спроможності.
- to charge with the crime or corruption.*
- to carry into effect.*
- to bring (in) goods from abroad.*
- to make poor, to exhaust the strength of productivity, poverty.*
- to increase economic value.*
- unable to pay.*
- showing no signs of life or activity.*
- which cannot be taken away.*
- whatever is received as gain e.g. wages, salary*
- the state of being incompetent.*
- a person who is unable to perform his job.*
- not exchangeable, which cannot be exchanged for foreign currency.*
- to form a legal corporation united into a whole.*
- to become greater in size, amount, number, value or degree, the amount by which something grows.*

244. **Indenture** *a written contract or agreement.*  
 угода між компанією та її акціонерами.
245. **Index** *something that indicates e.g. the number of new cars is an index of prosperity.*  
 індекс, числовий показник.  
 indexation *system of creating a parity between 2 economic forces e.g. wages and cost of living.*  
 індексація  
expressions:  
 - \* of cost of living – вартість життя;  
 - \* of industrial production – індекс промислового виробництва;  
 - \* of real wages – індекс реальної платні;  
 - aggregative \* – сукупний індекс;  
 - Dow – Jones \* – індекс курсу акцій.
246. **Indicator** *something which points out or gives information*  
 показник
247. **Indirect costs** *not straight.*  
 непрямі витрати.
248. **Industry** *the section of an economy concerned with manufacturing.*  
 промисловість, індустрія.  
expressions:  
 - advertising \* – рекламна  
 - clothing \* – швейна  
 - electric – power \* – електроенергетична  
 - engineering \* – машинобудівна  
 - food processing \* – харчова  
 - high – technology \* – з передовою технологією  
 - heavy \* – тяжка  
 - leisure – time \* – товарів для дозвілля  
 - sunrise \* – перспективна та прогресивна  
 - sunset \* – значення якої зменшується
249. **Inflation** *a general rise in prices, brought about by an increase in the ratio of currency and credit to the goods available.*  
 інфляція.  
expressions:  
 - \* is getting out of control – виходить з-під контролю;  
 - controlled \* – яка підтримує зайнятість населення;  
 - uncontrolled \* – яка веде до кризи;  
 - latent \* – прихована;  
 - \* rate – темп;  
 - \* prone – схильний до...
250. **Infrastructure** *the basic framework of any organisation: roads, communication, transport, education, health service.*  
 інфраструктура.
251. **Inheritance** *legacy, bequest.*  
 спадщина, успадкування.  
expression:  
 - inheritance tax – податок на спадщину.

252. **Initiative**  
ініціатива.  
expressions:  
- business\* – підприємницька  
- private\* – особиста.
253. **Inject**  
injection  
вносити, внесок.  
254. **Innovate**  
innovation  
запроваджувати новину,  
нововведення, інновація.
255. **Input**  
введення.  
expressions:  
- input – output – випуск;  
- input – output analysis – міжгалузевий аналіз.
256. **Insolvency**  
неплатоспроможність.  
expression:  
- bank\* – неплатоспроможність банку.
257. **Inspection**  
інспектування,  
перевірка, досмотр.  
Inspector  
інспектор
258. **Installation**  
монтаж, установка.  
expressions:  
- \* purchase – купівля в розстрочку;  
- \* selling – продаж в розстрочку.
259. **Instant(ly)**  
мить, миттєвий.
260. **Insurance**  
страхування.  
insure  
страхувати.  
expressions:  
- \* claim – страховий позов;  
- \* against burglary – страхування проти крадіжки.
261. **Integrate**  
об'єднувати.  
integration  
об'єднання.
- a personal capacity for thinking up and initiating actions, the power to introduce some measures.*
- to introduce money into economy, the introduction of money into economy.*
- to make changes, introduce new practices, something newly introduced.*
- effort put into any project.*
- inability to pay.*
- the process of examination.*
- someone officially appointed to make inspections and report to an authority.*
- setting in position for use.*
- immediate, at once, without the delay.*
- the practice by which a person secures financial compensation for a specified loss or damage, by contract with a company to which he pays regular premiums.*
- to make complete by adding parts.*
- the process of uniting.*

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integrity цільність.	<i>completeness.</i>
262. <b>Interest</b> зацікавленість, процент, частка. <u>expressions:</u> - * free – безпроцентний; - * rate – ставка.	<i>curiosity about, profit, financial stake.</i>
263. <b>International Monetary Fund (IMF)</b> Міжнародний валютний фонд (МВФ)	<i>a specialised agency designed to stabilize international monetary exchange rates, began operations in 1947.</i>
264. <b>Intervene</b> втручатися.	<i>to arbitrate, mediate, negotiate.</i>
265. <b>Inventory</b> інвентаризація, опис. <u>expression:</u> - * property – список майна	<i>an itemized list of property.</i>
266. <b>Investment</b> інвестиція, капіталовкладення.	<i>the act of investing, putting money to a use expected to yield a profit or income.</i>
267. <b>Invoice</b> рахунок, фактура.	<i>an itemised list of goods delivered to a buyer with prices.</i>
268. <b>Issue</b> видавати, випуск.	<i>a publishing or giving out, to put into circulation.</i>
269. <b>Item</b> параграф, стаття, пункт.	<i>a single article, unit.</i>

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## J

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270. <b>Job</b> праця, робота. <u>expressions:</u> - dead-end job – безперспективна робота; - entry-level job – перспективна робота; - extra job – додаткова робота; - short-run job – тимчасова робота; - well-paid job – добре оплачувана робота. - jobless – безробітний.	<i>a specific piece of work, done for pay, an occupation.</i>
271. <b>Joint stock company</b> акціонерне товариство.	<i>a firm whose capital is held as joint stock by a number of stockholders, who may independently sell or dispose of their shares.</i>
272. <b>Joint venture</b> спільне підприємство.	<i>a union of two or more enterprises in a single Business activity</i>

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273. <b>Judge</b> арбітр, суддя, судити. son.	<i>a civil law official of the highest rank, who tries cases in a court, to hear a case and pronounce sentence upon a person.</i>
274. <b>Just compensation</b> справедлива компенсація.	<i>fair and honest repayment for a loss.</i>
275. <b>Just-in-time production</b> своєчасна продукція.	<i>timely production.</i>

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## K

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276. <b>Keep</b> тримати, зберігати. expressions: - to keep books – вести бухгалтерські книги; - to keep up – задовольняти попит.	<i>to have in one hand, mind or place, to refrain from destroying.</i>
277. <b>Kickback</b> виплата “подяки”	<i>a percentage of the sale price given secretly to a middleman or the purchaser.</i>
278. <b>Know – how</b> практичні знання.	<i>thorough knowledge of the theory and practice of process.</i>

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## L

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279. <b>Label</b> етикетка, ярлик.	<i>a piece of paper or metal attached to an article with the name, ownership, destination etc. of the article.</i>
280. <b>Labour</b> праця, робота. expressions: - * agreement – трудова угода; - * costs – вартість праці; - * labour dispute – трудовий конфлікт; - * force – робоча сила; - * productivity – продуктивність праці; - * intensive – працемісткий.	<i>prolonged hard work, those who work in contrast to those who own or manage.</i>
281. <b>Lag</b> (lagging) відставати.	<i>go slowly, to fail to keep up with others, the act of lagging.</i>
282. <b>Landholder</b> landlord. власник земельної ділянки, господар.	<i>a person who owns or rents land, a man who leases property to another.</i>
283. <b>Law</b> закон, право.	<i>a custom recognised as a rule by a community.</i>

lawful	<i>allowed by law.</i>
законний.	
lawless	<i>having no regard for laws, without laws.</i>
беззаконний.	
<u>expressions:</u>	
- * of customs – митне право;	
- * of nations – міжнародне право;	
- administration * – адміністративне право;	
- fiscal * – закон про оподаткування;	
- * enforcement authority – правоохоронний орган;	
- * of supply and demand – закон пропозиції та попиту.	
284. <b>Layout</b>	<i>the way in which things are placed in relation to one another.</i>
розміщення.	
285. <b>LDC</b>	<i>less developed countries</i>
малорозвинені країни	
286. <b>Leadership</b>	<i>the position of a leader, the act of leading.</i>
керівництво.	
287. <b>Lease</b>	<i>a legal contract between lessor and lessee putting property of the former at the disposal of the latter.</i>
оренда.	
<u>expressions:</u>	
- lease agreement – договір про оренду;	
- lease with option to buy out – оренда з правом викупу;	
- leasing company – лізингова компанія;	
- leasing property – орендне майно.	
288. <b>Ledger</b>	<i>a book in which the credits and debits of commercial transactions are recorded.</i>
бухгалтерська книга	
289. <b>Legal</b>	<i>in agreement with law.</i>
правовий, згідний з правом, законом.	
<u>expressions:</u>	
- * counsel – юридична консультація;	
- * entities – юридична особа;	
- * legislation – законодавство.	
290. <b>Lend</b>	<i>to place in the temporary possession of another (for his use) with the expectation of resuming possession later.</i>
кредит, кредитувати.	
291. <b>Lessee</b>	<i>someone, who is granted a lease.</i>
орендар.	
292. <b>Lessor</b>	<i>someone who grants a lease.</i>
орендодавець.	
293. <b>Letter</b>	<i>a document, written statement, constituting the authority for a particular action, status or privilege.</i>
лист.	
<u>expressions:</u>	
- * letter of authority – довіреність;	
- * of credit – акредитив;	
- * letter of inquiry – письмовий запит.	



- 294. Level** *a relative position in respect to some norm in a scale of estimating.*  
рівень.  
expressions:  
- \* of business – рівень ділової активності;  
- \* of living – рівень життя;  
- \* of responsibility – рівень відповідальності;  
- consumption \* – рівень споживання;  
- price \* – рівень цін;  
- production \* – рівень виробництва.
- 295. License (licence)** *the official certificate of some rights.*  
ліцензія.  
expression:  
- foreign trade \* – дозвіл на зовнішньоторговельну діяльність.
- 296. Lifestyle** *the way in which an individual lives as to dress, habits and values.*  
стиль життя.
- 297. Limited company** *a company in which responsibility of shareholders is restricted according to the amount of his interest.*  
компанія з обмеженою відповідальністю. (LTD)
- 298. Line of credit** *the boundary or limit of a piece of property.*  
розмір кредиту.
- 299. Liquid asset** *readily changeable for cash.*  
ліквідний актив.
- 300. Liquidate** *to eradicate, exterminate, to pay or settle a debt.*  
ліквідувати.
- 301. Liquidity** *the quality or state of being liquid, mobility of assets, ability to pay in time.*  
ліквідність.  
expressions:  
- overall \* – загальна ліквідність;  
- \* ratio – коефіцієнт ліквідності;  
- private sector \* – приватна ліквідність (of private financial structures)
- 302. List** *a number of things or reasons written out systematically.*  
список.  
expression:  
- price list – ціна за прейскурантом.
- 303. Litigation** *court procedure.*  
судовий процес, тяжба.
- 304. Load** *an amount of things carried by machines, to put a load on or in.*  
вантаж, навантажувати.
- 305. Loan** *something lent, usually money on condition that it is returned.*  
позика.  
expressions:  
- bank \* – банківська позика;  
- domestic \* – внутрішня позика;  
- government \* – урядова позика;  
- housing \* – позика на купівлю дому.

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306. <b>Logo</b> логотип	<i>a symbol associated with the company</i>
307. <b>Long-term</b> довгостроковий.	<i>acting over a long period of time.</i>
<u>expressions:</u> - * capital assets – довгострокові основні фонди; - * lease arrangement – довгостроковий договір про оренду.	
308. <b>Loss</b> збиток.	<i>a losing someone or something.</i>
309. <b>Lost and found</b> відділ знахідок.	<i>a department of lost and found things at the railway stations, airports etc.</i>
<u>expression</u> - lost benefit – втрачена вигода, користь.	
310. <b>Lucrative</b> прибутковий.	<i>bringing plenty of money.</i>

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## M

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311. <b>Macroeconomics</b> макроекономіка.	<i>income theory based on the balance of demand (consumer, business, government) with supply of goods, stimulated by encouragement of private expenditure and government deficit spending conceived in 1935 by English economist John Maynard Keynes.</i>
312. <b>Maintain</b> утримати. maintenance утримання.	<i>to remain unaltered.</i>  <i>keeping safe.</i>
313. <b>Mail order catalogue</b> каталог посилочної торгівлі	<i>catalogue of things sent by mail, goods to be delivered by mail.</i>
314. <b>Mall</b> вулиця з великою кількістю крамниць.	<i>a complex of retail stores, restaurants and businesses.</i>
315. <b>Majority shareholder</b> акціонер, який тримає контрольний пакет акцій.	<i>who keeps the greater part of shares.</i>
316. <b>Management</b> адміністрація, управління, керівництво. manager керівник.	<i>ruling a business or other collective enterprise.</i>  <i>someone who manages a company, department or institution.</i>
317. <b>Manual</b> інструкція, довідник, посібник, ручний.	<i>book containing information, set out briefly, done by the hands.</i>

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<p><b>318. Manufacture</b>          виготовляти.          manufacturer          виробник.</p>	<p><i>the making of things on large scale, by hand or machine or both.</i>  <i>a person or an enterprise which produces goods.</i></p>
<p><b>319. Margin</b>          межа, границя.          marginal          граничний, крайній.  <u>expressions:</u>          - marginal costs – граничні витрати;          - marginal propensity – гранична схильність.          - marginal revenue – граничний дохід (щорічний)</p>	<p><i>limiting edge.</i>  <i>close to the limit of acceptability.</i></p>
<p><b>320. Market</b>          ринок.  <u>expressions:</u>          - marketability – можливість реалізувати товар на ринку;          - market analysis – - аналіз ринку;          - market conditions – ринкові умови;          - market demand – ринковий попит;          - market economy – ринкова економіка;          - market entry – поява на ринку;          - market equilibrium – ринкова рівновага;          - marketing – маркетинг;          - marketing research – маркетингове дослідження;          - marketing strategy – стратегія маркетингу;          - market penetration – проникнення на ринок;          - market saturation – - насичення ринку;          - market segmentation – сегментація ринку;          - market tendencies – тенденції ринку;          - market value – ринкова вартість.          *MARKET ECONOMY – an economy in which the what, how and for whom questions concerning resource allocation are primarily determined by supply and demand in markets.          In this form of economic organisation, firms, motivated by the desire to maximize profits, buy inputs and produce and sell outputs.</p>	<p><i>a place where many sellers display and sell their goods.</i></p>
<p><b>321. Mark-up</b>          - наддаток,          - націнка.</p>	<p><i>an increase in the price of a thing, the amount added to the cost of an article that will cover overhead and produce a net profit</i></p>
<p><b>322. Marketing</b>          маркетинг.</p>	<p><i>the gathering of information about customer's likes and dislikes of certain goods and services</i></p>
<p><b>323. Maturity</b>          строк погашення,          високий рівень розвитку.</p>	<p><i>the quality or state of being mature, a becoming due.</i></p>
<p><b>324. Maximize</b>          доводити до          максимальної величини.</p>	<p><i>to magnify to the greatest possible degree.</i></p>

325. **Means of production**  
засоби виробництва.
326. **Merchandise**  
товари, цінності.
327. **Merchantilism**  
меркантилізм.
328. **Merge**  
зливатися.  
merger  
злиття.  
expression:  
- transnational merger – злиття підприємств, що знаходяться в різних країнах
329. **Microeconomics**  
мікроекономіка.
330. **Middleman**  
комісіонер, посередник.
331. **Minimize**  
доводити до  
мінімальної величини.
332. **Misallocation**  
нерациональне використання
333. **Mint**  
монетний двір.  
expressions:  
- Royal Mint – Королівський монетний двір (London)  
- US Mint – Монетний двір США.
334. **Monetary policy**  
грошово-кредитна політика.
335. **Money**  
гроші.
- expressions:  
- \* claim – грошова вимога;  
- \* creation – емісія грошей;  
- \* order – грошовий переказ;  
- \* stock – резерв грошей;  
- \* supply – грошова маса в обігу;  
- \* transfer – міжбанківський грошовий переказ;  
- to draw money from an account – знімати гроші з рахунку;  
- to keep money with the bank – зберігати гроші в банку.
- that which enables some purpose to be fulfilled*
- goods bought and sold in commerce.*
- trade and commerce, the theory (16th -17th c.) that a country's strength and prosperity depended on the amassing of bullion reserves. This was to be achieved by developing production for export and prohibiting the export of bullion.*
- to unite or blend two or more things-companies or businesses.*
- the study of economics, dealing with individual decision and its effect on prices, supply, demand resources and the free market.*
- anyone engaged in trade, who buys goods from the producer and sells them to the retailer or consumer to reduce to the smallest possible degree or amount.*
- to allocate badly or mistakenly.*
- a place where official coins are made.*
- government action that has a direct impact on the amount of money in circulation.*
- anything that serves as a medium of exchange for goods and services in the form of tokens which have a value established by a commonly recognized authority e.g. the government or a country.*

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<b>336. Monitoring</b> контроль, наглядати.	<i>to check, to control.</i>
<b>337. Monopoly</b> монополія.	<i>exclusive control of the supply of a product or service in a particular market.</i>
<b>338. Monopsony</b> монопсонія	<i>a market with one buyer, opposed to a monopoly</i>
<b>339. Mortgage</b> застанва під нерухомість. mortgagee кредитор по заставі. mortgager боржник по заставі.	<i>a conditional conveyance of land, a house etc. as security for a loan. The property remains in the possession of a borrower but may be claimed by the lender if the loan and interest are not paid according to the agreed terms.</i>
<b>340. Mutual obligations</b> взаємні зобов'язання.	<i>promise given to each other.</i>

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## N

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<b>342. National debt</b> державна заборгованість.	<i>the amount of money owed by a national government, issued to finance budget temporary emergencies (flood, fire, drought, famine, war) and public works.</i>
<b>343. National income</b> національний дохід.	<i>the net product of the goods and services consumed, plus the net change in capital stock, within a national economic unit.</i>
<b>344. Negotiate</b> вести переговори, обговорювати. negotiation ведення переговорів.	<i>to discuss something in order to reach an agreement.</i>
<b>345. Net</b> нетто, чистий дохід. <u>expressions:</u> - * assets – чисті активи; – * capital – чистий капітал; - * cost – чиста собівартість; – * loss – чистий збиток; - * earnings – чисте надходження; – * weight – чиста вага; - * income – чистий дохід; – network – мережа.	<i>clear of all charges (net profit), clear of tare</i>
<b>346. Niche</b> ніша.	<i>a place or position precisely suited to a person's talents.</i>
<b>347. Nominal</b> номінальний. <u>expressions:</u> - nominal account – номінальний рахунок; - nominal capital – номінальний капітал.	<i>normal, without unexpected deviation.</i>
<b>348. Non-resident</b> іноземний, не резидентський.	<i>living elsewhere.</i>

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349. <b>Nonsolvency</b> неплатоспроможність.	<i>having no ability to pay.</i>
350. <b>Notary public</b> нотаріус.	<i>a public officer appointed to administer oaths, draw up documents etc.</i>
351. <b>Null</b> недійсний.	<i>having no force in law.</i>

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## O

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352. <b>Objective</b> мета, ціль. <u>expressions:</u> - corporate objective – мета діяльності фірми; - revenue objective – запланований прибуток, дохід.	<i>an aim or goal.</i>
353. <b>Obligation</b> зобов'язання, обов'язок. <u>expression:</u> - obligation of contract – зобов'язання по контракту.	<i>something which a person is bound to do, moral responsibility.</i>
354. <b>Obligatory fees</b> обов'язкові збори.	<i>which must be paid as required by civil or moral law.</i>
355. <b>Obsolescence</b> застарілість технічного обладнання. obsolete застарілий.	<i>out of date (technically outdated)</i>  <i>outdated</i>
356. <b>Obstacle</b> (impediment) перешкода.	<i>an obstruction, something which prevents a forward movement or course of action.</i>
357. <b>Obtain</b> отримати.	<i>to become the possessor, to possess.</i>
358. <b>Occupation</b> професія, фах.	<i>an activity by which one earns one's living or fills one's time.</i>
359. <b>Offer</b> пропозиція, пропонувати. <u>expressions:</u> - offer or bid a price – пропонувати ціну; - offer consultation – надавати консультацію.	<i>to put forward for acceptance, something offered for acceptance.</i>
360. <b>Office</b> бюро, офіс, канцелярія. <u>expression:</u> - head office – головна контора.	<i>a room or premises for administrative or clerical work, or for transacting business.</i>
361. <b>Offshore banking</b> офшор	<i>banking regulation is low or at least business friendly</i>
362. <b>Oligopoly</b> олігополія	<i>a market characterized by a few large producers</i>
363. <b>Open-door policy</b> політика відкритих дверей.	<i>a policy of maintaining trade and other relations on equal terms with all nations without discrimination.</i>

- 364. Operate** *to buy and sell, to manage, run.*  
діяти, здійснювати операції.  
expressions:  
- operating expenses – експлуатаційні витрати;  
- \* income – дохід від основної діяльності;  
- \* manual – підручник;  
- \* profit – умовно чистий прибуток;  
- \* ratio – коефіцієнт витрат;  
- \* surplus – резервний капітал;  
- \* management – управління виробництвом.
- 365. Opportunity costs** *an alternative investment which is given up for another*
- 366. Offshore funds** *investments made from outside the USA avoiding certain taxes and controls.*  
іноземні фонди.
- 367. Option** *a choosing, the right, usually purchased or selling something, at a certain rate and in a certain time.*  
вибір, опціон.
- 368. Oral contact** *a contact which is not in writing*  
словесний контакт
- 369. Order** *the condition where everything is controlled, the goods supplied, a written direction to pay money, commands issued by the authority.*  
замовляти, замова,  
порядок, наказ.  
expressions:  
- to comply with orders – виконувати наказ;  
- defense order – оборонне замовлення;  
- government order – державне замовлення;  
- passing order – термінове замовлення.
- 370. Output** *the total product of a factory.*  
продукція, випуск.
- 371. Outright** *straightforward payment.*  
пряма оплата.
- 372. Outgoings** *expenditures.*  
витрати.
- 373. Outstanding debt** *not yet settled or completed.*  
заборгованість.  
expression:  
- \* loan – неоплачені борги.
- 374. Overdraft** *the overdrawing of a bank account.*  
заборгованість банку, овердрафт,  
перевищення кредиту.
- 375. Overtime** *extra time work, beyond regular hours.*  
надурочні години.
- 376. Owner** *someone who possesses something.*  
власник.  
expression:  
- ownership rights – права власності.

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## P

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- 377. Package** *a box or wrapper in which something is packed.*  
упаковка.  
expressions:  
- customer-size package – дрібне фасування;  
- packaging – пакування, упаковка.
- 378. Pad** *to increase by adding.*  
збільшувати.  
expression:  
- to pad social security payment – збільшувати виплати по соціальному забезпеченню.
- 379. Parent company** *main (major) company.*  
основна компанія.
- 380. Parity** *equality in status, values, purchasing power at a legally fixed ratio.*  
паритет, рівність.
- 381. Parliamentary procedure** *parliamentary course of action.*  
парламентська процедура.
- 382. Participate** *take part, to be active in some activity, the act of participating.*  
participation  
брати участь, участь.  
expression:  
- participation in the profit – участь у прибутку.
- 383. Partner** *someone associated with another in common undertaking or business.*  
партнер, учасник  
expressions:  
- partners' agreement – договір партнерів;  
- partnership – товариство, партнерство.
- 384. Part-time work** *half – paid work.*  
робота на половину ставки.
- 385. Passbook** *a small book supplied by a bank to the holder of an account, in which the bank enters his debits and credits.*  
ощадна книжка.
- 386. Patent** *an official paper conferring a right privilege etc., issued by a government guaranteeing an inventor and his heirs exclusive rights over an invention, process etc.*  
патент, патентувати.  
expressions:  
- patent infringement – порушення патентного закону;  
- patent of invention – патент винаходу.
- 387. Patronage** *the material help and encouragement given by a patron, the special protection of a patron saint.*  
заступництво, захист.
- 388. Pattern** *a model to be followed, a sample, structure.*  
зразок, схема, структура.  
expressions:  
- pattern of growth – зразок росту;



- patterns of ownership – типи(форми) власності;  
 - behaviour pattern – характер поведінки (покупця);
389. **Pawn** (pledge) *to hand over as a pledge or security for a loan of money.*  
 застава, зalog,  
 віддавати під заставу.
390. **Pay** *to give money in return for goods, work or services,  
 money received as wages or salary for work or services.*  
 плата, платня, платити.  
expressions:  
 - to pay in – класти гроші на рахунок;  
 - to pay off – закінчити сплачування;  
 - to pay out – розподіляти гроші;  
 - to pay up – платити вчасно та повністю;  
 - payday – день отримання заробітної плати;  
 - payee – одержувач платежів (ремітент);  
 - payer – платник;  
 - payment transfer – переказ платежів;  
 - payroll – платіжна відомість, фонд заробітної плати.  
 - payment – плата.
391. **Penalty** *a punishment for breaking a law, a fine.*  
 штраф.
392. **Penetrate** *to make or force a way through.*  
 проникати.
393. **Pension** *a sum of money paid regularly to a person who  
 no longer works, because of age or other reasons.*  
 пенсія.  
expressions:  
 - pension fund – пенсійний фонд.
394. **Per capita** *per head of population, for each person.*  
 на душу населення.
395. **Percent** (p.c., per.) *a hundredth part. 12 is 1% of 1,200.*  
 percentage  
 відсоток.
396. **Performance** *fulfilment, accomplishment, something in action  
 (bank performance).*  
 діяльність, робота,  
 функціонування.
397. **Period** *a portion of time, the interval of time.*  
 період.  
expressions:  
 - period of distribution – період розміщення цінних паперів;  
 - period of unemployment – період перебування без роботи;  
 - breaking-in period – період освоєння нової техніки;  
 - down-time period – період простою.
398. **Perishable** *products (for example) which suffer ruining or destruction.*  
 швидкопсувний.

- 399. Permission** *freedom, power, privilege which one person or authority grants to another, to give some right or opportunity.*  
 permit  
 дозвіл, ліцензія, давати дозвіл.
- 400. Perpetual** *eternal, everlasting, constant.*  
 безстроковий, постійний.
- 401. Person** *a man, woman or child, regarded as having a distinct individuality or personality.*  
 особа.  
expressions:  
 - personal funds – власні кошти;  
 - personal income – особистий дохід;  
 - personal property – особиста власність;  
 - personnel (stuff) – персонал, штат;  
 - personnel training – підготовка кадрів;  
 - person (physical entity) – фізична особа;  
 - legal entity – юридична особа
- 402. Perspective** *evaluation of events according to a particular way of looking at them.*  
 перспектива.
- 403. Physiocrat** *an economic theory put forward by the Frenchman Francois Quesnay (1694-1774) that land is a source of all wealth and that it alone should be taxed. The physiocrats held that economic law is immutable, (unchangeable) and advocated total freedom of trade. Their views influenced Adam Smith.*  
 фізіократ.  
*work paid for the amount done, not by the time taken.*
- 404. Piece work**  
 відрядна, поштучна робота.
- 405. Plan** *a proposed or intended course of action, to devise a program of action.*  
 план, планувати.  
expressions:  
 - Keynes Plan – План Кейнса (створення Міжнародної валютної системи (1943-44)  
 - Marshall Plan – програма економічної допомоги США Західній Європі (1948-51)
- 406. Planned economy** *in which government regulates labour, capital, etc. in order to secure success of an overall production plan, instead of leaving the forces of supply and demand to operate freely.*  
 планова економіка.
- 407. Plant** *an enterprise used to manufacture some kinds of goods or power.*  
 завод, фабрика.  
expressions:  
 - atomic power plant – атомна електростанція;  
 - chemical plant – хімічний завод;  
 - dairy plant – молочний завод;  
 - hydroelectric (power) plant – гідроелектростанція;  
 - machine-tool plant – станкобудівний завод;  
 - engineering plant – машинобудівний завод.

408. **Policy**  
політика, стратегія.
409. **Pool**  
з'єднання, з'єднати
- expression:  
- pooled investment – з'єднана інвестиція.
410. **Portfolio**  
портфель цінних паперів.
- expression:  
- portfolio investment – портфель інвестицій.
411. **Position**  
позиція, положення.
- expressions:  
- position of account – стан рахунку;  
- equilibrium position – стан рівноваги економічної системи;  
- insecure position – ненадійне становище;  
- revenue position – прибуток;  
- statistical position – кон'юнктура.
412. **Possession**  
володіння, майно.
413. **Potential**  
потенційний, можливий.
- expressions:  
- market potential – потенційний ринок;  
- potential sale – потенційний продаж.
414. **Postpone**  
відстрочка, відстрочити.
415. **Power**  
можливість, влада, сила.  
powerful  
впливовий, міцний.  
powerless  
невпливовий.
- expressions:  
- power of eminent domain – права держави на примусове відчуження особистого майна;  
- power of sale – права продажу;  
- banking power – кредитний потенціал банку;  
- competitive power – конкурентоспроможність;  
- earning power – спроможність приносити дохід;  
- executive power – виконавча влада;  
- labor power – робоча сила.
416. **Predict**  
прогнозувати.  
predictable  
прогнозований.
- a selected, planned line of conduct in the light of which individual decisions are made and coordination achieved.*
- a combination of resources for some common – enterprise, a fund common to various undertakings on the basis of shared profits and liabilities.*
- the securities etc. held by a bank, investment trust etc.*
- the place occupied by a person, financial circumstances.*
- property.*
- having the capacity to be, expressing possibility.*
- to put off.*
- physical strength, control authority.*
- to make known beforehand, to foresee, to anticipate.*  
*prediction – прогноз;*

417. **Preference** *the right to choose.*  
 перевага.  
expression:  
 - lasting preference – стійка перевага.
418. **Premises** *a piece of land, house, buildings on it.*  
 приміщення, нерухомість.
419. **Prepaid** *to pay for in advance.*  
 передплатений.
420. **Press** *to try to force or persuade.*  
 наполягати.  
 pressure *the action of pressing.*  
 тиск.
421. **Prestige** *widely acknowledged high reputation.*  
 престиж.
422. **Preventive measures** *intended to prevent something.*  
 запобіжні заходи.  
 prevention – запобігання.
423. **Price** *that which is given in return for a thing or service.*  
 ціна.  
expressions:  
 - \* adjustment – врегулювання цін;  
 - \* price earnings ratio (securities) – відношення цін до доходу;  
 - \* price shot up – ціна різко піднялась;  
 - \* price soared – ціна підскочила;  
 - to beat down prices – знижувати ціну;  
 - \* fixing – фіксація цін;  
 - \* parity – паритет цін;  
 - to settle a price – домовитися про ціну;  
 - \* stabilization – стабілізація цін;  
 - price war – цінова війна.
424. **Primary** *first in time or order of development, basic, fundamental.*  
 основний, первинний.
425. **Principle and interest** *a sum of money on which interest is earned.*  
 капітал та проценти.
426. **Priority** *the quality or state of coming first in time.*  
 першочерговість, пріоритет.
427. **Private** *belonging to a particular person or group and not shared by others.*  
 приватний.  
expressions:  
 - \* limited partnership – закрите обмежене товариство;  
 - \* ownership – приватна власність;  
 - \* property – особисте майно.
428. **Procedure** *a prescribed way of doing something.*  
 процедура.

expressions:

- \* of customs – митна процедура;

- bidding \* – процедура торгів.

