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«Финансовый университет при Правительстве Российской Федерации»
Ярославский филиал**

**АНГЛИЙСКИЙ ЯЗЫК ДЛЯ СТУДЕНТОВ
ЭКОНОМИЧЕСКИХ СПЕЦИАЛЬНОСТЕЙ.
ENGLISH FOR STUDENTS OF ECONOMICS**

Учебное пособие

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Данное учебное пособие предназначено для студентов экономических специальностей. Цель учебного пособия — развитие навыков устной речи, чтения и понимания литературы экономического профиля на английском языке. Пособие разработано на основе современных аутентичных материалов и является профессионально ориентированным. В пособие включены тексты и упражнения по различным направлениям экономики: типы бизнеса, менеджмент, маркетинг, банки и финансы, налогообложение и т.д. Учебное пособие направлено на подготовку бакалавров к самостоятельной учебной и научно-исследовательской работе на английском языке.

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Unit 1. ECONOMICS AND ECONOMY

1. Read the words and learn them by heart. Make up your own sentences with them.

economy	экономическая (хозяйственная) деятельность
economics	экономика (как наука)
economic	экономический
economical	экономный
to economize	экономить
production	производство
to produce	производить
producer	производитель
distribution	распределение, распространение
consumption	потребление
to consume	потреблять
consumer	потребитель
price	цена
goods	товары
to involve	включать в себя
behavior	поведение
factors of production	факторы производства
land	земля
labor	труд
enterprise	предприятие
to raise	поднимать
issue	проблема
scarce resources	ограниченные (дефицитные) ресурсы
to employ	трудоустраивать
employment	занятость
unemployment	безработица
manufacturing firm	фирма производитель
raw materials	сырье
to satisfy	удовлетворить
to provide	предоставлять
economic growth	экономический рост
revenue	выручка
to allocate	распределять
income	доход
to own	владеть

business	бизнес, предприятие
arrangement	договоренность, соглашение
interest rates	процентные ставки
tax	налог
household	домашнее хозяйство
purchasing	покупка
savings	сбережения
competition	конкуренция
society	общество

2. Read these words paying attention to the stress and translate them.

e'conomy
eco'nomical
e'conomist
eco'nomics
eco'nomically
eco'nomie
to e'conomize

3. Match the words with their definitions.

a) *economy*, b) *economics*, c) *economic*, d) *economical*.

1. social science concerned chiefly with description and analysis of the production, distribution and consumption of goods and services;
2. using the minimum required; not wasteful of time, effort, resources;
3. area of the production, distribution or trade and consumption of goods and services;
4. concerning or affecting material resources or welfare, capable of being produced or operated for profit, relating to the science of economics.

4. Use the words from the previous exercise and fill in the gaps with the appropriate words.

1. As it is a study that constitutes rational human behavior in the endeavor to fulfill needs and wants, _____ tries to explain how and why we get the stuff we want and need to live.
2. The word _____ is Greek and means "household management". It was studied by many philosophers beginning from ancient Greece, notably Aristotle.
3. It is evident that we observe the period of sustained _____ growth.
4. The _____ writing style is characteristic for SMS communication.

5. The new _____ theories regarding the effects of deficit spending have been developed recently.

6. Market-based _____ allows goods to flow freely through the market, according to demand and supply.

7. Being a field of studying that has become vitally important in our globalized society, _____ deals with money and borrowing, production and consumption, trade and markets, employment and occupations, pricing, taxes and much more.

5. Complete the definition.

Economy is Economics is An economist is

- a) a person who.....
- b) a science which.....
- c) a system of.....

6. Choose the correct word.

1. I am a student of (economy, economics) now.
2. At school I didn't study the (economy, economics) of Great Britain.
3. I hope he'll make a good (economist, economy).
4. There are many (economic, economical) problems in the world.
5. This car is very (economic, economical).
6. I try to spend money and time (economical, economically).
7. This car (economize, economizes) fuel.

7. Text

1. *Before you start.*

- What is economics?
- Why is economics important?
- Why can we call economics - a social science?
- Can you name the main economic problems that modern society faces nowadays? How can the knowledge of economics help solve them?

