АНГЛИЙСКИЙ ЯЗЫК

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по профессионально-ориентированному чтению

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UNIT 1. THE SCIENCE OF ECONOMICS

Read the international words and guess their meanings:
Economic activity, economic system, macroeconomics, microeconomics, to produce, to operate, to protect, to analyze, to finance, to manufacture, to specialize, to focus, to affect, service, school, hospital, garage, fact, base, production, material, industry, radio, strategy, status, export, import, institution, distribution, division, investment, history, organization, period, spectrum, agriculture, essential, basic, industrialized, oriented (policy), national, financial, social, major, fact, base, total, primarily, public.

Text 1.1

Read and memorize the following words and word combinations:
in order to – для того, чтобы
goods and services – товары и услуги
to provide services – предоставлять (оказывать) услуги
either… or…. – или… или, либо… либо…
both… and… – как…, так и …
to make up – составлять
commodity – товар (сырьевой)

Read and translate the Text into Russian.

ECONOMIC ACTIVITY

Most people work in order to earn their living.
They produce goods and services.
Goods are either produced on farms, like maize and milk, or in factories, like cars and paper.
Services are provided by such things as schools, hospitals and shops.
Some people provide goods, some provide services.
Other people provide both goods and services. For example, in the same garage, a man may buy a car or he may buy some service which helps him to maintain his car.
The work which people do is called their economic activity.
Economic activities make up the economic system.
The economic system is the sum-total of what people do and what they want.
The work which people undertake either provides what they need or provides them with money.

People buy essential commodities with money.

Notes:
the sum-total – общая сумма

EXERCISES

Give Russian equivalents to the following:

To earn their living, goods like maize, services are provided by …, to provide both goods and services, to maintain a car, the work which people undertake, to buy with money, essential commodities.

Complete these sentences with the words given below and translate them into Russian:

essential commodities, provide, undertake, maintain, the sum-total

1. People buy ……. with money.
2. Some people …….., some …. services.
3. The work which people … provides what they need.
4. Some service may help a man … a car.
5. The economic system is ….. of what people do and what they want.

Complete the sentences:

1. Most people work………..
2. Economic activities make up………
3. Economic activity is …………………
4. Economic system is………..
5. A man may buy some service which………

Answer some questions on the Text:

1. Why do most people work?
2. What do they produce?
3. Where are goods produced?
4. What do schools, hospitals and shops provide?
5. What two different things can a man buy in, for instance, a garage?
6. What do we call the work which people do?
7. What is an economic system the sum-total of?
8. What two things can work provide for the market?
9. What can people buy with money?

Text 1.2

Read and memorize the following words and word combinations:

to affect smth., smb. – влиять на что-либо, действовать на кого-либо
Read and translate the Text into Russian.

THE SCIENCE OF ECONOMICS

Economics is a science.
This science is based upon the facts of our everyday lives.
Economists study our everyday lives. They study the system which affects our lives.
The economist tries to describe the facts of the economy in which we live.
He tries to explain how the system works.
His methods should be objective and scientific.
We need food, clothes and shelter.
If we could get food, clothes and shelter without working, we probably would not work.
But even when we have these essential things, we may want other things.
If we had them, these other things (like radios, books and toys for children) might make life more enjoyable.
The science of economics is concerned with all our material needs and wants.
It is not just concerned with basic needs like food, clothes and shelter.

EXERCISES

Give Russian equivalents to the following:
to be based upon, to affect our lives, to describe the facts, to explain how the system works, objective, probably, essential things, make life more enjoyable, to be concerned with, basic needs

Complete these sentences with the words given below in appropriate form and translate the sentences into Russian:
to be concerned with, to explain, to affect, enjoyable, method

1. Economists study the system which ……. our lives.
2. The economist tries ……… how the system work.
3. Economic ……. should be objective and scientific.
4. Radios, books and toys for children make life more ….
5. It …. essential things.

Complete the sentences and translate them into Russian:
The science of economics …….
Economists try ……
Even when we have …
We need …. 
Economics is based upon …
If we could get food …. 

Answer some questions on the Text:
1. What is economics?
2. What is it based upon?
3. What two things do economists study?
4. What does the economist try to describe?
5. What should the economist’s methods be?
6. What do we need?
7. What things might make life more enjoyable?
8. What is the science of economics concerned with?

Text 1.3

Read the Text.

ECONOMIC STRATEGIES

Four Asian nations – Hong-Kong, Singapore, South Korea and Taiwan – are now called NICs, newly industrialized countries. Their new status is a product of outward-oriented development strategies.

In the 1950s and 1960s, the governments of the four countries protected domestic markets from foreign competition to stimulate domestic production for domestic consumption.

Taiwan was the first to replace an inward-oriented policy with an outward-oriented policy. The other three countries followed closely behind. Soon each country experienced rapid growth in exports and domestic national income.

These countries maintain some restrictions on the domestic economy, but operate with another set of rules for exporting firms. Production for export occurs in a free market setting, with no taxes or restrictions on imports of the materials needed to manufacture goods for export.

The governments have developed banking and financial institutions that can finance export production and sales.

Notes:
setting – обстановка, условие
1. Answer some questions on the Text:
1. What are four Asian countries called?
2. What is their new status?
3. What did the governments of these four countries protect in the 1950s and 1960s?
4. What did they want to stimulate?
5. What was Taiwan the first to replace?
6. What was the result of this new policy?
7. Do these countries maintain some restrictions on the domestic economy?
8. How does production for export occur in a free market setting in these countries?
9. What have the governments developed?

2. Render the contents of the Text in Russian.

Text 1.4

Read and translate the Text.

ECONOMICS

Economics is a social science that seeks to analyze and describe the production, distribution, and consumption of wealth. The major divisions of economics include microeconomics, which deals with the behaviour of individual consumers, companies, traders, and farmers; and macroeconomics, which focuses on aggregates such as the level of income in an economy, the volume of total employment, and the flow of investment. Another branch, development economics, investigates the history and changes of economic activity and organization over a period of time, as well as their relation to other activities and institutions. Within these three major divisions there are specialized areas of study that attempt to answer questions on a broad spectrum of human economic activity, including public finance, money supply and banking, international trade, labour, industrial organization, and agriculture. The areas of investigation in economics overlap with other social sciences, particularly political science, but economics is primarily concerned with relations between buyer and seller.

UNIT 2. ECONOMIC SYSTEMS

Read the international words and guess their meanings:

To characterize, to determine, indifferently, differently, traditional, private, resources, to maximize, centralize, to act, manner, productive, planned economics, theory, epoch, culture, to contribute, technique, cultivation, Roman
empire, bourgeois revolutions, socio-economic formations, primitive-communal system, period, nature, instruments, to separate, to lead (led), to control, to regulate, to expand, dominant, universal, prevailing form of production.

Text 2.1

Read and memorize the following words and word combinations:

- private ownership – частная собственность (владение)
- to rely on – полагаться на
- to allocate – распределять, размещать
- value – ценность, стоимость
- profit – прибыль
- income – доход
- an entrepreneur – предприниматель
- sufficient – существенный
- according to – согласно, соответственно чему-либо
- equal (ant. unequal) – равный
- decision-making – принятие решений
- wage – заработная плата
- rather than – скорее…чем, а не…

Read and translate the Text.

**ECONOMIC SYSTEMS**

Different economic systems answer the “what”, “how” and “for whom” questions differently. The main economic systems today are capitalism, socialism, communism, mixed economies and traditional economies.

Capitalism - is an economic system characterized by private ownership of most resources, goods and services. Capitalism relies on the market system to allocate resources, goods and services to their most highly used value. In capitalist economy what to produce is determined by consumers, how to produce is determined by profit-seeking entrepreneurs, who maximize profit by producing in the most sufficient manner, and for whom to produce is determined by income and prices. In a capitalist system workers are generally paid according to how productive they are, and the distribution of income is unequal because people differ in their abilities.

Socialism - is an economic system characterized by government ownership of resources other than labour and centralized economic decision making. Under socialist system government authorities answer the “what”, “how” and
“for whom” questions. In a socialist system government planners set wages and though wages are not equal for all workers, incomes tend to be more evenly distributed than in capitalist countries.

In centrally planned economies government planners decide what goods will be produced and set the prices at which they are sold.

Communism - is an economic system in which all resources (including labour) are commonly owned and economic decisions making is centrally planned. According to communist theory, people contribute what they are able to the economy but receive what they need. In theory, this means that goods are produced for use rather than to earn profits and that everyone’s needs are met. Communist countries have central planning boards that set prices.

EXERCISES

1. Give English equivalents to the following:
   полагаться на, увеличить прибыль, определяться кем-либо, распределение доходов, в соответствии с, способность, при социалистической системе, правительственные власти, устанавливать зарплату, делать вклад, советы (департаменты) по планированию.

2. Complete these sentences with the words given below in appropriate form and translate the sentences into Russian:
   government authority, a government planner, the distribution of income, to determine
   1. Capitalism relies on ………
   2. In capitalist system how to produce – is ……… by profit-seeking entrepreneurs.
   3. In capitalist system ……… is unequal because people differ in their abilities.
   4. Under socialist system ……… answer the “what”, “how” and “for whom” questions.
   5. In centrally planned economies ……… decide what goods will be produced.

3. Complete the sentences and translate them into Russian:
   1. The main economic system today are….
   2. Entrepreneurs maximize profit by.
   3. In a capitalist system workers are paid according to.
   4. Different economic systems answer………
   5. Capitalism is characterized by ……
   6. According to communist theory ……

4. Answer some questions on the Text:
   1. What are the main economic systems today?
2. What economic system does private ownership of most resources, goods and services characterize?

3. Who determines what to produce in a capitalist economy? in a socialist economy?

4. Why is distribution of income unequal in a capitalist economy? What is it like in a socialist economy?

5. What economic system does government ownership of resources characterize? Does the government own labour in such systems?

6. How can you characterize centrally planned economies? What are their specific features?

7. What is the difference between socialist and communist economies?

**Text 2.2**

**Read and memorize the following words and word combinations:**

- semi-savage – полудикий, первобытный
- to be engaged in smth – заниматься чем-л.
- slavery – рабство
- advance – продвижение вперед, успех, прогресс, улучшение
- means of production – средства производства
- tools – инструменты
- roughly – грубо

**Read and translate the Text.**

**FIRST SOCIO-ECONOMIC FORMATIONS**

The first socio-economic formation was the primitive-communal system, which covered the period of many hundred years. At first people were in a semi-savage state, powerless against nature. They gathered nuts, wild fruit and berries, roots and plants. Man’s first instruments were roughly chipped stones and sticks. Later people learnt to make the simplest tools.

The basis of production relations was communal ownership of the primitive labour instruments and production means. People lived together in communes.

With the advance of cattle-breeding and agriculture there arose a social division of labour: animal husbandry (скотоводство) separated from agriculture. This led to higher productivity and productive forces growing.

Productive forces continued to expand and man began to produce more. It became possible to use workmen obtained through warfare (в войнах). Captured
prisoners became slaves. There followed the first division of society into classes known as slavery. Slave-owners possessed both the means of production and the people engaged in production. The ancient world achieved considerable progress in economy and culture. But time passed, and the necessity to replace the slave-owning relations arose: the new feudal mode of production began to take shape.

EXERCISES

1. Give English equivalents to the following:

   значительный прогресс, средства производства, основа производственных отношений, социальное разделение труда, отделиться от, стало возможным использовать, захваченный пленник, рабовладелец, древний мир.

2. Complete these sentences with the words given below in appropriate form and translate the sentences into Russian:

   to cover, to possess, to gather, to achieve, to learn, to separate

   1. The ancient world … considerable progress in economy and culture.
   2. Slave-owners …. both the means of production and the people engaged in production.
   3. The primitive-communal system …. the period of many hundred years.
   4. People … nuts, wild fruit and berries.
   5. Then people … to make the simplest tools.
   6. Animal husbandry … from agriculture.

3. Complete the sentences and translate them into Russian:

   1. The basis of production relations was ….
   2. Man’s first instruments were ….
   3. Social division of labour led to …
   4. Captured prisoners were.
   5. At first people were.
   6. People lived together in ….

4. Answer some questions on the Text:

   1. What was the first socio-economic formation?
   2. What period did it cover?
   3. What did people live on in a primitive society?
   4. What was the first major social division of labour in history?
   5. What did the first division of society into classes mean?
   6. What were the relations in production based on?
Text 2.3

Read the Text.

FEUDALISM AND CAPITALISM

The feudal system existed in almost all countries. The epoch of feudalism covers a long period. In China the feudal system existed for more than two thousand years. In the West-European countries feudalism spread over some centuries, from the fall of the Roman empire to the bourgeois revolutions in England and France. In Russia it lasted from the 9th century to the abolition of serfdom in 1861.

The production relations of feudal society were based on the private landed property of the lords and their incomplete property rights over the serf. He was not a slave, he had his own holding (хозяйство). The peasant holding was the means by which the landlord secured his labour force.

The towns inhabited mainly by craftsmen and traders, were subjected to the authority of the feudal lord on whose land the town was built.

Under feudalism the productive forces reached a higher level than those under the slave system. Production technique in agriculture was improved, new branches of field cultivation arose, market-gardening developed considerably.

But the feudal system acted as a brake on the productive forces development, so capitalist relations of production began to appear. The abolition of feudalism became a historical necessity.

The development of capitalism dealt a crushing blow (нанесли сокрушительный удар) to natural economy. Under capitalism everything, including man’s labour power, took the form of a commodity. Commodity production became dominant and universal.

Once commodity production under capitalism had become the prevailing form of production, the relations between people in the process of production, i. e. their production relations, took the form of commodity relations. To exploit the worker the capitalist has to hire him while the worker has to sell his labour power which is not a commodity. The worker receives a wage with which he buys his means of subsistence (средства существования) - commodities.

Notes:
serfdom – крепостное право, рабство

1. Answer the questions on the Text:
1. Did the feudal system exist in all countries? How long did the feudal system exist in China? in Western Europe? in Russia?
3. In what way did the landlord secure his labour force?
4. Who(m) were the towns subjected to?

Prove that the productive forces reached a higher level under feudalism.
What dealt a crushing blow to natural economy?
When did commodity production become dominant and universal?
Why does the worker have to sell his labour?
What is a wage?

2. Render the contents of the Text in Russian.

Text 2.4

Read and translate the Text.
Pick out 6–7 sentences which convey the basic information.

MIXED ECONOMIES

Mixed economies - are economies that have characteristics of more than one system. There may be both private and public ownership of property. There may also be common ownership of resources that are provided by government.

It has been found necessary in many countries to control or regulate national economic conditions. Even the most dedicated free enterprise systems, such as the USA, have felt this need.

The under-developed countries of the world are usually interested in control and long-term planning.

Such countries as India have had a number of plans guided by the government. India makes a distinction between the public sector of the economy on the one hand and the private sector, on the other hand.

Britain today has a mixed economy. In the public sector of British economic life are the nationalized industries like coal and steel, British Rail and British Overseas Airways Corporation№. In the private sector are the majority of the nation’s industries, both large and small.

The private sector includes giant companies like Imperial Chemical IndustriesІ and British Petroleumі and a great number of small family businesses.