429. **Produce** (issue) *to create, to manufacture.*

випускати.

430. **Producer** *a person who produces.*

виробник.

431. **Product** *something produced, grown or manufactured.*

виріб, продукт, товар.

production *producing or being produced.*

випуск, продукція.

productivity

ефективність роботи.

expressions:

- products sold – реалізований товар;

- to abandon the product – відмовитися від виробництва;

- aggregate social product – сукупний суспільний продукт;

- final product – кінцевий продукт;

- good quality product – високоякісний товар;

- hard-to-move product – товар, що погано реалізується;

- nonstorable product – товар, що не можна зберігати.

- product line – асортимент виробів;

- product liability claim – претензія по якості товару.

432. **Profit** *advantage, benefit, an excess of income over*

прибуток. *expenditure.*

expressions:

- profitability – прибутковість, рентабельність;

- profitable (lucrative) – рентабельний, прибутковий;

- profit-sharing plan – система участі в прибутках.

433. **Program** *a plan of sequence of things to be done.*

програма.

programming

програмування.

expressions:

- aid program – програма фінансової допомоги;

- certification program – програма атестації виробів;

- credit program – програма надання кредиту.

434. **Progress** *forward movement.*

прогрес.

progression *the act of going forward.*

розвиток, прогресія.

progressive *increasing in intensity.*

прогресивний.

435. **Project** *a course of action, a systematic planned undertaking.*

проект.

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436. <b>Prolong</b> відстрочити. prolongation відстрочка.	<i>to make longer, extend.</i>  <i>prolonging or being prolonged.</i>
437. <b>Promote</b> сприяти, просувати. promotion сприяння.	<i>to raise in rank or status, to push the sales</i>  <i>promoting or being promoted.</i>
438. <b>Propensity</b> схильність.	<i>tendency.</i>
439. <b>Property</b> власність. <u>expressions:</u> - * management – управління майном; - * insurance – страхування майна; - * inventory – інвентаризація майна; - * rights – права власності; - * tax – податок на володіння нерухомістю;	<i>a thing or things owed.</i>
440. <b>Prosperity</b> процвітання.	<i>the condition of high economic activity.</i>
441. <b>Protection</b> захист.	<i>to guard (home producers) from foreign competition, tby putting protective tariffs on imported goods.</i>
442. <b>Proxy</b> довіреність, повноваження.	<i>authority given by one person to another to act for him (e.g. to vote by proxy)</i>
443. <b>Public</b> суспільний, громадський, суспільство.	<i>belonging to the community as a whole, the members of the community in general.</i>
444. <b>Punctual</b> точний.	<i>occurring, arriving at the agreed or stated time.</i>
445. <b>Purchase</b> закупівля, покупка, купувати. <u>expressions:</u> - * agreement – договір на купівлю; - * and sale – купівля і продаж; - * for cash – купівля за готівку.	<i>to acquire by paying money.</i>

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## Q

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446. <b>Qualification</b> кваліфікація. qualified кваліфікований.	<i>a skill, quality fitting a person for particular work.</i>
447. <b>Quality</b> якість.	<i>grade, degree of excellence.</i>

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448. <b>Quantity</b> кількість.	<i>an amount.</i>
449. <b>Quarter(ly)</b> квартал(ьний) чверть.	<i>a fourth part of a year.</i>
450. <b>Queue / line</b> черга.	<i>a line of people awaiting their turn.</i>
451. <b>Quota</b> квота, норма.	<i>limit set on some class of things or persons.</i>
452. <b>Quote</b> назначати ціну, цитувати.	<i>to state the price of something, to repeat somebody's words.</i>

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## R

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453. <b>Race</b> гонка, змагання.	<i>a contest.</i>
454. <b>Rare</b> рідкісний.	<i>frequently found, seen or experienced, unusually good, appealing.</i>
455. <b>Rally</b> пожвавлювати попит.	<i>to rise again in price after its fall.</i>
456. <b>Rate</b> курс, ставка, сорт, показник.	<i>the amount of something in relation to other things, a fixed ratio between two things, a class of something, an indicator.</i>
<u>expressions:</u>	
- at any rate – будь-якою ціною;	
- rate of exchange – курс обміну;	
- at an easy rate – дешево;	
- to step up the rate of economic growth – прискорити темп економічного зростання;	
- rate of unemployment – процент безробітних;	
- current rate – поточний показник.	
457. <b>Ratification</b> затвердження, ратифікація.	<i>confirmation.</i>
458. <b>Ratio</b> відношення.	<i>the relation between two quantities which is expressed by the dividing the magnitude of one by that of the other.</i>
<u>expression:</u>	
- ratio analysis – аналіз кількісного відношення.	
459. <b>Raw</b> невироблений, сирий.	<i>unprocessed, unfinished.</i>
<u>expressions:</u>	
- raw data – необроблені дані;	
- raw material – сировина.	
460. <b>Readiness</b> готовність.	<i>the state of being ready.</i>
461. <b>Real</b> реальний.	<i>existing in fact, not merely seeming.</i>

expressions:

- real estate – нерухоме майно;
- real earnings – реальні надходження;
- real GNP – реальний валовий національний продукт;
- real income – реальний дохід;
- realtor – посередницький агент по продажу/купівлі майна;
- real wages – реальна заробітна плата.

462. **Realize** *to make real, or actual.*

реалізувати, здійснити.

463. **Receipt** *a formal written document that something has been received.*

квитанція; розписка.

464. **Recession** *temporary falling off business activity less than a depression.*

рецесія, спад.

465. **Recipient** *someone who receives.*

одержувач.

expressions:

- \* of dividend – дивіденду;
- \* of funds – грошей;
- \* of grant – субсидій.

466. **Recognition** *acknowledgement.*

визнання.

recognized

визнаний.

467. **Record** *a minute or official text, to register.*

запис, записувати.

expression:

- record – keeping – бухгалтерський облік.

468. **Recover** *to return to a normal condition of prosperity,*

відтворення, збирати борги.

*to obtain, to collect debts.*

469. **Recycling** *to process so that basic raw material may be used again.*

переробка вторинної сировини.

470. **Red** *deficit, debt.*

пасив, дефіцит.

expressions:

- to be in the red – мати заборгованість;
- red tape – бюрократичні затримки.

471. **Redeem** *to change or convert, to get back.*

викупати.

redemption

*redeeming or being redeemed.*

викуп, погашення.

472. **Reduction** *a reducing or being reduced.*

зменшення.

473. **Refinancing** *additional money supply.*

додаткове фінансування.



474. <b>Refund</b> повернення, повернути, відшкодування (відшкодування)	<i>to pay back, a repayment.</i>
475. <b>Register</b> зареєструвати журнал. registered зареєстрований.	<i>a book in which a record is kept, to record. being recorded.</i>
476. <b>Regress</b> економічний спад, регрес.	<i>a tendency to decline.</i>
477. <b>Regulation</b> правило. <u>expression</u> - regulatory agency – контрольний орган.	<i>a rule.</i>
478. <b>Reliability</b> надійність.	<i>the state or quality of being reliable.</i>
479. <b>Remit</b> пересилати. (transfer) <u>expressions:</u> - remit via mail – переказувати поштою; - remittance – грошовий переказ.	<i>to send to an authority for further consideration.</i>
480. <b>Renew</b> (renovate) замінити, оновлювати.	<i>to make new again, to make as good as new.</i>
481. <b>Rent</b> рента, кв. плата, давати на прокат. <u>expression:</u> - rental agreement – договір про оренду.	<i>a payment made usually at fixed intervals to an owner of land or property.</i>
482. <b>Report</b> доповідь (учбова), звіт (фін.).	<i>a formal account.</i>
483. <b>Representative</b> представник. <u>expression:</u> - representative office – представництво; - authorized representative – повноважний представник.	<i>a person who is appointed to act or speak for another person or for a country, company, etc</i>
484. <b>Request</b> запит, вимога.	<i>an act of requesting something, requirement.</i>
485. <b>Reserve</b> резерв, запас.	<i>something set aside for future use, assets kept available as cash.</i>
486. <b>Resign</b> піти у відставку. resignation відставка.	<i>to leave an occupation.</i>
487. <b>Resource</b> ресурс.	<i>a source of supply or support.</i>

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<b>488. Responsibility</b> відповідальність. <u>expressions:</u> - to assume responsibility – взяти відповідальність на себе; - to release from responsibility – звільнити від відповідальності.	<i>the state or quality of being responsible.</i>
<b>489. Restrict (limit)</b> обмежити.	<i>to keep within certain limits.</i>
<b>490. Resume</b> поновити.	<i>to begin again.</i>
<b>491. Retail(ing)</b> роздрібна торгівля. <u>expressions:</u> - retailer – роздрібний торговець; - retail price – роздрібна ціна.	<i>the sale of goods in small quantities directly to consumers.</i>
<b>492. Revenue</b> дохід, надходження, прибуток.	<i>the annual or periodic income.</i>
<b>493. Right</b> право. <u>expressions:</u> - right of ownership – право власності; - right of redemption – право викупу.	<i>which is morally or legally right.</i>
<b>494. Risk</b> ризик.	<i>the possibility of danger.</i>

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## S

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<b>495. Salable</b> який користується великим попитом.	<i>capable of being sold or fit to be sold.</i>
<b>496. Salary</b> заробітна плата.	<i>a fixed regular payment monthly or yearly.</i>
<b>497. Sale</b> продаж. <u>expressions:</u> - sale at auction – продаж на аукціоні; - sale of stock – продаж акцій; - sales – збут; - sales analysis – аналіз можливостей збуту; - sales promotion – просування товару; - sales tax – податок з обороту; - salesman – продавець.	<i>a sale or being sold, the amount of goods sold</i>
<b>498. Sample</b> зразок, модель.	<i>example, model.</i>

expressions:

- to be according to sample – відповідати зразку;

- product sample – зразок виробу.

499. **Sanction** *a penalty for violation.*

санкція.

500. **Satisfaction** *a source or cause of pleasure.*

задоволення.

expression:

- satisfaction of debt – погашення боргу.

501. **Saturate** *to fill completely the market*

saturation

насичувати.

502. **Save** *to economize, an economy of time or money.*

заощаджувати.

savings

заощадження.

expression:

- savings bank – ощадний банк.

503. **Scale** *marks used in measuring lengths, temperatures,*

розмір, масштаб. *degree (scale of salary)*

504. **Scarce** *limited.*

scarcity

дефіцитний, рідкісний, дефіцит.

505. **Schedule** *a timed program or procedure, a timetable, the*

графік, *list of occupations.*

scheduled

запланований.

506. **Scrutiny** *close searching, examination.*

розгляд, перевірка, дослідження.

507. **Seal** *a sign attached to a document.*

печатка, клеймо, опечатувати.

508. **Securities** *a bond, stock certificate given as evidence of*

цінні папери. *a debt or of property.*

509. **Seesaw** *rising and falling, inconsistency of economic policy.*

непослідовність

економічної політики.

510. **Segment** *a part.*

частка, сегмент.

511. **Self governance** *administering its own government without inter-*

самоврядування. *ference from any other state.*

self-service

самообслуговування. *a shop etc. where the customer selects and*

512. **Sell** *to dispose goods, property or rights in exchange*

продавати. *for money.*

expressions:

- to sell a bear – грати на зниження;
- to sell a bull – грати на підвищення.

513. **Semi-manufactured goods** *not ready for use.*

напівфабрикати.

514. **Sensitive market** *quick to react to external influences.*

нестійкий ринок.

516. **Service** *a product of human activity meant to satisfy a human need.*

обслуговування, сервіс, служба.

expressions:

- service charge – плата за послуги;
- service economy – економіка з переважанням обсягу послуг;
- service worker – робітник, що працює у сфері обслуговування.

517. **Settlement** *a choice or decision to end a controversy.*

розрахунок.

expression:

- settlement of disputes – владження суперечок, конфліктів.

518. **Set** *a number of things related to one another by similarity, considered as a whole.*

комплект, набір,  
асортимент, партія.

519. **Share** *one of the equal parts into which the capital of a corporation is divided.*

акція, пай.

expressions:

- shareholder – акціонер;
- shareholders' equity – акціонерний капітал, власний капітал.
- share of profits – частка прибутку.

520. **Shift** *a change of position, place, direction or condition, work in turn.*

переміщення, робоча зміна.

521. **Ship** *any large seagoing vessel, to send goods by ship*

корабель; перевозити.

expressions:

- shipload – корабельний вантаж;
- shipment – відправка вантажу;
- ship owner – судовласник;
- shipping and receiving – відвантаження і отримання;
- shipping documents – вантажні документи.

522. **Shortage** *the fact that there is less of something than is required.*

(shortfall)

дефіцит, нестача.

523. **Signature** *a person's name written by himself.*

підпис.

524. **Skill** *ability to do something well as a result of long practical experience.*

майстерність, вміння.

525. **Smuggling** *to import or export goods without paying duties*

контрабанда.

526. **Social welfare**  
соціальний добробут.
527. **Solvency**  
життєздатність,  
платоспроможність.
528. **Solution**  
рішення.  
expression:  
- optimal solution – оптимальне рішення.
530. **Source**  
джерело.
531. **Speculate**  
speculator  
грати на біржі,  
спекулянт, біржовик.
532. **Speedup**  
прискорення, підвищення  
продуктивності виробництва.
533. **Spendings**  
витрати.
534. **Spoil(ed)**  
зіпсувати, зіпсований.
535. **Stagnation**  
застій виробництва.
536. **Standard**  
звичайний, стандарт.  
expression:  
standard of living – рівень життя.
537. **Staple**  
основний продукт.
538. **Startup capital**  
початковий (стартовий) капітал.
539. **Statement**  
заява.  
expression:  
- statement of claim – заява про позов.
540. **State Property Fund of Ukraine**  
Фонд Державного Майна України.
541. **Statistics**  
статистика.  
expression:  
- statistical analysis – статистичний аналіз.
542. **Stationery**  
канцелярські товари.
- the state of being healthy, happy and satisfied with level of life.*
- having enough money.*
- the answer to a problem.*
- a person, book, document etc. consulted for information or providing initial inspiration, starting point.*
- to undertake commercial transactions, involving serious risk, to buy and sell to get large profit, consider, guess. Someone who speculates.*
- an increase in speed and output, not accompanied by an increase in salary.*
- paying out money for purchases.*
- broken, unavoidable waste, the process of decay*
- motionless.*
- a model to be followed or imitated, usual, level of achievement.*
- the principle commodity.*
- capital beginning to function.*
- that is stated, an application.*
- the collection and study of data.*
- writing materials.*

543. **Statute** *a law passed by a legislative body.*  
 статут, устав.
544. **Stock** *shares of corporate capital, an accumulation of things as a source of supply.*  
 акція, запас.  
expressions:  
 - stock company – акціонерна компанія;  
 - stock exchange – фондова біржа;  
 - stockholder – акціонер;  
 - stock option – акціонерний опціон.
545. **Storage** *a storing or being stored, space for storing.*  
 складування, склад.
546. **Strategic planning** *economy – research program.*  
 стратегічне планування.
547. **Structure** *something made of parts joined together.*  
 структура.
548. **Subordinate** *inferior in rank, order or importance, considered as of secondary importance.*  
 підпорядкований.  
 другорядний.  
 розташований нижче.
549. **Subsidiary** *controlled by another company.*  
 дочірнє підприємство.
550. **Subsidize** *to pay a subsidy (nonreturnable sum of money)*  
 субсидувати.
551. **Subsistence** (existence) *a means of providing oneself with the necessities of life.*  
 існування.
552. **Substantial** *a firmly based, great in size, value or importance.*  
 суттєвий, значний.
553. **Substitute** *to take the place of another person, or thing*  
 змінювати, заміщати.
554. **Successor** *a person that succeeds another.*  
 правонаступник.
555. **Supervise** *to inspect, to superintend work.*  
 інспектувати, наглядати.  
expressions:  
 - supervision – інспектування;  
 - supervisory council – наглядова рада.
556. **Supply** *the amount or quantity of goods available on the market for purchase.*  
 постачання, пропозиція.
557. **Support** *to assist or strengthen morally.*  
 підтримка.  
expressions:  
 - support of prices – підтримка цін;  
 - to give active selling support to the product – активно збувати товари за допомогою реклами.

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558. <b>Surplus</b> надлишок, надлишковий. <u>expression:</u> - surplus of goods – товарний надлишок.	<i>excess in receipts (прибуток) over expenditure</i>
559. <b>Survey</b> обстеження, анкетування, описування.	<i>to examine in detail, general inspection, careful examination.</i>
560. <b>Sustained inflation</b> тривала інфляція, постійна	<i>prevented from falling.</i>
561. <b>Syndicate</b> синдикат	<i>a group of persons or firms authorized jointly to promote some common interest.</i>
562. <b>Swap</b> обмін.	<i>exchange.</i>

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## T

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563. <b>Table</b> tabulation таблиця.	<i>an arrangement of facts in vertical columns.</i>
564. <b>Takeover</b> злиття компаній, приєднання компаній.	<i>the assuming of control, ownership, or management of corporation.</i>
565. <b>Tangible assets</b> матеріальні ресурси.	<i>being a real item able to be valued.</i>
566. <b>Tare</b> тара.	<i>any kind of container or package.</i>
567. <b>Tariff</b> тариф, тарифікувати, розцінка.	<i>duties imposed by a government on goods imported or exported.</i>
568. <b>Tax</b> податок. <u>expressions:</u> - taxable income – дохід, що підлягає оподаткуванню; - tax assessment – обкладання податком; - taxation – оподаткування; - tax benefits – пільги; - tax burden – податковий тягар; - underpaid taxes – несплачені податки; - tax evasion – уникнення сплати податків; - tax exemption – звільнення від оподаткування; - tax rate – податкові ставки; - tax reduction – зниження податків.	<i>a charge on person's income, property, or on the price of goods sold.</i>
569. <b>Technocracy</b> технократ.	<i>governed by technical experts.</i>

570. **Teller** *a bank employee who receives or pays out money*  
 банківський службовець, касир.
571. **Tenancy**, tenant, tenure. *property hold by a tenant, someone holding real estate by any kind of right.*  
 володіння, власник.
572. **Term** *a period of time, requirements as to conditions (terms of agreement)*  
 строк, умова (в контракті)  
expressions:  
 - terms of payment – строки (умови) оплати;  
 - terms of trade – умови торгівлі.  
 - equal terms – однакові умови.
573. **Tick** *credit.*  
 кредит.  
expression:  
 - to buy on tick – купувати в кредит.
574. **Tight** *in short supply, characterized by scarcity.*  
 обмежений.  
expressions:  
 - tight labor market – ринок праці з високим попитом на робочу силу;  
 - tight market – перевищення попиту над пропозицією, ринок з недовідатньою пропозицією.
575. **Total** *entire, constituting the whole.*  
 загальний.  
expressions:  
 - total assets – загальна вартість майна;  
 - total expenses – загальні витрати;  
 - total revenue – загальний дохід;  
 - total weight – вага бруто;  
 - totalize – підводити підсумки;
576. **Trade** *the business of distribution, selling and exchange occupation, to make an exchange with someone.*  
 торгівля, торгувати, професія.  
expressions:  
 - \* agreement – торгівельна угода;  
 - \* balance – торговий баланс;  
 - \* barrier – торговий бар'єр;  
 - \* deficit (surplus) – дефіцит (надлишок) торгового балансу;  
 - \* mark – торгівельна марка (знак);  
 - \* turnover – торговий оборот;  
 - \* unions – профспілки;  
 - trading volume – обсяг торгівлі.
577. **Transaction** *the performance or management of business, a deal.*  
 операція.
578. **Transfer** *to move from one position to another, to pass*  
 передача, передавати.  
expressions:  
 - transfer of funds – переказ грошей;  
 - transfer of goods – перевезення вантажів.



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579. <b>Treasurer</b> treasury скарбник, казначейство.	<i>an official in charge of the finances of a government or society.</i>
580. <b>Trend</b> (direction) напрям.	<i>a tendency, general direction.</i>
581. <b>Trust</b> trustee довіра, опікун.	<i>a confidence in a person or thing, an association of companies organized for defeating competition.</i>
582. <b>Trustworthy</b> zasлужує на довіру	<i>deserving trust.</i>
583. <b>Turnover</b> оборот, оборотність.	<i>the total money received by a business from sales, the cycle of purchase.</i>

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## U

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584. <b>Unable to pay</b> неплатоспроможний.	<i>having no possibility to pay.</i>
585. <b>Unavailable</b> , unavailability невідповідний, невідповідність.	<i>not ready for use.</i>
586. <b>Unbalanced</b> незбалансований.	<i>lacking balance.</i>
587. <b>undercapacity</b> недостатність виробничої потужності.	<i>lacking capacity.</i>
588. <b>undercharge</b> знижити ціну.	<i>to charge goods at a lower price than is usual</i>
589. <b>Underdeveloped</b> countries слаборозвинуті країни.	<i>less developed industrially or economically.</i>
590. <b>Underground economy</b> підпільна економіка.	<i>illegal, secret, not public, hiding capital.</i>
591. <b>Underemployment</b> неповна зайнятість.	<i>part – time employment.</i>
592. <b>Underestimate</b> занижати, недооцінювати.	<i>to rate something or someone below true worth undervalue</i>
593. <b>Underpay</b> (underpaid) низькооплачуваний.	<i>to pay less than is just or adequate.</i>
594. <b>Underproduce</b> (underproduction) недовиробляти.	<i>to produce the amount that is too small to satisfy demand.</i>
595. <b>Understaffed</b> недоукомплектований.	<i>lacking personnel.</i>
596. <b>Under the counter</b> з-під поли.	<i>to sell something secretly or illegally.</i>

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597. <b>Undertake</b> undertaking undertaker розпочинати, підприємець.	<i>to promise to do something, to assume responsibility.</i>  <i>a businessman.</i>
598. <b>Unemployment</b> безробіття. <u>expressions:</u> - * benefit – допомога по безробіттю; - * insurance – страхування від безробіття;	<i>the state of being unable to secure paid employment.</i>
599. <b>Unload</b> розвантажувати.	<i>to remove goods from a vehicle or vessel.</i>
600. <b>Unskilled</b> некваліфікований.	<i>not skilled.</i>
601. <b>Unique</b> унікальний.	<i>being the only one of its kind, rare, unusual</i>
602. <b>Upgrading</b> (upgrade) підвищення якості.	<i>improving, increasing, to improve.</i>
603. <b>Upturn</b> поліпшення економічного становища.	<i>to direct upward.</i>
604. <b>Urgent</b> негайний, терміновий.	<i>requiring immediate attention.</i>
605. <b>Utility</b> вигідність, корисність. <u>expressions:</u> - utilities – комунальні підприємства; - utilize – використовувати.	<i>the quality of being useful.</i>

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## V

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606. <b>Vacant</b> (vacancy) вакантний.	<i>empty, not filled, unoccupied.</i>
607. <b>Valid</b> (validity) дійсний.	<i>in conformity with the law, based on sound principle, to be in agreement with facts.</i>
608. <b>Value</b> (worth) вартість. <u>expressions:</u> - * added tax (VAT) – податок на додану вартість (ПДВ); - * of exports / imports – вартість експорту/імпорту; - * of money – вартість грошей; - * of production – вартість виробленої продукції; - * of work in progress – вартість незакінченого виробництва.	<i>the monetary equivalent of something.</i>
609. <b>Variable</b> змінний, мінливий.	<i>able to be changed.</i>

expressions:

- \* exchange rate – плаваючий обмінний курс;

- \* prices – нестійкі ціни.

610. **Venture capital** *involving a risk.*

вкладання капіталу з ризиком,  
спекулятивний капітал.

611. **Verbal agreement** *not written.*

усна домовленість.

612. **Viability** *economically, politically, socially able to be  
independent, able to maintain independent life*

життєздатність.

613. **Vice** *a fault.*

дефект.

expression:

- vice – president – замісник президента.

614. **Violation** *break.*

порушення.

615. **Void** *to liquidate, to annul.*

ліквідувати.

616. **Volume** *the amount, quantity of something.*

величина, обсяг.

617. **Vote** *a formal expression of opinion.*

голос, голосувати.

expressions:

- \* of confidence – вотум довіри;

- \* of no confidence – вотум недовіри.

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## W

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618. **Wage** *reward received by workers in the form of a weekly  
payment.*

заробітна плата.

expression:

- \* – incentive – матеріальний стимул.

619. **Warehouse** *a building where goods are stored.*

товарний склад.

620. **Warrant** (warranty) *legal authorization, to guarantee.*

свідоцтво, записка, гарантувати.

621. **Way bill** *a document containing information as to the nature of  
shipment of goods in transit and instructions for delivery.*

накладна.

622. **Weight** (mass) *the amount of matter.*

вага, маса.

623. **Welfare** *the state of being healthy, happy and free from want.*

добробут.

- 
624. **Wholesale** *the sale of goods in large quantities.*  
оптова торгівля.  
expressions:  
- \* and retail – оптова та роздрібна торгівля;  
- \* price – оптова ціна;  
- wholesaler – оптовий торговець.
625. **Withdraw** *to take away.*  
анулювати.  
expressions:  
- \* a bid – анулювати пропозицію;  
- \* an order – анулювати замовлення.
626. **Work** *physical or mental activity, to engage in activity*  
робота, праця, працювати.  
expressions:  
- \* and leisure – робота та дозвілля;  
- \* experience – професійний досвід;  
- working capital – оборотний капітал (фонд);  
- \* team – бригада.
- 

## Y

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627. **Yield** *profit, to bring in as a profit.*  
прибуток, давати прибуток.  
expressions:  
- \* of output – обсяг випуску продукції;  
- \* on capital – дохід капіталу;  
- \* on shares – виплата по акціях.
- 

## Z

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628. **Zero economic growth** *absence of growth.*  
нульове економічне зростання.

## 4.2. Grammar reference

### Present progressive

Functions	Examples
1. Something is happening at the time of speaking.	I'm studying now.
2. Something is happening around the time of speaking.	Have you heard about Tom? He is building his house.
3. When we talk about a period around the present. e.g. today, this season etc.	You're working hard today
4. When we talk about changing situation.	It's getting cold.
5. When we talk about temporary situation.	I'm living with my brother until I find a new flat.
6. When we talk about what you have already arranged to do.	He is going to the cinema on Tuesday.
7. Something is happening more often than usual.	He's always losing his keys.

### This is the Present progressive (continuous) tense:

AM  
 SUBJECT + IS + VERB + ING  
 ARE

### How to build sentences in the Present progressive

The type of sentence	Example
affirmative:	He is writing a letter now. (I'm, she's, you're, we're, they're)
negative:	He isn't writing it now.
general question:	Is he writing a letter now?
special question:	What is he writing now?
direct question:	Who is writing now?
alternative question:	Is he writing a letter or reading a book?
tail question:	He's writing a letter, isn't he? He isn't writing a letter, is he?
passive:	The letter is being written now.
embedded question:	I don't know, what he is writing.

### List of the verbs which are not normally used in continuous tenses

want	realize	taste	owe	weigh	have (when the meaning is "possess")
need	believe		measure	prefer	
suppose	wish	look like	like	mean	think (when the meaning is "believe")
sound	appear	love	understand	own	
depend on	hate	remember	deserve	consist of	think (when the meaning is "believe")
belong	forget	matter	cost	see	
seem	fit	lack	hear	know	

These **adverbs** are typically used with the **present progressive**:

at the moment now today	just now right now	this morning this season	presently at present for the moment
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**EXERCISE:** Put the verb into the correct form.

1. John \_\_\_\_\_ (**eat**) dinner now. (present time)
2. We \_\_\_\_\_ (**leave**) for the theatre at seven o'clock. (future time)
3. These days food \_\_\_\_\_ (**get**) more and more expensive. (changing sit)
4. Tom \_\_\_\_\_ (**not play**) football this season. (period around the present)
5. We \_\_\_\_\_ (**fly**) to the USA next month. (future time)
6. Hello, what \_\_\_\_\_ (**do**) today? (period around the present)
7. That machine \_\_\_\_\_ (**not work**). It broke down this morning. (temporary)
8. The number of jobless \_\_\_\_\_ (**increase**). (changing situation)
9. She \_\_\_\_\_ (**stay**) with her sister until she finds somewhere to live.  
(temporary situation)
10. What \_\_\_\_\_ (**think**) about? (what is in your mind?)

### Present simple

Regular or habitual actions

Functions	Examples
1. When we talk about things in general, when something is true.	The Earth goes round the Sun.
2. When something happens all the time or repeatedly.	I work at the bank.
3. When we make suggestions.	Why don't you drink coffee?
4. When we're talking about timetables, programs etc.	The train leaves at 7.30.

### How to build sentences in the Present simple

The type of sentence	Example
affirmative:	He speaks English fluently. (she, it)
negative:	He doesn't speak French. (I / we / they don't)
general question:	Does he speak French? (Do they / we / you)
special question:	How does he speak French?
direct question:	Who speaks?
passive:	He is told one and the same things.
alternative question:	Does he speak English fluently or slowly?
tail question:	He speaks French, doesn't he? He doesn't speak French, does he?
embedded question:	It's interesting, how he speaks French.

**This is the Present simple tense:**

I / WE / YOU / THEY + VERB

HE / SHE / IT + VERB + S

This **adverbs** are typically used with the **Present simple**:

always	Usually	once a week every	from time to time	seldom
generally	once a while	year	sometimes	on a regular basis
occasionally	normally regularly	every two weeks	twice a year	every other month
never	rarely	often		frequently

**EXERCISE:** Put the verb into the correct form.

- John \_\_\_\_ (**walk**) to school every day. (regular action)
- He always \_\_\_\_ (**swim**) in the evening. (habitual action)
- Your cough \_\_\_\_ (**sound**) bad. (stative verb)
- Mice \_\_\_\_ (**not catch**) cats. (true in general)
- Why \_\_\_\_ (**not / you / go**) to bed early? (suggestion)
- The river Danube \_\_\_\_ (**flow**) into the Black Sea. (true in general)
- We \_\_\_\_ (**want**) to leave now. (stative verb)
- I \_\_\_\_ (**work**) in a bank. She \_\_\_\_ (**work**) in a shop. (general thing)
- Tom \_\_\_\_ (**play**) tennis every Sunday. (regular action)
- Water \_\_\_\_ (**boil**) at 100 degrees Celsius. (true in general)

**Present perfect**

Functions	Examples
1. When there is a connection with the present.	I've lost my key. (he has)
2. When we give a new information or announce a recent happening.	Do you know about Jim? He's gone to France.
3. We use it with just, already, yet.	I've just had lunch. I've already posted the letter. She hasn't done it yet.
4. Difference between gone to and been to	She has gone to the USA. (She is there now or she is on her way there) She has been to the USA. (She was there but now she has come back)
5. We use it with ever and never.	Have you ever read M. Twain? We had never had a cottage.
6. We use it after a superlative.	It's the most interesting book I've ever read.
7. We use it with the expressions: This is the first time. It's the second time	It's the first time I've seen such an interesting film.
8. We use it to say that you have never done something or that you haven't done something during a period of time which continues up to the present	I've never smoked. I haven't smoked for 3 years. I haven't smoked since May. He hasn't smoked for nearly a month. We haven't had any problems so far. (in the last few days, in the past few years, recently)

9. We use it with <b>this morning / this evening / today / this week</b> (when these periods are not finished)	I've translated two texts today. I haven't seen him this week. He hasn't studied very much this term.
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**This is the present perfect tense:**

HAVE

SUBJECT + + ALREADY + VERB IN THE PAST PARTICIPLE

HAS

**How to build sentences in Present perfect**

The type of sentence	Example
affirmative:	I've written the report. (he has, you have)
negative:	He hasn't done his lessons yet.
general question:	Have you translated this article?
special question:	Where has he been?
direct question:	Who has come?
passive:	I've been told.
alternative question:	Has he been to Italy or the USA?
tail question:	He has done this job, hasn't he? He hasn't done this job, has he?
embedded question:	Do you know what he has done?