2. *Read and translate the text.*

Economics, economy and economic system

Economics is a social science that deals with the production, distribution, and consumption of goods and services. It is social because it involves people and their behavior. It is a science because it uses, as much as possible, a scientific approach in its investigation of choices.

Economics focuses heavily on the four *factors of production*, which are land, labor, capital, and enterprise. Our *resources* are limited. At any one time, we have only so much land, so many factories, so much oil, so many people. But our wants, our desires for the things that we can produce with those resources, are unlimited. We would always like more and better housing, more and better education – more and better of practically everything.

If our resources were also unlimited, we could say yes to each of our wants – and there would be no economics. Because our resources are limited, we cannot say yes to everything. To say yes to one thing requires that we say no to another. Whether we like it or not, we must make choices. The choices raise three sets of issues. Every economy must answer the following *questions*:

1. *What should be produced?* Every society must decide what it will produce with its scarce resources.

2. *How should goods and services be produced?* There are all sorts of choices to be made in determining how goods and services should be produced. Should a firm employ a few skilled or a lot of unskilled workers? Should it produce in its own country or should it use foreign plants? Should manufacturing firms use new or recycled raw materials to make their products?

3. *For whom should goods and services be produced?* If a good or service is produced, a decision must be made about who will get it.

As you know from the course of history, the development of humanity supposed the creation and working out new resources to satisfy the growing needs of people. The growth of these needs required the necessity of finding new sources to provide the production of goods and services. The problem of matching human needs and effective ways of utilizing resources can bring economic growth, high level of employment, stable prices, equitable distribution of revenues and relative social security. Thus, the complex of undertakings in the scale of a state or completely the human society, which is directed on reaching this goal, can be called *economic system*.

Different countries may have different kinds of economies. For example, a planned economy is the one, in which all resources are allocated by the government. It owns everything and controls prices and incomes. A mixed economy supposes something between free-market and planned economies. The government owns and allocates some resources and the free market (buyers and sellers) owns and allocates others. But the most effective is a market economy as businesses are free to buy and to sell their goods and services on the terms they like. Economic market is a set of arrangements and rules through which buyers and sellers make contact and do business.

There are two main types of economics: microeconomics and macroeconomics.

Macroeconomics - the branch of economics that studies the overall working of a national economy. It is more focused on the big picture and analyzing things such as growth, inflation, interest rates, unemployment, and taxes.

Microeconomics - the branch of economics that studies how households and businesses reach decisions about purchasing, savings, setting prices, competition in business, etc. It focuses at the individual level, while macroeconomics looks at the decisions that affect entire countries and society as a whole.

8. Find in the text the English equivalents of the following Russian word combinations:

1. общественная наука
2. наши желания безграничны
3. жилищные условия
4. нравится нам или нет
5. как должны производиться товары и услуги
6. квалифицированные и неквалифицированные рабочие
7. переработанное сырье
8. развитие человечества
9. удовлетворять растущие потребности
10. достижение цели
11. вести бизнес
12. отрасль экономики

9. Say if the sentences concerning the text are true or false:

1. Economics is an exact science that deals with numbers and shapes.
2. Economics does not involve people and their behavior.
3. Economics uses a scientific approach in its investigation of choices.
4. We have so much land, so many factories, so much oil, so many people, our resources are unlimited.
5. No matter whether we like it or not, we must make choices.
6. The first question that economy must answer is –Where can we get money for production?
7. Every society must decide what it will produce with its scarce resources.
8. It is not important for a producer to know who will get his products and services.

9. The growing wants of people were the main reason for the development of economy.

10. The production of goods and services dictated the necessity of creating new approaches to the utilizing resources.

11. Businessmen of the countries with a planned economy take active part in defining economic policy of the state.

10. Determine the correspondence between words 1 - 9 and phrases a –

i.