In 1962 the government set up an official planning body to guide national economic policies. This body is called National Economic Development Council.

The members of this council are representatives of the employers, the employees and other interested people.
Notes:
№ British Rail(ways) – «Бритиш рейлуэйз» сеть национализированных железных дорог. Создана в 1947 после национализации частных железнодорожных компаний.
British Overseas Airways Corporation - “Бритиш оверсиз эруэйз корпорэйшн” Британская корпорация зарубежных авиалиний. Государственная авиакомпания, вошедшая в состав British Airways в 1973 г.
Imperial Chemical Industries - “Импириал кемикал индастрис” Имперский химический трест (крупнейший в Великобритании и Западной Европе химический концерн)
British Petroleum - “Бритиш петролеум” Британская нефтяная компания (крупнейшая нефтяная компания, основана в 1909 г.)

UNIT 3. ECONOMIC LAWS

Read the international words and guess their meanings:
Rating, utility, complex, medicine, characteristic, to confuse, a submarine, national, a vegetarian, geography, a bomb, a piano, production, special, priorities, tendency, ordinary, to select, to reflect, automobile, brand, reputation, situation, to lead, combination, equilibrium, determinants, to regulate, to fix.

Text 3.1

Read and memorize the following words and word combinations:

utility – зд. общественная полезность
to be related to – быть связанным с
quantity – количество
to be available – быть в наличии, быть доступным
excess – избыток, излишек
to decrease – уменьшаться, убывать
to increase – возрастать, увеличиваться
to diminish – уменьшать, убывать
to reduce – понижать, сокращать
to rate – оценивать, определять

Read and translate the Text.

UTILITY AND PRICES

Our basic needs are simple, but our additional individual wants are often very complex. Commodities of different kinds satisfy our wants in different
ways. A banana, a bottle of medicine and a Textbook satisfy very different wants. The banana cannot satisfy the same wants as the Textbook.

This characteristic of satisfying a want is known in economics as its utility. Utility, however, should not be confused with usefulness. For example, a submarine may or may not be useful in time of peace, but it satisfies a want. Many nations want submarines. Economists say that utility determines “the relationship between a consumer and a commodity”.

Utility varies between different people and between different nations. A vegetarian does not want meat, but may rate the utility of bananas very highly, while a meat-eater may prefer steak. A mountain-republic like Switzerland has little interest in submarines, while marine nations rate them highly.

Utility varies not only in relation to individual tastes and to geography, but also in relation to time. In wartime, the utility of bombs is high, and the utility of pianos is low. Utility is therefore related to our decisions about priorities in production - particularly in a centrally-planned economy. The production of pianos falls sharply in wartime.

The utility of a commodity is also related to the quantity which is available to the consumer. If paper is freely available, people will not be so interested in buying too much of it. If there is an excess of paper, the relative demand for paper will go down. We can say that the utility of a commodity therefore decreases as the consumer’s stock of that commodity increases. A special relationship exists between goods and services on the one hand, and a consumer and his money, on the other. The consumer’s desire for a commodity tends to diminish as he buys more units of that commodity. Economists call this tendency the Law of Diminishing Marginal Utility (закон убывающей предельной полезности).

EXERCISES

1. Give English equivalents to the following:
   удовлетворять чьи-л. желания, не следует путать с, отношение между, возрастать, существовать, разниться, полезность, оценивать, особенно, резко падать, иметь тенденцию, интересоваться ч-л, относительный спрос на.

2. Complete these sentences with the words given below in appropriate form and translate the sentences into Russian: economical, economic, available, productive, to increase, basis, to decrease, to be concerned with
   1. This technique is very …: you won’t need much money and personnel.
   2. This is a purely …. approach, we must consider other aspects of the problem.
3. Unfortunately, there is little information on this interesting subject.
4. Why is this organization more than that one?
5. productivity you should introduce new methods of financial management.
6. Let’s take this concept as of our further research.
7. This chapter the most important processes within an organization.
8. The member of jobs in industry and unemployment rate consequently.

3. Find the synonyms to the underlined words among the words given below: to supply, to affect, to possess, to diminish, a customer, complex
   1. We are going to provide all necessary equipment and personnel.
   2. I think none of us can influence the situation.
   3. He has a rare quality of a good conversationalist: he is a good listener.
   4. Every person studying marketing knows the famous statement: “The client is always right”.
   5. Technological breakthroughs in automation, robotics and computer-assisted manufacturing have reduced industrial jobs.
   6. I am afraid this theory is too complicated for me to understand.

4. Summarize the contents of the Text using these questions as an outline:
   What are people’s basic needs?
   What do you understand by individual wants?
   What is utility?
   In what way does “utility” differ from “usefulness”?
   What factors does utility depend on? Give examples.

Text 3.2

Read and memorize the following words and word combinations:

- competitive – конкурентный
- to be aware – знать, сознавать, быть осведомленным
- to gauge – оценивать, измерять, градуировать
- to evaluate – оценивать
- to gain – получить
- share – доля, акция

Read and translate the Text.
PRICE

The second marketing-mix element is price. Ordinarily companies determine a price by gauging the quality or performance level of the offer and then selecting a price that reflects how the market values its level of quality. However, marketers also are aware that price can send a message to a customer about the product’s presumed quality level. A Mercedes-Benz vehicle is generally considered to be a high-quality automobile, and it therefore can command a high price in the marketplace. But, even if the manufacturer could price its cars competitively with economy cars, it might not do so, knowing that the lower price might communicate lower quality. On the other hand, in order to gain market share, some companies have moved to “more for the same” or “the same for less” pricing, which means offering prices that are consistently lower than those of their competitors. This kind of discount pricing has caused firms in such industries as airlines and pharmaceuticals (which used to charge a price premium based on their past brand strength and reputation) to significantly reevaluate their marketing strategies.

EXERCISES

1. Give Russian equivalents to the following:
   ordinarily, performance level of the offer, level of quality, to be aware, presumed quality level, to gain market share, discount pricing, pharmaceuticals, to evaluate.

2. Complete these sentences with the words given below in appropriate form and translate the sentences into Russian: quality, to select, to value, a high price, higher, shorter, to improve
   1. Ordinarily the lower price communicates lower ….
   2. A company determines a price by … a price that reflects how the market … its level of quality.
   3. A Mercedes-Benz vehicle can command … in the market place.
   4. Employers always ask for… wages and …. working hours.
   5. The position of the Company was … when we launched that program.

3. Complete the sentences and translate them into Russian:
   1. A price sends a message to a customer …..
   2. Some Companies had to reevaluate …. 
   3. In order to gain market share …. 
   4. Generally companies determine a price by …. 
   5. A Mercedes-Benz vehicle is considered …. 

4. Substitute the underlined words with their synonyms from the list below: especially, more and more, demand, to estimate, to set up, to appear/to emerge
1. Nowadays we are becoming increasingly aware of the importance of this problem.
2. I am particularly interested in selling the products.
3. It will be very difficult to meet this particular requirement.
4. When these processes do not function well, unfortunate problems can arise.
5. It is difficult to evaluate all the factors influencing performance efficiency.
6. It would be desirable to establish a special commission to deal with this conflict.

Text 3.3

Read and memorize the following words and word combinations:

- supply – снабжение, поставка, предложение (товара)
- demand – спрос, потребность
- particular – особый, особенный, частный, отдельный
- incentive – мотивирующий, побудительный

Look through the Text and find international words.

Read and translate the Text.

THE PRICE SYSTEM

The utility of a commodity is related to the Laws of Supply and Demand. When economists talk about a Law of Supply, they mean that a rise in prices tends to increase the supply of a commodity, while a fall in prices tends to reduce it. When they talk about a Law of Demand, they mean that the fall in prices tends to increase the demand for a commodity, while a rise in prices tends to decrease the demand. In any economic situation, a consumer will decide to buy a commodity only in terms of its particular utility to him. So changes in market prices lead to changes in the quantity of a particular commodity made available to consumers.

Equilibrium is a combination of price and quantity at which the quantity demanded and the quantity supplied are the same. Once an equilibrium is achieved, there is no incentive for producers or consumers to move away from it. An equilibrium price changes only when demand or supply changes - i.e., when the determinants of demand or the determinants of supply change.
A price that is above the equilibrium price creates a surplus, because producers are willing and able to offer more for sale than buyers are willing and able to purchase.

A price that is below the equilibrium price leads to a shortage, because buyers are willing and able to purchase more than producers are willing and able to offer for sale.

When demand changes, price and quantity change in the same direction. When supply changes, price and quantity change but not in the same direction. When both demand and supply change, the direction of the change depends on the relative sizes of the changes in demand and supply.

Markets may not always be in equilibrium because price changes may be costly, buyers and sellers fix prices for long periods of time, or the government may regulate prices.

EXERCISES

1. Give Russian equivalents to the following:
   - supply and demand
   - utility of a commodity
   - a rise in prices
   - a fall in prices
   - to increase
   - to reduce
   - particular utility
   - quantity and quality
   - an equilibrium price
   - to create a surplus
   - to purchase
   - to lead to a shortage
   - to fix prices

2. Agree or disagree with the statements:
   1. You can rely on these inaccurate data.
   2. It is impossible to deal with inefficient and unqualified staff.
   3. Utility varies between different people and between different nations.
   4. In wartime the utility of bombs is high and the utility of pianos is low.
   5. A rise in prices tends to increase the demand for a commodity.
   6. When demand changes, prices and quantity change in the same direction.

3. Find all the synonyms in the right column to match the words in the left one.

   1. to value
   2. to set up
   3. to manage
   4. to connect
   5. to adapt
   6. to deal with
   7. to arise
   8. to reduce
   9. to increase
   10. to possess
   11. to supply

   significant
   type
   suggestion
   to own
   to have
   to evaluate
   to estimate
   to gauge
   to cope with
   to appear
   to emerge
4. Answer some questions on the Text:

What does the Law of Supply state?
What does the Law of Demand state?
What occurs to price when (a) demand increases? (b) supply falls? (c) demand rises and supply falls?
What is equilibrium?
What occurs when the quantities demanded and the quantities supplied are not equal?
SUPPLY AND DEMAND

Economists talk about the Law of Supply, in which a rise in prices tends to increase supply, while a fall in prices tends to reduce it. If prices rise for a particular commodity, the rise will of course encourage producers to make more. On the other hand, if prices fall either locally or throughout the world, producers will reduce production. This can result in serious difficulties for many producers, and may cause them to go out of business completely. Over-production of any commodity can also create difficulties, because it can lead to a glut on the market, which may cause prices to fall sharply.

Changes in prices lead to changes in the quantity of a particular commodity which is made available to consumers. In such instances supply is said to be “elastic”, because it can be increased or decreased rapidly in response to market prices.

Elasticity of supply, as a response to changes in price, is related to demand. Economists define “demand” as a consumer’s desire or want, together with his willingness to pay for what he wants. We can say that demand is indicated by our willingness to offer money for particular goods or services. Money has no value in itself, but serves as a means of exchange between commodities which do have a value to us.

Usually we have to decide carefully how to spend our income. We do it according to our personal scale of preferences. In this scale of preferences essential commodities come first (food, clothing, shelter, medical expenses etc.), then the kind of luxuries which help us to be comfortable (telephone, special furniture, insurance etc.), and finally those non-essentials which give us personal pleasure (holidays, parties, visits to theatres or concerts, chocolates etc.).

Elasticity of demand is a measure of the change in the quantity of a good, in response to demand. The change in demand results from a change in price. Demand is inelastic when a good is regarded as a basic necessity, but particularly elastic for non-essential commodities. Accordingly, we buy basic necessities even if the prices rise steeply, but we buy other things only when they are relatively cheap.

Answer some questions on the Text:
What is the essence of the Law of Supply?
What is elasticity of supply a response to?
What is the definition of “demand”?
How is demand indicated?
What is money?
What do we do when we exercise choice?
What is elasticity of demand?
When is demand inelastic?

Summarize the contents of the Text using these questions as an outline.

UNIT 4. LABOUR, CAPITAL AND THE MARKET

Text 4.1

Read and memorize the following words and word combinations:
- to undertake – предпринимать, брать на себя
  определенные обязательства
- in return – в обмен, в оплату
- to render service – оказать услугу
- reward – вознаграждение
- to judge – судить, оценивать
- an employer – работодатель
- an employee – работник
- surplus – излишек, остаток

Read and translate the Text.

LABOUR

Money is not only a means of exchange but is also a means of measuring the value of men’s labour. In economic theory, “labour” is any work undertaken in return for a fixed payment. The work undertaken by a mother in caring for her children may be hard, but it receives no fixed payment. It is not therefore labour in the strict economic sense.

As a scientist, the economist is interested in measuring the services which people render to each other. Although he is aware of the services which people provide for no financial reward, he is not concerned with these services. He is interested essentially in services which are measurable in terms of money payments for a fixed and / or regular nature. In economics, money is the standard by which the value of things is judged. This standard is an objective and scientific one.

Human labour produces both goods and services. The activities of a farmworker and a nurse are very different, but both are measurable in terms
of payments received. Labour in this sense is not concerned with distinctions of social class, but simply with the payment of wages in return for work. The national labour force are those people who are available for work within the nation, i.e. the working population.

It should be noted that any person engaged in private business is self-employed and his activities are partly those of an employer and partly those of an employee. If however he employs an assistant, to whom he pays a fixed wage, his new employee provides labour in return for payment. The employer receives the surplus (large or small) from the whole business. This surplus is the reward of private enterprise and is known as profit.

EXERCISES

1. Give Russian equivalents to the following:
   a means of exchange, a means of measuring, in return for a fixed payment, in the strict economic sense, financial reward, in terms of money, human labour, distinctions of social class, payment of wages, national labour force, it should be noted, self-employed, fixed wage, to receive surplus, reward of private enterprise.

2. Make sentences by adding a suitable beginning to the following:
   1. …. but with the payment of wages in return of work.
   2. ….. is not labour in the strict economic sense.
   3. ……is known as profit.
   4. …….in return for a fixed payment.
   5. …….the working population.
   6. …….also a means of measuring the value of men’s labour.

3. Complete the following sentences in any way you like.
   1. In economic theory ……
   2. It should be noted that ……
   3. As a scientist, the economist ……
   4. In economics, money ……
   5. Human labour ……
   6. The national labour force ……

4. Answer some questions on the Text:
   What is money, in addition to being a means of exchange?
   What, in economic theory, is “labour”?
   Why is a mother’s work not “labour”?
   What does the economist measure?
   What two words are used to describe the money standard?
   What common factor relates to the work of the nurse and the farmworker?
   What is labour (in the economic sense) not concerned with?
What does the employer receive instead of money? What is the reward of private enterprise called?