**EXERCISE:** Put the verbs into the correct form.

1. We \_\_\_\_ (**already / write**) our report.
2. We \_\_\_\_ (**not / write**) our report yet.
3. He \_\_\_\_ (**be**) to Italy.
4. I \_\_\_\_ (**lose**) my key. Can you help me?
5. Gabriel \_\_\_\_ (**already / read**) the entire book.
6. The president \_\_\_\_ (**not / decide**) what to do yet.
7. Sam \_\_\_\_ (**already / record**) the results of the experiment.
8. Maria \_\_\_\_ (**not / call**) her parents yet.
9. John \_\_\_\_ (**not / learn**) the material yet.

**Present perfect progressive**

Function	Examples
1. We use this tense when we talk about an action (quite a long action) which began in the past and has recently stopped or just stopped.	You're out of breath. Have you been running?
2. We also use this tense to ask or say how long something has been happening.	He has been working in Washington for three years.
3. We can also use this tense with HOW LONG, FOR SINCE, RECENTLY, TODAY for actions repeated over a period of time.	She has been playing tennis since she was eight. How long have you been smoking?



### This is the Present perfect progressive tense

I / we / they / you + HAVE +  
BEEN DOING  
He / she / it + HAS +

### How to build sentences in the Present perfect progressive tense

The type of sentence	Example
affirmative:	He has been studying for three hours.
negative:	He hasn't been doing this task.
general question:	Have you been playing tennis since you were eight?
special question:	How long has he been living in High Street?
direct question:	Your eyes are red. Have you been crying?
alternative question:	Have you been watching TV or sleeping since 2 o'clock?
embedded question:	I don't know what they have been writing for over an hour.

**EXERCISE:** Put the verbs into the correct form.

1. I \_\_\_\_ (**drive**) my car for 5 years.
2. She \_\_\_\_ (**study**) at the Nursery Courses since 1998.
3. He \_\_\_\_ (**learn**) Spanish for several years.
4. We \_\_\_\_ (**watch**) this film since dinner.
5. I \_\_\_\_ (**live**) here for several years so I can show you the city.
6. I \_\_\_\_ (**write**) this report all morning.
7. Paul \_\_\_\_ (**suffer**) from earache since the weekend.
8. He \_\_\_\_ (**deal**) with the customers all morning.
9. My mother \_\_\_\_ (**cook**) the birthday cake since morning.
10. She \_\_\_\_ (**work**) in Australia for the past years.

### Past simple

Function	Examples
1. We use when we talk about actions or situations in the past.	It rained all day yesterday.
2. A succession of the past actions.	He threw down his spade and entered the house.
3. Related actions in the past.	He made an entry in his diary every evening.

### This is the Past simple tense

**noun + Past Participle**

### How to build sentences in the Past simple tense

The type of sentence	Example
affirmative:	I enjoyed the party very much.
negative:	He didn't enjoy the film. She wasn't at home two days ago. They weren't hungry.
general question:	Did you go out last night? Was she at home yesterday? Were you angry with him?
special question:	Why were you so angry? Where were you yesterday? What did you do at the week - end?
direct question:	Who visited London last year? Who was late yesterday?
passive:	The report was prepared two days ago. The exercises were written last week.
alternative question:	Did he read the text or translate the article? Was he in New York or Paris? Were you angry or simply upset?
tail question:	He visited Berlin last month, didn't he? He didn't do this task, did he?
embedded question:	Do you know what he did two days ago?

**EXERCISE:** Put the verbs into the correct form.

1. Yesterday morning he \_\_\_\_ (**wake up**) early.
2. Tom's father \_\_\_\_ (**teach**) him how to drive when he was 15.
3. We needed some money so we \_\_\_\_ (**sell**) our car.
4. Yesterday she \_\_\_\_ (**buy**) a dress which \_\_\_\_ (**cost**) \$ 200.
5. Tom \_\_\_\_ (**not / shave**) because he \_\_\_\_ (**not / have**) time.
6. We \_\_\_\_ (**not / eat**) anything because we \_\_\_\_ (**not / be**) hungry.
7. Jim \_\_\_\_ (**throw**) the ball to Mary who \_\_\_\_ (**catch**) it.
8. Jack \_\_\_\_ (**fall**) from the ladder yesterday and \_\_\_\_ (**hurt**) his leg.
9. Last night he \_\_\_\_ (**sleep**) very well.
10. Yesterday he \_\_\_\_ (**have**) a sandwich for lunch.

### Past progressive

Functions	Examples
1. We use it to say that someone was in the middle of doing something at a certain time.	This time last year I was living in the USA.
2. We often use the past continuous tense and the past simple together when one action was interrupted by another.	When Mark came home Martha was watching television.
3. We also use the past continuous tense when two actions were occurring in the past.	While John was reading a book, Martha was watching television.
4. To denote a certain state or quality peculiar to the person at a given moment.	He knew he was being scientific and restrained.
5. It is used with the expressions: <b>the whole day, all day long.</b>	They were working all day long.

### This is the Past progressive tense

**I, he, she, it** + was  
+ verb +ing

**You, they, we** + were

### How to build sentences in the Past progressive tense

**EXERCISE:** Put the verb into the correct form.

- Gene \_\_\_\_\_ (**eat**) dinner when his friend \_\_\_\_\_ (**call**).
- While Maria \_\_\_\_\_ (**clean**) the flat, her husband \_\_\_\_\_ (**sleep**).
- At three o'clock this morning, Eleanor \_\_\_\_\_ (**study**).
- When Mark \_\_\_\_\_ (**arrive**) the Johnsons \_\_\_\_\_ (**have**) dinner, but they \_\_\_\_\_ (**stop**) in order to talk to him.
- When Mary \_\_\_\_\_ (**come**) home, her husband \_\_\_\_\_ (**cook**) dinner.
- When the teacher \_\_\_\_\_ (**enter**) the room, the students \_\_\_\_\_ (**talk**).
- While John \_\_\_\_\_ (**write**) the report, Henry \_\_\_\_\_ (**look for**) more information.
- Mark \_\_\_\_\_ (**drive**) on Main Street when his car \_\_\_\_\_ (**break down**).
- George \_\_\_\_\_ (**watch**) television when his brother \_\_\_\_\_ (**call**).
- Jim \_\_\_\_\_ (**write**) a letter to his family when his pencil \_\_\_\_\_ (**break**).

### Past perfect

Functions	Examples
1. We use the past perfect to say that one action happened before another action in the past.	John had gone to the store before he went home. When I arrived at the party, Tom had already gone home.
2. The past perfect tense is usually used with the adverbs BEFORE, AFTER.	John had read the book before he went to bed. After John had read the book he went to bed.

### This is the Past perfect tense

Subject + HAD + verb in the past participle

### How to build sentences in the Past perfect tense

The type of sentence	Example
affirmative:	He had done this work by 7
negative:	She hadn't translated the text by the lesson
general question:	Had you learnt this topic by the exam?
special question:	What had you done before I came?
direct question:	Who had been late by the first lesson?
passive:	The text had been translated by 10 o'clock.
alternative question:	Had he translated the text or only read it by the beginning of the first lesson?
tail question:	They had left us by 5 o'clock, hadn't they? They hadn't left us by 5, had they?
embedded question:	I didn't understand why you had done this?

**EXERCISE:** Put the verb into the correct form.

- The policeman \_\_\_\_\_ (**read**) the suspect his rights after he \_\_\_\_\_ (**arrest**) him.
- After John \_\_\_\_\_ (**wash**) his clothes, he began to study.
- Maria \_\_\_\_\_ (**enter**) the university after she \_\_\_\_\_ (**graduate**) from the college.
- John \_\_\_\_\_ (**wash**) the pipettes after he \_\_\_\_\_ (**complete**) the experiment.
- Jane \_\_\_\_\_ (**send**) the letter at her university after she \_\_\_\_\_ (**receive**) her scholarship check.
- After the stewardesses \_\_\_\_\_ (**serve**) lunch to the passengers, they \_\_\_\_\_ (**sit**) down.
- The car \_\_\_\_\_ (**flip**) ten times before it \_\_\_\_\_ (**land**) on its roof.
- We \_\_\_\_\_ (**correct**) our papers after we \_\_\_\_\_ (**take**) the quiz.

### Past perfect continuous

Function	Example
We use this tense to say how long something had been happening before something else happened.	He was feeling very tired. He had been studying hard all day. George had been smoking for 25 years when he finally gave it up.

### This the Past perfect continuous tense

I / he / she (etc.) + HAD + BEEN DOING

### How to build sentences in the Past perfect continuous tense

The type of sentence	Example
affirmative:	We had been playing for an hour when there was a terrible storm.
negative:	They hadn't been doing anything before I came
general question:	Had he been smoking for 25 years before he decided to give it up?
special question:	How long had you been waiting when the bus finally came?
embedded question:	I didn't know how long he had been working there.

**EXERCISE:** Put the verb into the correct form.

1. Tom was leaning against the wall, out of breath. He \_\_\_\_\_(**run**) very fast.
2. We \_\_\_\_\_(**walk**) along the road for about 20 minutes when a car stopped and the driver offered us a lift.
3. She was rather annoyed with me because I was late and she \_\_\_\_\_(**wait**) for a very long time.
4. When I looked out of the window the sun was shining but the ground was very wet. It \_\_\_\_\_(**rain**).
5. The orchestra \_\_\_\_\_(play) for about ten minutes when the audience began shouting.
6. Tom was watching television. He was very tired. He \_\_\_\_\_(**work**) hard all day.
7. I walked into the room. There was a smell of cigarettes. Somebody \_\_\_\_\_(**smoke**) in the room.
8. When Ann came back from the beach, she looked very red from the sun. She \_\_\_\_\_(**lie**) in the sun too long.
9. The two boys came into the house. They were both tired. They \_\_\_\_\_(**play**) football.
10. Sue woke up in the middle of the night. She was frightened and she didn't know where she was. She \_\_\_\_\_(**dream**).

#### Future indefinite

Functions	Examples
1. We use this tense when we decide to do something at the time of speaking.	I feel a bit hungry. I'll eat something.
2. When we offer to do smth.	The bag looks heavy. I'll help you with it.
3. When you agree or refuse to do smth.	Can I have my book back? Of course. I'll bring it.
4. When you promise to do smth.	Thank you for the money. I'll pay you back on Friday
5. When you ask someone to do smth.	Will you shut the door, please?
6. We use it with the words and expressions: <b>probably</b> <b>I'm sure</b> <b>I expect</b> <b>I think</b> <b>I wonder</b>	I'll probably be late. I'm sure you'll like her. I expect he'll come soon. I think we'll win the match. I wonder what will happen.
7. We use <b>shall I...?</b> in the questions ( <b>not will</b> ).	Shall I open the window?

### This is the future indefinite tense

I, we + shall  
+ verb  
You, they, he, she, it + will

#### How to build sentences in The Future indefinite tense

The type of sentence	Example
affirmative:	I'll probably say nothing.
negative:	I think, I won't be here tomorrow.
general question:	Will it rain tomorrow?
special question:	When will you know your examination results?
direct question:	Who will get this job?
passive:	This work will be done tomorrow.
alternative question:	Will you visit us tomorrow or the day after tomorrow?
tail question:	He will write the report, won't he? He won't write the report, will he?
embedded question:	I don't think what he'll do tomorrow.

**EXERCISE:** Answer these questions using the words in brackets.

- When do you think he'll arrive? (expect / tonight)
- What do you think she'll say? (probably / nothing)
- Where do you think she'll go? (expect / London)
- Where do you think she'll leave? (think / tomorrow)
- How do you think she'll go there? (expect / by train)
- When do you think she'll be back? (think / quite soon)
- Do you think you'll miss her? (I'm sure / very much)
- When do you think she'll get this job? (think / next month)
- When do you think you'll be back? (probably / soon)
- When do you think he'll pass his exam? (think / next week)

### Future continuous

Functions	Examples
1. We use this tense to say that we will be in the middle of doing something at a certain time in future.	At 8.15 tomorrow morning he will be reading the newspaper.
2. We can also use this tense to talk about things which are already planned or decided. (In this meaning <b>will be doing</b> is similar to <b>I am doing</b> . So it is possible to say: "I'm going to the city centre later.")	I'll be going in the city centre later. Can I get you anything?

**This is the Future continuous tense**

I, we + shall be  
 + verb+ing  
 You, they, he, she, it + will be

**How to build sentences in the Future continuous tense.**

The type of sentence	Example
affirmative:	I'll be watching the match at 8.30.
negative:	He won't be playing tennis at 4 o'clock.
general question:	Will you be using the typewriter tomorrow evening?
special question:	What will you be translating in the evening?
direct question:	Who will be translating the article in the evening?
embedded question:	I don't know where he will be working in the afternoon.

**EXERCISE:** Put the verb into the correct form.

1. Don't come to me. I \_\_\_\_ (**watch**) TV in the evening.
2. You'll recognize her. She \_\_\_\_ (**wear**) a long black coat.
3. Jim is going to get a good mark. So he \_\_\_\_ (**study**) at 10 o'clock in the evening.
4. This time next week I'll be on holiday. I \_\_\_\_ (**have**) a good rest there.
5. At 8 o'clock tomorrow morning we \_\_\_\_ (**clean**) our flat.
6. Will you \_\_\_\_ (**read**) him this message this afternoon?
7. I \_\_\_\_ (**not / use**) the typewriter tomorrow morning.
8. At 10 o'clock tomorrow morning he \_\_\_\_ (**work**).
9. They \_\_\_\_ (**not / walk**) in the street tomorrow evening.
10. Will you \_\_\_\_ (**translate**) this article tomorrow at 8 o'clock.

**Future perfect**

Function	Example
We use this tense to say that something will already have happened before a certain time in the future.	By the time we get to the cinema the film will have already started. He will have spent all his money before the end of his holiday. They will have been able to do this job by the time we come. She will have had breakfast by 9 o'clock.

**This is the Future perfect**

I, we + shall have  
 + Past Participle  
 You, they, he, she, it + will have

### How to build sentences in The Future indefinite tense

The type of sentence	Example
affirmative:	He will have been here by Monday.
negative:	He won't have arrived by 12.
general question:	Will you have had breakfast by the time he comes?
special question:	Why will they have been late by the beginning of the performance?
direct question:	Who will have been in Britain by the end of this week?
passive:	The work will have been done by the time she comes.
embedded question:	I don't know by what time she will have had her breakfast?

**EXERCISE:** Put the verb into the correct form.

1. What \_\_\_\_\_ (**do**) by 7 o'clock tomorrow morning?
2. The house \_\_\_\_\_ (**sell**) by the time we come.
3. He \_\_\_\_\_ (**can**) translate this text by the beginning of the lesson.
4. She \_\_\_\_\_ (**to be late**) by the train's departure.
5. Will he \_\_\_\_\_ (**to have**) dinner by 2 o'clock.
6. I don't know if they \_\_\_\_\_ (**can**) to come by the beginning of the show.
7. Tom \_\_\_\_\_ (**to be**) in Britain by the end of this week.
8. My dog \_\_\_\_\_ (**to be hungry**) by the afternoon.
9. They \_\_\_\_\_ (**to be ready**) by the first examination.
10. I \_\_\_\_\_ (**to give**) your books by the end of the month.



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*SEQUENCE OF TENSES*

1. Present Indefinite and Present Indefinite  
Everybody knows where he works and how much money he earns.
2. Present Indefinite and Present Continuous  
I don't think (that) he is sleeping now.
3. Present Indefinite and Present Perfect  
I am sure (that) he has already arrived.
4. Present Indefinite and Present Perfect Continuous  
I know that this company has been producing these products since 1986.
5. Present Indefinite and Past Indefinite  
We don't know what he wrote in his letter yesterday.
6. Present Indefinite and Future Indefinite  
I don't know what I will do and where I will be tomorrow.
7. Present Indefinite and Future Continuous  
I think he will be sleeping at that time.
8. Present Indefinite and Future Perfect  
I think they will have done this task by the time the teacher comes.
9. Past Indefinite and Past Indefinite  
Everybody knew where he worked and how much money he earned.
10. Past Continuous and Past Continuous  
I was talking to the director while they were writing the test.
11. Past Indefinite and Past Continuous  
When I entered the room I saw that my father was watching TV.
12. Past Indefinite and Past Perfect  
When she entered the room she saw that her father had already gone.
13. Past Indefinite and Past Perfect Continuous  
They knew that he had been playing tennis since his childhood.
14. Past Indefinite and Future Indefinite (Future-in-the-Past)  
We thought they would play tennis tomorrow.
15. Past Indefinite and Future Continuous  
I thought they would be sleeping at that time.
16. Past Indefinite and Future Perfect  
We thought that we would have been able to translate the article by 5 p.m.

## *Conditional Sentences*

### *Real*

Don't use the future indefinite after the following words:

**while, if, when, after, before, until / till, as soon as.**

e.g. Will you be lonely while I am away?

If you don't hurry you will be late.

I'll phone you when I get home after work.

You will feel better after you have something to eat.

I'll see Margaret before she leaves.

We won't start dinner until Jack arrives.

We'll tell you as soon as we make our decision.

### *Unreal*

#### **I**

*Unreal conditional sentences referring to the present or to the future.*

e.g. If he came here now, we should ask him to help us.

If he came here tomorrow, we should ask him to help us.

If he had time next Sunday, he would help us.

If I were here now, I should help you.

If I were here tomorrow, I should help you.

#### **II**

*Unreal conditional sentences referring to the past.*

e.g. If he had come there yesterday, we should have asked him about it.

If he had had free time yesterday, he would have helped us.

#### **III**

*Combination of the I-st and the II-nd type.*

e.g. If we had sent a letter yesterday, they would receive it tomorrow. (**II + I**)

If the book were more interesting, I should have finished it long ago. (**I + II**)

### *Modal verbs*

**CAN** – something is possible, or someone has the ability to do something.

e.g. I can see the lake from my window.

Can you speak any foreign language?

Mind that CAN has no present perfect, so you have to use BE ABLE TO

e.g. I've just been able to see him.

He hasn't been able to sleep recently.

**COULD** – to say that someone had the ability to do something.

e.g. When he was young he could run very quickly.

My grandfather could speak five languages.

**WAS / WERE ABLE TO** – when someone managed to do something in one particular situation.

e.g. The boy fell into the river but we were able to save him.

The policeman chased the thief but he was able to escape.

Mind that the negative **COULDN'T** is possible in all situations.

e.g. The policeman chased the thief and he couldn't escape.

**COULD** – to talk about possible future actions, especially when we make suggestions.

e.g. – What shall we do this evening? – We could go to the cinema.

- When you go to London you could stay with Linda.

**COULD** – when we talk about future happenings or events.

e.g. There could be another rise in the price of petrol soon.

**COULD HAVE DONE** – to say that we had the ability or the opportunity to do something but didn't do it.

e.g. We didn't go out last night. We could have gone to the cinema but we decided to stay at home.

**CAN OR COULD** – when we ask someone to do something.

e.g. Can you wait a moment, please?

Ann, can you do me a favour?

**CAN I HAVE**

**COULD I HAVE** – when you ask for something.

**MAY I HAVE**

e.g. Can I have this book, please?

Could I have the salt, please?

**CAN, COULD, MAY** – when we ask permission to do something

e.g. Hello, can I speak to Jane, please?

Could I use your telephone? Yes, of course.

**CAN, MAY** – when we give permission.

e.g. You can (may) smoke if you like.

**CAN** – when we offer to do things.

e.g. Can I help you, madam?

**WOULD YOU LIKE?** – for offering or inviting.

e.g. Would you like a cup of coffee? (not do you like)

**I'D LIKE** – a polite way of saying what you want, or what you want to do.

e.g. I'd like some information about hotels, please.

**MUST** – to say we are sure that something is true.

e.g. You've been traveling all day. You must be tired.

**MUST HAVE DONE** – when we talk about past.

e.g. The phone rang but I didn't hear it. I must have been asleep.

**MUST (DO) and HAVE TO** – to say that it is necessary to do something.

Often it doesn't matter what to use.

e.g. I must go = I have to go.

**MUST** – we give our own feelings, saying what we think is necessary.

e.g. I must write to Ann. I haven't written to her for ages.

**HAVE TO** – we are not giving our feelings. We are giving facts.

e.g. Ann's eyes are not very good. She has to wear glasses for reading.

**DO / DOES / DID with HAVE TO** – you should use if you want to make a question or a negative sentence

e.g. What do I have to do to get this information?

Why did you have to go to the hospital?

Tom doesn't have to work on Saturdays.

**MUSTN'T** and **DON'T HAVE TO** are completely different.

e.g. You mustn't tell anyone what I said. (It is necessary not to tell anyone)

You don't have to wear a suit to work. (you don't need to do it).

**NEEDN'T** – means that it is not necessary to do something.

e.g. – You've got plenty of time. You needn't hurry.

**NEEDN'T HAVE (DONE)** – when we talk about past.

e.g. Tom needn't have hurried because the train was late.

**SHOULD** – when we give an opinion about something. Often we use **I THINK / I DON'T THINK / DO YOU THINK?**

e.g. I think the government should do something about the economy.

I don't think you should work so hard.

Do you think I should apply for this job?

**SHOULD** – to say something is not right.

e.g. Those children shouldn't be playing football. They should be at school.

**SHOULD HAVE (DONE)** – when we talk about past.

e.g. The party last night was great. You should have come.

You shouldn't have been listening to our conversation. It was private.

**SHOULD** – to say that something will probably happen.

e.g. – Do you think you'll be late home tonight?

I don't think so. I should be home at the usual time.

**SHOULD** after IF – when the speaker is less certain.

e.g. If it should rain, can you bring the linen from the balcony?

If you should see Tom this evening can you tell him to phone me? (Should you see)

**SHOULD** after these verbs:

**suggest** – What do you suggest we should do?

**propose** – I propose we should go to the market.

**recommend** – They recommend we should pay for our flat.

**insist** – They insisted that we should have dinner with them.

**demand** – She demanded that we should return this book.

**SHOULD** after these adjectives:

important strange	funny natural	surprised essential	odd typical	interesting surprising
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e.g. It's strange that he should be late. He's usually on time.

I was surprised that he should say such a thing.

### **Reported speech**

1. When we use reported speech, we are usually talking about the past.

So verbs usually change to the past in the reported speech.

am / is – was are – were	have / has – had will – would	can – could do – did	want – wanted know – knew
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Direct speech	Reported speech
Tom said: "My parents are very ill".	Tom said his parents were very ill
Tom said: "I'm going to give up my job."	Tom said he was going to give up his job.
Tom said: "Ann has bought a new car."	Tom said Ann had bought a new car.
Tom said: "I can't come to the party."	Tom said he couldn't come to the party.
Tom said: "I want to go on holiday but I don't know where to go."	Tom said he wanted to go on holiday, but he didn't know where to go.
Tom said: "I'll phone you soon."	Tom said he would phone me soon.

2. It is not necessary to change the verb when you feel that it is still true. In this case do not change the tense of the verb.

DIRECT Ann said: "New York is bigger than London."

REPORTED Ann said New York is bigger than London.

3. We also use the INFINITIVE (to do / to stay) in reported speech, especially with TELL and ASK.

DIRECT "Stay in bed for a few days", the doctor said to me.

REPORTED The doctor told me to stay in bed for a few days.

DIRECT "Don't shout", I said to Jim

REPORTED I told Jim not to shout.

DIRECT "Please don't tell anyone what happened", Ann said to me.

REPORTED Ann asked me not to tell anyone what (had) happened.

### *Gerund*

In the following verbs the structure is usually V E R B + I N

stop	fancy	involve
finish	imagine	practice
delay	regret	miss
enjoy	admit	postpone
mind	avoid	risk
suggest	deny	consider

e.g. Stop talking!

When I finish cleaning the flat I'll go shopping.

I can't imagine Jim riding a motor-bike.

When I'm on holiday I enjoy not having to get up early.

**The following expressions also take -I N G-:**

give up	carry on
go on	keep or keep on
put off	

e.g. I'm going to give up smoking.

She kept on interrupting me while I was speaking.

When you talk about finished actions, you can also say **HAVING DONE**.

e.g. They now regret getting (having got) married.

With some verbs (admit, deny, regret, suggest) you can also use **THAT**

e.g. He denied that he had stolen the money. (denied stealing)

### **VERB + INFINITIVE**

In the following verbs the structure is usually **VERB + TO + INFINITIVE**

agree	fail	attempt	arrange
refuse	decide	manage	seem
promise	plan	tend	pretend
threaten	hope	learn (how)	afford
offer	appear	dare	forget

e.g. As it was late we decided to take taxi home.

I like Jim but I think he tends to talk too much.

How old were you when you learnt to drive (learnt how to drive)

After DARE you can use the infinitive with or without TO:

e.g. I wouldn't dare to ask him. (dare ask him)

#### PREPOSITION + ING

If a verb comes after a preposition (in / at / with / about etc.), the verb ends with -ING-

e.g. Are you **interested in collecting** stamps?

I'm not very **good at learning** German.

I'm **fed up with studying**.

They are **excited about going** on holiday.

What are the **advantages of having** a private house?

This knife is **only for cutting** cheese.

John went to work **in spite of feeling**.

I bought this book **instead of going** to the library.

#### VERB + PREPOSITION + ING

If the object is another verb, it ends with -ING-

e.g. He **succeeded in finding** a job.

I don't **feel like going out** tonight.

Are you thinking of / about buying a house?

I've always **dreamed of being** rich.

She doesn't **approve of gambling**.

I'm looking forward to meeting her.

He **insisted on buying** me a drink.

We **decided against moving** to New York.

He **apologized for keeping** me waiting.

These sentences have the structure **VERB + OBJECT + PREPOSITION + ING**

e.g. They **accused me of telling** lies.

Did they **suspect a man of being** a spy?

I **congratulated Ann on passing** the exam.

What **prevented him from coming** to the party?

We **stopped everyone from leaving** the house.

I **thanked her for being** so helpful.

Please **forgive me for not writing** to you.

They **warned us against** buying the car.

## Wish sentences

### *Present*

We use the past tense for a present situation after WISH. We use WISH to say that we regret something, that something is not as we would like it to be.

- e.g. I wish I knew her telephone number.
- I wish it didn't rain so much in England.
- I wish there weren't so many people there.
- I wish I didn't have to work.
- He wishes his room were larger.
- I wish she could write this work.

### *Past*

You have to use the PAST PERFECT after WISH when you say that you regret something that happened or didn't happen in the past.

- e.g. I wish I had known that Ann was ill.
- I feel sick. I wish I hadn't eaten so much.
- I wish I had brought my camera.
- I wish I hadn't come there yesterday.

**EXERCISE:** Write sentences after I WISH.

1. I can't give up smoking, but I'd like to. I wish.....
2. I haven't any cigarettes and I need one. I wish.....
3. George isn't here but I need him. I wish George.....
4. It's cold and I hate cold weather. I wish.....
5. I live in London and I hate London. I wish.....
6. Tina can't come to the party, but she is my best friend. I wish.....
7. I have to work tomorrow. But I'd like to stay at home. I wish.....
8. I don't know anything about cars and my car has just broken down. I wish.....
9. I'm not lying on a beautiful sunny beach and that's a pity. I wish.....
10. I don't know her phone number, but I have to call. I wish.....
11. I wish I.....that Tom was ill.
12. The weather was awful. I wish it.....warmer.
13. I've just painted my door red. But it doesn't look nice. I wish.....painted it red.
14. This view is so beautiful but I didn't bring my camera. I wish.....my camera.
15. My friend visited me but unfortunately I was away and didn't see him. I wish.....him.



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*Articles*

1. Use A / AN before singular countable nouns:

e.g. That's a good proposition.

Do you need an umbrella?

I'm looking for a job.

I've got a headache.

Would you like a cigarette?

2. Use A / AN + NOUN when we say what something / someone is, or what something / someone like:

e.g. A dog is an animal.

This is a really beautiful house.

What a lovely weather!

She is a very pretty girl.

Jack has got a big car.

3. Use A / AN for jobs:

e.g. Her mother is a teacher.

I'd like to be an economist.

4. Use A / AN when we first speak about things:

e.g. There was a man talking to a woman outside my house.

I saw a film about a soldier and a beautiful girl.

Jack is looking for a job.

5. Use THE when it is clear which thing we mean:

e.g. He sat down on the chair nearest the door.

Jack got the job he applied for.

6. Use THE when it is clear in the situation which thing or person we mean.

e.g. Can you turn off the light, please. (the light in this room)

Where is the kitchen? (the kitchen in this house)

The postman was late this morning. (our usual postman)

I took a taxi to the station. (the station in that town)

7. We also say: **the police, the army, the bank, the fire-brigade, the post-office, the doctor, the dentist.**

e.g. I must go to the bank to change some money.

I'm going to the post-office to buy some stamps.

John isn't very well. He has gone to the doctor.

8. We use THE when there is only one of something:

e.g. What is the highest mountain in the world?

We went to the most expensive restaurant in town.

The only TV program he watches is football.

The Earth goes round the Sun. (the moon, the world, the universe)

But we don't use THE with planets or constellations:

e.g. Venus, Mars, Orion.

**9.** We also say: **the sea, the sky, the ground, the countryside, the country.**

e.g. Do you like living in a town or in the country?

Don't sit on the ground! It's wet.

We saw a beautiful star in the sky.

We don't use THE with the expression **be at sea** when the meaning is **go / be on a voyage.**

e.g. He is a sailor. He spends most of his life at sea.

**10.** We say: **the cinema, the theater, the radio, but we say: television.**

e.g. We went to the cinema last night.

Do you often listen to the radio?

I watched news on television.

**11.** Don't use THE with the names of meals:

e.g. What time is lunch?

We had dinner in a restaurant.

She invited me for dinner.

But we say a meal:

e.g. We had a meal in a restaurant.

We use A when there is an adjective before lunch / breakfast etc.

e.g. Thank you. That was a very nice lunch.