1. resources	a. a business whose work involves doing something for customers but not producing goods
2. production	b. an act of choosing between two or more possibilities
3. goods	c. things that are produced to be sold
4. choice	d. income
5. distribution	e. they are used to produce something
6. to require	f. when everybody gets his share
7. revenues	g. the process of manufacture
8. service	h. to give smb. a job to do for payment
9. to employ	i. to make somebody do or have something, especially because it is necessary according to a particular law or set of rules

11. Read the text and fill in the gaps 1-5 with phrases a-e. Translate the text.

What is economics?

a. for goods and services by consumers, business investors, and governments

b. that give them as much pleasure as possible

c. try to achieve efficiently any economic objective they select

d. in social contexts

e. can extract from their operations

Economics is a social science studying production, distribution, exchange, and consumption of goods and services. Economists focus on the way in which individuals, groups, business enterprises, and governments 1... . Other fields of study also try to do that. Psychology and ethics try to explain how objectives are formed; history records changes in human objectives; sociology interprets human behavior 2... .

Standard economics can be divided into two major fields. The first, microeconomics, explains how supply and demand in competitive markets create prices, wage rates, profit margins, and rental changes. Microeconomics assumes that people behave rationally. Consumers try to spend their income in ways 3... . As economists say, they maximize utility. For their part, entrepreneurs seek as much profit as they 4... .The second field, macroeconomics, deals with modern explanations of national income and employment. Macroeconomics dates from the book, *The General Theory of Employment, Interest, and Money* (1935), by the British economist John Maynard Keynes. His explanation of prosperity and depression is based on the total or aggregate demand 5... .

12. For each of the following, determine whether the topic would be considered part of macroeconomics or microeconomics. Your answer should also include a discussion of why you believe this is the case.

1. The government is thinking about increasing the tax on cigarettes as a way to decrease consumption. In order to do this, they are looking at the impacts of previous taxes on specific products.

2. Congress is considering reducing payroll taxes as a way to increase spending to help the economy recover from a recession.

3. An economic student is looking at the relationship between the stock market and the unemployment rate over the past 30 years in an attempt to determine whether or not it is a good time to invest.

4. A marketing firm is attempting to determine how much they should charge their clients by estimating the increase in profits they will be able to bring the firm by employing their services.

5. A business is trying to determine whether or not it should invest in training for their employees as a way to increase future production.

6. The government is mulling a new piece of legislature that would increase the average number of years that students spend in post-secondary education.

13. Determine which of the sentences describe microeconomics and which describe macroeconomics. Arrange these sentences in a logical order to make two texts.

a) M... is the study of decisions that people and businesses make regarding the allocation of resources and prices of goods and services.

b) For example, M... would look at how an increase/decrease in net exports would affect a nation's capital account or how GDP would be affected by unemployment rate.

c) M... focuses on supply and demand and other forces that determine the price levels seen in the economy.

d) M... is the field of economics that studies the behavior of the economy as a whole and not just on specific companies, but entire industries and economies.

e) M... looks at the country and government decisions.

f) M... is generally the study of individuals and business decisions.

g) M... looks at economy-wide phenomena, such as Gross Domestic Product (GDP) and how it is affected by changes in unemployment, national income, rate of growth and price levels.

h) For example, M... would look at how a specific company could maximize its production and capacity so it could lower prices and better compete in its industry.

14. Discuss with the group the following topics:

1. Find various definitions and quotations about economics and discuss them with the group (use internet for additional information).
2. Advantages and disadvantages of a free-market economy.
3. Advantages and disadvantages of a planned economy.
4. Is the economy of your country free-market or planned? And why?
5. How do geographical, cultural, ethnic peculiarities influence a country's economy: what to produce, how to produce, and for whom?

15. Translate the following sentences using the vocabulary of Unit 1.

1. Я выполню работу как можно экономнее. 2. Производство новых вертолетов начнется в этом году. 3. В нашем районе открылся новый магазин с низкими ценами. 4. Наша компания оказывает финансовые и юридические услуги. 5. Потребление тепла и электричества возрастает в холодное время года. 6. Люди не ожидали, что темпы инфляции будут такими высокими.

16. Prepare a presentation about the economy of a country and present it to the audience.

17. Read and translate the text, put 5 questions to it.

British Economy

The United Kingdom is made up of England, Wales, Scotland and Northern Ireland. It was the world's first industrialized country. The UK still plays a significant role in the global economy, due to its large GDP and the financial importance of its capital, London.

British economy has for many years been based on service industries. Among them are wholesale and retail trade, transport and storage, communication, hotels and restaurants, etc.