**Text 4.2**

**Read the international words and guess their meanings:**

Productive, to accumulate, element, risk, start, invest, capital, personal, factor, idea, distance, special, geographical, to prevail, fluctuation, communication, real, to indicate, limit, situation, practice, action, to examine, monopoly

**Read and memorize the following words and word combinations:**

- to negotiate – договариваться, обсуждать условия
- to justify – оправдывать, объяснять
- to deliberate – обдумывать, взвешивать
- assets – имущество, активы
- expense – траата, расход

**Read and translate the Text.**

**CAPITAL**

Labour is any work performed for an employer at a negotiated rate while profit is the surplus which accumulates as a result of productive work. The employer obtains this surplus after he pays the necessary expense of his business and the wages of his employees. He may be required to share the surplus with others who have provided the capital with which he started his business. Most businesses need capital in order to start productive work, and the capital pays for the accommodation, machinery and other items which the business needs. There is always an element of risk in providing capital and starting a business. The business may not be successful. The employees of the business do not bear this risk, but the employers and the providers of capital do bear it. If the business is successful, the risk has been justified and the invested capital earns part of the profits as a return on the investment.

The capital which people provide to help new business is an accumulation of previous surpluses on previous business activities. In this way the past is used to finance the future. Such capital is accumulated by a deliberate policy of saving surpluses. This policy may be personal, or it may be collective. As such, it is common to many economic systems. A certain part of the profit is “ploughed back” into the system in order to create capital.
In general, capital can be defined as (1) a factor of production (for example, machinery or cash); (2) the assets possessed by a person, a company or a nation. Land, houses and shares in a business are capital. All railways, docks, airports and state funds of money are part of the nation’s capital.

EXERCISES

1. **Give Russian equivalents to the following:**
   - a negotiated rate, a result of productive work, to share the surplus, to pay for, other items, to bear risk, the risk has been justified, as a return on the investment, previous business activities, a deliberate policy of saving surpluses, to create capital, the assets possessed by a person.

2. **Agree or disagree with the following statements:**
   1. There is always an element of risk in starting a business.
   2. If the business is not successful, the risk has been justified.
   3. All railways, houses, land, airports shares are capital.
   4. Profit is the surplus which accumulates as a result of productive work.
   5. The employees, the employers and the providers of capital bear the risk.
   6. A deliberate policy of saving surpluses may be only collective.
   7. The employer obtains the surplus after he pays the wages of his employees.

3. **Answer some questions on the Text:**
   - What is profit?
   - What is necessary to start productive work?
   - Why is there always an element of risk in providing capital?
   - Who bears this risk?
   - How is capital created?
   - What is the nation’s capital?

**Text 4.3**

**Read and translate the Text.**

The term market, as used by economists, is an extension of the ancient idea of a market as a place where people gather to buy and sell goods. In those days part of a town was kept as a market, and people would travel long distances on special market-days in order to buy and sell various commodities. Today, markets such as the world sugar market, the gold market and the cotton market do not need to have any fixed geographical location. Such a market is simply a set of conditions permitting buyers and sellers to work together.
In a free market, competition takes place among sellers of the same commodity, and among those who wish to buy that commodity. Such competition influences the prices prevailing on the market. Prices fluctuate, and such fluctuations are affected by current supply and demand.

In a perfect market, communications are easy, buyers and sellers are numerous and competition is completely free. There can be only one price for any given commodity: the lowest price which sellers will accept and the highest which consumers will pay. There are, however, no really perfect markets. It can be said that the price ruling in a market indicates the point where supply and demand meet.

In some markets there may only be one seller or a very limited number of sellers. Such a situation is called a monopoly, and may arise from many different causes. It is possible to distinguish in practice four kinds of monopoly: (a) state monopolies, (b) natural monopolies, (c) legal monopolies and (d) sole traders.

State, natural and legal monopolies are distinct from the sole trading which takes place because certain companies have obtained complete control over particular commodities. This action is often illegal in many countries. In the USA anti-trust laws operate to restrict such activities, while in Britain the Monopolies Commission examines all special arrangements and mergers which might lead to understand monopolies.

1. Answer some questions on the Text:
   What was a market originally?
   What is a modern market?
   Among whom does competition take place?
   What does competition influence?
   What price operates in a perfect market?
   What does the ruling price indicate?
   What is a monopoly?
   What kinds of monopolies are described in this Text? Which of them is often illegal in many countries?

2. Think of the title to the Text and summarize the contents of the Text in 6–7 sentences.

Text 4.4

Read the Text without consulting a dictionary.
THE LIMITS ON ECONOMIC FREEDOM

A person is economically free, if he can do what he wishes with his own property, time and effort.
In all communities, of course, limits are set upon this personal freedom.
In some countries the limits are complex; in others they are relatively simple.
All individual citizens must conform to the laws made by their governments.
Complete economic freedom of action can cause great difficulties, because the freedoms of various individuals will conflict.
If citizens were completely free, some landowners might build factories in unsuitable places.
If there was no system of control, factory-owners might make their employees work too long each day.
If they were completely free, workers might stop working when they got their first pay, and come back to do more work only when they needed more money.
Such economic freedom could create a very unstable economy.
Laws related to economic conditions are sometimes concerned with workers’ health, wages and pensions.
They are sometimes concerned with contracts between employers and employees.
They are sometimes concerned with the location of places of work.
Sometimes they help the employers; sometimes they protect the interests of the workers.

Summarize the contents of the Text using these questions as an outline.
What is economic freedom?
Why can complete economic freedom cause difficulties?
What economic freedom makes an economy unstable?
What are laws related to economic conditions concerned with?

UNIT 5. MONEY AND FINANCIAL INSTITUTIONS

Text 5.1

Read the international words and guess their meanings:
Function, adequate, originally, constant, universally, standard, legal, a creditor, a chance, a check, circulation, inflation, to co-operate, to stabilize, primary, a reservoir, liquidity (of money), transnational, to assist, massive, campaign.

Read and memorize the following words and word combinations:
FUNCTIONS OF MONEY

All values in the economic system are measured in terms of money. Our goods and services are sold for money, and that money is in turn exchanged for other goods and services. Coins are adequate for small transactions, while paper notes are used for general business. There is additionally a wider sense of the word money, covering anything which is used as a means of exchange, whatever form it may take. Originally, a valuable metal (gold, silver or copper) served as a constant store of value, and today the American dollar is technically “backed” by the store of gold which the US government maintains. Because gold has been universally regarded as a very valuable metal, national currencies were for many years judged in terms of the so-called gold standard.

Valuable metals have generally been replaced by paper notes. These notes are used by governments and authorized banks, and are known as legal tender. Other arrangements such as checks and money orders are not legal tender. They perform the function of substitute money and are known as instruments of credit. Credit is offered only when creditors believe that they get a good chance of obtaining legal tender when they present such instruments at a bank or other authorized institution. If a man’s assets are known to be considerable, then the credit will be good. If his assets are in doubt, it may be difficult for him to obtain large sums of credit or even to pay for goods with a check.

The value of money is basically its value as a medium of exchange, or, as economists put it, its purchasing power. This purchasing power is dependent on supply and demand. The demand for money is the quantity needed to effect business transactions. An increase in business requires an increase in the amount of money coming into general circulation. But the demand for money is related not only to the quantity of business but also to the rapidity with which the business is done. The supply of money, on the other hand, is the actual amount in notes and coins available for business purposes. If too
much money is available, its value decreases, and it does not buy as much as it
did, say, five years earlier. This condition is known as inflation.

EXERCISES

1. Give English equivalents to the following:
   обменивать на, более широкий смысл, средство обмена, первона-
   чально, национальная валюта, заменить чем-либо, выполнять функцию,
   вызывать сомнение, заплатить за товар чеком, зависеть от, спрос и пред-
   ложение, общий оборот, связан с, с другой стороны, условия.

2. Make sentences by adding a suitable beginning to the following:
   1……replaced by paper notes.
   2……. is dependent on supply and demand.
   3……. are known as instrument of credit.
   4……as a constant store of value.
   5……are used for general business.
   6……are sold for money.
   7……. requires an increase in the amount of money coming into general
circulation.

3. Complete the following sentences in any way you like.
   1. The value of money is………
   2. The demand for money is..
   3. The demand for money is related.
   4. Credit is offered ……
   5. If a man’s assets are considerable.
   6. The purchasing power is dependent on.
   7. Checks and money perform the function of…..

4. Answer some questions on the Text:
   What was the earliest form of trade?
   What is money?
   What are the main functions of money?
   What is the demand for money?
   What is the supply for money?

5. Read the following sayings about money and say whether you agree
   with them or not. Give your reasons.
   1. Money may not bring happiness, but it is nice to find out for yourself.
   2. Money talks and it’s nearly always saying “good-bye”.
   3. Money makes money.
   4. Money does not smell.
Text 5.2

Read and memorize the following words and word combinations:

- effort — усилие
- to prevent — предотвращать
- in addition to — в дополнение к
- current account — текущий счет
- to issue — выпускать, пускать в обращение
- to lend — давать в долг
- an intermediary — посредник
- loan — заем
- streams of money — денежные потоки
- a borrower — заемщик, получатель ссуды
- consequently — следовательно, поэтому

Read and translate the Text.

**BANKS AND BANKING**

Banks are closely concerned with the flow of money into and out of the economy. They often co-operate with governments in efforts to stabilize economies and to prevent inflation. They are specialists in the business of providing capital, and in allocating funds on credit. Banks originated as places to which people took their valuables for safe-keeping, but today the great banks of the world have many functions in addition to acting as guardians of valuable private possessions.

Banks normally receive money from their customers in two distinct forms: on current account, and on deposit account. With a current account, a customer can issue personal checks. No interest is paid by the bank on this type of account. With a deposit account, however, the customer undertakes to leave his money in the bank for a minimum specified period of time. Interest is paid on this money.

The bank in turn lends the deposited money to customers who need capital. This activity earns interest for the bank, and this interest is almost always at a higher rate than any interest which the bank pays to its depositors. In this way the bank makes its main profits.

The primary function of a bank today is to act as an intermediary between depositors who wish to make interest on their savings, and borrowers who wish to obtain capital. The bank is a reservoir of loanable money, with streams of money flowing in and out. For this reason, economists and financiers often
talk of money being liquid, or of the liquidity of money. Many small sums which might otherwise be used as capital are rendered useful simply because the bank acts as a reservoir.

The system of banks rests upon a basis of trust. Innumerable acts of trust built up the system of which bankers, depositors and borrowers are part. They all agree to behave in certain predictable ways in relation to each other, and in relation to the rapid fluctuations of credit and debit. Consequently, business can be done and checks can be written without any legal tender visibly changing hands.

EXERCISES

1. **Give English equivalents to the following:**

tесно связано, усилия по стабилизации, предотвратить инфляцию, распределение фондов, безопасное хранение, процент не выплачивается, зарабатывать, более высокая процентная ставка, вкладчики, ликвидность денег, основная прибыль, хранилище, опираться на, колебания.

2. **Complete these sentences with appropriate words or word-combinations and translate the sentences into Russian:**

1. Banks cooperate with……. in efforts to stabilize economies.
2. Banks originated as places to which people took their ….. for safe-keeping.
3. No interest is paid by the bank on …..
4. Banks lend the deposited money to. who need capital.
5. The bank is. of loanable money.
6. The system of bankes.. a basis of trust.
7. Bankers, depositors and borrowers agree to behave ….. in relation to each other.
8. The primary function of a bank is to act as…. Between depositors and borrowers.

3. **Complete the following sentences in any way you like.**

1. Banks receive money …..
2. Borrowers are..
3. Depositors are …
4. Customers who need capital ……..
5. Today the great banks of the world..
6. Interest is paid on ……..
7. A bank makes its main profits ….
8. The system of banks rests upon ……….

4. **Summarize the contents of the Text using these questions as an outline.**
What are banks concerned with?
Why do banks cooperate with government?
In what form do banks receive money?
How does a bank make its main profit?
What is the primary function of a bank today?
How do you understand the term liquidity of money?

Text 5.3

Read the Text without consulting a dictionary.
Render the contents of the Text in Russian.

INTERNATIONAL BANKING

Large banks today are truly transnational enterprises. International banks, like domestic banks, act as financial intermediaries. But they operate in different legal environment.

The laws regulating domestic banking in each nation are typically very restrictive, yet many nations allow international banking to operate largely unregulated. Because they are not hampered by regulations, international banks typically can offer depositors and borrowers better terms than could be negotiated at a domestic bank.

The International Bank for Reconstruction and Development (IBRD), referred to as the World Bank, provides development aid to the world’s poorest and underdeveloped countries. The International Monetary Fund (IMF) concentrates on providing advice and temporary funds for countries with economic difficulties.

The major role of the World Bank, the world’s greatest development bank, is to provide a helping hand to countries in need. Its first activity, after being set up in Washington, D. C., in 1945, was to channel funds from the United States and other nations to rebuilding Europe after World War II.

The World Bank often relies on the IMF to encourage countries to make difficult economic reforms. The economic medicine prescribed by the IMF is painful. For example, it often insists on strict anti-inflationary measures, such as increasing the prices on basic goods and services.

Besides supervising the international monetary system and providing financial support to member countries, since the early 1990s the IMF has been concentrating its efforts in two areas. First, it has mounted a massive campaign to assist the countries of Eastern Europe in difficult transition from centrally planned to market economies. It is providing not only money but, what is
more important, expertise in establishing those financial and economic structures (central banks, tax systems, currency convertibility, tariff regimes, etc.) indispensable for functioning of a free-enterprise system. Second, it is continuing to assist its poorer members in creating environment for economic growth.

**Answer some questions on the Text:**

What is the main function of international banks today?

How does international banking differ from domestic banking?

What is the IMF? For what purpose was it established? How can you characterize its activities?

What is the World Bank?

What new activities has the IMF been engaged with since the early 1990s?

**Text 5.4**

**Read and translate the Text.**

**COMMERCIAL BANKS**

Commercial banks are at the centre of most money markets, as both suppliers and users of funds, and in many markets a few large commercial banks serve also as middlemen. These banks have a unique place because it is their role to furnish an important part of the money supply. In some countries they do this by issuing their own notes, which circulate as part of the hand-to-hand currency. More often, however, it is checking accounts at commercial banks that constitute the major part of the country’s money supply. In either case, the outstanding supply of bank money is in continual circulation, and any given bank may at any time have more funds coming in than going out, while at another time the outflow may be the larger. It is through the facilities of the money market that these net excesses and shortages are redistributed, so that the banking system as a whole can at all times provide the means of payment required for carrying on each country’s business. In the course of issuing money the commercial banks also actually create it by expanding their deposits, but they are not at liberty to create all that they may wish whenever they wish, for the total is limited by the volume of bank reserves and by the prevailing ratio between these reserves and bank deposits—a ratio that is set by law, regulation, or custom. The volume of reserves is controlled and varied by the central bank (such as the Bank of England, the Bank of France, or the Federal Reserve System in the U. S. ), which is usually a governmental institution, is always charged with governmental duties, and almost invariably carries out a major part of its operations in the money market.
MONETARY POLICY IN THE UNITED KINGDOM

As a central bank, one of the Bank of England’s key responsibilities is the conduct of monetary policy. The Bank acts as adviser to the government in this respect, and carries out agreed decisions in the markets.

Monetary policy is concerned with the value, supply and cost of money in the economy. The principal objective is to maintain the value of money - or to put it another way, to restrain increases in the prices of goods and services. If monetary conditions are too loose - for example, if interest rates are not high enough - then we may experience excessive borrowing and spending and a weaker exchange rate against other currencies, leading to upward pressure on costs and prices. A tight monetary policy, on the other hand, involving high real interest rates (that is, high in relation to the rate at which prices are rising) will act to slow the growth of demand and prices, but may also slow output and investment, possibly leading to increased unemployment. Proper control over monetary conditions is necessary if we are to achieve sustainable economic growth.