**12.** We use THE when we talk about a type of machine or invention:

e.g. The bicycle is an excellent means of transport.

When was the telephone invented?

We also use THE with musical instruments:

e.g. Can you play the guitar?

The piano is my favourite instrument.

**13.** We use THE with some adjectives (without a noun). The meaning is always plural.

the rich	the poor	the old	the young
the blind	the deaf	the sick	the dead
the disabled	the unemployed	the injured	

e.g. The man over there is collecting money for the blind.

Many people were killed in the plane crash. The bodies of the dead were taken away. The injured were taken to hospital.

Robin Hood robbed the rich and gave money to the poor.

MIND: you have to say **a blind man, an unemployed woman.**

**14. We use THE with some nationality adjectives:**

the British	the Chinese	the English	the Dutch	the Welsh
the Irish	the Japanese	the French	the Swiss	the Spanish

**But** we have to use a plural noun ending -s- in:

the Russians	the Scots	the Italians	the Turks	the Arabs
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**15. We don't use THE when we mean something in general:**

e.g. I love flowers.

I'm afraid of dogs.

Doctors are paid more than teachers.

Crime is a problem in most big cities.

I prefer classical music to pop music.

Do you like English food / French cheese / Swiss chocolate?

I like football / athletics / skiing / chess.

**16. We use THE when we mean something in particular:**

e.g. I like your garden. The flowers are beautiful.

We took the children to the Zoo.

Can you pass me the salt, please?

The film wasn't very good but I liked the music.

The difference between **“something in general”** and **“something in particular”** is not always very clear.

e.g. I like working with people.

I like working with the people who are kind to me.

Do you like coffee?

Do you like the coffee we had with our meal yesterday?

**17. We use THE with oceans, rivers, seas, gulfs, plural lakes:**

e.g. the Red Sea, the Atlantic Ocean, the Persian Gulf, the Great Lakes.

But we don't use THE with singular lakes: Lake Geneva, Lake Erie.

**18. We use THE with mountains: the Rocky Mountains, the Andes.**

But we don't use THE with singular mounts: Mount Vesuvius, Mount McKinley.

**19. We use THE with schools, colleges, universities when the phrase begins with school, etc.**

e.g. The University of Florida.

The College of Arts and Sciences.

But we don't use THE when the phrase begins with a proper noun:

e.g. Stetson University,

Santa Fe Community College.

**20.** We use **THE** with ordinal numbers before nouns:

e.g. The First World War, the Second World War, the third chapter.

But we don't use **THE** with cardinal numbers after nouns:

e.g. World War One, chapter three.

**21.** We use **THE** with countries with more than one word (except Great Britain) and countries with plural names:

e.g. the United States, the Central African Republic, the United Kingdom the Republic of Ireland, the Netherlands, the Philippines, the Vatican

But we don't use **THE** with countries with one word:

e.g. Japan, China, Ukraine, France.

**22.** We don't use **THE** with continents, states, sports, abstract nouns, subjects and holidays:

e.g. Europe, Africa, South America, Florida, Ohio, California, baseball, football, freedom, happiness, mathematics, English, Christmas, Thanksgiving, Easter.

**23.** We don't normally use **THE** with streets, roads, squares.

e.g. Regent Street, Fifth Avenue, Broadway, Piccadilly Circus, Independence Square.

**24.** We usually use **THE** before the names of these places:

**hotels** – the Hilton, the Station Hotel

**restaurants / pubs** – the Bombay Restaurant, the Red Lion (pub)

**theatres** – the Palace Theatre, the National Theatre

**cinemas** – the ABC, the Odeon, the Classic

**museums / galleries** – the British Museum, the Tate Gallery

**25.** Many shops, hotels, banks are named after the people who started them.

These names end in -s- or 's. Do not use **THE** with these names:

**shops** – Selfridges, Harrods

**restaurants** – Maxim's, Macdonald's, Luigi's Italian Restaurant

**hotels** – Claridge's

**banks** – Barclays Bank, Lloyds Bank

**Churches are named after saints** (St = saint):

e.g. St. John's Church, St. Paul's Cathedral.

**26.** We use **THE** before the names of places, buildings with **OF**:

e.g. the Bank of England, the Houses of Parliament, the Tower of London, the Great Wall of China, the Museum of Modern Art.

**27.** We use **THE** with the names of newspapers:

e.g. the Times, the Washington Post, the Evening Standard.

**Prepositions****Time**

AT	at 6 o'clock at this time	BY	by 7 o'clock by the end of October
ON	on Sunday on the 5th of May on the day off on a sunny winter day	SINCE	since 5 o'clock since 1960 since December since Monday
IN	in August in 1987 in summer in the morning (evening etc)	FROM...TO (TILL)	from 1936 to (till) 1950 from May to (till) July
IN	in an hour in two weeks	UP TO	up to the end of May up to the end of March

**Place**

ON	Your book is on the table. There is a picture on the wall.
OVER	The lamp is over the table. The picture is over the piano.
UNDER	The box is under the table. The dog is under the chair.
IN	My book is in my bag. The children are in the yard.
AT	He was standing at the window
BY	There was an armchair by the fireplace.
NEAR	Borispol is near Kiev.
BESIDE	There is a vase beside the sofa.
IN FRONT OF	He is sitting in front of me.
BEHIND	There is a small garden behind the house.
AT	Yesterday I was at the theatre. He wasn't at the lesson.
THROUGH	He went through the forest. I've got this job through his kindness.

**Direction and movement**

TO	I go to the institute every day.
INTO	Put your pen into your bag.
FROM	Take the book from the shelf. I took the album from John.
OFF	Take your things off the table, please.
OUT OF	Go out of the room!

***Noun + preposition***

a cheque FOR	They sent me a cheque for \$ 500.
a demand FOR	There wasn't much demand for this product.
a reason FOR	Noone knew the reason for delay.
a decrease / increase IN	There has been an increase in accidents.
a cause OF	Nobody knows the cause of the explosion.
a picture OF	I always keep a picture of my wife.
an invitation TO	I've just got an invitation to the party.
a solution TO	What is the solution to this problem?
an attitude TO / TOWARDS	His attitude to his job is negative.

***Preposition + noun***

to pay BY cheque	Will you pay by cheque or in cash?
to do smth. BY mistake	We did it by mistake / chance.
a play BY Shakespeare	Have you read any books by Darwin?
to be IN love WITH	I'm in love with Jane.
IN my opinion	In my opinion the film wasn't good.
to be ON fire	Look! That building is on fire.
ON the telephone	She was speaking on the telephone.
ON television / the radio	I didn't watch this match on television.
to be / go ON strike	The teachers are on strike.
to be / go ON holiday/ business	He's on holiday in Canada.
FOR a walk / a swim / a drink	I always go for a walk with my dog.
to have smth. FOR lunch	What do you want to have for lunch?

***Adjective + preposition***

Nice / kind / stupid OF	It was very nice of you to help me.
angry WITH	Don't be angry with me.
pleased / disappointed WITH	I was pleased with the present.
surprised / shocked AT / BY	He was shocked at / by the news.
excited / worried ABOUT	He was upset about this case.
afraid OF	She was afraid of dogs.
proud / ashamed OF	I'm quite proud of it.
aware OF.	No, I wasn't aware of that.
good / bad / hopeless AT	He isn't very good at repairing things.
married / engaged TO	She is married to an American.
sorry ABOUT smth	I'm sorry about the noise last night.
sorry FOR doing smth	I'm sorry for shouting at you.
impressed BY / WITH	I was impressed by / with the film.
famous FOR	This museum is famous for its pictures.
different FROM / TO	It's different from / to what I expected.
interested IN	I'm interested in architecture.
fond OF	We're very fond of music.
similar TO	Your writing is very similar to mine.
crowded WITH.	The city is crowded with people.

**Verb + Preposition**

apply FOR	Why don't you apply for this job?
believe IN	Do you believe in God?
belong TO	This book belongs to me.
care ABOUT	He doesn't care about people.
take care OF	Take care of yourself!
consist OF	The meal consists of seven courses.
complain TO someone ABOUT smth.	Don't complain to me about him!
concentrate ON	Concentrate on your work!
depend ON	Everything depends on you!
happen TO	Strange thing happened to me.
laugh / smile AT	Everyone will laugh at you.
listen TO	I spent the evening listening to music.
look AT	Why are you looking at me like that?
look FOR	Can you help me look for my keys?
look AFTER	She needs someone to look after her.
rely ON	I can rely on him.
shout AT	He started shouting at me.
speak / talk TO	Hello, can I speak to Jane, please?
wait FOR	I'm waiting for the rain to stop.
write TO	I haven't written to him for ages.

**Some and any**

**1.** We use **SOME** in positive and **ANY** in negative sentences:

e.g. She has bought some new shoes.

I've got something in my eye.

They haven't got any children.

She refused to say anything.

**2.** We often use **ANY / ANYONE / ANYTHING** after **IF**:

e.g. If any letters arrive for me, can you send them to this address.

If you need anything just ask.

If anyone has any questions, I'll be pleased to answer them.

We also use these words in the sentences without **IF**, but they have the idea of **IF**.

e.g. Anyone who wants to pass the exam must give their names.

**3.** In questions we use **ANY**:

e.g. Have you got any money?

Has anybody seen Jack?

But we use **SOME** in questions when we expect the answer "yes":

e.g. – What's wrong with your eye? Have you got something in it?

We use **SOME** in questions when we offer or ask for things:

e.g. Would you like some coffee?

Can I have some of these cakes?

**4.** ANY also has another meaning. ANY / ANYONE / ANYBODY / ANYTHING / ANYWHERE which can mean IT DOESN'T MATTER WHICH / WHO / WHAT / WHERE:

e.g. You can catch any of these buses.

Come and see me any time you want.

You can have anything you want for your birthday present.

We left the door unlocked. Anybody could have come in.

I'd rather go anywhere than stay at home during my holiday.

**5.** SOMEONE / SOMEBODY / ANYONE / ANYBODY are singular words:

e.g. Someone wants to see you.

Is anybody there?

But we use THEY / THEM / THEIR after these words:

e.g. If anyone wants to answer, they can.

Somebody has split their tea on the carpet.

### ***Using of BOTH, EITHER, NEITHER***

**1.** We use BOTH / EITHER / NEITHER when we are talking about two things:

e.g. Both restaurants are very good.

Neither restaurant is expensive.

We can go to either restaurant. – I don't mind.

**2.** We can use these words with OF, but in this case we always need

THE / THESE / THOSE / MY / YOUR / HIS.

e.g. Both of these restaurants are very good.

Neither of the restaurants we went to was (were) expensive.

When we use BOTH you can leave OF:

e.g. Both my parents live in Kyiv. = Both of my parents live in Kyiv.

**3.** After BOTH OF / NEITHER OF / EITHER OF we can also use

US / YOU / THEM

e.g. Can either of you speak German?

Both of us were very tired.

**4.** After NEITHER OF you can use a singular or a plural verb:

e.g. Neither of the children wants (want) to go to bed.

Neither of us are (is) married.

**5.** We can use BOTH / EITHER / NEITHER alone:

e.g. – Is he British or American? – Neither. He's Australian.

- Do you want tea or coffee? – Either. I don't mind.

- I couldn't decide which one to choose. I liked both.



**WHICH? OR WHAT?**

We ask WHICH? when there is a limited choice of something. We ask WHAT? when there is a wide choice of something.	Which size do you want small, medium or large? What is your shoe size?
--	---

Sometimes both are possible. WHICH / WHAT day next week can you come and see us?

Before OF and ONE, we can use WHICH but not WHAT	WHICH OF the countries have you visited? Look at those stars. WHICH ONE is the nearest?
--	--

**Which? or What?**

1. We've got red wine and white -.....will you have?
2. ....books did you read for last year's English class?
3. ....of the books on the list have you already read?
4. ....French queen said, "Let them eat cake?"
5. ....'s your name?
6. ....hand do you write with?
7. ....kind of car have you got?
8. ....one is yours?
9. ....party do you think will win the election?
10. ....subject do you prefer, chemistry or physics?
11. ....was your favourite subject at primary school?

### 4.3. Business talk

*Read the information and make the dialogs of your own*

#### *Credit*

I am interested in...

(We are interested in...)

- commercial plans of your firm.

We are willing to establish with your firm... relations

- long-term
- contractual
- trade
- financial

What interests you in particular?

We'd like to get a...credit

- state
- financial
- long-term
- commercial
- short-term
- soft
- intermediate-term

How shall the credit be repaid?

The credit shall be repaid within ten (fifteen, twenty) years by...

- annual payments
- semi-annual payments
- equal payments

What services will be financed out of the proceeds of the credit?

The credit will cover...

- the sending of specialists
- delivery of equipment
- delivery of goods
- design works

What is the interest rate?

The terms provide for a five (ten, twelve) per cent interest rate.

The interest rate is...

- overestimated
- underestimated

Credit repayment shall be paid...

- in hard currency
- by deliveries of goods

Could you reduce the interest rate?

- Yes, we could.
- No, we couldn't.

### *Contract*

What do you think of our offer?

We have studied your offer

On the whole your offer is acceptable

We can't agree to your...

- price
- terms of payment
- delivery period
- terms of delivery

Have you any questions as regards the draft contract?

We agree to the draft contract.

We have the remarks to make on...

- the terms of the contract
- the contractual obligations
- of both parties

We ask you...

- to make your comments
- to consider our requests once again

We are ready to accept your wordings

I think we have settled all the points

We can sign the contract at seven o'clock in the morning (evening)

Agreed

### *Price of Contract*

Have you got our...?

- competitive materials
- price-lists
- catalogues

Yes, we have, we study them

You've overestimated the expenses in...

- local currency
- roubles
- hard currency

We are prepared to grant you a reasonable discount

What do you think of our prices?

They suit us

The prices are overestimated

Your prices are at the level of world prices

We're glad that you find our prices...

- justified
- acceptable

Your prices exceed world prices by seven per cent

We are ready to discuss prices

We're glad to settle the price problem

We've prepared a breakdown of the contract price

The price includes insurance and cost of transportation

The price covers packing expenses

#### *Terms of Payment*

The advance of 15 percent in ... currency seems to us too high

- local
- hard

The advance payment is overestimated

I can't agree with you here

The advance covers mobilization expenses under our contract

We would like to have a calculation of your mobilization expenses

We agree to an advance of seven per cent of the contract price

The seven per cent advance is not sufficient

We ask you to increase it to ten per cent

We agree

I'm glad that we've agreed (about the amount of the advance)

Let's discuss the procedure of making payment

The sums of the payments should be fully adjusted to the volume of works

Payments will be made...

- according to the progress of work(s)
- following deliveries (of equipment)

I see your point. What methods of payment do you propose?

We propose...

- payments by a letter of credit
- payment for collection
- transfers

The transfer of sums due to us to our account of your Central bank is the most convenient method of payment

No objections

### *Insurance*

We would like to discuss the insurance problem

I'm prepared to answer your questions

Against what accidents can we insure the cargo?

Against...

- petty average
- general average
- particular average

Where must we apply to concerning insurance?

To an insurance agency

In what case is an insurance guarantee granted?

If it is provided for by the contract

What premium (fee) are we to pay?

An installment premium

You can exercise your rights on the insurance contract

Have you studied the contents of the insurance contract and your liability under the insurance contract?

We release ourselves from the liability under the insurance contract

You have the right to the insured property

When did you sign the insurance contract?

On the 25 of February

All the terms and conditions of the insurance contract suit us

### *Force-Majeure Circumstances*

Force – majeure;

force – majeure circumstances;

(natural) calamity;

(natural) hazard;

- blockade
- explosion
- insurrection
- military operations

- strike
- snow – drifts
- earthquake
- grounding
- flood
- fire
- accident
- unforeseen event
- collision
- hurricane
- adverse weather conditions
- tsunami
- storm
- embargo
- declare
- damaged party

What delayed the execution of the contract?

Will you inform us about the beginning of force – majeure circumstances?

Yes, we shall write to you

It is difficult to foresee force – majeure circumstances

We cannot protect ourselves against force – majeure circumstances

What measures will you take with regard to force – majeure circumstances?

We have the right to the insured property

We shall suspend the delivery of the equipment

We shall not bear responsibility for...

- adverse weather conditions
- unforeseen circumstances
- accidents

Yes, if you prove that this hindered the fulfillment of obligations under the contract

In what case is the impossibility to carry out contractual obligations under the contract taken into account?

If there are circumstances that release you from obligations?

### *Arbitration*

What is the award on the...?

- appeal
- damage statement
- case

Arbitration...the appeal

- dismissed
- satisfied
- stayed

...will be arbitrated

- issue
- case
- claim

Who will bear expenses on arbitration?

The expenses on arbitration shall be born by the...

- appellant
- noteholder
- debtor
- claimant
- respondent

Arbitration has...

- instituted a legal proceeding
- begun hearing the case
- entered in the reference

We are in possession of...evidence

- additional
- written
- convincing

What documents must we furnish to arbitration?

You are to forward to arbitration...

- a legalized letter
- a damage statement
- a declaration

You'll have to pay...

- extra costs
- law expenses
- costs

You have the right of action and you can bring a...

- counter claim /action/
- class claim /action/
- patent claim /action/
- lawsuit

The Court announced the award to...

- meet a cassation
- dismiss a claim /action/
- disallow a claim
- levy the expenses on the defeated party

There is no appeal from the decision of the court

Have you studied the...?

- arbitration award
- supplementary award
- final judgment
- adjudication

Yes, we have

We have to challenge the total sum of the...

- costs
- expenses
- damage
- penalty

***Design and survey works***

When will the initial data on the... be ready?

- construction site
- underground communications
- seismicity of the region
- topographic and geological
- survey of the area

The initial data will be ready in accordance with the contract

You delay submitting...

- bill of volume of works
- estimate documentation
- technical data

We shall need no less than two (five) months to collect the...data

- technical
- necessary
- final
- remaining

The final data has been collected

Forward this data to the design organization

Please take into account our remarks on the...



- design assignment
- design documentation

Don't delay the approval of the detailed project report

It will delay the elaboration of the working drawings

Everything will be done on time

What is your opinion of the economic feasibility of the construction of legal costs of the...?

- nickel plant
- sewing factory
- medicines plant

We consider the construction of this project (un)reasonable

### ***Sending of Specialists Abroad***

We'd like our specialists to...

- collect the initial data
- carry out the design's supervision
- carry out starting-up and adjustment operations
- put the equipment into operation

We have no objections

Please let us know...

- the number of specialists
- your specialists' specialties
- the period of the specialists'
- the conditions necessary for the i
- specialists' work

The necessary information will be submitted to you without delay

You are to provide our specialists with...at your own expense

- furnished offices and living accommodation
- transport facilities for business trips
- medical service

All these items are specified in the draft contract

Your terms of sending specialists are (un)acceptable to us

### ***Delivery of Equipment and Materials***

When shall we be able to settle the delivery point?

We'll need two weeks to finalize the delivery point

We can't accept your delivery terms

Inform us of the delivery dates

The deliveries will start in May as stay indicated in the contract

We can't proceed with deliveries

Could you reduce the delivery time by two months?

How will deliveries be made?

In five consignments at four month interval

We are not responsible for disrupting the delivery schedule as the deliveries are made on f.o.b. terms

We undertake to make timely deliveries

The final delivery will be made in the time stipulated in the contract

### ***Packing***

Each package must have the marking...

- "gross weight"
- "net weight"
- "keep dry"

These goods got a special marking

Have you specified the marking in the...?

- waybill
- specification

We have specified the ...

- total number of cases
- ordinal number of package
- number of a cargo waybill

In what packing will you supply the cargo?

We shall provide a...packing at our own expense

- seaworthy
- customary
- suitable

### ***Doing Business Through Agents***

Have you received our draft agency agreement?

Yes, and we are ready to sign it.

Does the commission rate suit you?

Not quite. We would like it to be increased up to...% per cent of the total sales.

How are you going to pay the commission?

After receipt of payments from the customer and in the currency of his payments.

### ***Sale of Licenses, "Know-How"***

What does a license agreement cover?

A license agreement includes the transfer of...

- patent right
- knowledge

- technical experience
- “secrets” of production
- “know-how”

What is “know-how”?

This is a set of knowledge and experience to master the “secrets” of production

Why are you unwilling to patent your inventions?

We prefer to sell them as “know-how”

What does a patent list?

It lists the...

- priority of invention
- exclusive sole right to use the invention

Only a patent holder has the right to use the invention

The trademark is specified to distinguish items of one enterprise from those of other enterprises

The trademark is protected by industrial right

How is the right to invention transferred?

The licensor grants a license-permission to the licensee to use this right

We would like to obtain licence

- building license
- exclusive license
- foreign-trade license
- import license

We can grant you...

- an exclusive right
- a sole right
- a patent right
- an industrial right
- a right to use inventions

### ***Transportation***

Who can we turn to discuss transport problems?

A...will help you

- general freight agent
- carrier agent
- chartering agent

How will the...the luggage be compensated?

- damage to
- loss of

You'll have to apply to insurance company

What documents are we to submit to you?

You are to submit the...to us

- shipping documents
- document of title
- shipping instructions

How will the cargo be delivered?

We shall send it by...

- railway
- highway
- sea
- air
- river

We undertake to observe the...

- delivery time
- transportation plan
- rules of international carriage
- terms of delivery

What forwarding documents will be required for the transportation of the cargo?

It will be necessary to check if a (an)...is available

- marine way bill
- railway bill
- air way bill

What kind of shipment is provided for in the contract?

The contract provides for...shipment

- carload
- gross
- prompt

What kind of transportation does your firm practise?

Mostly...transportation

- motor
- air
- railway
- overseas

On what terms do you normally transport cargo?

As a rule on terms

- c.a.f. (cost and freight)
- c.i.f. (cost, insurance freight)
- f.o.b. (free on board)

## 4.4. INTERNATIONAL BANKING AND FINANCE

### Unit 1. Bank organization

The way in which a bank is organized and operates is determined by its objectives and by the type of economy in which it conducts its business. A bank may not necessarily be in business to make a profit. CENTRAL BANKS, for example, provide a country with a number of services, while DEVELOPMENT BANKS exist to increase the economic growth of a country and raise the living standard of its population. On the other hand, the aim of COMMERCIAL BANKS is to earn profits. They therefore provide and develop services that can be sold at a price that will yield a profit.

A commercial bank which provides the same range of services year after year is less likely to be successful than one which assesses changes in the demand for its products and which tries to match products to its customers' needs. New services are constantly being introduced and developed by commercial banks, and the full-service philosophy of many banks means that they are akin to financial supermarkets, offering a wide variety of services. However, not every bank may want to offer every kind of financial service. Many banks offer a combination of wholesale and retail banking.

The former provides large-scale services to companies, government agencies and other banks. The latter mainly provides smaller-scale services to the general public. Both types of banking, however, have three essential functions, which are:

- deposits
- payments
- credits

These three functions are the basis of the services offered by banks. They make it possible for banks to generate profits and to achieve their operating aims. Several factors have combined to make banking an international business. These include the growth of multinational companies and of international capital markets, the increased competition between the banks themselves, and important improvements in communications and transportation. The major banks of the world have established the extensive international operations by acquiring banks in other countries, by extending their own branch network abroad and by establishing correspondent relationships with foreign banks so as to develop profitable joint operations. The operations of these major commercial banks are dynamic and rapidly changing, and their organization is of a global nature.

**TASK:** Read, translate and discuss the text with your groupmates.

## Unit 1. Bank organization

This unit is about bank organizational structures and how to describe them. You will hear three bankers describing the structure of organizations they work for banks of different types and sizes in different countries.

### Section A

#### A 1

Look through the following short report concerning the reorganization of a bank.

\* \* \*

The Allied Bank is reorganizing its operations into 3 business sectors: corporate banking and international banking operations will be headed by Bernard Rogers, who is currently Director of International Banking Operations and Deputy General Manager; The finance operations sector, including foreign exchange operations, short-term money market operations and accounting, will be headed by Lucy John, while David Lacey has been named Deputy General Manager with responsibility for the branch network and retail banking sector.

1. In the boxes below each name, fill in the division for which each person will be responsible. Beneath the boxes add any details which are given about the responsibilities of the divisions.

**Bernard Rogers**

**Lucy John**

**David Lacey**

2. Now look at the words in the left-hand column, which are taken from the text. Match them with words from the right-hand columns.

1. operations	A. reports
2. sectors	B. at present
3. headed	C. activities
4. currently	D. sales
5. including	E. covering
6. named	F. appointed
	G. led
	H. offices
	I. areas

## A 2

You are going to hear Ed Walker, an Assistant Vice-President of a large American Bank, talking about the structure of his bank to Françoise Caie, a French banker. Before you listen to the conversation, look at these questions which you will answer after you have listened for the first time.

**1. Is Ed:**

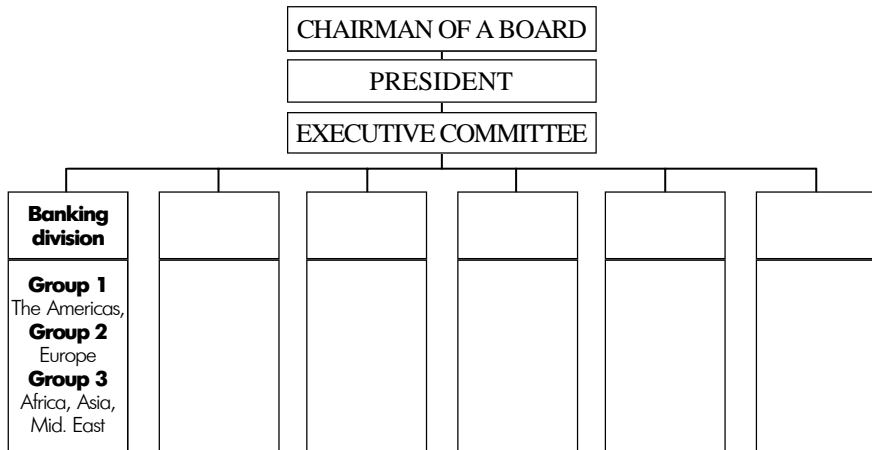
- a) explaining the bank's organizational structure?
- b) discussing the bank's organizational structure?

**2. Does Ed:**

- a) give a basic outline of the bank's organizational structure?
- b) give a detailed analysis of the bank's organizational structure?

## A 3

Listen again to what Ed says about the structure of his bank. As you do so, complete the following organization chart. Firstly, write in the boxes the names of the divisions. Then under the boxes add details of the responsibilities of each of the divisions.



## A 4

Look at the words in the box, all of which are from this section. Check any words that you do not know with the partner. Then, working together, match the words with the correct definition from the list below.

credit policy	Bullion	Consumers
annual report	line divisions	Strategic planning
premises	Personnel	Commercial paper
domestic	Reorganized	Municipal bonds
comptroller's department		
Investment portfolio management		

1. A report presented each year, giving details of the company's activities and financial performance during the previous financial year.
2. Formed or structured in a new way.
3. Sections of a company which deal with different products of services from each other.
4. People who buy goods or services.
5. In your own country, not abroad.
6. Management of a client's collect investment.
7. Short-term documents usually sold by big US corporations, promising to pay a special sum of money on a particular date. They may be sold again by the buyer.
8. Documents issued by a local government authority, promising to repay loans at a certain time.
9. Bars of gold or silver.
10. Employees, staff.
11. Buildings and surrounding land.
12. A department which controls the internal finances of a company.
13. Deciding the main aims of an organization.
14. Plans for the lending of money.

## **Section B**

### *B 1*

You are going to hear Clive Regis, the Director of a London merchant bank, being interviewed about the bank's organization. As you listen, look at these headings. Which ones does he talk about and in which order?

- Structure of the parent company
- Brief history of the bank
- Range of services provided
- Recent changes



**B 2**

Look at the terms in the left-hand column. Match each one with its correct definition in the right-hand column.

1 merchant bank	A The selling-off interest
2 clearing bank	B A very large loan for one borrower, arranged by several banks.
3 wholly-owned subsidiary	C Money overdrawn on bank accounts to agreed limits.
4 accounting and audit	D Documents promising to pay sums of money at specified times.
5 syndicated loan	E Money placed in countries with very low taxes.
6 overdraft	F The joining of two or more companies into one.
7 documentary credit	G A bank which is a member of a central organization through which cheques are presented for payment.
8 Correspondent banking	H Activities where one bank acts as an agent for another bank.
9 currency option	I A contract where the buyer has the right to demand purchase or sale of a specified currency, but no obligation to do so.
10 bonds	J A bank mainly concerned with the financing of international trade.
11 floating rate note	K An organization which collects and pools money from many small investors and invests it in securities for them.
12 Eurodollar CD	L A company entirely owned by another company.
13 financial futures	M A limited company formed to invest in securities.
14 merger	N A method of financing international trade where the bank accepts a bill of exchange from the exporter for the invoice amount, in return for receipt of the invoice and certain shipping documents.
15 take over	O The buying of a majority of the shares of companies.
16 divestment	P Contracts to buy or sell currencies, bonds, and bills, etc. at a stated price at some future time.
17 USM flotation	Q Note on which interest rates are fixed periodically, and which can be traded on the market.
18 investment trust	R Document given for a deposit repayable on a fixed date, the currency being dollars which are deposited outside the USA.
19 unit trust	S The keeping of financial records and their periodic examination.
20 offshore funds	T The starting of a new limited company, where the shares are not included in the official list on the Stock Exchange

**B 3**

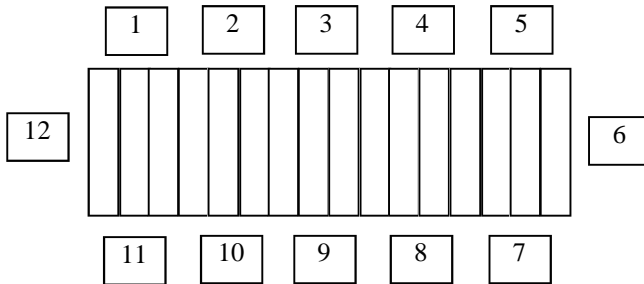
Listen again to what Clive says about the organization of the bank. As you do so, write in the boxes below the names of the six divisions to which he refers and list their main areas of responsibility.

Admin. Division					

**B 4**

Imagine that you are organizing a dinner party for 12 bank officials, including yourself. The other 11 people each work in different areas of banking, which are as follows:

Financial control	Syndicated loans
Investment management	Correspondent banking
Documentary credits	Foreign exchange
Planning	Corporate finance
Overdrafts	Accounting and audit
Project finance	



Draw up a seating plan for the guests and yourself, placing everyone at the table below. When you've finished, compare your plan with that of a partner. Discuss any similarities and differences, and explain the reasons behind your plan.