Manufacturing accounts for only about 16% of national output, but is still important for overseas trade (about 80% of exports). The largest sector is engineering, producing cars, commercial vehicles and engines. Heavy industry, employing many thousands of people and producing large volumes of low-value goods, such as steelmaking, has either become highly efficient or has been replaced by smaller industrial units producing high-value goods (aerospace and electronic).

Agriculture is intensive, highly mechanized, and efficient, producing about 60% of food needs with less than 2% of the labor force. Around two-thirds of the production is devoted to livestock (cattle, chickens and sheep), one-third – to arable crops (wheat, barley, oats, potatoes and sugar beet).

Unit 2. SUPPLY AND DEMAND

1. Read the words and learn them by heart. Make up your own sentences with them.

supply	предложение; предлагать, поставлять
demand	спрос; спрашивать, требовать
the law of demand	закон спроса
shift	сместать; сдвиг
curve	кривая
value	стоимость, ценность
product	продукт
commodity	товар
availability	наличие, доступность
available	доступный, имеющийся в наличии
increase	повышаться; повышение, рост
decrease	уменьшаться; снижение, спад
to fall	снижаться
purchase	покупать; покупка
quantity	количество
market equilibrium	рыночное равновесие
equal	равный; быть равным, соответствовать

shortage, scarcity	дефицит
surplus	избыток
output	выпуск (продукции)
competitive	конкурентный
marginal utility	предельная полезность
the substitution effect	эффект замещения
purchasing power	покупательная способность
ability	способность
profitable	прибыльный
profit	прибыль
cost	издержки, стоимость
the wage rate	ставка заработной платы
to depend on	зависеть от
exchange	обмен
to change	изменяться

2. Text

1. *Before you start.*

- How do you understand the term demand?
- What factors can influence demand?
- How do you understand the term supply?
- What factors can influence supply?

2. *Read and translate the text.*

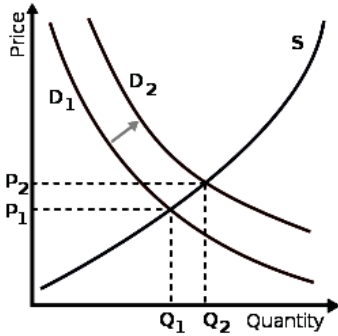
Supply and demand

The supply and demand model describes how prices vary as a result of a balance between product availability and demand. The graph depicts an increase (that is, right-shift) in demand from D1 to D2 along with the consequent increase in price and quantity required to reach a new equilibrium point on the supply curve (S).

Prices and quantities have been described as the most directly observable attributes of goods produced and exchanged in a market economy. The theory of supply and demand is an organizing principle for explaining how prices coordinate the amounts produced and consumed. In microeconomics, it applies to price and output determination for a market with perfect competition, which

includes the condition of no buyers or sellers large enough to have price-setting power.

For a given market of a commodity, demand is the relation of the quantity that all buyers would be prepared to purchase at each unit price of the good. Demand is often represented by a table or a graph showing price and quantity demanded (as in the figure). Demand theory describes individual consumers as rationally choosing the most preferred quantity of each good, given income, prices, tastes, etc. A term for this is 'constrained utility maximization' (with income and wealth as the constraints on demand). Here, utility refers to the hypothesized relation of each individual consumer for ranking different commodity bundles as more or less preferred.



The law of demand states that, in general, price and quantity demanded in a given market are inversely related. That is, the higher the price of a product, the less of it people would be prepared to buy of it (other things unchanged). As the price of a commodity falls, consumers move toward it from relatively more expensive goods (the substitution effect). In addition, purchasing power from the price decline increases ability to buy (the income effect). Other factors can change demand; for example, an increase in income will shift the demand curve for a normal good outward relative to the origin, as in the figure.

Supply is the relation between the price of a good and the quantity available for sale at that price. It may be represented as a table or graph relating price and quantity supplied. Producers, for example business firms, are hypothesized to be profit-maximizers, meaning that they attempt to produce and supply the amount of goods that will bring them the highest profit. Supply is typically represented as a directly-proportional relation between price and quantity supplied (other things unchanged). That is, the higher the price at which the good can be sold, the more of it producers will supply, as in the figure. The higher price makes it profitable to increase production. Just as on the demand side, the position of the supply can shift, say from a change in the price of a productive input or a technical improvement.