Since 1980, the underlying policy has been to ensure that monetary and fiscal policy complement one another in a coherent framework for the defeat of inflation.

Notes:
- the supply of money – денежная масса
- the cost of money – цена costo –расходы
- to complement – дополнить
- coherent – связанный

Answer some questions on the Text:
1. What is monetary policy concerned with?
2. What is the principal objective of monetary policy

SUPPLEMENTARY READING 1

Text 1. FROM YEAR IN REVIEW 1999: COMPUTERS-AND-INFO-SYSTEMS

The year in computer hardware was marked by sharply declining prices. Two factors were responsible; manufacturers discovered that personal computers (PCs) priced below $600 sold well, and a series of rebate programs
from Internet service providers (ISPs), such as AOL and CompuServe, brought the purchase price of computers within the reach of a mass audience. The low-cost, or in some cases free, computer movement began with Free-PC, a marketing program offering consumers no-cost PCs if they agreed to view a steady diet of advertising aimed at them on the basis of the demographic details the customer had to provide. While many consumers responded to the Free-PC offer, mass interest in discounted PCs did not occur until retail stores began offering programs in which customers who signed up for three years of Internet service at standard rates got a $400 rebate on new computers. The rebates, combined with new, low-price points pioneered by PC manufacturer eMachines, which sold new PCs without monitors for as little as $400, helped stimulate computer sales. The eMachines pricing strategy enabled it to become a major player in the PC industry in only about four months; by March it was one of the top five PC suppliers in the U. S. retail market. By year’s end name-brand manufacturers such as Hewlett Packard and Compaq were offering new computers for under $600. The rebates were not without controversy, since they merely shifted the time period over which a computer was purchased. An initial fear that the rebate programs might be undermined by the arrival of free ISP service evaporated after the free Net access model failed to catch on in the U. S. A form of free Internet service did become popular in Europe, but it was offered there because ISPs could make money another way, by collecting a portion of the telephone charges customers had to pay to access the Internet. In the second half of the year, Merrill Lynch was forecasting rapidly diminishing prices and profits for the PC industry—a direct result of the popularity of low-cost PCs. In the face of that trend, IBM, the company that created the PC industry, said it would pull out of the U. S. retail market for consumer computers by early 2000 and concentrate on Internet-only sales. Meanwhile, PC-maker Packard Bell NEC Inc. closed its Sacramento, Calif., manufacturing facility and cut 2,600 jobs as a result of its inability to compete as PC prices continued to sink. Packard Bell NEC conceded that it also was dogged by an image of having poor quality, although it said those problems were behind it. Lower computer prices caused other changes as well. Intel, seeing a decline in profits from its PC chips, decided to pursue the more lucrative market for telecommunications chips. Other PC makers reversed roles. Dell Computer beat Compaq to become the largest PC supplier in the U. S., but Compaq maintained the number one market share position worldwide. At the same time, PCs became more fashionable, inspired by the success of Apple Computer Corp. ’s colourful and streamlined iMac. Rather than compete only on the
basis of price and performance, PC makers hoped to make money with variations in size, shape, and colour. Meanwhile, the Mac continued to boost Apple’s market share, as it had since its introduction in mid-1998. The iMac-based iBook was another major driver for Apple. Some computers cost their manufacturer money. Toshiba said it spent about $1 billion to settle a class-action suit. The suit alleged that Toshiba sold notebook computers with malfunctioning floppy disk drives that could erase or damage data without any warning. Hand-held computers, led by models from Palm Computing, became increasingly popular in 1999. Analysts predicted that the number sold would increase to 21 million annually by 2003, up from 3.9 million in 1998. Palm, which made products aimed largely at traveling businesspeople, gained considerable publicity by providing one of its new models with wireless access to the Internet. Home networking was a budding market for computer equipment manufacturers. The idea was to enable households with more than one computer to share a printer or a high-speed Internet connection. Trend watchers predicted that in the future home networks might enable music downloaded from the Internet to be played in different rooms of a home or that a home network might link TV sets, telephones, digital cameras, and smart kitchen appliances.

Text 2. JAPAN’S CAR INDUSTRY CHANGES THE RULES

One of the ways to stay on top in business is to change the rules while you are ahead. Now that Western industry has finally understood the importance of Japanese-style production, Japan’s carmakers are preparing to do just that. The new battle will be concentrated around product development and production.

Though Western carmakers have shortened their product development time from seven to five years in the past decade, the average time in Japan has been cut to four years - and Honda is at three. The process also takes half the man-hours required in the West.

Japan’s second trump card is effective, flexible manufacturing which enables Japanese models to be easily replaced routinely every four years, while output in production runs as low as 500,000. In most of the Western car industry higher unit costs dictate product lives of 10 years and volumes of about 2 million.

By combining these two advantages the Japanese seem to make speed of product innovation their competitive tool in the world car market. They aim to shower the market with different models, which they will also use to test out new design features and technology. This approach should enable Japanese manufactures to respond more effectively to consumer fashions and indeed to create those fashions.
The changing character of competition may seriously affect Western carmakers who serve traditional market segments.

Text 3. JAWS

"Jaws", one of the most successful films ever produced, features a great white shark - one of nature’s most effective killing machines. "Jaws" is also an efficient entertainment machine and a great financial success. In the film a shark terrorizes a small town by attacking swimmers. Three men, including a police chief and a professional shark killer, try to kill the shark.

Steven Spielberg was twenty-six when he was selected to direct film. For 4 years he had managed television productions and progressed to directing films. His chiller was a great success and got him the job of directing "Jaws".

Although the film was successful, its filming took twice as long as originally scheduled. The delay was due to a lot of managerial problems that Spielberg had to solve.

One of the first problems was the location for shooting the film. Martha’s Vineyard, a small island, was chosen because it looked very much like the fictional town. However the choice was made in the winter. What Spielberg did not know then was that in made in winter. What Spielberg did not know then was that in summer, when the filming was actually to take place, Martha’s Vineyard is one of the most popular places on the Atlantic Coast.

Hundreds of boats enter and leave the harbor each day. The filming had to be frequently interrupted. How do you maintain suspense if a family of four is picnicking only fifty feet away from a “dramatic struggle”?

Another managerial problem was Bruce, the mechanical shark. Actually there were three sharks. Each weighed 1. 5 tons and cost about $150,000 and each was used for different movements (right-to-left, left-to-right) and different scenes. Thirteen technicians controlled the shark by means of a long cable from a special platform. The first time out Bruce sank, the second time, the hydraulic system exploded. Only constant repairs kept Bruce in action.

Planning and coordination was major managerial problems. Each day, several ships started out to sea. One ship was for Bruce. Another for the technicians. Still others were for the camera crews and actors. The travel was made six days a week from May to October. Some days they came back with no film at all. The failures were caused by Bruce, the weather and a variety of other problems.

Real sharks were hard to find; a dead one, needed for the finale, was finally brought by plane from Florida. It hung on the dock for four days
creating a powerful stench. Local people in return left dead fish at the doors of the houses where the members of the cast were living.

Almost everything that could go wrong did. Nevertheless, the daily trips continued until the last scenes were filmed.

Spielberg never left the island. He was afraid that if he did leave, he would never come back. Finally, the job was done and he left the island saying firmly that he would never return.

He has since directed several more films.

Text 4. INFLATION AND THE TRANSITION TO A MARKET ECONOMY

One of the most intractable problems confronting societies in transition from centralized to free market economies is that of inflation. It is, however, a challenge that such societies must meet if they are to enjoy the material benefits that a market economy can provide.

What exactly is inflation? It is an increase in the average price level of the goods and services produced and sold in an economy. Inflation typically occurs in a market economy for one of two reasons: either people increase their spending faster than producers are able to increase the supply of the goods and services; or there is a decrease in the supply of goods and services to consumers and/or producers, which drives up prices. Inflation has sometimes been described as an increasing amount of money chasing shrinking number of goods.

Inflation hits economies in transition hard because price liberalization - the removal of government control of prices- is an essential step toward a market economy. The initial result of such price liberalization is predictable - a wave of price increase for goods that were in chronic short supply. Why? Because the government held their prices artificially low, so demand perennially outstripped supply, or because of other economic distortions and inefficiencies created by government decision-makers. In addition, if people are holding large amounts of money at the time of this transition (since there was little of value to buy), the pressure of inflation can be even greater.

Nevertheless, the rewards of enduring the inevitable bout of inflation during this transition period are substantial. Unfettered by government, the market mechanisms of supply and demand can begin to function. High prices signal strong demand and the market, albeit slowly and haltingly at first, responds with increased production. Peoples’ money may have lost value, but what money they have is now real and consumers can buy the goods that are
beginning to appear in stores. With supplies increasing, prices stabilize and queues begin to disappear as consumers realize that more and varied products will continue to be available for sale.

Entrepreneurs and investors respond to the new economic freedom by starting new businesses and competing to provide goods and services, thereby creating jobs, expanding supply and causing prices to moderate further.

The key element in this transition is for the government to relinquish its role in setting prices and permit the market forces of supply and demand to establish prices for virtually all goods and services. When such a free market is established, inflation may persist, but it is a far more manageable and less threatening problem than in the early, hard days of economic transition.

The devastation and pain caused by an explosive price rise in a transitional economy is obvious to all. However, are the typically lower rates of inflation in market economies a problem? Would people be better off with no inflation and the same prices from 100 years ago and the same lower incomes that went with them? Not really. If Robert’s and Maria’s income increases 10 times, but so do the prices of the things they buy, then they are no better off than before.

The reason people in market economies do care about inflation over shorter periods of time is that as prices rise, income and wealth are redistributed in arbitrary ways unrelated to the output or productivity of workers and firms. For example, say Robert and Maria have bought a house and borrowed the money to pay for it at a 10 percent interest rate. Then the rate of inflation rises from 5 percent to 15 percent. They will gain from these events, because the money they repay their loan with isn’t worth as much as the money they borrowed to buy the house. In other words, it won’t buy as many goods and services. That’s good news for Robert and Maria, but bad news for whoever loaned them the money.

For the same reason, those who are on fixed pensions (or receiving other kinds of fixed payments established in long-term contracts) are hurt by inflation, while those who make the payments required in those contracts come out ahead. Savers and investors are hurt as well because inflation reduces the value of their money. By contrast, people who are able to pay off debts or other contractual obligations with inflated currency will usually gain unless the interest rate and other payments are allowed to vary with the level of inflation.

Nations require savings and a pool of loanable funds to invest in more capital resources - houses, factories and new technologies. By penalizing savers, therefore, inflation can reduce the growth and long-term prosperity of a nation. And in an even broader sense, inflation makes the business and economic
world less predictable, which makes investments in other countries with little or no inflation more attractive. Is a company going to build a plant in a country with an unpredictable inflation rate ranging from 10 to 15 percent, or in a location with a past record of steady 2-to 5-percent inflation? The answer is the latter. In this sense, inflation makes many more losers than winners by disrupting the economic climate for every individual and business.

For all these reasons, government stabilization policies must balance the need to encourage economic growth against the requirement to keep inflation under control.

Text 5. SWITZERLAND HOPES TO PROFIT ON EURO

Geneva – As its neighbors usher in their new common currency, Switzerland is quietly sharing in “europhoria” – while hanging on to its own money, the sturdy franc.

Even though Switzerland has no immediate plans to join the European Union, it hopes to be one of the big winners if all goes as planned with the new euro currency. Switzerland’s economy is heavily dependent on tourism and exports, earning every second dollar abroad, so if the euro boosts economic prosperity in the EU, the Swiss will share in the spoils, without sacrificing their monetary independence. “Over the next few weeks every heartbeat of the euro will be closely watched, because our own health is at stake,” the newspaper Le Temps said last week, summing up the national mood.

Thanks to the tough policies of Switzerland’s Central Bank, the Swiss have zero inflation, below-average interest rates and low unemployment. Their franc is traditionally one of the world’s most stable and sought after currencies.

The Swiss want to keep it that way, without interference from bureaucrats at EU headquarters in Brussels, Belgium, or super-bankers at the European Central Bank in Frankfurt, Germany.

Above all, Switzerland wants to avoid a rush on the franc if the euro should run into trouble because of squabbling among the nations in the EU’s monetary union. That would force up the value of the franc, make exports prohibitively expensive and wreak havoc in the economy.

Thus, the euro’s relatively painless birth has been greeted with relief here.

The euro was launched Jan. 1 by 11 EU members- Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Portugal and Spain.

While euro coins and bank notes will not be in consumers’ pockets until 2002, the currency can be bought and sold electronically around the world. It also can be used for purchases by credit card or traveler’s check.
The Swiss prepared meticulously for the new currency and their banks now offer accounts in euros. The dollar is worth about 1.38 Swiss francs; the euro, worth about $1.17, is valued at about 1.61 francs.

On the euro’s first day alone, more than 1 billion euros were traded via the Swiss Euro Clearing Bank, set up last year by the two big Swiss Banks - UBS AG and Credit Suisse - to ensure the Swiss financial center is not left in the cold.

The euro is now featured alongside the dollar in the price lists of most big hotels in major Swiss resorts in a bid to prove they are no more expensive than the competition in EU nations.

“It will play a key role in determining whether a visitor comes to Switzerland,” says Brigitte Zaug of the Swiss Hotel Federation.

Most Swiss stores have no immediate plans to list prices in the euro as well as francs. But Marcel Godat, a financial director with the Migros supermarket chain, says it may start pricing in euros on some product lines as a “psychological” inducement for consumers in neighboring countries to come to Switzerland to compare costs.

Swiss consumers are stoical about the change. Many already shop over the border in France, Germany or Italy and are used to handling different currencies.

“I go to France once a week to do my shopping and pay in French francs. It doesn’t make much difference to me what I pay in as long as I stick to my strict budget,” says Kate Sanchez. “If the euro makes things cheaper, so much the better.”

But Jean-Francois Besson, who heads an organization representing 18,000 French who cross the border to work in Geneva each day, says many of his members are concerned.

He cites the example of French workers who have paid into retirement funds in Swiss francs and are now unsure of the effect the euro will have on the pensions they will get at retirement.

Small- and medium-size Swiss companies fret that the increase in competition predicted with the euro may squeeze them out of existence. But big companies are upbeat.
UNIT 6. INTERNATIONAL BUSINESS

Text 6.1

Look through the Text and find international words and guess their meanings:

Read and memorize the following words and word combinations:

- origin – происхождение
- outgrowth – результат, продукт, отросток
- statute – статут, устав, законодательный акт
- a generation – поколение
- on behalf of – в интересах кого-л, чего-л.

Read and translate the Text.

INTERNATIONAL BUSINESS

The international corporation or global company has its origin. Usually it is the outgrowth of the great trading companies of the 17th and 18th centuries. In 1811 a New York statute said corporations could be created by the filling of documents. After that it became a matter of bureaucratic operations to become a corporation. By 1850 it was a very common thing in the United States and was under general statute in European countries as well. Since that time the corporate movement began. As the jet plane, satellite communications and computers began, it became possible for a company to control business in all the world.