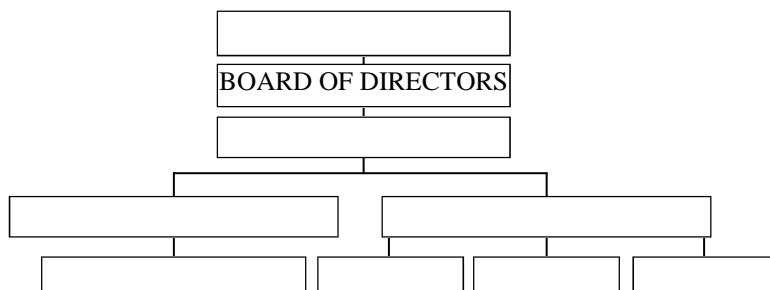
**Section C**

**C 1**

So far we have heard about and looked at the structure of a large American bank and British merchant bank. Now we are going to look at the work of a savings bank. Look at the following list of banking services. Put a tick (✓) next to those that are traditionally associated with saving banks.

CURRENCY OPTIONS	
PERSONAL LOANS	
SAFE - DEPOSIT SERVICES	
TAKE OVERS	
DEPOSIT ACCOUNTS	
BULLION	
PAYMENT OF STANDING ORDERS	
CHEQUE PAYING SERVICES	
LEASING PACKAGES	

## C 2



Listen and complete the chart.

## C 3

Look at the following extracts from Kai's description of the saving bank. Work with a partner and note down what you think the speaker says instead of the words in brackets. Then listen to the section again and compare your answers with the words Kai actually uses.

1. ...to understand just what we are and that is a \_\_\_\_\_ (bank set up to accept deposits from members of the public)
2. ... \_\_\_\_\_ in 1878 ...(set up, established)
3. In 1980 we \_\_\_\_\_ with the two largest regional savings banks (joined together)
4. ... and effectively this now gives us a \_\_\_\_\_ to serve the private customer...(system of local offers over the whole country)
5. There's a Board of Directors, which is elected by the Board of \_\_\_\_\_ (people responsible for administering money or property for the benefit of others)
6. ...to gain access to the \_\_\_\_\_ (markets in which there are good profits)
7. ...markets dominated by the \_\_\_\_\_ (banks which offer a wide range of services to the public, to companies and to other organization)
8. ... \_\_\_\_\_ 1970...(before)
9. ...couldn't accept deposits \_\_\_\_\_ the equivalent of...(more than)
10. ... granted an international \_\_\_\_\_ of 45 million dollars...(loan of money at a fixed rate of interest, involving a certificate of the dept)
11. ...and which had a \_\_\_\_\_ 50 per cent of which ... (an entire collection of loans)
12. ... and expanding worldwide \_\_\_\_\_ (arrangements with banks which act for each other)

13. ... major investments in terms of \_\_\_\_\_ (people who work here)  
 14. ... necessary for us to be able to \_\_\_\_\_ (increase the range or extent of our operations)

### *C 4*

You are going to make a short presentation of your bank or company. Look through the list of points and decide in which order you will use them in your presentation. Then compare your order with that of a partner and discuss any differences.

- RANGE OF SERVICES
- FINANCIAL PERFORMANCE
- STRUCTURE
- SPECIALIZED PRODUCTS
- GEOGRAPHICAL REPRESENTATION

Now make a short presentation of the structure of your bank or company. Use any visual aids, such as diagrams, that will help you.

## **Section D**

### *D 1*

Quickly read the text below, which is taken from an annual report of one of the world's largest banks. Then choose the best heading from this list.

- The Year in Brief	- Financial Review
- Global Banking Resources	- Notes to the Accounts
- Foreign Location	

To service the needs of different client groups effectively, the Bank is organized into three broad groups: the Domestic Banking Group and the International Banking Group. The basis of the Bank's strength continues to be its domestic banking operations. The Domestic Banking Group's network of 295 branches provides a full range of banking services nationwide and is the largest network in the country. The Corporate Banking Group is responsible for servicing the complex needs of over 200 of the nation's largest corporations. Of the Bank's total domestic deposits and domestic loans, the Corporate Banking Group accounts for 25 per cent and 40 per cent respectively.

The Bank continues to develop and expand its international operations, and in fiscal 1991 foreign earnings surpassed those of the country's other leading banks for the fourth consecutive year. Since January 1 1990, the Bank has opened six new representative offices and has upgraded the Rome representative office into a full service branch. Our strong international presence is currently maintained through 12 branches, 18 representative offices, 2 agencies and 10 subsidiaries and affiliates.

The International Banking Group includes regional departments which assume responsibility as follows: the Americas; Africa, Middle East and Europe; Asia and Oceania. The Group includes both the Correspondent Banking Department, which is responsible for the Bank's correspondent banking network of some 1,500 institutions, and the Merchant Banking Department. Also within this group, the International Treasury Department specializes in foreign exchange and funding operations, while the International Planning Department is responsible for strategic planning. The International Business Supervision Department is responsible for the assessment of country risk and corporate credits, as well as for systems development and for ensuring compliance with regarding international business. The Bank continues to respond well to market dynamics both at home and abroad. Part of the Bank's strength lies in the wide spread of its representation and its ability to develop sophisticated new services to meet the changing patterns in banking opportunities. The Bank's aim is to ensure the continued prosperity of the group by means of its dedication to service and by expanding the scope of its activities, both geographically and functionally. We believe that we have the right organization to do this in the period ahead.

### *D 2*

Using the information in the text you have just read, complete this organization chart.

### *D 3*

Based on the information in the text, say whether the following statements are true or false.

1. The Corporate Banking Group services the needs of 1,500 of the nation's largest institutions.
2. The Corporate Banking Group plays an important part in terms of the bank's domestic deposits and domestic lending.
3. 1991 was the fourth year in a row in which the bank earned more money abroad than any other bank in the country.
4. The bank has 30 branches and representative offices abroad.
5. The bank plans to increase its international operations.

### *D 4*

To end this unit, interview a partner about the organization of the bank he or she works for. Then write a description of the organization of this bank and give it to your partner to look through and comment on. If you all work for the same bank, then describe a bank you have worked for in the past or know well. You may need to have a little research!

## UNIT 2. BANK PERFORMANCE

Banks necessarily use sophisticated accounting systems to record as clearly as possible what the financial situation of the bank is. Normally such a system is based on the principle of the double entry, which means that each transaction is entered twice as a credit in one account and as a debit in another account. If we deposit \$ 100 with the bank, for example, the bank enters a debit for the receiver and a credit for the giver. The former represents an asset to the bank, since it is a sum of money at the bank's disposal, as well as liability, since it will one day have to be repaid.

The balance sheet of a bank gives us a view of its financial situation at one point in time, usually 31 December of a particular year. But we do not know what has happened between two balance sheets. This information is provided by the profit and loss account for the period in question. Neither statement is exactly uniform from the bank to bank, but both contain certain essential features. The largest asset of a bank is normally its total portfolio of loans. Deposits usually constitute the largest liability. Balance sheets usually include the following items listed as assets:

- Cash on hand and due from banks-money in vaults, balances with other banks, cheques in process of collection.
- Investments-bonds, shares, etc.
- Loans-to companies, the general public, etc.
- Fixed assets-buildings, equipment, etc.

Items listed in the balance sheet as liabilities are:

- Deposits-all money owed to depositors.
- Taxes payable-national and local.
- Dividends payable-decided on, but not yet paid.

The profits and loss account records the income of a bank, and here, typically, the items in order of size are:

- interest on loans.
- return on investments.
- fees, commissions, service charges.

The granting of credit provides the largest single source of bank income. Typically, two thirds of an American commercial bank's yearly earnings result from interest on loans. Nine of every ten dollars they lend come from depositor's funds.

The following items normally constitute the main expenses in a bank's profit and loss account, again in typical order of size:

- interest paid.
- salaries and other benefits.
- taxes.

A bank's accounting systems, then, are designed to record and present the many transactions that take place every day. Substantial reserves over and above statutory requirements are an indication to customers of the bank's strength, that it has run its business well and has retained profits in the business for future operations. Profitability indicates the effectiveness of a bank's performance and how well it has managed the resources under its control. Published figures thus provide some essential data on the liquidity, safety and income of a bank.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 2. Bank performance

In this unit we hear three different bankers presenting facts and figures concerning the recent financial performance of their banks.

### Section A

#### A 1

First read the following short newspaper reports. Then from this list choose an appropriate headline for each report.

PROFITS FORECAST	MIXED PROFITS
FALL IN PROFITS	GROWING DEBTS
LOSS REPORTED	PROFITS GROWTH

1. Harborne Investment Bank has reported a loss equivalent to USD 295,000 for the first 6 months of 1997, a figure in line with the lower first-half earnings reported by the country's other leading banks. The bank posted a USD 2.86 million profit for fiscal 1996.
2. Hogg and Lacey's Bank has announced an income of USD 58 mln. for the first half of the year, an increase of 45 per cent over the corresponding period last year. The bank has increased its interim dividend from USD 1.50 to USD 1.80 a share.
3. Northland's FA Bank group increased operating results by 20 per cent to USD 108 mln. in the first 6 months of this year. Westsund Bank, in contrast, reported a drop to USD 80.5 mln. while Quintorp Bank reported steady earnings of USD 195 mln. but a 15 per cent fall in the parent bank figure to USD 178 million.
4. Bank expects net profits in the region of CHF 33 million for the current financial year, according to Dr.Fritz Kohl, a rise of some 12 per cent. At

the end of June the bank's balance sheet was CHF 4.42 billion, compared with CHF 4.13 billion at the beginning of the year.

### A 2

Say the following numbers. There may be alternative ways of saying some of them.

1	1,200	4	37,600 000
2	560,000,000	5	1,500 672
3	5,000,000,000	6	1,500 000

### A 3

Listen again to Ed talking about his bank's performance for the previous financial year. As you do so, fill in the spaces in the extract from the annual report below.

HIGHLIGHTS		
\$ in millions, except per share data	1990	1989
For the year	.....	
Net income	.....	
Net interest income	.....	1.600
Per share		
Net income	.....	4.80
At Year-End		
Assets	.....	59.000
Deposits	.....	34.700
Investment Securities	.....	1.900
Employees	.....	13.650
Number of Offices	.....	1.150

### A 4

Look at the following list. Work with the partner and note down what you think Ed says instead of the words in brackets. Then listen to his presentation again and compare your answers with the words Ed actually uses.

1. I have here a copy of our last report presented each year, (giving details of the company's activities and financial performance during the previous financial year).
2. But I can give you right now a very (short general description...)
3. ...based on money received from the sale of the parts into which the capital of a company is divided...
4. ...and sixth largest based on (the sums of money left with the bank).



5. ...financial services to a (large number of different types of customer...)
6. ...which includes (company customers...)
7. ...and (banks in other countries with whom we have an agency relationship).
8. In 1990 we achieved (our highest ever profits after transfers to reserves...)
9. ...our (tenth year in a row of profit growth...)
10. The annual income of the group of companies after the payment of costs was 500...
11. (...at the end of 1990 the value of all the things we own...)
12. ...in (the financial year 1990...)
13. ...billion dollars worth of (placements of money, for example in shares, so as to produce profit).

## **Section B**

### *B 1*

Look at the following expressions. Put a tick (✓) by the ones you might expect to hear in a presentation relating to financial performance and a cross (x) by those you would not expect to hear. Then compare your answers with those of a partner and discuss any differences.

1. This diagram gives a very brief summary of some of the key figures.
2. Highlights from the audited financial statements as at 31 Dec. 1990.
3. If we begin with income, then, you will see that the total group income amounted to...
4. ...but what is especially significant is the increase in non-interest income.
5. We've seen the income; let's now look at the outgoings.
6. The accompanying audited financial statements were prepared in conformity with generally accepted accounting principles.
7. This increase is larger than in previous years, and is partly due to..
8. All this adds up to total group outgoings of...
9. I think I'll stop there and answer any questions.

### *B 2*

You are going to hear Claire Seal, a merchant banker, giving some information about her bank to a small group of professional visitors from abroad. Before you listen to her presentation, look at these questions.

1. In this section is Claire talking about income, costs or both?
2. Is Claire giving figures with or without comment?
3. Was 1990 a good year or bad year for the bank?

**B 3**

Look at the diagram below which is a copy of the one which Claire refers to. Listen to her presentation again and fill in the blanks under the heading SOURCE OF INCOME.

Source of income			Use of income				
1989		1990		1990	1989		
£554m	Interest received	.....	64%	42%	£...	Staff costs	£...
£465	Interest paid	.....		5%	£...	Doubtful debt provision	£5m
£89m	Net interest earnings			10%	£...	Depreciation	£16
			36%	18%	£...	Other costs	£...
				16%	£...	Total costs	£...
				3%	£...	Tax	£...
£.....	Other income	£.....		6%	£...	Dividends	£...
£135	Total group income	£			£...	Total group outgoings	£135

Look at the diagram above which is a copy of the one which Claire refers to. Listen to her presentation again and fill in the blanks under the heading use of income.

**B 4**

Listen to the first part of the presentation again. Fill in the spaces in the sentences below with the words actually used.

This diagram gives a very..... of some of the..... relating to our performance in 1990. We'll be..... these figures again later in.....; but it may be.....at..... to present them and to.....a number of..... . If we..... income, ..... you..... that the total group income ..... to a .....of \$ 150 million, an.....of .....15 % on the.....year, a..... increase.....above that of recent years.

**B 5**

Choose the best answer.

**1. A brief summary is:**

- a) small amount of something;
- b) several numbers added together to make a total;
- c) a short report of the main points;
- d) a full report with details.

- 
- 2. Key figures are:**
    - a) figures that are easy to understand;
    - b) the most important figures;
    - c) figures that give an answer to a problem;
    - d) figures that are well-known.
  - 3. Trends are:**
    - a) movements or directions;
    - b) goals that you try to reach;
    - c) events that are likely to happen;
    - d) events that happen often.
  - 4. A record level of income is:**
    - a) an amount that will never be reached again;
    - b) an amount that is written down so that it will not be lost or forgotten;
    - c) an amount that stays the same and doesn't go up or down;
    - d) a higher amount than ever before.
  - 5. Net interest income is:**
    - a) an amount by which the total interest received is higher than the total interest paid during the period;
    - b) the amount by which the total interest received is lower than the total interest paid during the period;
    - c) the total interest received by the lender;
    - d) the amount earned on an investment after paying for its capital cost.
  - 6. Something which is especially significant is:**
    - a) the only one of its kind;
    - b) important and worth nothing;
    - c) widely-known and accepted;
    - d) the very best of its kind.
  - 7. Fee and commission earning activities are:**
    - a) the buying and selling of currencies for profit;
    - b) plans to lend money for profit;
    - c) services that are sold by an agent;
    - d) services for which charges can be made.
  - 8. A contribution to total income is:**
    - a) a fixed amount of money paid at regular intervals;
    - b) money that is owed or payable;
    - c) an amount of money that is taken away from the total;
    - d) an amount given or supplied.

**9. The economic environment is:**

- a) an area of the economy;
- b) the future of the economy;
- c) the economic situation;
- d) financial laws and regulations.

**10. The sensitivity of interest rates is:**

- a) the way in which interest rates are easily influenced or effected;
- b) the way in which interest rates affect each other;
- c) the changes in interest rates;
- d) the way in which interest rates are worked out.

**Section C***C 1*

You have heard Claire Seal talk about how much her bank earned last year. Now you are going to hear her talk how much her bank spent. As you listen to the continuation of the presentation, number the items below in the order in which Claire mentions them.

TAX	
PROVISIONS FOR DOUBTFUL DEBTS	
OTHER EXPENCES	
STAFF COSTS	
DIVIDENDS	

*C 2*

Look again at the charter in B 3. Listen to the continuation of the presentation and fill in the blanks under USE OF INCOME.

*C 3*

Look at the following extracts from this part of the presentation. Work with the partner and note down what you think Claire says instead of the underlined words. Then listen to the presentation again and compare your answers with the words that she actually uses.

1. ...let's now look at the.....amount of money spent.
2. The largest of this is.....money involved in paying employee
3. ...to handle the expansion of the bank's.....services for which charges can be made
4. ....increased to 8 mln. pounds...money put aside to cover possible credit losses.
5. ....the decline in value of property which is hired and on.....and equipment...buildings and the land on which they stand

6. Other.....increased by...money spent on the running of the bank.
7. ...the smallest.....increase...yearly
8. ....remained unchanged...the part of the company's profits which is paid to shareholders
9. ...as the major part of the year's profit was..... kept by the company and not paid to shareholders
10. Our balance sheet.....totals
11. After.....of the dividends...setting aside money for
12. ...there remained a net..... amount of money kept by the company and not paid to shareholders
13. ...9 million pounds, which was..... moved over to funds put aside to cover unexpected events

### C 4

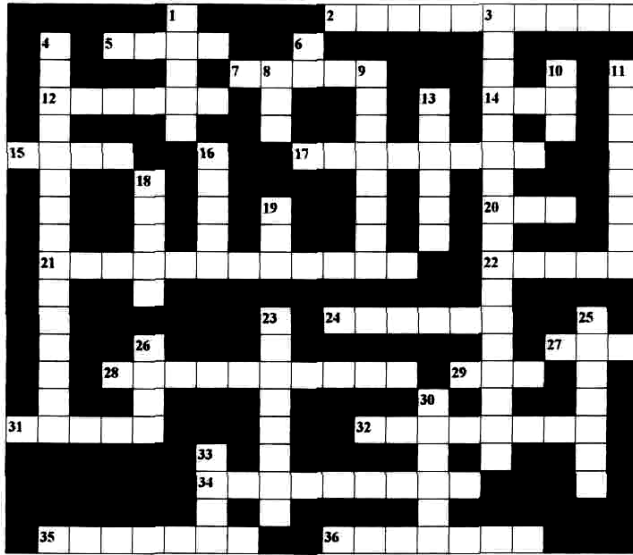
What factors are important for the financial success of a bank operating internationally? Look through the list of factors below and when you have decided on their relative order of importance, write the number of your choice in column A. Number 1 should show the factor which you consider most important and number 9 the least. You will be told how to fill in column B.

	A	B
Use of advanced technology		
Strong national economy		
Skilled and efficient staff		
Wide range of high quality products		
Broad network of correspondent banks		
Good management		
Wide geographical spread of local representation		
Good market reputation		
Established and diverse customer base		

## Section D

### D 1

Most of the words in the crossword puzzle are used in Units 1 and 2.



### ACROSS

2. Company in which another company owns more than half the shares. (10)
5. Opposite of profit. (4)
7. Periodic examination of financial records. (5)
12. The joining of 2 or more companies into one. (6)
14. Not the Source of Income, but the ... of Income. (3)
15. A sum of money owed. (4)
17. Buildings and land on which they stand. (8)
20. Money paid to the government on income. (3)
21. Report detailing a company's activities in the past financial year.(6,6)
22. Interest ...(levels). (5)
24. Not private. (6)
27. After costs and other deductions. (3)
28. Payment as an agreed percentage of price. (10)
29. Very important (figures, etc.). (3)
31. Movement or development. (5)
32. Profits after transfers to reserves. (8)
34. Money overdrawn on a bank account, to an agreed limit. (9)
35. Hiring something to a user, instead of selling it. (7)
36. The total obtained from adding up a column of figures. (7)

**DOWN**

1. Something which you own, which can be used to pay a debt. (5)
3. A method of financing international trade. (11,6)
4. Short-term documents normally sold by big US corporations. (10,5)
6. Certificate of deposit. (2)
8. US dollar. (3)
9. The buying of majority of shares in a company. (8)
10. "Earnings ... share." (3)
11. Money spent on running a company. (8)
13. Customer. (6)
16. The whole amount, added up. (5)
18. Several companies joined together, owned by one company. (5)
19. Charge made for service. (3)
23. Money put aside in case anything unexpected happens. (8)
25. Sum of money left with the bank. (7)
26. Document promising to pay a sum of money at a specified time. (4)
30. Differences between income and outgoings. (6)
33. A sum of money lent. (4)

### UNIT 3. FOREIGN EXCHANGE

Foreign exchange dealing is the exchange of the currency of one country for the currency of another. The rate of exchange is the value of one unit of the foreign currency expressed in the other currency concerned. With the growth of global trade, many companies need foreign currency to pay producers in other countries. A British company with the supplier in Germany, for example, will probably use sterling to buy Deutschmarks from its bank in order to pay an invoice from the German company. The bank buys the Deutschmarks from another bank at a particular rate and provides them to its customer at a higher rate, thus making a profit. Similarly, a bank may make gains on buying and selling currencies on the inter-bank market. Currencies can be bought or sold in the foreign exchange market either for immediate delivery, that is at a spot rate, or for delivery later (e.g. two weeks, three months, etc.) at a forward rate. The forward market is useful for companies, since if a company knows that it will need a particular foreign currency to pay a bill in four weeks' time, for example, a forward deal enables it to protect itself against future adverse movements in the exchange rate which would have otherwise had the effect of making the foreign goods more expensive. When dealing in foreign exchange, normally by telephone, the bank quotes both the selling and buying rate of currency at which it is prepared to transact business. Settlement for a spot transaction is two working days later. Thus, if a contract is made on Monday, the seller delivers the amount sold and receives payment on Wednesday. Similarly if the contract is made on Tuesday, value is Thursday.

Currency traded in this way is delivered to the buyer's account with a bank in the main centre, or one of the main centres, for the currency in question. In the case of sterling, for example, this is London, for Dutch guilders it is Amsterdam and Rotterdam, and for Belgian francs it is Brussels and Antwerpen. The buyer decides where his or her account is to be credited.

The foreign exchange dealer fills in a dealing slip containing basic information such as the date and the time of the deal, the contracting party, the amount and rate agreed on, the date of settlement, and the place of delivery of the currency dealt in. As soon as a foreign exchange transaction has been carried out, both banks send a written confirmation containing the basic information mentioned above. Any discrepancies may thus be detected quickly.

A bank holding debts or claims in a foreign currency is itself exposed to an exchange risk, unless the debts and claims neutralize each other by being of equal



size and by having roughly the same maturity dates. Dealers therefore aim for a balanced total position. If the amount of a bank's claims in dollars, for example, is larger than the total debts in dollars, then the bank has a long position, but if the debts are larger than the claims, the bank is short in dollars. As long as the total position balances, there is no risk for the bank.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 3. Foreign exchange

Foreign exchange dealing plays an important part in the activities of many banks. In this unit we hear Alan King, the Chief Dealer in London merchant bank, explain some of the basic principles of foreign exchange dealing. Then we hear him at work on the telephone making two deals.

### Section A

#### A 1

Look through the following list of currency code next to the country to which it relates in the grid below.

SEK	DEM	CHF	BEF	CAD	USD	GBP	ITL
NLG	NOK	DKK	FRF	JPY	AUD	ESP	

Currency code	Country	currency code	country
	Holland		Norway
	Belgium		Sweden
	Gr. Br		Denmark
	Australia		Switzerland
	Italy		Germany
	USA		France
	Canada		Spain
	Japan		

#### A 2

Listen to Alan King explain some of the basic principles of foreign exchange dealing and tick (✓) those items which he talks about.

1. Currency codes.
2. Some terms used in foreign exchange dealing.
3. Some basic principles of foreign exchange dealing.
4. A big deal he did last week.

## A 3

Listen to the conversation again. As you do so, note down whether the following statements are true or false.

1. Most of Alan's dealings are based on sterling.
2. The previous day, dollar rates had risen by between 16 to 8%.
3. A tom /next means from tomorrow to next week.
4. When someone asks 'What is your spot dollar mark outright tomorrow?' Alan quotes them a spot rate.
5. A swap involves borrowing one currency and lending another.
6. An outright is connected to a corresponding spot transaction.
7. This conversation took place in the month of October.

## A 4

Listen to Alan again and write down the words that he actually uses in place of the underlined words.

1. We're accounted in British pounds.
2. So, for instance, your prices for funds which will be exchanged two working days later are dollar Deutschmark....
3. I mean, for instance, yesterday the dollar rates increased slightly...
4. So people buy dollars because the difference in interest rates between dollars and Deutschmark is increasing.
5. You're short of Deutschmark that day and you have to buy, borrow those for one day....
6. That is the basis of making a result where the income is higher than the costs.
7. Well, to make totals equal, to balance the account for that day.
8. ...and find that on the 17th that I am in a position where I have sold more Deutschmarks than I have bought, and bought more dollars than I have sold.
9. Then you have spot a week, a period of two weeks beginning two working days from now.
10. We also have deals where someone buys one currency and sells another on any particular day.
11. It's just that you're stating the price that you will charge for a spot rate...
12. ...depending what the price is for the tom / next exchange of one currency for another, for a certain period of time.
13. ...so that the relationship between the two currencies fixes, decides the forward pricing.
14. ...so they cover foreign exchange risk or possibility of loss by buying Deutschmarks...

## A 5

It is sometimes difficult to hear words which are unstressed in spoken English. Look through the text below, which is taken from the first part of the conversation, and say what you think the missing unstressed words are. Then listen again to this part of the conversation. As you do so, write in the missing words. Then compare your answers with those of partner.

.....accounted.....sterling, but generally all dealings.....based.....the dollar. So,.....instance, .....spot prices....dollar Deutschmark, OK? .....the big market really, dollar Deutschmark. And.....the movement in.....dollar which is really moving.....market. I mean,.....instance, yesterday, the dollar rates firmed up..... little. They went up about.....sixteen to.....eighth of.....per cent. So people buy dollars.....the interest differential between dollars.....Deutschmarks is widening. So.....mean, if you buy dollars, OK, you,.....lend them out.....next day.....say eleven and.....half per cent.....short.....Deutschmarks that day, and you have.....purchase, borrow those.....one day, and that's about five.....half per cent. So.....talking about six per cent difference. The basic idea.....spot dealing is to buy dollars low.....sell high. That's the basis.....making.....profit.

## Section B

### B 1

Before you listen to a telephone talk, look at the expressions. Put a tick (✓) by the ones you might expect to hear in a telephone conversation concerning a foreign exchange deal and cross (x) by those that you would not expect to hear. Then compare your answers with those of a partner and discuss any differences.

1. In order to confirm the arrangements we made by telephone today, here are the terms and dates on which we agreed.
2. I'm fine thanks. How are you?
3. OK. Just let me get the two week price for you.
4. Hold on for a moment.
5. I can give you two dollars outright.
6. Please advise at 11.00 a.m. on the above date is convenient.
7. Why the dollar will rise again?
8. Nice to hear from you.

9. Just a second.
10. I sold you two million dollars against D mark.
11. Further to our recent telephone conversation, I am enclosing a copy of our tariffs, as requested.
12. Thanks a lot for the deal.

### *B 2*

Alan King is calling Tove Strutz, the Cash Manager of a large Scandinavian insurance company. Listen to their conversation and answer these questions.

1. What time of the year does the conversation take place?
2. In this deal does Alan buy Deutschmarks from Tove or sell them to her?

### *B 3*

Look at the following expressions. Then listen to the telephone conversation again and write down the words of expressions that are used to mean the following:

1. Actually.
2. Meet each other.
3. Telephone me.
4. State our prices.
5. The price for a currency two working days from now.
6. The price for a currency two working days from now which one bank charges another bank.
7. An exchange rate of Swedish kroner against dollars.
8. The front surface of a computer or terminal on which information is shown.
9. Thousandth of a percentage point.
10. Wait a moment.
11. Available in your account on (date).
12. I agree that we have made a deal.
13. Pay the funds into.
14. Pay the corresponding funds into.

### *B 4*

You are going to hear eight sentences which you might hear in a telephone conversation. Respond to them with one of the sentences shown below.

- A. OK. Thanks for calling. Bye now.
- B. Yes, that would be nice.
- C. Fine thanks. And you?
- D. Yes, OK. In a couple of weeks, then.
- E. Let me think. As a matter of fact there is, yes.
- F. Very well, thanks.
- G. Yes, that's fine.
- H. For how much?

Note that not all of these responses actually occur in the section. Some are alternatives which could have been used instead of what was said.

### *B 5*

The speakers in this unit all use numbers fluently in their everyday work. But it can sometimes be difficult to know how to say things which we often see written. How would you say the following

$1/8 + 3/32$	7.3980
3/16%	$2.6028 - 0.0037 = 2.5991$
$5^{3/4}\%$	$500.000 \times 10.64 = 5.320\ 000$
600.541	240: $2^{1/2} = 96$
2.000.000 dollars	$12^{1/4} + 21^{2/3} = 33^{11/12}$

## **Section C**

### *C 1*

1. What is your opinion, are the essentials for a successful telephone call?
2. What sometimes goes wrong in telephone calls?

### *C 2*

Now listen to Alan King receiving a call from Jan Ackerman, a dealer in the Foreign Exchange department of Dutch Bank, and answer these questions.

1. Is this the first time Alan has talked to Jan?
2. Do they deal dollar / Deutschmark, dollar / pound, or dollar / yen?
3. Is it a big deal or a small deal?

## C 3

In quoting rates, note that Alan often specifies only the pips, that is the third and fourth decimal places of the exchange rate. Also, because he doesn't know whether Jan wants to buy or to sell dollars, he quotes a spread of rates, that is both the rates at which his bank will buy and sell dollars. Now, listen carefully to the telephone conversation again and write in below each of the four rates which are quoted.

Spot rate	Buy \$ .....DEM	Sell \$ .....DEM
Two weeks' Swap rate:	Big rate The bank's lending rate .....DEM	Offer rate The bank's borrowing rate .....DEM

## C 4

Listen to the telephone conversation again. As you do so, fill in Jan's settlement form

<b>VAN ZEAHALM BANK / 10 7 AK AMSTERDAM</b>	
DATE:	TO:
WE CONFIRM HAVING BOUGHT FROM YOU: CURRENCY:	PURCHASE AMOUNT:
FOR PAYMENT TO OUR RECEIVING AGENTS:	
WE CONFIRM HAVING SOLD TO YOU: CURRENCY:	SALE AMOUNT:
FOR PAYMENT TO YOUR RECEIVING AGENTS:	
EXCHANGE RATE:	VALUE DATE:

## C 5

Look at the following extracts. Listen to the telephone conversation again and write down in the spaces provided the words that Alan and Jan actually use, instead of the underlined words.

1. Good, what's....., please? (the exchange rate for dollars against Deutschmarks)
2. I have probably a small interest in two weeks,.....(lending one currency and borrowing another for a fixed period of time)
3. OK,.....(wait a moment). For two weeks,.....? (beginning two working days from now)
4. Less than a.....? (million dollars)
5. Can you give me.....? (the exchange rate that will actually be used for funds exchanged two working days from now)
6. OK, I can.....(sell you half a million dollars in exchange for Deutschmarks)
7. So two fifty-nine ninety-one is the outright. ....will be the... (the date on which our money is available in your account and your money is available in our account)

8. Just a second, I've lost my..... (chart or table showing days, months and dates).
9. .... Thank you very much, Jan. (We have agreed on the sale and purchase of half a million dollars.)

### C 6

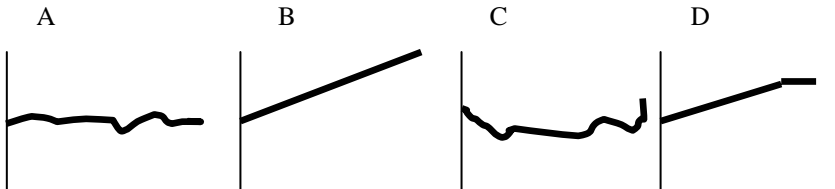
A dealer of Bank telephones the Cash Manager at Company C to check on the company's currency needs. Work in pairs, one person being the dealer and the other the Cash Manager. See if you can reach a deal.