Market equilibrium occurs where quantity supplied equals quantity demanded, the intersection of the supply and demand curves in the figure above. At a price below equilibrium, there is a shortage of quantity supplied compared to quantity demanded. This is posited to bid the price up. At a price above equilibrium, there is a surplus of quantity supplied compared to quantity

demanded. This pushes the price down. The model of supply and demand predicts that for given supply and demand curves, price and quantity will stabilize at the price that makes quantity supplied equal to quantity demanded. Similarly, demand-and-supply theory predicts a new price-quantity combination from a shift in demand (as to the figure), or in supply.

For a given quantity of a consumer good, the point on the demand curve indicates the value, or marginal utility, to consumers for that unit. It measures what the consumer would be prepared to pay for that unit. The corresponding point on the supply curve measures marginal cost, the increase in total cost to the supplier for the corresponding unit of the good. The price in equilibrium is determined by supply and demand. In a perfectly competitive market, supply and demand equate marginal cost and marginal utility at equilibrium.

Other applications of demand and supply include the distribution of income among the factors of production, including labor and capital, through factor markets. In a competitive labor market for example the quantity of labor employed and the price of labor (the wage rate) depends on the demand for labor (from employers for production) and supply of labor (from potential workers).

3. Match the words with their definitions.

1. producer	a. the idea that the price of goods and services depends on how much of something is being sold and how many people want to buy it
2. surplus	b. the money that you make in business or by selling things, especially after paying the costs involved
3. supply and demand	c. more than is needed
4. labor	d. a company, country or person that makes goods
5. utility	e. a state of balance, especially between opposing forces or influences
6. equilibrium	f. the usefulness of something
7. profit	g. the money that a person, a region, a country, etc. earns from work, from investing money, from business, etc.
8. income	h. practical work, especially that which involves physical effort

4. Find in the text the English equivalents of the following Russian word combinations:

1. рыночная экономика
2. предельная полезность

3. рынок труда
4. предельная стоимость
5. рынок с совершенной конкуренцией
6. рыночное равновесие
7. факторы производства
8. эффект замещения
9. закон спроса
10. распределение доходов

5. Translate the following words and expressions into Russian:

- | | |
|-----------------------------|------------------------|
| 1. demand-and-supply theory | 6. profit-maximizers |
| 2. demand for labor | 7. purchasing power |
| 3. income effect | 8. perfect competition |
| 4. product availability | 9. law of demand |
| 5. normal goods | 10. supply curve |

6. Choose the correct answer.

1. describes individual consumers as rationally choosing the most preferred quantity of each good, given income, prices, tastes, etc.

- a) supply theory b) market equilibrium c) demand theory

2. The point on the demand curve indicates to consumers for a given customer good.

- a) marginal utility b) supply c) perfect competition

3. The quantity of labor employed and the price of labor (the wage rate) depends on the

- a) purchasing power b) demand for labor c) income effect

4. The describes how prices vary as a result of a balance between product availability and demand.

- a) normal good b) demand for labor c) supply and demand model

5. Producers, for example business firms, are hypothesized to be

- a) market b) profit-maximizers c) consumers

7. Say if the sentences are true or false.

1. The prices of the goods or services determine the quantity that people are willing and able to consume.

2. People with higher incomes are likely to purchase goods and services more often than people with lower incomes.
3. A lower price tends to reduce the quantity people demand, and a higher price tends to increase it.
4. A demand curve shows the relationship between the price and quantity demanded of a good or service.
5. Prices of other goods and services do not affect demand and consumption of the particular product.
6. A higher price induces sellers to offer a lesser quantity of goods and services.
7. Price and production cost are the main determinants (factors) that influence supply.
8. A supply curve shows the relationships between price and quantity of buyers willing to buy a good or service.
9. A change that increases the quantity of a good or service supplied at each price shifts the supply curve to the left.