The growth of international corporate operations is faster than the economic growth of the industrialized nations. There are some projects which predict that within a generation almost a half of the free worlds production will be internationalized.

This trend for internationalism presupposes some benefits such as new jobs, higher living standards and the closing of the gaps between people - economic, education and technological. At the same time serious questions can be asked. Is it the most efficient way to use world researches? Can the international corporation be the best force for a better world? Is it politically stronger than government? Can it take care of the self interest and competitiveness on behalf of the greatest good? And in what way can the global company work toward easing the world’s crises - monetary, political, energy and food?
EXERCISES

1. Give Russian equivalents to the following:
   a global company, a matter of bureaucratic operations, as well as, jet plain, sattelite communications, to presuppose, benefits, living standards, closing of the gaps, at the same time, the most efficient way, competitiveness.

2. Make sentences by adding a suitable beginning to the following:
   1. …….by the filling of documents.
   2. …….it became possible for for a company to control business in all the world.
   3. ……. was a very common thing in most countries.
   4. ……. such as new jobs, higher living standards.
   5. ……. to use world researches.
   6. ……. can be the best force for a better world.

3. Look through the Text and pick out 5-7 sentences which convey the basic information.

Text 6.2

Read and memorize the following words and word combinations:

To involve – вовлекать, подразумевать, предполагать
diverse – разнообразный
to exist – существовать
to damage – наносить ущерб, повреждать

Read and translate the Text.

WHAT IS INTERNATIONAL TRADE?

When Honduras exports bananas to Switzerland, they can use the money they earn to import Swiss chocolate - or to pay for Kuwaiti oil or a vacation in Hawaii. The basic idea of international trade and investment is simple: each country produces goods or services that can be either consumed at home or exported to other countries.

The main difference between domestic trade and international trade is the use of foreign currencies to pay for the goods and services crossing international borders. Although global trade is often added up in U. S. dollars, the trading itself involves various currencies. Japanese videocassette recorder is paid for in German marks in Berlin, and German cars are paid for in U. S. dollars in Boston. Indian tea, Brazilian coffee, and American films are sold around the world in currencies as diverse as Turkish liras and Mexican pesos.
Whenever a country imports or exports goods and services, there is a resulting flow of funds: money returns to the exporting nation, and money flows out of the importing nation. Trade and investment is a two-way street, and with a minimum of trade barriers, international trade and investment usually makes everyone better off.

In a interlinked global economy, consumers are given the opportunity to buy the best products at the best prices. By opening up markets, a government allows its citizens to produce and export those things they are best at and to import the rest, choosing from whatever the world has to offer.

Some trade barriers will always exist as long as any two countries have different sets of laws. However, when a country decides to protect its economy by erecting artificial trade barriers, the result is often damaging to everyone, including those people whose barriers were meant to protect.

EXERCISES

1. Give English equivalents to the following:
   швейцарский шоколад, заплатить за, либо…. либо, внутренняя торговля, иностранная валюта, продавать, возвращаться, потребитель, покупать по самым лучшим ценам, предлагать, ставить искусственные барьеры, означать.

2. Find the sentences which say about:
   the basic idea of international trade
   the main difference between domestic trade and international trade
   some advantages of international trade

3. Say whether each of the following sentences is true or false. Correct the false sentences to make them true.

1. Generally money flows out of the exporting nation and returns to the importing nation.
2. In a interlinked global economy, consumers are given the opportunity to buy the best products at the best price.
3. International trade involves various currencies.
4. Some trade barriers exist if two countries have similar sets of laws.
5. Each country produces goods and services that can be exported or consumed.
6. When a country decides to protect its economy by breaking some trade barriers, the result is damaged to everyone.
Text 6.3

Read the Text.

**ECONOMIES OF LARGE-SCALE PRODUCTION**

Even if countries have quite similar climates and factor endowments (1), they may still find it advantageous to trade. Indeed, economically similar countries often carry on a large and thriving trade (2). The prosperous industrialized countries have become one another’s best customers. A main reason for this situation lies in what is called the economies of large-scale production. For many products, there are advantages in producing on a large scale; costs become lower as more is produced. Thus, for example, automobiles can be made more cheaply in a factory producing 100,000 units than in a small factory producing only 1,000 units. This means that countries have an incentive to specialize in order to reduce costs. To sell a large volume of output, they may have to look to export markets. The smaller the country, and the more limited its domestic market, the more incentive (3) it has to look to international trade as a way of gaining the advantages of large-scale production. Thus, Luxembourg or Belgium has much more to gain relatively than does the United States. Indeed, the advantages of large-scale production have been one of the major sources of gain from the establishment of the European Economic Community (EEC), which was formed for the purpose of providing free trade between most western European countries. Even a large country such as the United States, however, can gain in some cases by exporting in order to lengthen production lines. For example, the Boeing Company has been able to produce airplanes more cheaply because it is able to sell large numbers of aircraft to other countries. The importing countries also gain because they can buy aircraft abroad more cheaply than they could produce them at home.

**Notes:**

- factor endowment – обеспеченность факторами производства
- to thrive – процветать, преуспевать
- incentive – стимулирующий, побудительный

**EXERSICES**

1. Pick out sentences describing advantages of large-scale production.
2. Look through the Text and say what international organization is mentioned in it. What do you know about this organization.
3. Speak on the main idea of the Text.
UNIT 7. MARKETING

Text 7.1

Look through the Text and find international words and guess their meanings:

Read and memorize the following words and word combinations:

incident (to) – присущий, свойственный

to constitute – составлять

to enunciate – объявлять, провозглашать, формулировать

subsequently – впоследствии, потом, позже

environment – окружение, окружающая среда

maturity – зрелость, полная сила

Read and translate the Text.

MARKETING

As defined by the committee on definitions of the American Marketing Association, marketing is ‘the performance of business activities directed toward and incident to, the flow of goods and services from producer to consumer or user. ’

Today discovering demand, managing demand, and physically supplying demand constitute the three major divisions of Marketing effort undertaken by many firms. Marketing management approached this status in the 1950’s when the General Electric Company enunciated a policy declaring that “marketing begins with the consumer”. By discovering and filling unmet wants, its marketing program was designed to produce what General Electric could sell because customers had certain unmet wants. Subsequently, having what you could sell instead of trying to “high pressure” customers into buying what you have required provided the use of marketing research and environment “scanning” of conditions affecting business.

The key concept of market selection and product planning is the Product Life Cycle. It predicts that any product pass through various stages between its life and death (introduction -growth - maturity - decline). So companies can make better marketing decisions if they find out where each of their products stands in its life cycle.

EXERCISES

1. Give English equivalents to the following:
определять, выяснять, влиять на, падение, вместо того, чтобы, пройти через, подходить(приближаться), предпринимать, принимать решение, предсказывать

2. Complete the sentences and translate them into Russian:
   1. The key concept of market selection is .......... 
   2. Companies can make better marketing decisions ......... 
   3. Three major divisions of marketing effort ............ 
   4. It is considered that marketing begins. 
   5. Marketing is the performance. 

3. Ask questions on the Text.

Text 7.2

Look through the Text and find international words and guess their meanings:

Read and memorize the following words and word combinations:

to fail – потерпеть неудачу, не удаваться

to sustain – поддерживать, подкреплять, 

prosperity – процветание, преуспевание 

flexible – гибкий 

assertion – утверждение 

to expand – расширять 

inequity – несправедливость 

abuse – злоупотребление 

in part – частично 

undeniable – несомненный

Read and translate the Text.

MARKET ECONOMY

Throughout history, every society has faced the fundamental economic problem of deciding what to produce, and for whom, in a world of limited resources. In the 20th century, two competing economic systems, broadly speaking, have provided very different answers: command economies directed by a centralized government, and market economies based on private enterprise. Today, in the last decade of the 20th century, it is clear that, for people throughout the world, the central, command economy model has failed to sustain economic growth, to achieve a measure of prosperity, or even to provide economic security for its citizens.
Yet for many, the fundamental principles and mechanisms of the alternative, a market economy, remain unfamiliar or misunderstood - despite its demonstrable successes in diverse societies from Western Europe to North America and Asia. In part, this is because the market economy is not an ideology, but a set of time-tested practices and institutions about how individuals and societies can live and prosper economically. Market economies are, by their very nature, decentralized, flexible, practical and changeable. The central fact about market economies is that there is no center. Indeed, one of the founding metaphors for the private marketplace is that of the ‘invisible hand’.

Market economies may be practical, but they also rest upon the fundamental principle of individual freedom: freedom as a consumer to choose among competing products and services; freedom as a producer to start or expand a business and share its risks and rewards; freedom as a worker to choose a job or career, join a labor union or change employers.

It is this assertion of freedom, of risk and opportunity, which joins together modern market economies and political democracy.

Market economies are not without their inequities and abuses - many of them serious - but it is also undeniable that modern private enterprise and entrepreneurial spirit, coupled with political democracy, offers the best prospect for preserving freedom and providing the widest avenues for economic growth and prosperity for all.

EXERCISES

1. Give English equivalents to the following:
   - столкнуться с проблемой
   - ограниченные ресурсы
   - конкурирующие системы
   - основанный на
   - потерпеть неудачу
   - неправильно понять
   - устойчивый экономический рост
   - несмотря на
   - процветать
   - изменяющийся
   - невидимый
   - выбирая среди
   - делить риск и вознаграждение
   - присоединиться к к-л. Союзу или обществу
   - частное предприятие
   - предпринимательский дух

2. Complete the sentences and translate them into Russian:
   1. Market economies are based on ……..
   2. Command economies are directed…………
   3. Every society faces the main economic problem ……..
   4. Market economy is not an ideology, but…..
   5. Market economy is based on the fundamental principle of freedom as a …..
   6. It is undeniable that ……

3. Make sentences by adding a suitable beginning to the following:
   1. …….. sustainable economic growth, prosperity and economic security.
2. ……. remain unfamiliar and misunderstood.
3. ……. are decentralized, flexible, practical and changeable.
4. ……. rest upon the fundamental principle of individual freedom.
5. ……. as a consumer to choose among competing products and services.
6. ……. joins together modern market economies and political democracy.

4. Find the synonyms in the right column to match the words in the left one.

<table>
<thead>
<tr>
<th>Word</th>
<th>Synonym</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>producer</td>
</tr>
<tr>
<td>Reward</td>
<td>declare</td>
</tr>
<tr>
<td>To produce</td>
<td>issue</td>
</tr>
<tr>
<td>To influence</td>
<td>growth</td>
</tr>
<tr>
<td>To preserve</td>
<td>chiefly</td>
</tr>
<tr>
<td>To announce</td>
<td>to keep safe</td>
</tr>
<tr>
<td>Problem</td>
<td>benefit</td>
</tr>
<tr>
<td>Rise</td>
<td>to make</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>to affect</td>
</tr>
<tr>
<td>Profit</td>
<td>prize</td>
</tr>
<tr>
<td>Mainly</td>
<td>decline</td>
</tr>
</tbody>
</table>

UNIT 8. INVESTMENT

Text 8.1

Read and memorize the following words and word combinations:
- held in trust – вверенный попечению
- generate – создавать, образовывать
- portfolio – портфель, пакет акций
- to retire – увольняться, уходить в отставку
- objectives – цели
- to engage – заниматься, участвовать
- to assume – принимать на себя
- initial – начальный
- to tend – иметь намерения
- blue chip – голубая фишка
- yield – доход в виде процентов на капитал

Read and translate the Text.

INVESTORS

Investors may be organizations or individuals. Organizations as institutional investors buy securities with their funds or funds held in trust for others.
Major institutional investors are insurance companies, pension funds and universities. Insurance companies make their investments generate profits and funds for paying future insurance claims. A pension fund wants to make money on its investments so that it can payoff pensioners.

The other types of investors are individuals who trade securities for their own accounts. The majority of personal investors have rather small stock portfolios usually valued at less than $ 50,000. They often use these funds for major purchases such as a home, retirement income, or as a source of cash in case of emergency.

The objectives of investors can be identified in terms of speculation, growth, and income.

Some investors set an objective of achieving big payoffs. They engage in speculation, or assuming large risks in the hope of large returns. One of the ways to speculate is to buy “penny stock”. It is highly speculative stock that sells at less than $ 5. A $ 1 stock that is in high demand may rapidly run up to $ 3 thus tripling the initial investment. “Penny stock” is typically a share in new ventures.

More investors are interested in long term growth in the value of their investment. They trend to prefer the so called blue chip stocks of large, high quality companies such as IBM, General Motors, American Express. The dividends for blue chip stocks is rather low because these firms reinvest much of their profits in research in order to remain competitive.

Some investors seek income. They are interested in a stock’s yield which is the percentage return from stock dividends. The highest regular yields are provided by utility stocks because they have minimal risk.

The investors take risk only within certain limits. Common stock is less safe than preferred stock because preferred stockholders receive dividends before they are paid to the common stockholders. In the case of common stock, utilities are safer than high tech stock. The safest type of securities are government bonds because they are backed by the government.

EXERCISES

1. Give Russian equivalents to the following:
   buy securities with their funds, insurance companies, insurance claims, generate profits, stock portfolios,, retirement income, as a source of cash, in case of emergency, the objectives of investors, in the hope of large returns, may rapidly run up to, ventures, blue chip stocks, a stock’s yield, to remain competitive, regular yields, utility stocks.

2. Complete the sentences and translate them into Russian:
1. More investors are interested in ………
2. The objectives of investors…. 
3. Major institutional investors are …. 
4. The dividends for blue chip stocks …. 
5. The investors take risk ……….. 
6. The safest type of securities are ……………

3. Make sentences by adding a suitable beginning to the following:
   1. ………. assuming large risks in the hope of large returns.
   2. ………..buy securities with their funds.
   3. ……….. an objective of achieving big payoff.
   4. ……….. for major purchases such as a home, retirement income.
   5. ………..so that it can payoff pensioners.

4. Answer some questions on the Text:
   1. What two types of investors are there?
   2. What are the major institutional investors?
   3. What do the personal investors use their funds for?
   4. Where does “penny stock” usually come from?
   5. What businesses provide the highest regular yields?
   6. What is the safest type of security?

Text 8.2

Read the Text without consulting a dictionary.
Render the contents of the Text in Russian.

INVESTMENT

If you do not spend all your income-your monthly salary or weekly wages with any other earnings such as fees, interest or dividends -you will have some money left over to save. What can you do with this money? You can simply put it in a box under the bed of course but it is more sensible to make your money earn more money for you. To do this, you can it put into a deposit account at the Post Office. In this way it will earn interest for you. Rates of interest fluctuate (go up and down) but your money is secure-except of course against inflation, which reduces the value and purchasing power of money in the economy as a whole.

Another thing you can do is to invest in a building society where the interest rate may be a little better than in a bank. A building society is a firm which lends money to people who want to buy property. If you want to buy your
own house, for instance, you take out a mortgage with the society and repay
the loan at, say, 10% per annum over 30 years.