Instruction for Dealer Bank B: The US dollar has been steady for a couple of days. The dollar / Deutschmark interbank rate is 1.9055 (buy) and 1.9060 (sell). You believe, however, that the dollar will rise during the day, probably by pfenning or so.

Instruction for Manager, Company C: You are almost sure that your company will need to buy USD 1 million later today, spot, with Deutschmarks. The dollar has been steady all this week, and at present you know the dollar / Deutschmark rate to be around 1.9055.

### D 1

Read the following report about currency rates and then look at the graphs below which show the movement of the four currencies during the week in question. Which graph shows which currency?



### REPORT

In a quiet week, the US dollar continued to upward course, again trading at nearly three Deutschmarks. The dollar was supported by commercial demand, as normal interbank trading declined and the market's major operators began squaring their positions for the year-end. The forecast of lower US interest rates and of a cut in the Federal Reserve discount rate didn't lead to any downturn in the US currency and the dollar closed at DM 2.9925. The Deutschmark was hardly changed, moving in a narrow range in lack-luster trading in Frankfurt. There was no central bank intervention to weaken the dollar against the mark. Trading volumes were low as the markets decline towards the end of the year. Sterling has been volatile lately, due to its status as a petrocurrency, and at the beginning of the week it fell against the dollar and other major currencies, as North Sea oil prices

eased on the European spot market. Friday saw a slight recovery, however, due to the covering of short positions, and at close of trading the pound stood at USD 1.3016. Falls in oil prices have opposite effects on the pound and the yen, as Japan needs to import nearly all its considerable energy requirements. This has meant that the yen has continued its steady climb, leveling slightly towards the end of the week. Against the dollar it has remained little changed since mid-January, but the yen has outperformed European currencies for most of the year. Sterling started the year at around JPY 325, touching a peak of JPY 344 on May 14. It closed on Friday at JPY 337.

### *D 2*

Now read the report again and then complete the information below to show the latest currency rates mentioned.

USD 1 = .....

GBP 1 = .....

GBP 1 = .....

### *D 3*

On the basis of the information in the report above, say whether the following statements are true or false.

1. The report was written in mid-January.
2. The dollar firmed up against the Deutschmark during the week.
3. Big banks were more interested in balancing their currency positions than in normal trading.
4. Possible changes in the US interest rates and the discount rate didn't affect the dollar rates.
5. The Deutschmark was traded in large amounts in Frankfurt.
6. The exchange rates of the British pound have changed quickly recently.
7. Banks were dealing in sterling on Friday in order to square their currency positions.
8. Falls in oil prices mean that the yen rates go up.
9. The yen rate against the dollar has been roughly the same for eleven months.
10. It is possible to buy more yen with Swiss francs now than it was earlier in the year.



## UNIT 4. MEETINGS

Banks provide a wide variety of services to companies, and a company operating internationally is likely to use several banks around the world to meet its various needs. Banks keep in touch with these customers by telephone and perhaps with regular meetings, to maintain the relationship and to market new services. Many companies use banks at one time or another to finance their operations. As with any other type of loan, bank charge interest on corporate loans. Interest rates for loans in Britain, for example, can be charged in one of three ways:

- \* at a margin above the bank's base rate. Each bank decides its own base rate, and then charges the company a rate of interest which is related to this. A big customer with a very good reputation may be charged the bank's rate plus 0.5%, for example, while a smaller company might be charged the base rate plus 3%.

- \* at a margin above LIBOR, the margin again depends on the bank's assessment of a corporate customer.

- \* at a fixed rate of interest for the period of the loan. The first two ways are variable and are adjusted periodically to reflect movements in interest rates on the market. They may also be negotiable. The third may be dangerous for the bank when market rates are erratic.

A company involved in a business where income and expenditure are subject to constant changes needs a variable borrowing facility. This is met most simply by an overdraft facility. The company opens an account with the bank, and an overdraft with a specified limit is granted on the account. A standby letter of credit is a commitment under which a bank agrees to provide funds to a customer where, unlike most other forms of documentary credits, no goods are involved. The standby letter of credit is a flexible form of lending and can cover a variety of situations, in which procedures are reduced to a statement of the documents to be received before payment is made for the third party. Many companies make a profit not only from the goods or services which they sell, but also from the money that they have. Cash managers utilize funds at their disposal, buying and selling shares, treasury bills and so on, to generate profit in the form of investment income. Rather than move valuable foreign shares and securities around the world by post, a company will deposit them for safe keeping with the bank in the foreign country. A company in Sweden which buys shares on the American market, for example, will use the custodian services of a US bank. Banks naturally charge fees and/or commissions for custodian services.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 4. Meeting

In this unit we will hear extracts from two separate meetings. The first meeting is between a company treasurer and the area representative of an American bank. In the second meeting we will hear the same company treasurer; this time negotiating with a banker from the United Kingdom.

### Section A

#### A 1

Before you listen to the extract from the first meeting, look at the following expressions. Put a tick (✓) by the ones you might expect to hear in business meeting and a cross (x) by those you would not expect to hear. Then compare your answers with those of a partner and discuss any differences. Where would you expect to see or hear those you marked with a cross?

1. One of the points you mentioned in your letter was...
2. I'm sure we can help you there.
3. Notice is hereby given that the rate of interest for the next interest period has been fixed at 9% per annum.
4. Could we take up the question of ...?
5. Perhaps you could consider reducing that?
6. Senior financial managers consult Walters Bank. Shouldn't you?
7. What kind of reduction did you have in mind?
8. I enclose a copy for your information of the minutes of the meeting held on 23 May 1991.
9. I take your point.
10. OK, I've made a note of it.
11. Applications must be made on the form attached hereto.
12. We'll get back to you within a couple of weeks or so.

#### A 2

You are going to hear Diane Francis, who is an assistant Vice-President at the London branch of an American bank, in conversation with Ulf Edberg, the treasurer of Denavian International Insurance. After the meeting, Diane wrote a report on it for her boss. Here, however, the report is not complete. Listen to the conversation and fill in the gaps.

Meeting held on.....

Location: Denavian Insurance Company, Stockholm

Present: Ulf Edberg (Treasurer, Denavian) – self

Agenda: 1. Letters of Credit Facility

Client is not yet sure about company requirements for..... . Expressed worry, however, over..... and estimates that this will cost Denavian..... Client pointed out that the countervalue..... . is deposited with us. Currently pays 0.25 % for ..... but changes will mean ..... Requested that we look into..... . Volume of letters of credit likely to ..... I promised to .....

### A 3

Listen to the conversation again and write down in the spaces provided the words that Ulf and Diane actually use instead of the underlined words.

- One of the points you.....(referred to or specified) in your letter was our.....letter of credit facility...(present)
- ...due to the change in..... . (the law of the US)
- ...I just wonder if we could.....(look into) alternatives to the..... . (flexible agreement to provide funds to a third party)
- ...at least 0.75 of a per cent per annum..... .(fixed, without variation).
- That's on the.....of letters of credit? (total amount that is owed)
- ...what do you call it? – .....with our own securities...(an arrangement by which money and other assets are controlled for our advantage)
- But I'm sure we will..... the volume of letters of credit....(reduce and make smaller)
- ...trust funds are something in which we can offer you.....(a lot of experience, skill and know-how)
- I'll go away, give the matter a lot of thought, and give you our.....  
.....next month. (preliminary main suggestions)

### A 4

Each of these phrases from the conversation fulfils a particular purpose. Match the items with the definitions.

1. One of the points you mentioned in your letter was	A. Agreeing that something is correct
2. But I'm worried by the increase in your commissions	B. Referring to something stated in writing.
3. As we discussed last time...	C. Saying that a course of action is certain.
4. I just wonder if we could explore alternatives to...	D. Trying to find the right words.
5. I guess we have...	E. Saying that you think what you are going to say is correct.
6. Right	F. Expressing concern about charges.
7. ...a - what do you call it?	G. Suggesting that something acceptable.
8. I think that could be an acceptable alternative	H. Agreeing that something is acceptable.
9. But I'm sure we will decrease the volume...	I. Referring to a previous discussion
10. So you'd prefer trust fund ...	J. Suggesting an alternative.
11. Fine.	K. Checking that you have understood

**A 5**

Work in pairs. One person takes the role of Diane, representing the bank and the other takes the role of Ulf, representing the company. Briefly discuss the letter of credit facility offered by the bank to the company. Try to reproduce roughly what Ulf and Diane said.

**Section B****B 1**

Read this letter which concerns the meeting that you will hear in Section B and C. Here the last paragraph has been left out. Decide which of the alternatives below is the most suitable last paragraph for the letter. Then compare your answer with that of a partner.

Wallers Bank plc  
111 35 Stockholm  
Sweden  
Dear Ulf,

6 September 2001

I understand that Mark Grey and I have an appointment to see you at 9 a.m. on Tuesday, 24 September, at your offices. We very much appreciate this opportunity and look forward to the meeting. I thought it would be a good idea to write outlining the topics which we see as being of mutual interest and which we would like to cover during our visit. Principally, these are the following:

- Our current multi-currency overdraft facility and your company's requirements for 2002.
- Cash management needs of the company and the bank's capabilities in this area.
- Long-term funding requirements.
- UK and North American subsidiaries' requirements.
- Country risk study.

(Last paragraph missing)

Yours sincerely,

Clive Bond

Director

Commercial Banking Division

**Choices for the last paragraph:**

1. I hope to see you again soon to discuss further points of co-operation. In the meantime, if you have any questions or if I can be of any assistance, please do not hesitate to contact me directly	2. Naturally this list is not exhaustive and if there are any additional topics on which you particularly desire information on the bank's viewpoint, perhaps you would let me know by letter or telex.	3. I plan to be in Stockholm toward the latter part of September and would be delighted to meet with you again to discuss these matters further, if it is convenient for you
---	---	--

Discuss why the other two alternatives are impossible.

**B 2**

Listen to the first part of the meeting between Ulf Edberg and Clive Bond. Then answer these questions.

1. What banking service do Ulf and Clive discuss?
2. What is Ulf's opinion of the charge made for this service?
3. What does Clive promise to do?

**C 1**

Look at the words in the box, all of which are from the Section B. Check any words that you do not know with the partner. Then, working together, match the words with the correct definition from the list below.

confirm	overdraft facility	mark - up
credit rating	review	margin
overnight rate	LIBOR	quite frankly
credit committee		

1. A banking service providing for borrowing on current account up to an agreed maximum limit.
2. The rate of interest charged for a loan at call from one day to another.
3. The gross profit margin or an increase in price.
4. Honestly and directly, without wishing to hide anything.
5. London Inter-Bank Offered Rate, the rate of interest between London banks on some deposits.
6. The relation between profit and selling price.
7. A group of bank staff who control the lending of the bank.
8. A formal and detailed examination of the financial strength to a company.
9. To look at or examine again.
10. To give agreement.

## C 2

Listen to the second part of the meeting between Ulf and Clive.

1. What does Ulf want?
2. What does Clive agree to do?
3. What is Ulf's view of his company's relationship with the bank?

## C 3

Listen to the discussion again and write down in the spaces provided the words that Ulf and Clive actually use instead of the underlined words.

1. I see that we've got .....(the bank's services for the safe keeping of our securities) on the..... . (list of business to be discussed)
2. ...we've checked up on the charges for this, and really it comes to.. .....  
(a very large sum)
3. So now we have started to..... with the different banks... (discuss and try to come to an agreement)
4. ...we pay 200 pounds per fixed rate..... ..(business deal involving investments such as stocks, shares and bonds)
5. ...and 50 pounds per .....(ordinary shares deal), plus a ..... .  
(fixed sum for services)
6. ...that would cost us the .....of one million Swedish kronor ...(same amount as)
7. So in that case your.....seem out of line ... (charges for certain services)
8. Yes, not all of that 8 billion is with us of course, but I ..... (see what you mean)
9. ...., I was interested in... (in general)
10. ...everything can usually be.....over the phone. (discussed and put right)
11. Otherwise, no..... . (negative statements expressing dissatisfaction)

## C 4

Here are Clive's incomplete notes of his meeting with Ulf. Listen to the conversation again and complete the notes.

Client raised the question of the.....Says that 1% over.....is too expensive. Wants us to reduce our margin to..... . Stated that with Key Commercial, Denavian pays only..... . Client pointed out that in a recent credit rating Denavian was rated... ..for short-term debt and.....was rated..... . I promised to..... ..I feel that if we do not reduce our margin, it is very unlikely that.....

---

**C 5**

Which of the qualities listed below do you think are most important for someone to be successful in negotiations? Put them in order of importance, And then compare your ideas with those of a partner.

- FLEXIBILITY
- CALMNESS AND SELF – CONTROL
- FRIENDLINESS
- ABILITY TO ANALYSE THE SITUATION
- RELIABILITY
- WELL PREPARED WITH INFORMATION
- ABILITY TO COMMUNICATE
- OTHER (Please specify)

**C 6**

Read the following information.

Bank B provides services for Company C. Principally, these are as follows

1. Standby letter on credit. The charge is  $\frac{3}{4}$  % on the outstanding volume. The average outstanding volume last year was 400 000 pounds.
2. Overdraft facility, with a limit of 2 million pounds. The charge is Bank B's base rate (10 %) plus  $\frac{3}{4}$  %. The average overdrawn amount last year was 500 000 pounds
3. Custodian services. Company C pays 50 pounds per equity transaction. Last year here were 550 such transactions.

Work in pairs, one person representing Bank B and the other representing Company C. You both have instructions.

**BANK B**

You have some news for your customer: your bank's base rate is being increased by  $\frac{1}{2}$ % next week to  $10\frac{1}{2}$ %. Your margins in general are about right – you could afford to decrease them a little, but not by too much.

**COMPANY C**

Your company is becoming very cost conscious. You have been through Bank B's charges with your boss, and he wants you to reduce them overall by at least 10 %. See what you can do.

## Section D

### D 1

Clive sent the letter to Ulf soon after their meeting. The last paragraph has been left out. Decide which of the alternatives is the most suitable for this letter. Then compare your answers with that of a partner. Discuss your choices, if they are different.

**Wallers Bank plc.**

111 35 Stockholm  
Sweden

2 October 1991

Dear Ulf,

Although Mark Grey is currently on business trip to the Middle East, he certainly joins me in thanking you and Carola for what was not only a most enjoyable but also a very informative and useful meeting during our recent visit to Stockholm. Thank you also for the excellent dinner which you provided. It is always a pleasure visiting Stockholm and I hope that when you are next in London you will allow us to return your hospitality.

(Last paragraph missing)

With best wishes,

Yours sincerely,

Clive Bond

**Choices for last paragraph:**

1. In addition to the material enclosed, we will send you shortly information on trust funds, with the comparison of costs between trust funds and standby letters of credit	2. We hope that our meeting will serve to strengthen our relationship with Denavian. We are giving serious thought to all the issues you raised and can assure you that the needs of Denavian will be well attended to.	3. We are following up on the several matters discussed which require action and I will be writing to you more fully in due course. Meanwhile, thank you once again for your generous time and the very enjoyable dinner.
--	---	---

### D 2

Look at the document which refers to the overdraft facility discussed by Ulf and Clive in Section B. Then answer these questions.

1. Place a tick (✓) next to those currencies which are available under the terms of this facility.
  - a) Japanese yen
  - b) Swiss franc
  - c) British pound



- d) Deutschmark
- e) Polish zloty
- 2. When and for what periods will Denavian pay any interest charges due under this facility?
- 3. How will Denavian pay any such interest charges?
- 4. What must Denavian obtain in order to be able to use this facility?
- 5. What legal system applies to the agreement?
- 6. For how long is the facility available?
- 7. Who has to sign the agreement on behalf of Denavian?

**Wallers Bank plc.**

111 35 Stockholm  
Sweden

14 May 1991

For the attention of Mr. Ulf Edberg

Dear Sirs,

Multi – currency (except sterling) Overdraft Facility fo USD 10 000 000 00

Further to your letter of 20 April 1991, we are pleased to advise you that that we are willing to place the above – mentioned facility at your disposal on the following terms and conditions:

Limit: Up to USD 10 000 000 00. (say ten million US dollars) or equivalent outstanding at any other time.

Purpose: To provide working capital.

Availability: Drawing may be made in major currencies (subject to availability), except sterling.

Charges: Interest will be charged at the rate of 1% over Wallers' Base Rate. Such interest will be calculated on a day to day basis and debited to your account quarterly in arrears at the end of March, June, September and December.

Exchange Control: This facility is granted subject to the approval of the Central Bank of Sweden.

Jurisdiction clause: This facility letter shall be governed and interpreted in all respects in accordance with English law and you accordingly submit to the jurisdiction of the High Court of Justice, London. It will be open to us to enforce repayment in the Courts of any competent jurisdiction.

Validity: This facility is available until further notice, but is subject to review by us not later than 14 October 1991.

Please signify your acceptance of these terms and conditions at your earliest convenience, by signing the attached copy of this letter in accordance with your

Authorised Signature list and returning it to us. Please enclose the relevant approval from the Central Bank of Sweden.

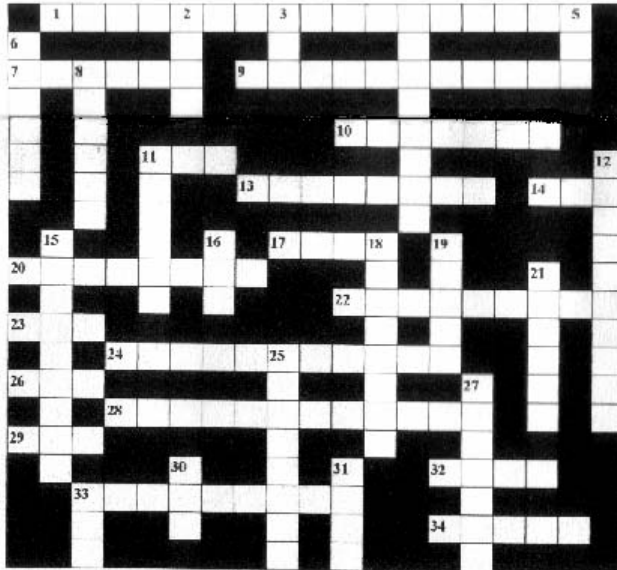
Yours faithfully,  
For and on behalf of Wallers Bank Ltd

We accept the terms and conditions specified above. For and on behalf of De-navian International Insurance Company Ltd

Signed.....

Date.....

### D 3



Most of words are used in Units 3 and 4.

#### ACROSS

1. A service for borrowing on current account up to an agreed limit (9,8)
7. Relation between profit and selling price (6)
9. Laws. (11)
10. Give agreement. (7)
11. Public limited company. (3)
13. Buy. (8)

- 
14. US dollar. (3)
  17. Exchange one currency for another for an agreed period. (4)
  20. Deal where you buy one currency and sell another. (8)
  22. Fourteen days. (9)
  23. French franc. (3)
  24. Charges as an agreed percentage of price or volume. (11)
  26. Belgian franc. (3)
  28. Same value. (7,5)
  29. Dutch guilder. (3)
  32. Thousandths of percentage point. (4)
  33. Price for funds which can be exchanged two working days later. (4,5)
  34. Conditions of an agreement. (5)

**DOWN**

2. "I agree we have just made a deal." (4)
3. Charge made for a service. (3)
4. Chart or table showing days, months and dates. (8)
5. Japanese currency unit. (3)
6. Sum. (6)
8. Look at or examine again. (6)
11. Difference between income and outgoings. (6)
12. A change, to make something more suitable. (10)
15. Happening every three months. (9)
16. Swiss franc. (3)
18. Suggestion. (8)
19. Exchange...are the values of currencies in relation to each. (5)
21. List of business to be discussed. (6)
25. Name given to the British pound. (8)
27. Charged and deducted. (7)
30. Italian lire. (3)
31. Naught. (4)
33. Swedish krona. (3)

## UNIT 5. A PRESENTATION

Companies trading internationally are exposed to considerable foreign exchange risk. If, for example, a French company knows that it will need \$ 2 million in three months' time to pay for imports from the USA, it can buy the dollars forward, i.e. at a rate specified now, thus eliminating the risk of an adverse movement in the exchange rate between the French franc and the US dollar. Unfortunately, buying dollars forward also eliminates the possibility of a favourable movement in exchange rates. Alternatively, the company could wait three months and then buy the dollars at the spot rate, i.e. the rate charged then for funds to be delivered two working days after the transaction. This way the company can get a better exchange rate but it also runs a risk, since the rate could be worse. Essentially, either course of action involves a calculated gamble on exchange rates.

To meet this situation, some banks develop and began to offer currency options in early 1980s. Under the currency option, a customer pays a premium which gives them the right to demand purchase or sale of a specified currency at an agreed exchange rate up to an agreed date, but no obligation to do so. After the customer pays the premium, the bank sends out confirmation of the deal. If the exchange rate in three months' time, or whenever the expiration date is, is better than the one the customer has agreed on, they do not use the option, and instead deal at the market rate when they need to. Their cost has only been the premium for the option. Alternatively, if the rate is worse than the one they have agreed upon, they exercise the option, and thus suffer no loss due to the fall in the exchange rates. The customer may exercise the option at any time up to and including the expiration date, for value spot. This, then, is the basic idea of the currency option.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 5. A Presentation

In this unit you will hear three parts of a presentation about currency options by John Morley. He is Executive Director of the foreign exchange division of a London merchant bank and is making his presentation to a group of cash managers and treasurers from different corporate clients.

### Section A

#### A 1

Choose the five steps which you think are the most important for the making of successful presentation and discuss your choices.

1. Set the objective of the presentation.
2. Research the topic.
3. Analyze the needs of the audience.
4. Formulate a clear introduction.
5. Select information which the audience needs on the topic.
6. Review the advantages and finish with the clear closing statement.
7. Provide time for audience questions.
8. Include language techniques to help direct the attention of the audience.
9. Prepare visual aids.
10. Practise the entire presentation.

#### A 2

Listen to the first part of the presentation. Put a tick (✓) where it concerns currency options and a cross (x) by those you wouldn't expect to hear. Then compare and discuss with the partner.

1. I would like to say first of all thank you for coming.
2. Claims as aforesaid must be received not later than 30 days after the expiry of the guarantee.
3. Perhaps we could begin by outlining...
4. First of all, what is a currency option anyway?
5. We now have to look at why the option has a particular place for the commercial user.
6. Wallers Bank announces that, with effect from 30 October 1991, its base rate is decreased from 12 % to 11.5 % per annum.

7. So here are a number of situations described so far where you actually have something that is providing some unique advantages.
8. I attach a proposed agenda for this year's conference.
9. If we get down to something a little bit more practical...
10. What can I get you?
11. I'd like now to draw the main threads together.

### A 3

Say if these statements are true or false.

1. John begins by introducing himself and thanking his listeners for coming
2. John says that currency options are quite complicated.
3. There will be opportunities later for discussion with subject experts.
4. He expects currency options to become as important as forward contracts
5. His bank was one of the first to introduce all kinds of new services in the currency options field.
6. He believes that his bank does as much currency options business as any other bank in the world.
7. He expects the retail banks eventually to do larger volumes in currency options business than his own bank.
8. He doesn't expect larger banks to have the same tailor-made element in currency options services as his own bank will have.

### A 4

Make your own presentation using the following expressions:

And the idea is to	I would like to say first of all
One of the areas which	We have got a number of services in...
Good morning. I'm..	Perhaps we could begin by

## Section B

### B 1

John Morley continues his presentation. Which of these items does he talk about?

*The history of currency options	*Advantages of currency options.
*What currency option is.	*Options and treasury services
*Currencies available	*Relations between banks.

---

*B 2***Choose the best answer.**

1. If you purchase something:
  - a) you hire it;
  - b) you deliver it;
  - c) you buy it;
  - d) you state the cost.
2. An obligation is:
  - a) something you must do because there is a legal or moral requirement to do it;
  - a) a particular thing that you want to do;
  - b) a document promising to pay;
  - c) a sum of money owed by one person to another.
3. Value spot is:
  - a) a period of two weeks beginning two working days from now;
  - b) the price for funds which will be exchanged two working days from now;
  - c) the price for a currency in terms of the currency of another country;
  - d) the date two days ahead on which funds are available in the bank.
4. Something that is straightforward:
  - a) Happens immediately without delay;
  - b) happens too quickly;
  - c) is simple and uncomplicated;
  - d) is very serious and important.
5. Anything that is unique about the option is :
  - a) to be found only in the option;
  - b) to be found mainly in the option;
  - c) difficult to understand;
  - d) new and not very well known.
6. A deal is:
  - a) a business agreement;
  - b) a business relationship;
  - c) a way of saving money;
  - d) a person who buys and sells things.
7. A principle advantage is:
  - a) an advantage that you believe in;
  - b) a general advantage;
  - c) an advantage in theory but not in practice;
  - d) a main advantage.

8. Downside risk is:
  - a) the possibility of fall in value;
  - b) the possibility of a rise in value;
  - c) the possibility of a fall in quality;
  - d) the possibility of fewer advantages.
9. If something happens simultaneously, it:
  - a) happens without being planned;
  - b) happens before something else;
  - c) happens after something else;
  - d) happens at the same time as something else.
10. A premium (here) is:
  - a) a large sum of money;
  - b) a sum of money set aside for a particular purpose;
  - c) a charge for the use of an option;
  - d) a demand for payment.

### B 3

Match the items with the definitions.

<ol style="list-style-type: none"> <li>1. First of all what is a currency talking about?</li> <li>2. Can everyone see that?</li> <li>3. Like an ordinary foreign exchange deal</li> <li>4. So that's the essence of it.</li> <li>5. It's a perfectly straightforward initial idea.</li> <li>6. We now have to look at why the option has...</li> <li>7. What is it that's unique about advantages that make it the best deal?</li> <li>8. ...and we'll come and discuss some of them in more detail.</li> <li>9. A principle advantage is that...</li> <li>10. An option does that</li> </ol>	<ol style="list-style-type: none"> <li>A. Stating a feature of something which option are we makes it better than anything else.</li> <li>B. Saying that you are going to talk about smth. later.</li> <li>C. Saying that smth. is simple.</li> <li>D. Moving on to the next point.</li> <li>E. Making a comparison.</li> <li>F. Emphasizing that an option fulfills a function already referred to.</li> <li>G. Introducing a definition or the option that gives it certain explanation.</li> <li>H. Introducing the main feature of smth which makes it better than anything else.</li> <li>I. Checking that everyone can see an illustration.</li> <li>J. Saying that you have spoken about the main features of something.</li> </ol>
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## Section C

### C 1

Listen to this part of the conversation again and write down in the spaces provided the words that John actually uses instead of the words in brackets.

1. An option is.....useful for covering contingent cash flows (especially)
2. ...., for instance, where you might make the order.....(written offers to supply goods or carry out work at a stated price)
3. Range of..... (exchange rates agreed for a currency option)
4. You can't.....to deal at some other rate. (choose)
5. Most companies recon they can live with a few cents.....of an exchange rate. (movement)
6. So you can....., depending on ...(change the charges that you pay for the use of an option)
7. ...by which I mean that if you are.....,for instance, and the dollar has been going up and up ... (in a position where you have bought more dollars than you have sold)
8. You can take out an option to sell the dollars at.....(today's price)
9. ...if it goes up effectively, you have locked in that amount of.....(financial gain or advantage)
10. And.....might find this profit lock effect a useful one (people responsible for a company's money)
11. ...an option and obtain.....which you cannot get any other way. (an advantage)

### C 2

A good speaker uses language to help direct the attention of the listeners. Look at some of the techniques below which a speaker can use to focus the listener's attention on important points.

ENUMERATE.....The first point is...

EMPHASIZE.....A principle advantage is...

REPEAT.....a 15 % rise in costs. 15 %

RESTATE.....Let's look at that another way

FOCUS.....Look at these figures

LINK.....We've seen the advantages; let's now examine the costs.

EXPLAIN.....Finally, profit lock, by which I mean...

SUM UP.....So here are a number of situations described so far where...

Now prepare a short presentation about a service or a product with which you are involved. Try to include everything mentioned above in any order. Your groupmates should make some notes while they listen to your presentation.

## Section D

### *D 1*

1. Read the letter from John Morley to one of the guests who was at his presentation. The letter contains 9 paragraphs. Read it quickly and match the ideas below with the appropriate paragraph.

- A. Stating the price of a service.
  - B. Specifying terms and conditions.
  - C. Offering a facility.
  - D. Offering to state the price of a specific service.
  - E. Generally inviting business and offering service.
  - F. Saying who should use a service and when.
  - G. General introduction of a service.
  - H. Explaining how a service works.
  - I. Stating the purpose of writing.
2. What are the three main topics of the letter?

Waller Bank plc  
Wilhelm Haussman  
Corporate Finance Director  
Zurich Switzerland

14 Churchgate, London

Dear Wilhelm,

1. It was a pleasure to see you at the Bank on March 7 and 8. During our Thursday afternoon meeting, we briefly discussed several points and, as promised, we are now writing to you concerning the three major issues raised.

2. Firstly, we noted your interest in learning more about our interest arbitrage operation, a service by means of which we are able to provide very attractive interest rates in all major currencies. The way in which these loans are arranged is by the use of sterling bills or exchange, so-called "eligible bills", which can be discounted in the London discount market. This market reflects the short-term (one to six months) domestic interest rate level in the United Kingdom and often provides cheaper funding than LIBOR – related instrument.

3. Companies to whom this form of lending will appeal are, in particular, those that have a borrowing requirement in a currency in which they have receivables available for repayment at the end of the loan period. According to the regulations of the Bank of England, the bills must support a commercial transaction such as export, import or domestic trade.

4. We arrive at our interest rate through discounting sterling bills on behalf of our customer and converting the net proceeds into the required currency at the spot rate. Wallers then enters into a forward contract with the customer for the purchase of the currency to be repaid at maturity of the loan and all the rates used for these transactions combine to produce the interest rate quoted to the customer.

5. Secondly, you expressed interest in opening a Sterling Current Account and I am now pleased to be able to offer you this facility on the following terms and conditions.

6. For your requirements in Sterling we would operate a current account in your name, transacting all standard banking items and paying interest on any cleared credit balances as follows :

- Up to 25 000 pounds – Nil
- from 25 000 to 100 000 pounds – Wallers Call Rate less 1 % p.a.
- Over 100 000 pounds – Wallers Call Rate (currently 9% p.a.)

I enclose a copy of our standard charges for standard items, but would operate the account free of charge for say six months, except for :

- Clearing bank telex charge for same day value payment to one of their branches
- Special clearing costs
- Daily telex statement charge

After six months, we would review the arrangement in the light of account activity, balances held and prevailing interest rates.

7. We can provide a daily Telex Statement of Account which would be available to each morning, itemizing all the transactions of the previous day and including the opening and closing balances. Our fee for this service is 600 pounds for each account.

8. Finally, you mentioned your forthcoming negotiations for the takeover of a United States company, The exchange risk that arises for you as a contingent liability during the negotiations is clearly a considerable one and one that is best covered, for reasons already discussed, by the use of a currency option. We would be particularly pleased to take this matter further, by advising you as to an appropriate strike price and by quoting every competitive premium.