8. Answer the questions.

1. What does the supply and demand model describe?
2. What characteristics determine the quantity people are willing and able to consume?
3. How does price affect the quantity demanded of a good or service?
4. What are the key-factors that determine the quantity of a good or service sellers are willing to offer for sale?
5. How does a number of sellers affect the quantity of a good that will be offered for sale?
6. What is the law of supply?
7. When does market equilibrium occur?

9. Choose the proper word from two variants in brackets.

1. The fashion for mini-skirt (increased / reduced) the demand for textile materials.
2. Even in (some / the same) middle-income countries many people are very poor.
3. Government regulations sometimes (decrease / impose) a change in (technology / quantity) that producers do not want to use.
4. Stabilization of prices is of great importance to industrial nations (as we/ as /as well) the Third World countries.
5. Freeing up prices leads to their (decrease / increase).
6. (Inferior / Normal) goods are usually low-quality goods for which there are higher-quality (improvements / substitutes) sold at higher prices.
7. A decrease in (complement / input) prices makes the production less expensive.

10. Complete the sentences using comparative constructions with the words *than* or *as*.

Model:

*We face the problem of surplus when supply is **higher than demand**.*

*Market economic system is **not so stable as command system**.*

*Producers supply **as many goods as** consumers are ready to buy.*

1. The market is in equilibrium when the demanded quantity is as large ...

2. Prices rise when they are not so high

3. Prices rise when they are lower

4. We may have excess supply if prices are higher

5. The demand for inferior goods at high incomes will not be as high

11. Read and find Russian equivalents to the following English proverbs and sayings. Express your thoughts on these topics and explain the meaning of them.

- All covet, all lose.
- A bargain is a bargain.
- To angle with a silver hook.
- Better be born lucky than rich.
- An ass loaded with gold climbs to the top of the castle.
- Better be envied than pitied

12. Speaking.

1) Discuss with the group the following topic and solve the problem:

All other things unchanged, what happens to the demand curve for car rentals if there is

(a) an increase in the price of fuel, (b) a decrease in family income, or (c) an increase in the price of car rentals?

2) Discuss with your groupmates, how demand and supply for various goods and services can vary and change according to different situations:

- geographical location;
- change of the season;
- various holidays;
- political situation;
- economic situation.

Suggest your own criteria that can influence demand and supply.

13. Make a presentation.

Describe some peculiarities of demand and supply for various goods and services in different countries.

14. Read and translate the text, put 5 questions to it.

Supply & Demand Runs Our Economy

Supply and demand do not necessarily respond to price movements proportionally. The degree to which price changes affect the product's demand or supply is known as its price elasticity. Products with a high price elasticity of demand will see wider fluctuations in demand based on the price. In contrast, basic necessities will be relatively inelastic in price because people can't easily do without them, meaning demand will change less relative to changes in the price.

The law of demand holds that demand for a product changes inversely to its price, all else being equal. Changes in demand levels as a function of a product's price relative to buyers' income or resources are known as the income effect.

Naturally, there are exceptions. One is Giffen goods, typically low-priced staples also known as inferior goods. Inferior goods are those that see a drop in demand when incomes rise because consumers trade up to higher-quality products. But when the price of an inferior good rises and demand goes up because consumers use more of it in place of costlier alternatives, the substitution effect turns the product into a Giffen good.

At the opposite end of the income and wealth spectrum, Veblen goods are luxury goods that gain in value and consequently generate higher demand levels as they rise in price because the price of these luxury goods signals (and may even increase) the owner's status. Veblen goods are named for economist and sociologist Thorstein Veblen, who developed the concept and coined the term "conspicuous consumption" to describe it. Factors such as taxes and government regulation, the market power of suppliers, the availability of substitute goods, and economic cycles can all shift the supply or demand curves or alter their shapes.

The Law of Supply and Demand is essential because it helps investors, entrepreneurs, and economists understand and predict market conditions. For example, a company considering a price hike on a product will typically expect demand for it to decline as a result, and will attempt to estimate the price elasticity and substitution effect to determine whether to proceed regardless.

What Is an Example of the Law of Supply and Demand? When gasoline consumption plunged with the onset of the COVID-19 pandemic in 2020, prices quickly followed suit because the industry ran out of storage space. The price decline, in turn, served as a powerful signal to suppliers to curb gasoline production. Conversely, crude oil prices in 2022 provided producers with additional incentive to boost output.