In addition, you can invest directly in a commercial company by buying
shares in it. Once or twice a year you will receive a statement from the company
and if the company has done well, a cheque. This money is your dividend and
it increases if the company’s profits rise and decreases if they fall. The centre
of stockbroking (buying and selling stocks and shares) is the Stock Exchange
in the City of London (often referred to simply as ‘the City’). On a weekday
the City is crowded with ‘typical Englishmen’ wearing bowler hats and carrying
umbrellas; at the weekend it is dead and empty. Very few people live in this

Notes:
a mortgage – ипотека, залог, заклад, закладная

Text 8.3

Read and translate the Text.

EFFORTS TO ATTRACTS INVESTMENT

Malta, with few natural advantages apart from its strategic position and
plenty of sunshine, is embarking on a fresh bid to attract industry and investment.

The island’s difficulties are readily apparent; it is tiny, with a population of
under 350,000, and it is trying to compete with the expanding, low-cost
economies of south-east Asia and north Africa on the one hand, and with the
developed world on the other.

The transformation program is largely completed and the emphasis is now
turning towards attracting higher skill industries like electronics, auto
components, medical instruments, pharmaceuticals and information technology
to take the place of more traditional employers like Textiles.

The key element in the new strategy is the development of a network of
contracts, particularly in the US and Europe. This intermediaries will spotlight
companies and help them at an early stage.

Tourism will continue to be Malta’s biggest revenue earner for the foreseeable
future, but it too is subject to fashion and adverse economic pressures as well
as being seasonal. The government’s intention is to generate permanent high-
skill jobs that will guarantee employment and bring the economy up to western
European standards.

Notes:
1. Bid – попытка
Text 8.4

Read and memorize the following words and word combinations:

- as regards – в том, что касается
- disastrous – катастрофический
- insurer – страховщик
- consideration – вознаграждение
- insured – страхуемый
- relies heavily upon – в значительной степени опирается на
- standpoint – точка зрения
- close – точный, верный…расчет…
- severity of losses – тяжесть потерь
- insurance underwriter – страховщик
- premium – вознаграждение
- legal liability – юридический риск
- punitive taxation – разрушительно высокие налоги
- currency debasement – обесценение (девальвация) валюты
- peril – опасность

Read and translate the Text.

INSURANCE

Insurance is a device to handle risk. Its primary function is to substitute certainty for uncertainty as regards (1) the economic cost of disastrous (2) events. Insurance may be defined more formally as a system under which the insurer (3), for a consideration (4), promises to reimburse the insured (5), or to render services to the insured in the event that certain accidental occurrences result in losses during a given time period.

The nature and elements of insurance.

Insurance relies heavily upon (6) the “law of large numbers”. In large homogeneous population it is possible to estimate the normal frequency of common events such as deaths and accidents. Losses can be predicted with reasonable accuracy, and this accuracy increases as the size of the group expands.

From the standpoint (7) of the insurer, an insurable risk must meet the following requirements.
The objects insured must be numerous enough and homogeneous enough to allow a reasonably close (8) calculation of the probable frequency and severity of losses (9). The insured object must not be subject to simultaneous destruction. For example, if all the building insured by one insurer are in an area subject to flood and a flood occurs, the loss to the insurance underwriter (10) may be catastrophic.

The possible loss must be accidental in nature, and beyond the control of the insured. If the insured could cause the loss, the element of randomness and predictability would be destroyed.

There must be some way to determine whether a loss has occurred, and how great a one. This is why insurance contracts specify very definitely what events must take place, what constitutes loss, and how it is to be measured.

From the viewpoint of the insured person, an insurable risk is one for which the probability of loss is not so high as to require excessive premiums (11). What is “excessive” will depend on individual circumstances, including the person’s attitude toward risk. At the same time, the potential loss must be severe enough to cause financial hardship if a person does not insure against it. Insurable risks include losses to property resulting from fire, explosion, windstorm, etc.: losses of life or health: and the legal liability (12) arising out of use of automobiles, occupancy of buildings, employment, or manufacture.

Uninsurable risks include losses resulting from price changes and competitive conditions in the market. Political risks such as war, punitive taxation (13), or currency debasement (14) are usually not insurable by private parties but contracts can be drawn in such a way that an “uninsurable risk” can be turned into an “insurable” one through restrictions on losses, redefinitions of perils (15), or other methods.

EXERCISES

1. Give English equivalents to the following:
   обращаться (обходиться), первичная функция, оказать услуги, заменить, являться результатом, однородный, оценить, частотность, потери можно предсказать, с достаточной точностью, отвечать требованиям, многочисленный, верный расчет, одновременный, разрушение, подлежащий или подчиняющийся чему-л, вне контроля, элемент случайности, происходить, с точки зрения, вероятность потерь, зависеть от обстоятельств, отношение к, финансовые трудности, потерять собственность в результате чего-л, составлять контракт таким образом, чтобы

2. Substitute the proper English words from the list below for the Russian words in brackets.
To result in establishing, significant losses, standpoint, to result from, subject to appeal, random, numerous complaints.

1. We are suffering (значительные убытки) by reason of the fact that we are unable to cope with this problem.
2. Lately we have had (многочисленные жалобы) from our clients.
3. The ward of the Arbitration Commission is not (подлежит аппеляции).
4. Insurance in the strict sense covers loss from (случайный) events.
5. From the (точка зрения) of the client, the goods must meet the following (требованиям).
6. This kind of risks includes losses (проистекающие из) price changes.
7. This research (привело к установлению) a new principle.

3. Say what information the Text gives about: the functions of insurance; some obligations of the insurer; insurable and uninsurable risks.

4. Read the whole Text again (without consulting the dictionary) and summarize it either in Russian or in English. (12-15 sentences).

Text 8.5
Read the Text to yourself and then summarize it in 5-6 sentences.

LLOYD’S

There are, of course, many insurance companies in Britain, both large and small. But there is also a rather special organization called Lloyd’s which started as a coffee-house in the late 17th century. Lloyd’s is a society of around six thousand members – all of them underwriters – and is administered by a committee controlled by Act of Parliament. So it is not an insurance company in the normal sense, but an insurance market and you cannot do business with it directly. You have to go to an insurance broker who will then contact a member of Lloyd’s for you. If you want to insure something expensive – like a fleet of jumbo jets, for example – your broker will probably have to contact a syndicate of underwriters because the risk would be too high for one man to cover.

Lloyd’s is also an information service. It collects shipping information from all over the world and publishes it daily in the “Lloyd’s List and Shipping Gazette” There is also the independently run “Lloyd’s Register of Shipping” which helps to maintain standards of safety and efficiency by publishing information about all the ships in the world over 100 tons.
Lloyd’s will probably insure you against any risk at all - provided you are prepared to pay the premiums. Professional pianists sometimes insure their hands. May be clowns insure their noses. You never know – anything may happen.

UNIT 9. ACCOUNTING

Text 9.1

Read and memorize the following words and word combinations:

- Accounting – бухгалтерский учет
- Income statement – отчет о доходах
- Balance sheet – балансовый отчет
- Ratio analysis – анализ коэффициентов
- Return on Investment Ratio – коэффициент возвращения инвестиций
- Assets and liabilities – актив и пассив

Read and translate the Text.

ACCOUNTING

Accounting shows a financial picture of the firm. An accounting department records and measures the activity of a business. It reports on the effects of the transactions on the firm’s financial condition. Accounting records give a very important data. It is used by management, stockholders, creditors, independent analysts, banks and government.

Most businesses prepare regularly the two types of records. That is the income statement and balance sheet. These statements show how money was received and spent by the company.

One major tool for the analysis of accounting records is ratio analysis. A ratio analysis is the relationship of two figures. In finance we operate with three main categories of ratios. One ratio deals with profitability, for example, the Return on Investment Ratio. It is used as a measure of a firm’s operating efficiency.

The second set of ratios deals with assets and liabilities. It helps a company to evaluate its current financial position. The third set of ratios deals with the overall financial structure of the company. It analyses the value of the ownership of the firm.

EXERCISES

1. Give Russian equivalents to the following:
a financial picture of the firm, an accounting department, a transaction, important data, stockholders, income statement, balance sheet, a major tool, ratio analysis, to deal with, profitability, assets and liabilities, current financial position.

2. Agree or disagree with the statements:
1. At the end of the fiscal year a business must check out the assets and liabilities.
2. It There is no difference between gross salary and net salary.
3. An employer should hire an experienced accountant for preparing a financial statement.
4. The accounting department provided data for the management.
5. The board of directors never checks out assets and liabilities an net worth.
6. Governmental corporations can not issue stock certificates.

3. Translate from Russian into English:
1. Бухгалтерский учет представляет данные для кредиторов и вкладчиков.
2. Они готовят отчет о доходах и балансовый отчет в конце финансового года.
3. Мы определяем эффективность производства с помощью анализа коэффициентов.
4. Недвижимость является собственностью корпорации.
5. Мы проверим актив и пассив и определим стоимость имущества.
6. Мы платим большие налоги.

4. Answer some questions on the Text:
1. What is the purpose of accounting?
2. Who uses the data provided by accounting firms?
3. What are the two types of records which most businesses prepare?
4. What is the purpose of the ratio analysis?
5. What categories of ratios in finance do you know?

Text 9.2

Read and memorize the following words and word combinations:

Net assets – стоимость имущества за вычетом обязательств
Purchase – покупка, купля, приобретение
Payment of expenses – оплата расходов
Property – собственность, имущество
Equity funding – акционерный (долевой) способ образования денежного фонда предприятия

Debt funding – образование денежного фонда предприятия с помощью займа

Negotiable – оборотный, могущий быть переуступленным, купленным, проданным

Bond – долговое обязательство, облигация

Interest – доля, фиксированный процент

To run a corporation – руководить корпорацией

Inflow – приток (денег)

Outflow – утечка (денег)

Inventory – материально-производственные запасы, инвентарь

Supplies – ресурсы

**CORPORATE FINANCE**

Corporations need financing for the purchase of assets and the payment of expenses. The corporations can issue shares in exchange for money or property. Sometimes it is called as equity funding. The holders of the shares form the ownership of the company. Each share is represented by a stock certificate, which is negotiable. It means that one can buy and sell it. The value of a share is determined by the net assets divided by the total number of shares outstanding. The greater the success, the more value the shares have.

A corporation can also get capital by borrowing. It is called debt funding. If a corporation borrows money, they give notes or bonds. They are also negotiable. But the interest has to be paid out whether business is profitable or not.

When running the corporation, management must consider both the outflow and inflow of capital. The outflow is formed by the purchase of inventory and supplies, payment of salaries. The inflow is formed by the sale of goods and services. In the long run the inflow must be greater than the outflow. It results in a profit. In addition, a company must deduct its costs, expenses, losses on bad debts, interest on borrowed capital and other items. The amount of risk involved is also an important factor. It determines the fund raising and it shows if a particular corporation is a good investment.

**EXERCISES**
1. Give Russian equivalents to the following:
   to get capital by borrowing, to issue shares, in exchange for property, holders of the shares, a stock certificate, the value of the share, net assets, debt funding, profitable, outflow and inflow of capital, to result in, to deduct the cost, interest on borrowed capital, to determine the fund raising.

2. Put the necessary word and put it in the sentence.
   Equity, negotiable, interest, inventory, funding, inflow, bond, debt
   1. ..... funding is a financing formed by borrowing.
   2. They have borrowed much money and they have to pay a big ..... 
   3. Financing by shares is called....... funding.
   4. That is a very profitable deal, for that purpose we need extra...
   5. You can sell your shares and...... They are ..... 
   6. The current assets of a company usually include cash and .......... 
   7. As a result of this deal we”ll have greater .... than outflow.

3. Complete the sentences and translate them into Russian:
   The company should pay the expenses by......... 
   2. We can form equity funding by......
   3. It will take them much time to decrease ..... 
   4. He was running the........
   5. Our accountant is calculating assets, ........
   6. She made a profit on the sale........

Text 9.3

Read and translate the Text.

ACCOUNTING OF A COMPANY

All the three existing types of markets-money markets, share (stock) markets (1) and commodity markets (2) -function in close connection with the banking sphere.

Nowadays one can speak of a global banking system although banks, of course, continue to play their local, more traditional role: opening and managing accounts, giving loans, and fulfilling all kinds of other operation to assist agriculture, industry and commerce.

Traditional instruments of international bank payments are letters of credit (discussed in Chapter XV) and documentary collection bills (3).

Documentary collection bills are presented to the importer’s bank or its correspondent by the exporters together with all the shipping, insurance and other documents specified in the contract. If the documents are in order the importers instruct their bank to play and then collect the shipping documents.
The process of payment from bank to bank has been greatly quickened by the introduction of SWIFT system (Society for Worldwide International Financial Telecommunication) (4). This network nowadays covers thousands of banks in about a hundred countries. A message to pay money sent through the computers of SWIFT system can be received in the matter of seconds.

The role of correspondent banks – is nowadays also permanently growing. A correspondent bank is the one which carries the deposit balance of another bank situated in another city of country. This exchange of services between banks greatly facilitates international payments.

Some of the basic terminology connected with banking includes interest rates (5) (percentages that a bank earns by giving out loans), deposits (i.e. money placed in a bank), remittances (6) (i.e. transfer of money), etc.

Interest rates and bank rates, naturally, differ from country to country, from bank to bank, and from client to client, but one of the most influential indices here is LIBOR (London Interbank Offered Rate) (7).

One of the relatively new developments in banking is the industry of plastic (credit) cards. By issuing credit cards to individual clients and thus encouraging them to spend money, the banks tap the almost inexhaustible resources of the consumer sector. This system was pioneered by the USA where plastic cards have proved a goldmine for banks, but now credit cards are issued by virtually all big banks around the world.

Notes:
(1) share(stock)markets – фондовые рынки
(2) commodity markets – товарно-сырьевые рынки
(3) collection bill – инкассо
(4) SWIFT (Society for Worldwide International Financial Telecommunication) – СВИФТ (Международное общество межбанковских коммуникаций)
(5) interest rates – процентные ставки
(6) remittance – перечисление денег
(7) LIBOR (London Interbank Offered Rate) – ставка ЛИБОР (ставка предложения (продавца) на лондонском межбанковском рынке депозитов)

Text 9.4

Read the Text to yourself and then summarize it in 5-6 sentences.
INTERNAL FUNDS

As a firm sells its products or services, it receives money which is used to meet its expenses. One of these expenses, depreciation, represents the cost of replacing assets (like tools, machinery and buildings) that wear out. Typically, businesses set funds aside in a reserve for depreciation so that the money will be there when needed.

The funds that remain after paying expenses are a firm’s profits or earnings. Although the owners or stockholders could take it all for themselves, it most instances some portions of the profits will be retained by the business. Since its “retained earnings”, along with the sum it set aside for depreciation came from within the firm, they are known as internal funds. About 60 to 70 percent of a business firm’s financing comes from its internal sources.

EXTERNAL FUNDS

Sales do not remain constant from one season, or month or week to the next. There are times when more money comes in to a business that is needed to pay its bills. Similarly, at other times there is not enough money coming in to cover operating costs. When this happens, there are only four things that the firm can do; -dip into savings,- borrow,-sell shares of stock (if it is a corporation) or seek additional capital from the owners (if it is a partnership or proprietorship), - reduce spending.

UNIT 10. ON MANAGEMENT AND MANAGERS

Text 10.1

Read and translate the Text.

WHAT IS A MANAGER?