9. We thank you for giving us the opportunity to assist you with your banking requirements and look forward to setting up an active and growing relationship

with your group of companies. Meanwhile, if you have any queries, please do not hesitate to contact me.

Best wishes

Yours sincerely,

John Morley

### *D 2*

Look at these steps describing the bank's interest arbitrage system and number them in the order you think they happen. Bills are discounted in the London discount market. Bank enters into a forward exchange contract with the customer. Bank accepts sterling bills from customer. An overall interest rate is calculated on the basis of all the other rates. The loan matures and the customer repays the agreed currency amount. Net proceeds are exchanged for the currency required at the spot rate.

Now compare your sequence with that in the letter.

### *D 3*

Write a letter to a new customer, describing a service offered by your bank or company.

## UNIT 6. TRADE FINANCE

The growth of multinational corporations manufacturing and trading on a worldwide basis has led to the growth in the overseas operations of major banks over the last 20 years. Banking may be said to be the one industry on which all other depend for financial services at one time or another, and banks play a key role in the import and export trade in particular. In 1991 US companies exported goods with a total value of USD 234 thousand million. In the same year the American market imported merchandise worth USD 234 thousand million. Banks provided a considerable amount of money to finance this trade, and in 1990 foreign earnings accounted for 47.3 % of the consolidated earnings of the 10 biggest US commercial banks. Letters of credit are the most frequently used international service provided by banks for customers involved in international trade. Such a document guarantees that the seller (exporter) will be paid according to the contract. At the same time, it protects the buyer (importer) by guaranteeing that payment will not be made until the contract is fulfilled. Letters of credit may be revocable and irrevocable, but the latter is most usual since it stipulates that no changes may be made without the consent of both the buyer and seller. They may also be issued on a time or sight basis. The former calls for immediate payment against the documents evidencing the shipment of goods; the latter specifies a date by which payment must be made. The letter of credit may also be confirmed, which means that the exporter's bank undertakes to pay the exporter for the goods once the correct documents are received. Procedures differ according to the type of credit, but let us assume, for example, that a company in Australia wants to import goods from a company in Basle, Switzerland. As well as requiring credit, the Australian company wants to be sure that the contract will be fulfilled. The Swiss company wants to know that it will be paid for the goods. The Australian company therefore contacts its local bank and requests, for example, an irrevocable sight letter of credit in favor of the Swiss exporter. The application will specify the documents required as proof that the shipment of goods has been made. The Australian bank notifies a bank in Switzerland of the credit, and is then known as the issuing or opening bank. The Swiss bank contacts the exporter in Basle and is then known as the advising bank. The exporter i.e. the seller, is now the beneficiary of the letter of credit, and will receive payment provided the terms of the contract.

When the goods have been shipped, the company in Basle presents the documents to its bank, which may or may not be the advising bank, and the bank will make payment immediately. This it can do with confidence, since it knows, that

the issuing bank must make payment. Funds then flow from the issuing bank in Australia to the paying bank in Switzerland, as reimbursement for the money paid by the Swiss bank to the seller in Basle. The Australian bank then recovers this money from the account of its customer, the importer.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 6. Trade finance

Banks play an important role in the financing of international trade. In this unit we will hear about the financing provided by one bank and then we will listen to two bankers meeting to discuss matters of trade finance between their two banks.

### A 1

What are your country's main exports? What are your country's main imports? Who are your main trading partners? Discuss these questions with a partner.

### A 2

To which countries do you think a foreign bank would most be prepared to finance the exports of one of its customers? List the countries in order of preference of the bank, with number 1 as the best country to export to and number 5 as the worst. Then compare your order with that of a partner and discuss any differences.

Payments Survey.

Country	Usual terms	Payment situation	General situation
Eastland	Normal range of terms. Increasing requests for longer credit terms	Some delays reported. Amounts under USD 3,000 processed faster.	Steady economic growth should continue. Downward import trend forecast.
Southasia	Documentary credits commonly used.	Strict exchange controls. Prior approval of Central Bank necessary for all import settlements	Rigid import controls: licences issued only for priority categories. Politics unsettled.
Northland	Normal market terms. Currency normally USD or ECU	Generally satisfactory	Business conditions favourable. General election next year.
Newlandia	Normal terms apply.	Good payment record. FX easily obtained for payments abroad	Politically stable. Enormous FX reserves, despite reduced oil revenues
Westina	Fully secured terms advised	Customer default and slow payments affecting suppliers. Caution required.	Rocketing inflation. Tough budget in June. Acute shortage of FX.

## A 3

Roy Meadows and Christine Stannard, who work in the international trade and banking division of a British clearing bank, are explaining their trade finance services to a potential customer, Peter Baker. Listen to their conversation and answer these two questions.

1. Does Roy talk about trade finance in broad terms or does he go into detail?
2. Does Christine give an example about the past, the present or the future?

## A 4

Listen to the conversation again and write down in the spaces provided the words that Roy and Christine actually use in place of the underlined words.

1. ...involved with the very large..... ... (British companies)
2. ...involved in international trade, the ..... (companies operating in several countries)
3. ...these large corporations, plus their..... ...(the companies in which more than half the share-capital is owned by one of these corporations)
4. ...a.....export order to France. (possible but not yet actual)
5. ...and the.....(legal agreement) was originally drawn in..... ..(British pounds)
6. ...because they are not permitted to..... .... (buy foreign currency in advance so as to protect against changes in the exchange rates)
7. ...the necessary sterling to pay the..... (invoice, the list of charges to be paid)
8. So we got some..... ...(statements of price)
9. ... ..back to the customer. (with no right of demand)
10. ...all sorts of..... ...(arrangements between a bank and an importer by which the bank pays the foreign exporter as soon as certain conditions have been met)
11. ...whether they should be..... ...(cannot be cancelled without the agreement of all parties)
12. ... whether they should be..... ... (include an undertaking by the paying bank that it will pay the amount due if the issuing bank does not pay)
13. ... we deal with.....and so on. (arrangements under which the importer must first pay before the bank will hand over the documents that he needs in order to get the goods)

## A 5

Look at the following article and suggest the best headline from this list.

**Good news for foreign investors**

**Fall in profits**

**Setback for growth**

**Trade deficit increases**

A recent.....(1) by the Southlasia Statistics Institute predicts that the economy will.....(2) by a mere 0.1 % this year, in contrast with the two per cent estimated by the government. The Institute also.....(3) a continued trade.....(4), higher inflation and rising unemployment. To.....(5) the decline in the country's foreign exchange reserves, the government has introduced .....(6) measures to curb imports, and has.....(7) several joint.....(8) development contracts. Southlasia's external debts.....(9) total the equivalent of three years of the country's exports at 1991.....(10)

Now fill the spaces with suitable words from the box.

Stringent	deficit	postponed
Currently	halt	profit
Forecasts	grow	venture
Levels	study	capital

## Section B

### B 1

1) Listen to the meeting between Ken and Kai and write down in the spaces the words that they use instead of the underlined words.

- Our banks have had.....for 8 years...(an agency arrangement with each other)
- ...and whether you have any questions about the.....(way in which things work)
- Yes, we have one..... (topic which is more important to us than any other)
- ...even though the credits are payable, in fact,.....(immediately they are received)
- We.....of course by paying market-rate interest ...(make you a suitable payment for loss)
- ...the.....laid down by our Central Bank. (fixed ways of working)
- ...But then to be able to..... we need the permission of...(meet a liability, to pay as we promised)
- ... an import.....from the Ministry...(official permission in writing)
- ...the goods have been examined.....shipment...(before)
- They ended the..... (situation in which only one company has the right to provide a service)
- ...and.....(as a result) during the..... traders stockpiled shipments. (time between two events)



12. ... all arrived in Southlasia at the same time, causing a..... (lot of work which is late and still waiting to be done)
13. But unfortunately we're still left with..... (an amount which is less than the required amount)
14. I'll then check things up and try to.....for you. (make things go faster)

**B 2**

Match the following phrases in the left-hand column with the purpose in the right-hand column.

1. I was interested to know how you see the...	A. Saying that you need to check on information before you can give an answer.
2. Yes, we have one main point of concern, certainly...	B. Stating an observation made on the basis of experience.
3. Over the last year we've noticed that...	C. Making a polite request for action
4. ...I think it's fair to say...	D. Asking for a person's point of view
5. OK, I see. But unfortunately...	E. Indicating that you are not absolutely sure what you are saying is correct.
6. I believe we...	F. Indicating that what you are saying is reasonable.
7. I can't say offhand.	G. Saying that there is a fact or situation which worries you
8. What I'd like to ask you to do, if I may, is to...	H. Expressing understanding and a regret.

**B 3**

Work in pairs and select one of the problems from the list below. One of you represents Bank A and the other Bank B.

Representative of Bank A: Raise a problem about your business with Bank B.

Representative of Bank B : Offers explanations and proposes a solution

**PROBLEMS**

- There is an average delay in payment of confirmed documentary credits by Bank B of 30 days.
- One documentary credit issued by Bank B for USD 650,000 has not been paid, even though it is now three months overdue.
- Documentation sent by Bank B concerning documentary credits is very often inadequate. There always seems to be something missing.

## Section C

### C 1

Look at the terms in the left-hand column and match them with the definitions in the right-hand column.

1. line	A. Payments that are owing and overdue.
2. utilized	B. Definite
3. concrete	C. Rules are followed
4. beneficiary	D. Receipt from the ship's master for goods received for shipment.
5. confirming bank	E. A person named to receive payment
6. prohibit	F. Pay the money that is owing.
7. domestic politics	G. Income from oil rises and falls often.
8. oil receipts fluctuate	H. The political situation in the country.
9. federal authorities	I. Document sent by exporter to importer recording sale of goods.
10. relevant licence	J. Government organization.
11. honour debts	K. Make impossible and prevent.
12. delays in reimbursement	L. Document stating the country in which goods have been manufactured
13. arrears	M. A sum of money available to draw on.
14. regulations are complied	N. Used with
15. commercial invoice	O. Lateness / slowdown in being payed back money spent as agents
16. bill of lading	P. The bank which guarantees payment if the issuing bank does not pay under a documentary letter of credit.
17. certificate of origin	Q. Necessary official written permission.

### C 2

Listen to this part of the meeting again. As you do so, make brief notes under the headings given here.

PROPOSALS
RESPONSE
CONCLUDING POINTS

### C 3

#### **Read the information:**

Bank A has a correspondent relationship with Bank Z, and representatives of the two banks now have a routine annual meeting. Bank A is in an industrialized country with strong economic growth. Bank Z is in a politically unsettled country with falling oil revenues and a shortage of foreign exchange. Bank A has established a line of credit for Bank Z for confirmation of credits of up to \$ 2 mln. Bank

A at present experiences an average delay of 40 days in payment of confirmed documentary credits by Bank Z. No interest is paid. Three credits totaling 95,000 pounds have been outstanding for seven weeks.

Work in pairs, one person representing Bank A and the other Bank Z.

**Instruction for Bank A:** With regard to delays in payment of credits by Bank Z, you want interest paid for the first 30 days at the LIBOR rate. For above 30 days you suggest LIBOR plus 1 %.

**Instruction for Bank Z:** You want to increase your business in general with Bank A, as your national economy is beginning to pick up, due to the fact that machinery is now being exported more and more.

## Section D

### *D 1*

**Read the letter which concerns a documentary credit issued by Ken's bank in Southlasia.**

METROPOLITAN AND PROVINCIAL BANK PLC

Morley Knight Ltd

21 Paradise St.

Warrington

10 Corporation Street

Birmingham B1 2PS

Dear Sirs,

We have been requested by Abbotville Bank, Southlasia, to advise you of the issue of their irrevocable credit number DW1924 in your favour for account of Hoglund Trading Co Ltd., Box 5504, Furness, Southlasia, for GBP 22,629 available by your drafts on Metropolitan and Provincial Bank PLC at 60 days sight accompanied by the documents specified below :

Invoice in quadruplicate, indicating LC no. PWH 77YL

Full set clean on board bills of lading, marked "Freight Prepared" and "Notify Hoglund Trading Co Ltd., Box 5504, Furness, Southlasia".

Packing list in triplicate.

Covering:

"5PCS ENGINE MODEL PV-37 AS PER PURCHASE ORDER NO. 322/IP7 DATED 15 APRIL 199" (All of which must be stated on your invoice.) Ship-

ment from Warrington to Furness c.i.f. not later than 30 June 1991. Partial shipment not permitted. Transshipment not permitted.

Drafts drawn under this Credit must be presented not later than 30 June 1991.

We are requested by our principals to add our confirmation to this Credit. Accordingly, we undertake to honour all drafts drawn under and in strict conformity with the terms of the Credit, provided that such drafts bear the date and number of the credit, and that the credit and any amendments thereto are attached. We're instructed to claim our charges in connection with this credit from your good selves.

Yours faithfully,

A. Slattery

Manager

Now look through the extract from a blank documentary credit from below. What information did this part of the form contain when it was received from Southlasia by the Metropolitan and Provincial Bank? Look through the above letter again and then write in the relevant information on the form.

<b>name of issuing bank</b>	<b>Irrevocable documentary credit number</b>	<b>date :</b>
Applicant	Beneficiary	
advising bank	Amount	
	partial shipment allowed	not allowed
shipment/dispatch from transportation to	Transshipment Allowed	not allowed
	date of expiry	
We have issued the documentary credit as detailed below. We request you to notify the said credit to the beneficiary		
without adding your confirmation		adding your confirmation

## D 2

Look at the letter again and answer the questions.

- How many copies of each of the following does the bank request from the exporter?
  - invoices
  - bills of lading

- c) packing lists
  - d) insurance certificates
2. When is the contract sum to be paid to the exporter?
  3. Exactly what is Hoglund Trading Company buying from Morley Knight?
  4. Who pays for the shipment and insurance costs of the order, and how?
  5. How many shipments does the deal involve?
  6. Can the shipment be transferred from a British ship to a Southlasiian ship during the journey?
  7. How many weeks does the exporter have in which to present drafts for payment under this credit?
  8. What must the drafts include when they are presented for payment?
  9. Order than the documents mentioned in Question 1 above, is there anything else that should be sent with the drafts when they are presented for payment?
  10. Who pays the advising bank's charges in connection with this credit?

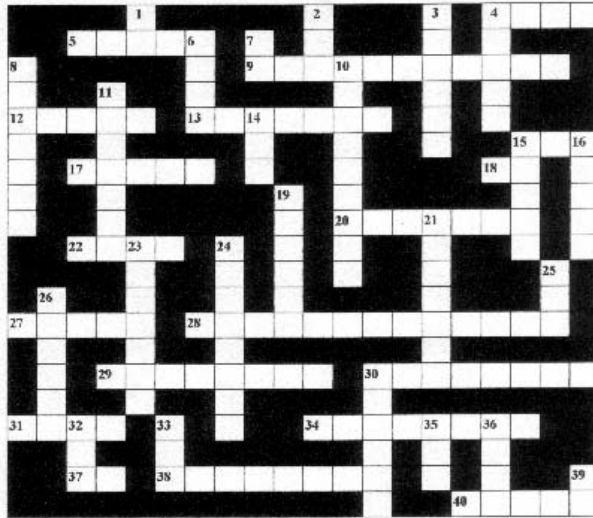
### *D 3*

Look through this information.

Bank X has a correspondent relationship with 3 foreign banks, A, B, and C. The Bank experiences a delay of 30 days in the payment of confirmed documentary credit by Bank A and a delay of 50 days in the case of Bank C. The Bank provides Bank A with a line of confirmation of credits up to \$ 2 mln. It provides the bank which pays confirmed documentary credits at sight with a line for confirmation of credits up to \$ 3 mln. Bank X also provides one of the banks with the line for confirmation of credits up to \$ 1 mln., and the economy of the latter bank's country depends on exports of coal. The bank which pays confirmed documentary credits at sight is in a country where the national economy depends on exports of machinery.

Given this information, which of Bank X's correspondent banks:

1. pays confirmed documentary credits at sight?
2. has a line of confirmation of credits up to \$ 1 mln.?
3. is in a country where the economy depends on oil revenues?

*D 4***ACROSS**

4. For immediate delivery. (4)
5. Swiss currency. (5)
9. Remaining to be paid. (11)
12. Request something that is due by right. (5)
13. A lot of work that is late, still waiting to be done. (7)
15. Put together with something else. (3)
17. Lateness in something happening. (5)
18. Letter of credit. (2)
20. Payable immediately. (2,5)
22. Business transaction. (4)
27. State a selling price. (5)
28. Operating in several countries. (13)
29. Make impossible, prevent. (8)
30. Department responsible for managing a company's funds. (8)
31. A matter to be dealt with. (4)
34. Situation in which only one company has the right to operate. (8)
37. United Kingdom. (2)
38. Buy. (8)
40. Message sent by electronic machine. (5)

**DOWN**

1. Per annum. (2)
2. After costs and other deductions. (3)
3. To meet a claim when due. (6)
4. Movement, change. (5)
6. Control, keep within fixed limits. (4)
7. Short for number. (2)
8. Most of us have one of these with the bank, where we place our money. (7)
10. An amount less than the required amount. (9)
11. Official permission in writing. (7)
14. Cost, insurance, freight. (3)
15. Very serious. (5)
16. Sums of money that are owed. (5)
19. Difference between income and outgoings. (6)
21. A bill to be paid, concerning the sale of goods or services. (7)
23. Money owing and overdue. (7)
24. Date on which a note or loan becomes due for payment. (8)
25. A source of energy, an important export for some countries. (3)
26. Government plan for future national income and spending. (6)
30. Written offer to supply goods or carry out work at a stated price. (6)
32. European Currency Unit. (3)
33. British pounds. (3)
36. A sum of money available to draw on. (4)
39. Foreign exchange. (2)

## UNIT 7. FINANCIAL NEWS

Modern information technology has led to news being transmitted worldwide quicker than ever before. Time differences around the world mean that financial news is being made twenty-four hours a day, and it is this barrage or readily accessible information that serves as basis for many of the business decisions that are made concerning international banking and financing. Techniques of analysis are applied to information to determine its implications and to try to discern trends in the future.

Many prices are determined by a complex interaction of factors. With regard to currencies, it may be said that one factor governing prices is the interaction of supply and demand. Interest rates prevailing in different countries affect currency exchange rates. If interest rates rise in the UK for example, US investors may move funds to the UK to earn higher interest income. They will then sell dollars for sterling, and the demand for sterling will rise, while at the same time the supply of dollars will rise too. The dollar will therefore fall in value, while the price of sterling will rise.

Trade between countries may also affect currency rates. If, say, Japanese exports to Germany rise, and German exports to Japan remain the same, there will be an increase in supply of Deutschmarks as Japanese exporters sell them for dollars. This will normally increase the value of the Yen in relation to Deutschmarks.

Government intervention may also affect exchange rates. If sterling is weak, for instance, the Bank of England may enter the market to buy sterling with some of its reserves of other currencies. This will reduce the supply of sterling, thereby increasing its value.

Stock market prices in particular country are often affected by stock market prices elsewhere in the world, and markets tend to move together, as indicated by the worldwide crash in the autumn of 1987. The share prices of any one company will obviously tend to be influenced by the financial performance of the company, details of which are released at various times during the financial year.

The factor of supply and demand mentioned earlier will also tend to affect the commodity prices. A bad coffee harvest in Brazil will increase the price of coffee because demand will exceed supply. The over-production of oil, on the other hand, will lead to a fall in the price of the commodity, since there will be a glut of oil available on the market.

**TASK:** Read, translate and discuss the text with your groupmates



## Unit 7. Financial news

Every day important financial news is being made somewhere in the world. This unit contains news items about companies and markets. Each section deals with a different area of business and relates to a different day.

### Section A

#### A 1

Look through this news report and then fill the spaces with words from the box.

The dollar opened.....(1) in London yesterday, having.....(2) back sharply in the Far East overnight. During the day, however, it.....(3) its losses against most leading.....(4), with the.....(5) of sterling, which held its ground and closed almost a cent.....(6) at 1.4385 (1.4295). Sterling also.....(7) over one pfenning to 3.7900 (3.7785) against the Deutschmark.

Ahead	currencies	weaker
Firmed	exception	slipped
Fell	recovered	business

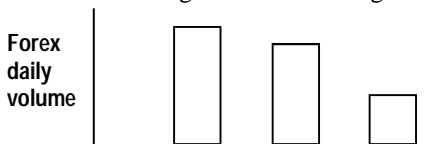
#### A 2

Listen to the beginning of the news report. Say if the dollar had :

- a bad day
- a good day
- a quiet day.

#### A 3

Listen to what the newscaster says about the survey concerning trading on the world's foreign exchanges. Then complete the chart below by showing the amount traded in the leading centre and naming the three leading centers.



#### A 4

Listen to this part of the news report again and then complete the grid to show the different dollar rates that are given.

London close of business yesterday	New York close of business yesterday	Tokyo close of business yesterday	London this morning
DEM	DEM	JPY	DEM

## A 5

Listen to the final part of the news report concerning the latest currency prices in London. Then circle the right alternative in the table to show actual currency rates given.

GBP	USD	USD	USD	USD	USD
USD	DEM	CHF	FRF	NLG	GPY
1.54.5	216.38	2.16.6	8.14	2.79.5	215.85
1.44.5	263.8	2.60.6	1.40	2.97.5	250.58

## A 6

Choose the one best answer.

- If prices **drifted down** they:
  - fell heavily;
  - fell slightly;
  - fell quickly;
  - rose then fell.
- A **survey** is:
  - a report based on inspection;
  - a document that describes what is expected in the future;
  - detailed description of goods;
  - an official list of things or events.
- Forex volume** is:
  - a sum of money that is borrowed;
  - a sum of money that is invested;
  - the volume of money in a country;
  - the volume of foreign exchange
- If **trading was thin**:
  - buying and selling was not very successful;
  - there was a lot of buying and selling;
  - there was not much of buying or selling;
  - there was no buying and selling at all.
- US economic indicators** are:
  - the index of retail prices produced by the US government;
  - figures that show the difference between the amount of money flowing into and out of the USA;

- 
- c) figures dealing with economic activities in the USA;
  - d) the total amount of money that other countries owe to the USA.
6. **US consumer prices** are:
- a) a list of prices to be paid for goods imported into the USA;
  - b) the index of retail prices produced by the US government;
  - c) the prices charged for goods exported from the USA;
  - d) the prices charged for US dollars expressed in the money unit of another country.
7. **Durable goods orders** are:
- a) orders for goods which are intended to be used over a period of time;
  - b) orders for goods which are used up soon after they are bought;
  - c) orders for any types of goods; d) orders for goods to be exported.
8. If information **is released**, it:
- a) is for sale;
  - b) is kept secret from the public;
  - c) is made known to the public;
  - d) is written down and recorded.
9. A **gain** is:
- a) a change in value;
  - b) an increase in value;
  - c) a fall in value;
  - d) a value that stays the same.
10. If the dollar **slipped back a little**, it:
- a) fell slightly;
  - b) fell unexpectedly;
  - c) fell quickly;
  - d) rose then fell.
11. **The covering of short position** is:
- a) banks buying a currency because they had previously sold more than they had bought;
  - b) banks selling a currency because they had previously bought more than they had sold;
  - c) banks buying and selling currencies so as to make a profit;
  - d) banks buying a currency and selling it soon.
12. If the pound was **aided by firmer** spot oil prices, it was:
- a) helped by higher spot oil prices;
  - b) not helped by higher spot oil prices;
  - c) helped by lower spot oil prices;
  - d) not helped by lower spot oil prices.

**B 1**

Read this short financial news report and then replace the underlined words with suitable from the box.

Share prices again closed higher in active trading on the Northland Stock Exchange, based on a firm domestic bond market and hopes of a drop in interest rates here and in the USA. Prospects of lower interest rates aided gains for banks in general, with Quintorp Bank leading the way with \$ 1.69 rise. Major electrical stocks were somewhat lower, with the MacOng Corporation easing \$ 1.05. Industrial issues closed broadly higher, with blue-chip issues showing the most volume and the largest gains. In other market news, prices closed higher in Tokyo and Sydney, mixed in London and Milan and lower in Frankfurt, Paris and Zurich.

Varied	slightly	fall
Falling	increase	leading
The possibility	range	advances
Busy	generally	

**B 2**

Listen to the part of the news report relating to companies and stock markets.

1. How many firms are mentioned in the company headlines?
2. How many stock markets are mentioned?

**B 3**

Listen to the part of the report again and say if these statements are true or false.

1. Lewhill employs 1,500 people.
2. Welby Engines have obtained a 30 mln. pound order from Air Taxes
3. Basterfield's bid for Garvin has been turned down.
4. London stock market prices yesterday reached record highs.
5. Sheldon have sold their interest in Quinton.
6. The price of leading stocks rose slightly on Wall Street on Tuesday
7. On Wall Street on Tuesday more stocks rose than fell in price.
8. Hong Kong shares showed a heavier fall than Tokyo shares.
9. Shares in general fell sharply in Australia.
10. Many shares were sold in Australia.

**C 1**

Write down the words that the newscaster actually uses in place of the underlined words.

1. Lewhill is to open.....in Birmingham. (a factory costing 30 mln. pounds)
2. Welby Engines have.....a 25 mln. pound order... (succeeded in obtaining)
3. ... and the latest.....(price offered) for Basterfields by the.....(very large Canadian company) Garvin has been.....(decided against)

4. ....(In the area of news dealing with the outcome of a company's trading during only part of the year) Luxdon's third quarter profit of 300 000 pounds came as a ..... (disappointment and difficulty)
5. ... with a 50 % profits rise compared with.....(the last period of three months)
6. .. ..... remained close to last week's record highs. (the parts into which the ownership of a company is divided)
7. .... (finance companies and finance organizations which buy and sell bills of exchange) were..... .. (an area of business activity tending to rise)
8. Ainscough and Lee were up nine at 437 on..... .. (hopes of an offer to buy)
9. ...on their Monday sale of their..... .. (financial interests in Quinton)\
10. ... which in fact.....(hide a difficulty), if one.....(does not take into consideration) the.....(money obtained) from the.....(arrangement by which they sold their head offices in Birmingham on condition that they were then hired back to them at an agreed rent)
11. ...on..... (uncertainty) about the.....(price of the raw material)
12. On Wall Street on Tuesday..... .. (major shares were slightly higher in price)
13. ....were strong. (documents promising to pay sums of money at special times)
14. In Australia, .....(all share prices moved downwards suddenly) although..... .. (there was not a lot of buying and selling)

C 2

Look through this short news report about commodities and fill the spaces with the words from the box. Commodities trading was quiet yesterday, with.....low and price .....narrow. Copper..... within a 2 pound price range, and ended the day..... Only tin among.....showed any life, gaining 5 pounds a tonne. Lead, aluminum and zinc all..... .....commodities were similarly quiet. Coffee prices were..... unchanged, and cocoa prices dropped back a few pounds. Sugar traded mixed, ..... fresh developments.

awaiting	volumes	metals	ranges	soft
traded	virtually	Fell	charges	down

C 3

Write down the words that the newscaster actually uses in place of the underlined words and show the different prices of gold at the time and places given.

1. In the London.....yesterday...(market dealing with bars of gold and silver)
2. New York gold prices were.....up 20 cents...(very slightly higher, slowly moving)

3. ...with.....at 428 pence...(the price which is to be paid for the delivery two working days from now)
4. ...and.....at 438.5. (the price which is to be paid for the delivery three months from now)
5. ....were little changed...(prices in New York for the delivery of silver on a specific date at an agreed price)
6. ....(certain common metals) drifted lower in reaction to..... . (the stronger British pound)
7. Among the.....(non – metal commodities), cocoa.....after its recent fall...(recovered)
8. ....were steady, but then...(contract prices for the delivery of sugar on a specific date)
9. In New York, cotton..... .(prices were slightly lower)
10. ...though.....was up three quarters...(the price for corn to be delivered in December)

#### C 4

Choose the best headline for the following newspaper article.

**BANK PRICES FALL.**

**FINANCIAL PROBLEMS FOR TWO US CORPORATIONS.**

**BAD WINTER FOR RJC.**

**CHAIRMAN RESIGNS.**

**LATIN AMERICAN DEBT PROBLEM.**

The international banking community showed signs of worry last week over rumours that RJC Bank, America's tenth largest bank, was close to bankruptcy acquisition or a forced merger, due to a severe liquidity crisis. The concern underlines the nervousness of the major international banks with regard to loans to developing countries, especially those in Latin America. In the case RJC Bank, the problem is added to by bad domestic loans, particularly to the depressed energy sector. At the end of 1988, RJC had \$ 29,9 billion deposits, making it number ten in the US banking league. Since then, things have gone very badly. On the New York Stock Exchange, RJC shares have fallen from a 1989 high of \$44.25 to an all-time low of \$10, reached last Tuesday. This means that the capitalization of the group has crashed from \$ 1.8 billion to some \$420 million over an 18 month period. On Friday, however, when Wall Street stock prices generally eased in thin trading, investors showed some confidence in RJC's future, whose share price rose \$ 1.275 to \$ 12.075 by close of business. The previous chairman of RJC, Lee Dobbs, resigned earlier this year amid rows over the bank's lending, and one of the first moves of the new chairman and chief executive, Jim Kent, was to try to improve the capital base of the bank by selling certain assets. Its credit card business was sold in May to Key Commerce for some \$ 1 billion. At the company's

annual general meeting early last month, Kent told shareholders that non-performing loans, up by \$450 mln. in the first half, would cost over \$40 mln. this year if they neither rose nor fell. Over half the \$ 450 mln. rise to \$ 2.1 billion stemmed from Latin American credits, notably to Westina where the bank advanced some \$ 210 mln. in 1989, as a package designed to meet the country's external financial needs. The status of this loan, and the bank's other outstanding loans in the area, must be regarded as questionable. Approximately 56 % of the bank's loan portfolio is outside the US. But the bank's latest problems have occurred closer to home. At the end of last month, the Brown McCoy Corporation defaulted on a \$ 9 mln. repayment on a loan provided by 5 banks, including RJC. In an attempt to prevent the bankruptcy of Brown McCoy, its banks are now planning to lend it a further \$80 mln. Only this week another RJC's borrower, Thomas Ainscough Corporation filed for reorganization under the US bankruptcy code. The corporation has unsecured loans totaling \$210 mln., of which \$40 mln. is outstanding to RJC. In 1990 RJC's net credit losses rose to \$269 mln. from \$140.3 mln. in 1989. If the pattern continues over the second half of 1991, it could be a cold winter for RJC.

### *D 1*

Look at this list of events which are mentioned in the article. Number them in the order in which they actually happened. Then compare your answers with those of a partner and discuss any differences.

- ... Jim Kent appointed chief executive of RJC Bank.
- ... RJC share prices reach a high of \$ 44.25.
- ... Thomas Ainscough Corporation files for reorganization.
- ... Annual general meeting of RJC Bank.
- ... Lee Dobbs resigns as chairman of RJC Bank.
- ... RJC sells its credit card business for \$ 1 billion.
- ... RJC shares reach their lowest ever rate of \$ 10.
- ... Brown McCoy Corporation defaults on a \$ 9 million repayment.
- ... RJC share prices climb \$ 1.275 to reach \$ 12.075.