Unit 3. MARKET

1. Read the words and learn them by heart. Make up your own sentences with them.

household	домашнее хозяйство
small business	малое предприятие, малый бизнес
local market	местный рынок
entrepreneurship	предпринимательство
rent	рента
procedure	процедура, технологический процесс
infrastructure	инфраструктура
social relations	социальные отношения
fiat money	бумажные деньги
arrangement	соглашение, договоренность
trade / to trade	торговля / торговать
tradable	торгуемый
to evaluate	оценивать
to interact	взаимодействовать
interaction	взаимодействие
commodity market	товарный рынок
international currency	международная валюта
transaction	сделка, транзакция
market participant	участник рынка
influence / to influence smth	влияние / влиять на что-л.
allocation of resources	распределение ресурсов
society	общество
auction	аукцион
wholesale market	оптовый рынок
delivery	доставка
illegally	незаконно
virtual market	виртуальный рынок
negotiation	переговоры
to negotiate	вести переговоры
legal tender	законное платежное средство

2. Read the words paying attention to the transcription.

entrepreneurship |ɒntreɪprə'ni:ʃɪp|

procedure |prə'si:dʒə|

scarce resources |skeəs ri'zɔ:sɪz|
infrastructure |'ɪnfɹəstrʌktʃə|
arrangement |ə'reɪndʒmənt|
evaluate |ɪ'væljuəɪt|
currency |'kʌrənsɪ|
society |sə'saɪti|
auction |'ɔ:kʃən|
wholesale |'həʊlseɪl|
virtual |'vɜ:tʃʊəl|
negotiation |nɪɡəʊʃi'eɪʃən|
negotiate |nɪ'ɡəʊʃiəɪt|

3. Text

1. Before you start.

- What definitions can be given to the word market?
- What characteristics of the market can you name?
- What types of markets do you know?

2. Read and translate the text.

Market

A market is any one of a variety of systems, institutions, procedures, social relations and infrastructures whereby businesses sell their goods, services and labor to people in exchange for money. Goods and services are sold using a legal tender such as fiat money. This activity forms part of the economy. It is an arrangement that allows buyers and sellers to exchange items. Competition is essential in markets, and separates market from trade. Two persons may trade, but it takes at least three persons to have a market, so that there is competition on at least one of its two sides. Markets vary in size, range, geographic scale, location, types and variety of human communities, as well as the types of goods and services traded. Some examples include local farmers' markets held in town squares or parking lots, shopping centers and shopping malls, international currency and commodity markets, legally created markets such as for pollution permits, and illegal markets such as the market for illicit drugs.

In mainstream economics, the concept of a market is any structure that allows buyers and sellers to exchange any type of goods, services and information. The exchange of goods or services for money is a transaction. Market participants consist of all the buyers and sellers of a good who influence its price. This influence is a major study of economics and has given rise to several theories and models concerning the basic market forces of supply and

demand. There are two roles in markets, buyers and sellers. The market facilitates trade and enables the distribution and allocation of resources in a society. Markets allow any tradable item to be evaluated and priced. A market emerges more or less spontaneously or is constructed deliberately by human interaction in order to enable the exchange of rights of services and goods.

Historically, markets originated in physical marketplaces which would often develop into - or from - small communities, towns and cities.

A market can be organized as an auction, as a private electronic market, as a commodity wholesale market, as a shopping center, as a complex institution such as a stock market, and as an informal discussion between two individuals.

Markets of varying types can spontaneously arise whenever a party has interest in a good or service that some other party can provide. Hence there can be a market for cigarettes in correctional facilities, another for chewing gum in a playground, and yet another for contracts for the future delivery of a commodity. There can be black markets, where a good is exchanged illegally and virtual markets, such as eBay, in which buyers and sellers do not physically interact during negotiation. There can also be markets for goods under a command economy despite pressure to repress them.