A number of different terms are used for “managers”, including “director”, “administrator” and “president”. The term “manager” is used more frequently in profit-making organizations, while the others are used more widely in government and non-profit organizations such as universities, hospitals and social work agencies.

What, then, is a manager?

When used collectively (1) the term “management” refers to those people who are responsible for making and carrying out decisions within the system. An individual manager is a person who directly supervises people in an organization.
Some basic characteristics seem to apply to managers in all types of organizations; they include hard work on a variety of activities, preference for active tasks, direct personal relationships.

Almost everything a manager does involves decisions. The reason for making a decision is that a problem exists. In decision-making there is always some uncertainty and risk.

Managing is a hard job. There is a lot to be done and relatively little time to do it. The engineer can finish a design on a particular day, and the lawyer can win or lose a case (2) at a certain time. But the manager’s job is like “Old Man River”(3) - it just keeps going.

Notes:
1. Collectively — в собирательном значении
2. Case — зд. дело
3. “Old Man River” — название песни

EXERCISES

Say what you have learned from the Text about:
1. different words which mean “manager”; 2. the meanings of the words “management” and “manager”; 3. characteristic features common to all managers; 4. the job of a manager.

Think and answer:
1. What individual managers make up management in an organization?
2. What concrete activities is a production manager (financial manager, personnel manager, marketing manager) responsible for?
3. What type of information does a manager need to make decisions?
4. What magazines (reference books, etc.) does a manager have to see on a regular basis?

Text 10.2

Read and translate the Text.

MANAGEMENT

The job of a manager is both hard and exciting. This job implies coordinating and supervising both personnel and business problems.

The personnel manager deals with interviewing, selecting, recruiting and dismissing (firing) employees (staff) as well as with career development and various other problems. The most important thing in personnel management is staff motivation.
A manager should be efficient, clever, understanding, sympathetic, intelligent, and well educated. He should be a good psychologist and be good in planning and organizing both team and individual activities. He should be good at decision-making and have some idea about administrative law to settle different problems.

There are many other types of managers in a large firm. Sales manager deals in selling different products and services. Purchase manager deals in buying goods.

Shipping manager deals in shipping products, their delivery and packing.

Works (production) manager deals with industrial enterprises, manufacturing process, testing various machines and equipment, after sales service and some ecological problems.

There are also some accountants, planning managers, typists, secretaries and receptionists. Public relations manager deals with customers and their problems.

Different firms and companies do business with other firms. Companies belong to different areas of business: wholesale or retail trade, insurance, banking, catering, vehicle manufacturing, engineering, transport, shipping, real estate, manufacturing various goods, etc.

In wholesale trade the parties of a transaction are called Buyers and Sellers. Those who produce goods are called Producers or Manufacturers. Those who supply and distribute goods are called Suppliers and Distributors.

There are experts in advertising and promoting goods and services. There are lawyers, barristers, attorneys who deal with legal problems, start legal action against unreliable businessmen.

People doing business together, cooperating in some spheres of business are called partners. Those who compete in business are called competitors. The competition on the world market is very tense nowadays. All manufacturers feel it and try to update their products, to raise their quality. They try to diversify the range of their products and, if possible, to decrease their production cost and selling price, because cheap goods of high quality meet the demands of the customers. And naturally the clients are not interested in expensive low quality goods.

To find out about the range of goods offered by the firm the customers study leaflets and catalogues. To know the prices for products they look through price-lists and quotations. To clarify some details concerning the design and technical features of some machines they ask for specifications.

They go on business trips and see round manufacturing plants where they can test the equipment and see the type of packing.
Businessmen hold business talk (negotiations) where they discuss various business matters: the terms of payment, shipment and delivery. There could be different terms (manners) of payment: by a Letter of Credit against shipping documents, payment for collection, FOB (free on board), CIF (Cargo, Insurance, Freight) terms and some other.

The sides discuss the time and manner of shipment and delivery. There might be some delays in delivery because of technical problems or some unforeseen circumstances.

They negotiate prices for goods. A price can be high, low, reasonable, attractive, suitable, competitive, acceptable.

If they agree to the terms and selling price, they place an order with the firm. Before placing an order they make offers, enquiries for goods. If the customer does not accept the price he asks for a discount on the price. Prices and terms are often revised because the market situation is changing every day. The market is not stable.

The sides sign contracts which provide a legal guarantee for all obligations. A contract includes know-how, prices, cost, license, terms, after sales service and guarantee period.

If the equipment bought from a certain firm is damaged or if some defect is found, it should be repaired and faulty parts should be replaced at the Seller’s expense.

EXERCISES

Answer some questions on the Text:
1. Is the job of a manager hard and exciting? Why?
2. What kind of person should a manager be?
3. What problems does a personnel manager deal with?
4. What types of managers work in a large firm?
5. What other specialists besides managers work there?
6. What can you say about competition on the world market nowadays?
7. What areas of business do companies belong to?
8. What measures do manufacturers take to compete successfully?
9. What manners of payment do you know?
10. What adjectives can we use when speaking about the price for some goods?
11. What does a contract cover?
12. When do they open a Letter of Credit with the bank?

Speak on the following topics:
1. The job of a personnel manager.
2. People working for a large firm and their duties.
3. The current market situation.
4. Business matters discussed at negotiations.
5. Pricing and discounts.
8. Transaction: stages and participants.

Text 10.3

Read and translate the Text.

ADMINISTRATION

The function of the office is to perform administrative work. First, it must provide the necessary communications with customers, banks, government departments, and other outside organizations. Second, it must service the information requirements within the company itself. In order to meet these needs efficiently, the Office Manager must employ the most appropriate business methods, systems and equipment.

In an efficient administrative structure, clerical operations are organized so that they add to the profitability of the business. However, in many countries the number of clerical staff has increased while the total of workers employed in production has fallen. In Britain, for example, the total workforce in the years 1919-1976 went up by 25%, while the number of people who were employed in clerical work increased by 150%. For a country such as Britain, which depends on a manufacturing base, that can mean inefficiency.

To ensure that office services run smoothly, there must be the means to check, sort, copy and file correspondence and other paperwork. Today there is a growing range of machines that can be used to do such jobs. The size and resources of a company will determine how mechanized or computerized its office systems are.

The office must give maximum service at minimum cost. A balance must be kept between production, marketing, and administration. As a company develops and grows, the contribution of administration will vary in kind and in value.

The most important objective in modern office is the processing of data in order to provide a means of business control, but in many companies there are weaknesses in the ability to manage communications efficiently. For example, some data are often used only by individual managers, and different departments in the same company may use different data processing systems.
In order to contribute to business efficiency, however, data processing must be a centralized service.

The system which is required is one that looks at the total needs of a business and therefore assists management in making appropriate decisions quickly.

Answer some questions on the Text:
1. What are the main function of the office?
2. What is essential for its efficient performance?
3. What is the most important objective in modern offices?
4. What are the major problems in data processing and information flow in modern offices?

UNIT 11. ORGANIZATION

Text 11.1

Read and memorize the following words and word combinations:
- to permeate – проникать
- to harass – утомлять
- to frustrate – расстраивать, делать тщетными
- to irritate – раздражать, сердить
- to accomplish – выполнять
- to foster – поощрять
- tremendous – громадный
- settings – окружение, окружающая обстановка
- profound influence – большое влияние

Read and translate the Text.

ORGANIZATION

Organizations permeate all levels of our lives. We come into contact with many of them daily. In fact, most of us probably spend most of our lives in - or affected by - organizations. We spend sizable amounts of our time as members of work, school, civic and church organizations - involved as employees, students, clients, patients and citizens.

At some times, these organizations appear to be efficiently run and responsive to our needs, and at other times they are extremely frustrating and irritating. We may even think they are harassing us. Such personal experience in or with organizations may have already helped to form our sense of what it means to be ‘organized’. 
Organizations exist for one reason: they can accomplish things that individuals cannot. Thus, whether the goal is to make a profit, provide education, foster religion, improve health care, get a candidate elected, or build a new football stadium, organizations get the job done. Organizations are characterized by their goal-directed behavior. They have goals and objectives that can be achieved more efficiently and effectively by the concerted action of individuals and groups.

Organizations are essential to the way our society operates. In industry, education, health care and defense, organizations have created impressive gains for our standard of living and our worldwide image. The size of organizations with which you deal daily should illustrate the tremendous political, economic and social powers they separately possess.

Organizations are, however, much more than means for providing goods and services. They create the settings in which most of us spend our lives. In this respect, they have profound influence on our behavior. However, because large-scale organizations have developed only in recent times, we are just beginning to recognize the necessity for studying them.

EXERCISES

1. Complete these sentences with the words given below and translate them into Russian: employ; employment; employer; employee; unemployment
   1. They are going to discuss the problems of women’s...... at the next meeting.
   2. ...... complain that their boss wants them to do too much overtime.
   3. ..... often leads to crime, drug abuse and poverty.
   4. Some..... encourage their staff to work longer hours and take only half of their annual holiday.
   5. I’m afraid it will be impossible to find..... for all the workers of the factory, some of them will be redundant.
   6. I believe we should..... this technique to obtain the best results.

2. Find the synonyms to the underlined words among the words given below influence; aim; improve; important; to recognize; assist; client; react; opinion; person; tremendous; attitude; irritating; to contact; supply; has
   1. Every person studying marketing knows the famous statement: “The customer is always right”.
   2. There was nobody in the office to help me to operate this new fax machine.
   3. This is a very unusual technique and undoubtedly there are going to be different points of view concerning its employment in various settings.
4. An efficient manager should realize that every individual has a unique set of features and attitudes.

5. We’ll get in touch with you as soon as we find out all the details of the coming visit.

6. It’s hard to say how he will respond under the circumstances.

7. They are going to raise great funds for this enormous housing program.

8. Some people have an annoying manner of saying ‘What?’ after you have carefully explained something.

9. I think none of us can affect the situation in this organization at the moment.

10. He possesses a rare quality of a good conversationalist: he is a good listener.

11. Our employer does not want to admit how hard it will be to reach this final objective.

12. We are going to provide all necessary equipment and personnel to update the manufacturing process.

13. It is essential to be involved in the everyday life of an organization to understand its problems.

3. Complete the sentences in accordance with the Text:
   Organizations exist ………
   We spend sizable amounts of our time …
   We come into contact with…..
   Organizations have goals and objectives that ……
   Organizations create the settings in which……
   Organizations have profound influence on …. 

4. Answer some questions on the Text:
   1. What kind of organizations do we come into contact with daily?
   2. Why are organizations so important for us?
   3. How do people feel about organizations?
   4. What is the reason for the existence of organizations?
   5. What kind of behavior is typical of organizations?
   6. Why do organizations influence our behavior?
   7. Why are the people only beginning to realize the importance of studying organizations?

5. Summarize the Text in 5-7 sentences

   Text 11.2

Read and translate the Text.
THE SPIRIT OF AN ORGANIZATION

Two sayings sum up the “spirit of an organization”. One is the inscription on Andrew Carnegie’s tombstone (1):

Here lies a man
Who knew how to enlist
In his service
Better men than himself

The other is the slogan of the drive to find jobs for the physically handicapped (2): “It’s the abilities, not the disabilities, that count.”

Management by objective tells a manager what he ought to do. The proper organization of his job enables him to do it. But it is the spirit of the organization that determines whether he will do it. It is the spirit that motivates, that calls upon a man’s reserves of dedication and effort, that decides whether he will give his best or do just enough to get by.

It is the purpose of an organization to “make common men do uncommon things”- this phrasing is Lord Beveridge’s. No organization can depend on genius (3); the supply is always scare (4) and always unpredictable (5). But it is the test of an organization that it make ordinary human beings perform better than they are capable of, that it bring out whatever strength there is in its members and use it to make all other members perform more and better. It is the test of an organization that it neutralize the weaknesses of its members.

Altogether the test of good spirit is not that “people get along together”; it is performance, not conformance. “Good human relations” not grounded in the satisfaction of good performance and the harmony of proper working relations are actually poor human relations and result in poor spirit. They do not make people grow; they make them conform and contract. I shall never forget the university president who once said to me: “It is my job to make it possible for the first-rate teacher to teach. Whether he gets along with his colleagues or with me - and very few of really good teachers do either - is irrelevant. We certainly have a collection of problem children here - but, boy, do they teach.” And when his successor substituted for this a policy of “peace and harmony,” both the performance and the spirit of the faculty rapidly went to pieces.

There are five areas in which practices are required to ensure the right spirit throughout management organization.

1. There must be high performance requirements; no condoning (6) of poor or mediocre (7) performance; and rewards must be based on performance.

2. Each management job must be a rewarding job in itself rather than just a step in the promotion ladder (8).
3. There must be rational and just promotion system.

4. Management needs a “charter” (9) spelling out clearly who has the power to make life-and-death decisions affecting a manager; and there should be some way for a manager to appeal to a higher court.

5. In its appointments management must demonstrate that it realizes that integrity (10) is the absolute requirement of a manager, the one quality that he has to bring with him and cannot be expected to acquire later on.

A man should never be appointed to a managerial position if his vision focuses on people’s weaknesses rather than on their strengths. He should be a realist; and no one is less realistic than the cynic. A man should never be appointed if he is more interested in the question: “Who is right?” than in the question: “What is right?” Management should never appoint a man who considers intelligence more important than integrity.

The men with whom a man works, and especially his subordinates (11), know in a few weeks whether he has integrity or not. They may forgive a man a great deal: incompetence, ignorance, insecurity or bad manners. But they will not forgive him lack of integrity. Nor will they forgive higher management for choosing him.

Notes:
(1) – надпись на памятнике
(2) – инвалид
(3) – гений
(4) – ограниченный, скудный
(5) – непредсказуемый
(6) – терпимость
(7) – посредственный
(8) – служебная лестница
(9) – «хартия»
(10) – порядочность
(11) – подчиненный

SUPPLEMENTARY READING II

Text 1

Read and translate the Text.

STOCK EXCHANGE

Stock Exchange also called Stock Market, or (in continental Europe) Bourse, organized market for the sale and purchase of securities such as shares, stocks,
and bonds. In developed capitalist countries, the stock exchange has important functions: as a ready market for securities, it ensures their liquidity and thus encourages people to channel savings into corporate investment; and, as a pricing mechanism, it allocates capital among firms by determining prices that reflect the true investment value of a company’s stock (the present worth of the stream of expected income per share). Trading is done in various ways: it may occur on a continuous auction basis, it may involve brokers buying from and selling to dealers in certain types of stock, or it may be conducted through specialists in a particular stock. Membership requirements of the exchanges of different countries vary mainly with respect to the number of members, the degree of bank participation, and the rigour of the eligibility requirements. They also differ in the degree to which government participates in their management. The London Stock Exchange, for example, functions as an independent institution, free from government legislation. In the United States, stock exchanges, although not subject to direct government participation in their operation, are subject to rather specific legislative regulation. In Europe, it is quite common for the members of the exchanges to be appointed by a government official and to have semigovernmental status.

Notes:
- excesses and shortages – профицит и дефицит
- ratio – коэффициент, пропорция, доля

Text 2

Read and translate the Text.