### *D 2*

On the basis of the information in the article, say whether these statements are true or false.

At the end of 1988, there were nine US banks with total deposits of more than 29.9 million dollars. RJC Bank has approximately 42 million shares. RJC Bank's share price when the New York Stock Exchange opened last Friday was \$ 10. 80. Net credit losses will rise by \$ 40 million last year. At the end of 1990, the bank had non-performing loans totaling \$ 1.6 billion. 44 % of the bank's lending is to domestic customers. The article was written in early 1991. The bank's net credit losses rose by \$ 128.7 million last year.

## UNIT 8. PROJECTS

The provision of credit is one of the primary functions of a bank. It allows the borrower to finance major projects which would have otherwise not been possible. A company building a new production plant or country building a new dam both need to raise very large sums of money in order to get the job done. The provision of funds by banks for specific projects is thus an important part of international financing.

For practical or legal reasons, a bank may decide that a particular loan is too large to handle alone. Banks often therefore refer loan proposals to other banks, frequently their larger correspondents, and invite them to participate in the loan. Syndicated lending therefore allows a bank to share with other banks (sometimes 100 or more from different countries) the risk involved in granting big advances. The borrower is able to obtain more than would be possible from a single bank, even though he or she deals with only one bank which organizes the participation of the other banks. The lead manager, as this bank is called, decides the rate of interest to be charged, collects payments from the borrower when due, and distributes the money to the participating banks.

International lending normally requires a clear understanding of the political and economical situation in the country in question, since granting credit naturally involves a degree of risk. Banks therefore examine exchange control regulations, balance of payments difficulties, payment records and so on before undertaking an international loan for a major project.

In Britain, the Export Credits Guarantee Department was set up in 1919 to help British exports. One of its range of services is to guarantee banks against losses resulting from loans made to the exporter (supplier credit) or to the buyer overseas (buyer credit). Such credits are used for loans of more than two years' duration and for large contracts such as ships. In the case of a buyer credit, the ECGD lends up to 85 % of the contract price to the buyer, or a bank in the buyer's country, so that the exporter can be paid. A similar organization in the USA is the Export-Import Bank (Eximbank), a government organization set up in 1934 to aid trade between the United States and other countries.



## Unit 8. Projects

Many projects involve very large sums of money and financing these projects is often undertaken internationally with co-operation between several banks and government agencies. This unit is about such financing.

### A 1

What large projects are being financed, or have recently been financed, in your country? What large projects has your bank been involved in financing in recent years?

### A 2

1. Look at this newspaper report and choose the best headline for it from this list.

**INTERNATIONAL CO-OPERATION**  
**MIXED CREDITS FOR EASTLAND**  
**CONSULTANT GIVES GO-AHEAD**  
**NUCLEAR POWER FOR EASTLAND**

An Anglo – Swedish..... has.....a contract worth about \$ 1.5 billion to build a nuclear power plant in Eastland. The....., the Eastland State Power Authority, asked all..... to submit comprehensive financing....., which were then evaluated by the German consultant, Becker-Bungert. The Anglo – Swedish bid was the only one to contain a mixed credit..... . The consortium, led by Strutz of Stockholm, has the.....of the Swedish and British governments, who have both arranged packages consisting of 60 % export credits and 40 % aid. The aid is at 3.5 % over 25 years and the export credits, at the..... consensus rate of 10.5 % . are for ten years.

2. Fill in the spaces with appropriate words from the box.

current	Proposals	package
costs	Consortium	backing
won	Client	bidders

### A 3

Look through this survey from a trade magazine and answer these questions

1. How many loans involve import/export and how many involve projects?
2. Which is the smallest loan?
3. Which loan is for the longest period?
4. In how many cases are interest rates specified?
5. How many loans are provided by one bank only?

## Syndicated loans survey

<b>Borrower</b>	<b>Project</b>	<b>value</b>	<b>terms</b>	<b>bank</b>
Newlandia Petroleum Corporation	Buyer credit to finance supply of drilling equipment	GBP 25.75 m	Two tranches: in 2 yrs bullet, repayment; second repayable in 28 quarterly instalments. Rates not available.	Sole provider: Key Commercial
Tokig Industries	To finance export of capital goods	JPY 2bn	6 yr maturity: First yr is drawn down period. Amounts outstanding then rolled into a 5 yr term loan	Lead manager: Cybulski Corp.
Cockle Development Company	Construction of hotel/shopping complex.	DEM 80.5m	8 yrs at 7/16% over 6 mth. LIBOR.	Lead managers: Siddons int, ZB Bank
Government of Northland	Hydro power station	CHF 150m	Swiss bond rate plus margin. 20 yrs.	Lead manager agent: RJC Bank
Newlandia Transport Authority	Supply of vehicles to Newlandia	USD 10 m	Eurodollar loan 7 yrs at 10.5% fixed rate. 1 yr 3 mths grace.	Sole provider: Wallers

**A 4**

Ken Bailey, the Executive Director of a London merchant bank, is being interviewed about his work.

1. Is Ken explaining how his bank finances projects or discussing a project financed by his bank?
2. How many questions does the interviewer ask?

**A 5**

Look at the following stages in the arrangement of a syndicated loan by Ken's bank. Put them in the correct order of events. Then listen again and check your answers.

- A. Appointed as lead manager.
- B. Maintain contacts.
- C. Decide whether or not to finance it solely themselves.
- D. Advisory conversations with the customer.
- E. Send offer document to other bank.
- F. Compete with other banks.

## Section B

### B 1

Write down the words that are actually used in place of the words which are underlined. If you need, listen to the interview again.

1. As a.....(bank which is mainly concerned with the financing of international trade) we.....for corporate customers...(provide services only)
2. ...longer term finance than a .....? (bank which is a member of a central organization through which cheques are presented for payment)
3. ...the main method for.....in recent years...(arranging loans for long periods of time)
4. ...mainly to large.....worldwide...(organizations set up for specific purposes)
5. ...by arranging a.....(sale of bonds in dollars or some European currencies by a group of banks)
6. ... who are likely to.....in that borrowing (take part in)
7. So that's where the.....of long-term money...(original starting point)
8. And then as.....in a loan...(an organizer of the other banks)
9. ...hydro-electric company, say,.....in Africa...(arranging the buying of machinery and equipment)
10. ...hopefully you'd be.....the lead manager. (given the job as)
11. ... you may have..... (enough money)
12. ...if there are ten issues.....being sold... (at present)
13. ...adding say a sixteen to the..... (income received from an investment)

### B 2

Here are seven short extracts from the conversation between Ken and the interviewer. Each is followed by two statements that might be understood from the speaker's words. Listen carefully to how Ken actually says these words and decide which meaning is intended.

1. As a merchant bank we cater solely for corporate customers ...
  - a) ...and only for corporate customers.
  - b) ...and other types of bank cater for other customers.
2. The method, the main method for raising long-term funds in recent years
  - a) ...although there are also other, less important methods.
  - b) ...although earlier, things were different.

3. So that's where the source of long-term money has come...
  - a) ...and from anywhere else.
  - b) ...but short-term money has come from other sources.
4. You would then decide whether you wanted to finance the whole of it yourself...
  - a) ...and not before.
  - b) ...or just part of it.
5. So the customer probably wouldn't have a direct contact with those other banks...
  - a) ...but our bank would have direct contact.
  - b) ...because all his contact is with us.
6. We would have a lot of advisory conversations with the customer.
  - a) ...too many conversations, in fact.
  - b) ...in order to make the situation quite clear for the customer.
7. We would advise our customer to wait...
  - a) ...but we cannot stop him if he wants to go ahead.
  - b) ...and not to do anything just now.

**B 3**

Ken Bailey receives a phone call from Paul Black, a civil servant in Northland. Listen to their conversation and answer these two questions.

1. Is this the first time that Ken and Paul have discussed the project?
2. Does Ken give a firm answer?

**B 4**

Below is a copy of the form which Ken fills in as a record of important telephone calls. Listen to the phone conversation again and fill in the form for Ken.

TELEPHONE MEMO Subject: Client: Contact person: Project: Sum: Action required: Signed: Date:
--

**B 5**

Check the meaning of the words and phrases in the box with a partner. Then, working together, match the words with the correct definition from the list below.

economic indicators	treasury department
senior civil servant	quarter
lead manager	documentation
civil engineering work	turnkey basis
Participants	trade balance
raising a large sum of money	terms
joint venture	established

1. A top person in one of the departments of national government.
2. The government department that controls the finances of a country.
3. Organizing the obtaining of a lot of money.
4. The planning and construction of buildings, roads and suchlike, usually for a government.
5. A partnership, in the case temporary, of two or more companies to co-operate on a specific project.
6. A contract arrangement whereby the contractor completes the whole project and then hands everything over to the client, ready for operation.
7. Figures dealing with economic activity which give a general idea of changes in the economic climate.
8. A fourth of a year.
9. The difference in the value of imports and exports of a country.
10. Those who take part in the activity.
11. The principal party coordinating a syndicated loan.
12. Made certain of the fact.
13. The papers relating to a business deal.

### *B6*

By stressing different words in a sentence, we can indicate different meanings. Here are seven short extracts from the conversation between Ken and the interviewer. Each is followed by two statements that might be understood from the speaker's words. Listen carefully to how Ken actually says these words and decide which meaning is intended.

1. As a merchant bank we cater solely for corporate customers...
  - a) ...and only for corporate customers.
  - b) ...and other types of bank cater for other customers.
2. The method, the main method for raising long-term funds in recent years...
  - a) ...although there are also other, less important methods.
  - b) ...although earlier, things were different.

3. So, that's where the source of long-term money has come...
  - a) ...and not from anywhere else.
  - b) ...but short-term money has come from other sources.
4. You would then decide whether you wanted to finance the whole of it yourself...
  - a) ...and not before.
  - b) ...or just part of it.
5. So, the customer probably wouldn't have a direct contact with those other banks...
  - a) ...but our bank would have direct contact.
  - b) ...because all his contact is with us.
6. We would have a lot of advisory conversations with the customer...
  - a) ...too many conversations, in fact.
  - b) ...in order to make the situation quite clear for the customer.
7. We would advise our customer to wait...
  - a) ...but we cannot stop him if he wants to go ahead.
  - b) ...and not to do anything just now.

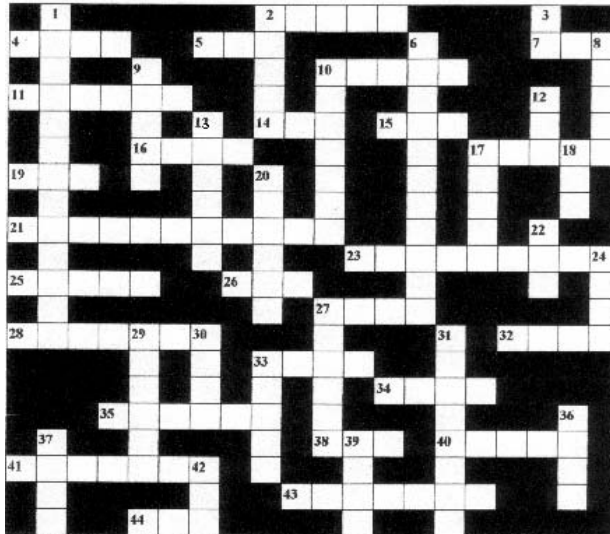
## **Section C**

### *C 1*

Look through the following statements and on the basis of the information in the telex say whether they are true or false.

1. It is not made clear that Key Commercial has been authorized to act on behalf of the State Power Board in rising this loan.
2. Key Commercial is itself providing at least USD 50 million of the total loan.
3. The full contract value is approximately USD 294 million.
4. The loan is without security.
5. The loan will be repaid in full by 20 September 1999 at the latest.
6. The interest rate on the loan may be different at different times.
7. Interest will be paid every six months, for the six months just gone.
8. A bank participating in the syndicated loan may provide USD 500.000.
9. Key Commercial finally decides how much each bank may provide.
10. A bank may look at the loan agreement before deciding whether to
11. participate in the loan.

## C 2

**ACROSS**

2. A very big company indeed. (5)
4. Period of increasing economic activity (4)
5. "Neither rose ... fell" (3)
7. Dutch Guilder. (3)
10. Industrial equipment and tools. (5)
11. The beginning. (6)
14. Public limited company. (3)
15. Month. (3)
16. German currency unit. (4)
17. Commodities such as sugar, coffee and cocoa. (5)
19. Gross National Product. (3)
21. Take part in. (11)
23. Offering to supply goods or services at a stated price. (9)
25. Income received from an investment. (5)
26. Deutschmark (3)
27. Amounts. (4)
28. Relating to results, e.g. for only part of a financial year. (7)
32. Prices did not rise. In fact they went... . (4)

33. Opposite of rise. (4)
34. Document promising to pay a sum of money at a special time. (4)
35. An area of business activity. (6)
38. Years. (3)
40. Extents of movement, e.g. "within a 2 pounds price". (5)
41. Period of three months. (7)
43. A disappointment and difficulty. (7)
44. "...a 1990 high of \$ 44.25 to an all-time ... of \$ 10" (3)

### **DOWN**

1. Papers relating to a business deal. (13)
2. Several companies joined together, owned by one company. (5)
3. Billion. (2)
6. A series of regular part payments. (11)
8. Products not services. (5)
9. Conditions of contract. (5)
10. Agreement combining several matters. (7)
12. French franc. (3)
13. A loan. (6)
17. A financial interest in a company. (5)
18. A metal. (3)
20. The parts into which the ownership of a company is divided. (6)
22. An offer to buy, at a stated price. (3)
24. An increase. (4)
27. Only, entirely. (6)
29. Turn down, say no to. (6)
30. Majority. (4)
31. Legal agreement. (8)
33. Foreign exchange. (5)
36. To act, to do business. (4)
37. Very active. (4)
39. Price level paid for the use of somebody else's money. (4)
42. Angry argument. (3)



## UNIT 9. TRENDS

Banking has faced considerable external change over recent decades, and major changes have taken place in the industry itself. Developments have been many and rapid. One of the most important developments during 1980s was the growth of international debt problems, a situation which had begun to evolve in the previous decade.

In addition to the growth in the financial needs of large companies, government agencies around the world also formed an area of growing demand for finance in the 1970s. International banks assisted countries with balance of payments difficulties, that is those which were importing much more than they were exporting, by lending them large sums of money, and this assistance increased after the sharp rise in oil prices in 1973, since the higher prices meant even greater balance of payments problems for some countries. Banks were at this time able to lend out more money, deposited with them by oil producing countries, to countries with payment deficits. Some leading banks committed sums which exceeded their capital and reserves, ignoring the principle of a well-spread loan portfolio.

During the 1980s, however, high interest rates and world recession prevented several countries from meeting their repayment obligations. Banks have had to reschedule loans, that is arrange for interest payments and repayment installments to be delayed, and the debt crises, as it has been termed, has put banking in the industrialized countries under a certain amount of strain. Some observers see the financial strength of the banks as now depending on the financial strength of the debtors.

In this way, they claim, the debt problem threatens both the development of the debtor countries and the stability of the banking system of the industrialized world.

A second challenge faced by banks recently is the increasing competition from other organizations, both in terms of numbers and in the range of financial services offered. Banks generally very closely regulated, examined, restricted and supervised, making it sometimes difficult to meet new competition from institutions operating under different regulations, such as insurance companies. Laws and regulations restraining the activities of banks and other financial organizations have been changing, and continue to change. One example in the UK is the so-called Big Bang, which in 1986 deregulated the traditional procedures for dealing in the UK securities. The changes taking place in the financial services industry are not confined to any one country, however, and innovation and development are contributing to general market evolution, both nationally and internationally.

A third trend in banking during recent years has been the growth in the application of technology in the industry. Accounting records are maintained with the aid of computer systems, where ledgers were once kept by hand. Messages can now be transmitted and funds can be transferred around the world electronically in a matter of moments. Dealing rooms often use the latest technology, with electronic hardware and software providing the essential data. The information systems used may include a transaction input capability, an interface with main office systems, large high resolution colour displays, and so on, to provide the up-to-the minute data on which effective trading decisions are based. While electronic systems reduce time and paper, they do involve certain risks, such as those of computer system failure and fraud. Security operations in both cases are therefore of vital importance to modern banks. If a system breaks down, it is imperative that information is not lost. With large sums of money being sent around the world electronically, it is also imperative that banks prevent outsiders or unauthorized users from penetrating their systems and diverting funds for their own use. One professional survey in the UK in the mid-1980s estimated that computer fraud involving funds transfer in the UK totaled some 50 million pounds a year.

Banking services offered to the general public are also becoming increasingly automated, as banks try to reduce their costs associated with branch over-the-counter transactions, such as personal costs.

**TASK:** Read, translate and discuss the text with your groupmates

## Unit 9. Trends

International banking is a dynamic business and the changes are fast and many. What are some of the main trends? What does the future hold? In this unit we hear different bankers about important trends in some areas of banking and financing.

### Section A

#### A 1

With regard to banking in your country:

1. What are the two biggest problems?
2. What have been the two most important developments in recent years?
3. What important changes will take place in the next few years?

#### A 2

Working with the partner, make a brief list of debt-related problems experienced by debtor countries. Then listen to Robert Aguda, who is the governor of a central bank in Africa, outlining some of the problems facing developing countries. Tick those items on your list which Robert mentions.

#### A 3

Look through the following summaries of Robert's talk and say how you think each one finishes. Then listen to him again and check your answers.

1. The enormous economic problems facing developing countries mean that...
2. If something is not done about the debt problems of some developing countries...
3. Robert's country doesn't like taking loans because...
4. If the external debts of the big Latin American countries were written off...
5. In Africa, external debts are much larger...
6. If the debts of the African countries were written off...
7. What the poorer countries of Africa need is...
8. There should also be a world-wide dialogue in order to...
9. A plus for some developing countries is...
10. High interest rates mean that...
11. These problems need special attention to...

#### A 4

Here are seven short sentences from Robert's talk. Each is followed by two statements that might be understood from his words. Listen to how Robert actually says these words and decide which meaning is intended.

1. Indeed recent forecasts by the IMF, the OECD and the World Bank are all far from encouraging ...
  - a) ... although previous forecasts were more optimistic.
  - b) ... and give very little hope for the future.
2. We ourselves are very reluctant to borrow from the markets ...
  - a) ... although other countries are less reluctant.
  - b) ... and try never to do it.
3. We have only to look at the debts service costs ...
  - a) ...to imagine the problems which they involve.
  - b) ... not to mention the total costs of repayment.
4. I believe that over 100 % of export earnings are required ...
  - a) ... Although I am not sure about this.
  - b) ... and this is a very large figure indeed.
5. I think that there should be a global dialogue in order to combat inflation ...
  - a) ... instead of just a few countries talking about it.
  - b) ... instead of adding to it.
6. And this is, if you like, a plus for some developing countries ...
  - a) ... instead of disadvantage.
  - b) ... but not for the industrialized countries.
7. These problems need very special attention.
  - a) ... but there are other problems that we can leave till later.
  - b) ... no other kind of attention will help matters.

## **Section B**

### *B 1*

Here are five general steps which Ed Walker, whom we met in Units 1 and 2 says his bank has taken to meet the debt crisis. As you listen to his presentation, number the steps in the order that Ed actually mentions them.

- ..... Conversation of short-term debt into a long-term debt.
- ..... Placing of some of the largest international loans on non-accrued status.
- ..... Increase of reserve for credit losses to \$ 650 million.
- ..... Restructuring amortizations and maturities of medium-and long-term debt.
- ..... Search for solutions on an individual country basis and for ways of structuring the debt

*B 2*

What did Ed say? Look at the list of statements below. Some are summaries of statements actually made by Ed in this section and others are not. Listen to the presentation again and put a tick (✓) against those statements that are summaries of what Ed did say.

1. The debt-servicing problems of the developing countries are going to be with us for some time to come.
2. Cybulski Bank is more affected than most other major banks by the debt-crisis.
3. Banks are having to increase their capital-to-loans ratios.
4. The debt crisis is not confined to one country or even to one region.
5. Two thirds of the bank's credit losses last year were on international business loans.
6. Cybulski wants to help debtor countries to service their debt and to take further loans from the open market.
7. Public sector debt forms two thirds of Cybulski's outstandings of \$ 950 million to Westina.
8. Interest rates of Westina's public sector debts to Cybulski are now based on LIBOR rates instead of Prime rates.
9. There are three countries with liquidity problems where the bank has outstandings which are larger than one per cent of its assets.
10. Approximately half of the bank's outstanding loans have maturities within one year.
11. It is important that an effective solution to the debt crisis is found soon.

*B 3*

Write down the words that Ed actually uses in place of the underlined words. Listen again to his presentation if you need to.

1. ... is that of the difficulties in repaying money which is owed, together with the interest charges ...
2. ... our own position of risk is less than ...
3. ... to increase our reserve for money lost on bad debts ...
4. ... in 1990 we set aside for this purpose something like 600 ...
5. ... a lot of money being used to increase the proportion of financial resources to the amount of money lent ...
6. ... to look for answers on an individual country basis.
7. ... the economic performance of countries which owe money ...
8. ... including the use of low interest rates given for a special reason ...
9. ... we've placed them in a position where they no longer increase because of the addition of interest.

10. The repayments and dates when repayments become due ...
11. we have loans which haven't yet been repaid of 900 ...
10. ... and the remainder of which is to industrial and commercial firms which obtain loans and which are not state-owned.
11. We've recently completed business discussions to work out a deal...
12. ... have been adjusted down from the base rate on corporate loans at big US commercial banks plus two per cent ...
13. ... To the average interbank offered rate for deposits in the London market ...
14. ... one of three countries with difficulties in meeting financial commitments ...
15. ... outstandings which are greater than one per cent of our complete worth...
16. What the effects of this situation are going to be for the banks which have given loans ...

### Section C

#### C 1

1. Look at the newspaper report and choose the best headline for it from this list.

*Northland deregulates financial markets*

*High interest cheque account offered*

*Stockbrokers expand*

*Moves announced*

Stockbrokers Nelson and Hurst have received a Central Bank licence to take....., and are thus adding.....banking services to their broker..... . The company plans a high interest call account for.....customers, on which rates will be..... to overnight interest rates in the money markets. A high interest cheque account is to be..... for personal customers. The..... is one of several announced by different companies this week, as financial institutions..... for the deregulation of Nort-land's financial markets next year.

2. Fill spaces with appropriate words from the box.

prepare	deposits	loans
linked	limited	offered
operations	move	corporate

#### C 2

Colin Anderson, the chairman of a British clearing bank,talks about the changes in the banking system at a seminar.

1. Is Colin talking about changes that have already started or ones that he believes will begin in the future?
2. Do you think that Colin is positive or negative about the changes he is talking about.

## C 3

Below you see some notes taken at the seminar. Unfortunately not all of them are accurate. Listen again to Colin and find out what the errors are.

Seminar Changes in institutional boundaries in the financial services industry.

Likely to bring about a lot of changes. Probably more important than abandonment of exchange control in 1979. Changes so far limited to USA and UK, where there are two main trends:

1. formation of big financial conglomerates
2. securities houses offering something close to nationwide banking facilities.

Changes in UK likely. UK invisible earnings generally good, especially banking and insurance. UK facing competition from newly industrialized countries UK oil and gas limited, but UK neglects financial services as an important source of income. Must develop them to replace some manufacturing industries in decline.

## C 4

Match the words and phrases in the left-hand column with the definition in the right-left column.

1. topic	A. Meeting to exchange information and to discuss
2. seminar	B. Main points of interest.
3. trend	C. Borders or limits which have existed for a long period of time.
4. barriers	D. Income from the export of services.
5. statutory means	E. Ways connected with laws.
6. abandonment	F. Not to give attention to.
7. substantial	G. Financial organization which provides long-term loans against the security of the borrower's property.
8. peculiar to	H. Very large.
9. financial conglomerate	I. Amount of income which is higher than the amount of money spent.
10. retailing group	J. Activities in the buying and selling of land and buildings.
11. securities & commodities trading house	K. Group of companies which sells goods to the public.
12. legislation	L. General development or movement.
13. operations in real	M. Growing weaker.
14. invisible earnings	N. Things which maintain separation.
15. surplus	O. Laws.
16. to neglect	P. Giving up of something
17. primary concerns	Q. Subject, thing to be discussed.
18. in decline	R. Found only in.
19. traditional demarcations.	S. Group of financial companies of very different kinds.
20. building society	T. Company dealing in investments and raw materials such as sugar and cotton

## C 5

Each of the phrases which are in italics fulfils a particular purpose. Match the phrases to the purpose.

1. <i>As my theme for this seminar</i>	A. Stating a point of view, I have chosen...
2. <i>...by which I mean</i> the trend towards	B. Explaining a word or an idea.
3. I <i>believe</i> that the consequences of this trend...	C. Listing or enumerating.
4. It is, <i>as we will see later</i> , already under way...	D. Leading to a logical conclusion.
5. <i>First</i> , we have seen...	E. Indicating that a point will be developed later
6. <i>At the same time</i> , securities houses have...	F. Changing focus or direction.
7. <i>One of our primary concerns</i> must be to...	G. Emphasizing an important topic or interest
8. <i>It is for these reasons that</i> changes in	H. Stating something already widely known.
9. I <i>would like now to turn to</i> events...	I. Indicating one event happening with another
10. <i>You will of course already know</i> ...	J. Introducing the topic.

## Section D

## D 1

As preparation for the listening activities which follow, choose the best definition for the words in italics.

1. **Debits** are:
  - a) sums of money owed by one person to another;
  - b) records of money paid into a bank account;
  - c) records of money taken out of a bank account.
2. **Credits** are:
  - a) plastic cards used instead of money;
  - b) sums of money paid into a bank account;
  - c) the amount of money in a bank account.
3. The **bank's books** are:
  - a) useful lists of customers' addresses and phone numbers;
  - b) plans showing how much money the bank expects to earn and spend;
  - c) a set of records in which the bank's accounts are kept.
4. If information is available **real time**, it is available:
  - a) on a terminal very soon after being entered into the system;
  - b) at the same time on a number of terminals linked to a central system;
  - c) at any time of the day or night.
5. A **visual display unit** (VDU) is:
  - a) a small screen that is linked to a telephone and the telephone network;



- 
- b) a screen which shows information from a computer;
  - c) a machine which shows transparencies.
6. If data is **stored on line**, it is:
    - a) ready for immediate use on a central computer;
    - b) kept on equipment that is not linked to a central computer;
    - c) kept for a short time only.
  7. A **database** is:
    - a) the place where a company keeps its main computer;
    - b) a room with a lot of computers in it;
    - c) a large collection of data stored in a structured form.
  8. **Suggestions** are:
    - a) statements about what should be done;
    - b) public notices about goods or services to sell;
    - c) formal notices giving the receiver information about a business transaction.
  9. An **interface** is:
    - a) the connection link between two computer systems;
    - b) a place where someone sits to work with a computer;
    - c) a system where two or more texts can appear on the screen at the same time.
  10. **Enhancements** are:
    - a) changes;
    - b) improvements;
    - c) decreases in size.
  11. To **quote** prices is:
    - a) to state what the prices are;
    - b) to decide what the prices are;
    - c) to say what you think the prices will be.
  12. The **bank's exposure** is:
    - a) how much financial risk the bank is open to;
    - b) how much advertising the bank does;
    - c) how much the bank earns.
  13. If A is on a **par with B**:
    - a) A is not as good as B;
    - b) A is better than B;
    - c) A is equal with B.
  14. **Back-up systems** are:
    - a) groups of people who maintain and operate a computer system;
    - b) systems which control the running of computers;
    - c) systems for copying computer files in case the originals are damaged.

- 
15. **Contingency planning** is about:
- what to do if things go wrong unexpectedly;
  - how much money to earn and spend;
  - how much money to put into bank reserves.
16. A **network** (here) is:
- a program which instructs a computer what to do;
  - a number of computers in different places;
  - a number of computers that are linked for shared use.
17. **Fraud** is:
- the crime of stealing money by breaking into a safe;
  - the crime of gaining money by dishonesty;
  - the crime of stealing computers.
18. **IC cards** are:
- identification cards;
  - intelligent chip cards with built-in memories;
  - cards with holes in them which represent data.
19. **ATM withdrawals** are:
- sums of money transferred to an account electronically;
  - sums of money taken out of a bank account via an automatic telling machine;
  - statements issued by an automatic telling machine.

## *D 2*

Read the text about electronic banking and then:

- Say whether it is mostly about equipment or about systems.
- Say how many branches are connected to the bank's network.
- Choose what you consider to be the biggest benefit provided by the bank's products.

Quintorp, one of the Northland's leading bank, is to begin exporting its computerized banking systems to the USA, Europe and the Far East. The bank which is well-known for being at the forefront of electronic banking, is confident that there is a worldwide market for its state-of-the-art solutions to the rapidly changing needs of international banking. "What we intend to do", says Managing Director John Seddon, "is to make available the bank of tomorrow, that a one-location bank which can meet all banking needs, business and retail, on the spot, by means of banking know-how combined with advanced computer technology".

Quintorp's rise to electronic market leadership began in 1985, when it established a subsidiary company, Quintorp Computer Services, for the sole purpose of selecting hardware, developing sophisticated software applications and building a comprehensive on-line network for the bank. All of the bank's 260 domestic branches have been connected to the network since 1989, shortly after which the key branches abroad in London, Hong Kong and Bermuda went on-line. The bank's other international branches in 21 countries were linked to the network in 1990. More than 2000 AJS/500 terminals have been installed in the network, with control and data being concentrated at the host site.

Among the real-time software packages which the bank has designed and operated, and which is now intends to market, is the Sylvia system. This integrates a dealing function, global interbank telex and telecommunications systems, a branch system including management, clerical and teller functions and an ATM function. A notable application module in the Sylvia system is the dealing room package, which aids dealer performance by providing currency positions and other real-time data such as cash flow management and automatic confirmation of deals.

A portfolio and trust management system is also available, which includes a securities facility providing an on-line real-time connection to the Northland stock exchange. Purchases can be made via a terminal, and the whole operation is paperless. A feature which Quintorp is developing as part of its concept of tomorrow's bank is a display service whereby corporate customers will be able to interface personal computers directly with the bank's network by means of the telephone line and a modem. The up-to-the-minute information thus available will include direct linking facilities via the modem to domestic and foreign stock exchanges. The bank's priority investments in electronic banking have produced what Seddon describes as "advanced equipment and systems, which have facilitated increased administrative control, rationalization of clerical duties, and expanding information gathering capabilities, all of which means quicker, more reliable, and increased customer services". Potential purchasers of the bank's electronic products could do worse than look at the impressive growth in Quintorp's earnings during recent years.

### *D 3*

1. What are the general trends in banking and finance in your country?
2. What are the trends in your bank or organization in particular?

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Дімант Геннадій Семенович

# ECONOMY IN TRANSITION

Навчальний посібник

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