MARKETING

A huge distribution network is necessary to move goods to consumers. Marketing, which has been defined as “the performance of business activities that direct the flow of goods and services from producer to consumer or user” this is crucial to all phases of business.

It is necessary also to gather market information, choose target markets, study consumer behavior, develop strategies for production, channeling, promotion and pricing. All these activities are parts of a single process that really begins and ends with the consumer. Successful modern marketing begins with his needs and desires, and it ends with his satisfaction, as he buys goods, uses services or accept ideas.

To market a product successfully, a marketer must develop a strategy. His decisions depend on many variables or factors that are constantly changing.
Some variables are internal. The marketer has some control over the variables that affect the product: its nature, promotion of it, the path it will follow from producer to consumer, and its price. But when something is produced, it enters an existing external environment of law, economy, society, or culture. Intelligent decisions about the product can be made only within the current and changing environment. The marketer cannot control these external variables; instead, they control him. The legal limits may be in form of restrictions on safety, advertising, and price. A company competes not only with other companies that make similar products, but with all other companies. All want share of the same consumer market.

The social and cultural nature of that public further influences the marketer’s decisions. He must know what kind of people will need and use the product? Are they rich or poor? What is their level of education? Are they increasing or decreasing in numbers and buying power?

Without a market the product is useless; knowledge of the environmental factors is necessary in marketing any product. It is especially crucial in international marketing, where one must understand the legal, economic, and sociocultural differences of a foreign country.

The marketing researcher can use internal (within the company) and external (outside the company) sources. The data he gathers might be secondary or primary.

Secondary data, such as government census figures or company sales, have already been gathered for some other purposes. Using secondary data is almost always cheaper and faster than using primary data, but secondary data may be out of date or inappropriate for the study.

Primary data are collected for the first time for a specific marketing research study. A written questionnaire, which the consumer fills out, is another example of the survey technique. Test marketing is a common use of the experimental method. In this, a product might actually be sold in two or three cities as a simple sample of the whole population. Consumer’s reactions are studied to determine whether to market the product more widely.

With today’s computers, more companies are using computer-based marketing information systems (MIS) for help in decision-making. The MIS consists of a data bank, an analytical bank, and a model bank. It is designed to set producers and methods for regularly identifying, assembling, processing, analyzing, evaluating, storing, and communicating relevant data. It can provide management with indications of market response to the actions of the company and of its competitors.
Market segmentation recognizes that not everyone needs a certain product, and that a product cannot be expected to appeal to everyone. The marketing strategy is more efficient, it is aimed at those people the company can reasonably expect to serve. Planning a segmentation strategy involves four steps. The first is to determine the market segments. Second is to select the appropriate segment as a target market for the product. Third is to develop procedures to serve the selected segment; and forth, the program is carried out, consistently evaluated and revised if necessary. Internal determinants include needs, wants, motives, perceptions and attitudes. A. H. Maslov has provided a hierarchy of needs and consumer behavior. At the bottom there are social needs, then physical needs, need for safety, need for esteem, and the highest area is need for self-actualization.

Whether the potential market is domestic or foreign, it is necessary or the marketing manager to understand the internal and external determinants of consumer behavior. All people have needs, motives, perceptions. All are members of groups, societies and cultures. One of the marketer’s task is to know the buying patterns of specific groups consumers, and to match his products to their needs.

Text 3

Read and translate the Text.

CURRENCY AND SHARE MARKETS

Besides the subdivision of markets into money markets, stock-markets and commodity markets, there also exist a sub-classification of them according to the character of deals concluded – into spot markets (1) and futures markets (2).

Spot markets are the ones for buying and selling goods, currency or securities available for immediate delivery, futures markets – for delivery at a future date for a price fixed in advance. Futures currency markets are often called forward exchange contracts (3) markets.

Theoretically it is only the foreign exchange deals (i. e. currency markets) that establish the relative price of one convertible currency against another. The currencies are subdivided into hard (free, convertible) and non-convertible, the price of the latter being established more or less artificially, by governments. In practice, however, very few currencies are completely free, the central banks of the nations in questions intervening in an appropriate manner-including the Bank of England in the UK and the Federal Reserve Board in the USA.
Share markets (also subdivided into spot markets and futures markets) are institutions where shares are bought and sold according to fixed rules but at prices controlled by supply and demand.

The principle of the stock-market is well-known: companies issue shares (British) or stocks (American) and market them to raise additional funds called equity (or share) capital (4). Shares of the most successful and powerful companies, paying the highest dividends, are called blue chips (5).

In both currency and share-markets deals are concluded by brokers (individuals or companies) who receive the broking commission for their services. The two tactics of market-makers are known as those of ‘’bears’’ (6) (lowering the prices) and “bulls” (7) (pushing the prices up).

The condition of share markets as a whole is reflected by many indices, the most widely known of them being the Dow Jones in the USA and Nikkei in Japan.

As for the share capital itself it is subdivided into two main categories: privileged shares (American: preferred stock)(8) and ordinary shares (American: common stock) (9). Holders of privileged shares get their dividend payments at a fixed rate, regardless of the market performance of the company’s shares, e. g. 5% annually of the par nominal value of the share. This is not always good, for if the company performs exceptionally well, holders of the ordinary shares get the corresponding dividends (say, 50%), whereas the holders of privileged shares still have to be content with the same 5% (if the rules do not stipulate otherwise). Owners of preference shares are sometimes also excluded from the management of the company and have no voting rights (10).

Decisive control over the company’s policy is most often (although not always) exercised by the controlling share-holders (also called majority shareholders) (11), i. e. the owner of more than 50% of all shares.

There are a great many other subdivisions of shares (besides privileged and ordinary), i. e. founders’shares (12), convertible (13), redeemable (14), cumulative (15) privileged shares, subscription (16) and term (17) shares. All these subdivisions reflect the great complexity of this sector of business.

Notes:
(1) spot market – рынок наличного товара, немедленно оплачиваемых валютных и других сделок;
(2) futures market – фьючерсный рынок
(3) forward exchange contracts – форвардные валютные контракты
(4) equity (or share) capital – акционерный капитал
(5) blue chips – «голубые фишки»
(наиболее прибыльные акции крупных компаний)
(6) “bear” – «медведь» (биржевое)
(7) “bull” – «бык » (биржевое)
(8) privileged shares (preferred stocks) – привилегированные акции
(9) ordinary shares (common stocks) – обыкновенные акции
(10) voting rights – право голоса
(11) controlling shareholder (majority shareholders) – владелец контрольного пакета
(12) founder’ shares – акции учредителя
(13) convertible shares – конвертируемые акции
(14) redeemable shares – выкупаемые акции
(15) cumulative shares – кумулятивные акции (с накоплением дивидендов)
(16) subscription shares – акции по подписке
(17) term shares – акции на ограниченный срок

Text 4

Read and translate the Text.

MARKETING MANAGEMENT

MANAGEMENT, by definition, is a function of planning, organizing, coordinating, directing and controlling. Any managerial system, at any managerial level, is characterized in terms of these general functions.

Management is revealed in a variety of specific activities. Marketing management refers to a broad concept covering organization of production and sales of products, which is based on consumer requirements research. All companies must look beyond their present situation and develop a long-term strategy to meet changing conditions in their industry. Marketing management, therefore, consists of evaluating market opportunities, selecting markets, developing market strategies, planning marketing tactics and controlling marketing results.

Strategic planning includes defining the company’s long-term as well as specific objectives, such as sales volume, market share, profitability and
innovation, and deciding on financial, material and other resources necessary to achieve those objectives.

In problems of market selection and product planning one of the key concepts is that of the Product Life Cycle. That products pass through various stages between life and death (introduction- growth - maturity - decline) is hard to deny. Equally accepted is the understanding that a company should have a mix of products with representation in each of these stages. Companies can make far more effective marketing decisions if they take time to find out where each of their products stands in its life cycle.

However, the concept of the product life cycle seems frequently forgotten in marketing planning, which leads to wrong decision-making. This may well be seen in the following story.

A supplier of some light industrial equipment felt that the decline in the sales of his major product was due to the fact that it was not receiving the sales support it deserved. In order to give extra sales support to this problem case a special advertising campaign was run. This required cutting into marketing budgets of several promising, products that were still in their “young” growth phase. In fact, the major product has long since passed the zenith of its potential sales, and to amount of additional sales support could have extended its growth. This became quite clear in the promising products, however, went into gradual sales decline.

In short, management has failed to consider each product’s position in its life cycle.

Notes:
broad concept – широкое понятие
product life cycle – жизненный цикл товара
sales support – стимулирование сбыта
product mix – ассортимент изделий
due to – благодаря, вследствие, в результате
to cut into a budget – зд. вклиниться, «залезть»
in terms of – с точки зрения

Text 5

Read and translate the Text.

RESEARCH AND DEVELOPMENT

All R and D executives have to major responsibilities: (1) they must ensure that the company is supplied with technically successful projects, and (2) they select the most promising schemes and ideas for the expenditure of R and D
resources. This work is complicated by numerous uncertainties, in as much as commercial research and development must be based on market forecasts.

If R. and D management can provide a regular flow of new and updated products, the company will benefit in a number of ways. First of all, it will be able to make full use of expensive departmental resources, development engineering and available marketing capacity. In addition to that, a flow of new market winners will provide the business with steady growth in income and profits. This can also be important psychologically, for it is often on this basis that those outside the company assess the quality of its management.

The R and D department’s is made more difficult because of the length of time required to complete its research. In the chemical and pharmaceutical industries, for example, it may take five to ten years before a product is a technical success and a further six to eight years before it reaches full commercial potential.

To achieve results, R and D must define both the areas that should be achieved in each area. For this reason, the R and D department must take an interest in all aspects of design, application, efficiency, and use of appropriate materials. There is a difference, however, between the development of new consumer products and the development of new industrial ones. In consumer markets the search for a new product often begins after a statement of a specific need, and development is tailored to meet it. In many industrial markets, product development is the result of work done in the research laboratory. This work is often aimed at a general need, such as a new kind of medicine or higher operating speeds for machines. When the new industrial project has been developed, its performance can be analyzed in terms of customer needs.

1. What are the two major responsibilities of R&D department?
2. How does an organization benefit from R&D activities?
3. What is the major problem in R&D activities?
4. What should R&D define to achieve good results?

Text 6

Read and translate the Text.

THE STRUCTURE OF ORGANIZATIONS

To work effectively in organizations, managers must have a clear understanding of the organizational structure. Viewing an organization chart on a piece of paper or framed on a wall, one sees only a configuration of
positions, job duties, and lines of authority among the parts of an organization. However, organizational structures can be far more complex than that.

An organization’s structure is the formal pattern of activities and interrelationships among the various subjects of the organization. Our model includes two important aspects of organizational structure: job design and organizational design.

Job design. Job design refers to the process by which managers specify the contents, methods, and relationships of jobs to satisfy both organizational and individual requirements.

Organizational design. Organizational design refers to the overall organizational structure. If a manager plans to alter the basic structure of the organization, the result of his efforts is supposed to be a new structure of tasks and authority relationships that he believes will channel the behavior of individuals and groups toward higher levels of performance in the organization.

The processes of Organization

Certain behavioral processes give life to an organizational structure. When these processes do not function well, unfortunate problems can arise.

Our model includes four behavioral processes that contribute to effective organizational performance: communication, decision making, performance evaluation, and socialization and career development.

Communication process. Organizational survival is related to the ability of management to receive, transmit, and act on information. The communication process links the organization to its environment as well as to its parts. Information flows to and from the organization and within the organization. Information integrates the activities of the organization. Some problems arise because the information that flows from the organization is different from the information that flows within the organization.

Decision-making process. The quality of decision making in an organization depends on selecting proper goals and identifying means for achieving them. With good integration of behavioral and structural factors, management can increase the probability that high-quality decisions are made. Organizations rely on individual decisions as well as group decisions, and effective management requires knowledge about both types of decisions.

Performance evaluation process. Managers must evaluate the performance of individuals and groups within their organizations. Sometimes a superior evaluates an employee’s performance using the criteria different from the criteria that the employee expects when he/ she takes the job. Individual, group, and organizational performance are the outcomes, or dependent variables, of
organizational behavior, structure, and processes. The system that management installs to evaluate performance serves such purposes as deciding on rewards (pay, promotions, transfers), identifying training needs, and providing feedback to employees. Many methods exist to evaluate performance; the challenge to management is to select the appropriate one.

Socialization and career process. Individuals enter organizations to work and to pursue their personal career goals. Organizations employ individuals to perform certain tasks – the jobs of the organization structure. Thus, individual and organizational interests and goals must be brought into congruence if both are to be effective. Individuals move through time and jobs along career paths more or less prescribed by the organization. The extent to which an individual is successful in a career depends, in part at least, on the extent to which he or she adapts to the organization’s demands. The process by which the individual is made aware of the organization’s expectations is termed socialization. Socialization may be formal, as when orientation programs are established for new employees, or informal, as when the manager and co-workers tell the new employee relevant details about the organization’s expectations. Career development and socialization are interrelated activities that affect the performance of both the organization and the individual.

Text 7

Read and translate the Text.

MANAGERIAL STYLES AND INTERPERSONAL STYLES

The day-to-day activities of managers place a high value on effective interpersonal communications. Managers provide information (which must be obeyed and learned); and they make efforts to influence and persuade (which must be accepted and acted on). Thus, the way in which managers communicate, both as senders and receivers, is crucial for obtaining effective performance.

Theoretically, managers who desire to communicate effectively can use both exposure and feedback to enlarge the area of common understanding, the Arena. As a practical matter, such is not the case. Managers differ in their ability and willingness to use exposure and feedback. At least four different managerial styles can be identified.

Type A. Managers who use neither exposure nor feedback are said to have an A type style. The unknown region predominates in this style because such managers are unwilling to enlarge the area of their own knowledge or the knowledge of others. Type A managers exhibit anxiety and hostility and give the
appearance of aloofness and coldness toward others. If an organization has a large number of such managers in key positions, then we would expect to find poor and ineffective interpersonal communications and a loss of individual creativity. Type A managers often display the characteristics of autocratic leaders.

Type B. Some managers desire some degree of satisfying relationships with their subordinates, but because of their personalities and attitudes these managers are unable to open up and express their feelings and sentiments. Consequently, they cannot use exposure and they must rely on feedback. Subordinates probably distrust such managers because they realize that these managers are holding back their own ideas and opinions. Type B behavior is often displayed by managers who desire to practice some form of permissive leadership.

Type C. Managers who value their own ideas and opinions but not the ideas and opinions of others, use exposure at the expense of feedback. Subordinates soon realize that such managers are not practically interested in communicating, only in telling. Consequently, type C managers usually have subordinates who are hostile, insecure, and resentful. Subordinates soon learn that such managers are mainly interested in maintaining their own sense of importance and prestige.

Type D. The most effective interpersonal communication style is one that balances exposure and feedback. Managers who are secure in their positions feel free to expose their own feelings and to obtain feedback from others. To the extent that a manager practices type D behavior successfully, the Arena region becomes larger and communication becomes more effective.

Notes:

- obey – повиноваться
- persuade – убеждать
- crucial – решающий
- anxiety – тревога
- hostility – враждебность
- aloofness – отчужденность, равнодушие
- resentful – обидчивый
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