4. Match the words with their definitions.

1. infrastructure	a. the amount of money for which something is sold
2. competition	b. a group of shops together in one area, often in one large building
3. auction	c. an occasion when someone buys or sells something, or when money is exchanged or the activity of buying or selling something
4. shopping center	d. the activity of buying and selling, or exchanging, goods and/or services between people or countries
5. stock market	e. the basic systems and structures that a country or organization needs in order to work properly, for example roads, railways, banks etc.
6. price	f. a situation in which organizations try to be more successful than other organizations
7. trade	g. a public meeting where things are sold to the person who offers the most money for them
8. transaction	h. the business of buying and selling stocks and shares

5. Translate the following words and expressions into Russian.

1. command economy
2. tradable item

- | | |
|----------------------------|-----------------------------|
| 3. illegal market | 7. buyers and sellers |
| 4. shopping mall | 8. legal tender |
| 5. allocation of resources | 9. evaluate |
| | 10. delivery of a commodity |
| 6. labor | |

6. Translate the following words and expressions into English.

- | | |
|---------------------------|--------------------------|
| 1. распределение ресурсов | 6. спрос и предложение |
| 2. фондовая биржа | 7. оптовый рынок товаров |
| 3. бумажные деньги | 8. повышать торговлю |
| 4. участники рынка | 9. черный рынок |
| 5. рынок товаров | 10. виртуальный рынок |

7. Choose the correct answer.

1. is any one of a variety of systems, institutions, procedures, social relations and infrastructures.

- a) tender b) delivery c) market

2. Markets where a good is exchanged illegally is called

- a) black markets b) shopping malls c) virtual markets

3. eBay is an example of

- a) black market b) commodity market c) virtual market

4. A group of shops together in one area is called

- a) commodity market b) illegal market c) shopping center

5. A market is any structure that allows buyers and sellers to any type of goods or services.

- a) sell b) buy c) exchange

8. Answer the questions.

1. What is a market?
2. What is a black market?
3. What is a virtual market?
4. What is needed for a market to function?
5. What is the role of market participants?

9. Match 1-6 with a-f to make meaningful phrases. Use these phrases to speak about market economy.

1) to have	a) to maximum profits
2) to be free	b) prices close to costs
3) to lead	c) the right to own, control and dispose of real assets
4) to keep	d) to buy, hire, and sell
5) to cause	e) to laws and government regulations
6) to be subject	f) changes in market prices

10. Match 1-5 with a-e to make meaningful phrases.

1) to take	a) the costs and expenses
2) to attract	b) buyers
3) to cover	c) a choice
4) to create	d) to buy
5) to locate	e) surveys
6) to persuade	f) product

11. Express your point of view.

1. What is e-market? What do people usually sell/buy on e-markets?
2. Have you ever bought/sold anything on the Internet? What was it?
3. Are e-markets and e-commerce convenient? Why? Why not?

When answering, use the phrases:

To my mind ...	In my experience ...
In my opinion ...	As far as I understand ...
On the one hand, ...on the other hand	From my point of view ...
If my memory serves me right ...	If I am not mistaken ...
It seems to me that ...	Personally, I think ...
My personal view is that ...	I am sure/certain/convinced that ...
The fact is that ...	This proves that ...
It is obvious that ...	There is no doubt that ...

12. Fill the gaps with the following words:

“return or reward”, nature, rent, include, each, factors of production

The resources that go into the creation of goods and services are called the 1..... . The factors of production include natural resources, human resources, capital and entrepreneurship. 2..... factor of production has a place in the economic system, and each has a particular function. People who own or use a factor of production are expecting a 3..... .

Natural resources are the things provided by 4..... that go into the creation of goods and services. They 5..... such things as minerals, wildlife and timber resources. Economists also use the term “land” when they speak of natural resources as a factor of production. The price paid for the use of land is called 6..... . Rent becomes income to workers, who own their labor.

13. Decide whether the following statements are True or False.

1. Market is a place where sellers and buyers meet physically. ___
2. Prices ensure that scarce resources are allocated in accordance with the society's needs. ___
3. In the market system the government regulates prices.
4. Prices are independent of the amount of demand and supply. ___
5. People’s desire to buy goods makes markets work.

14. Read and translate the text, put 5 questions to it.

How to identify market trends for long-term business planning

Keeping pace with market trends is never easy – day-to-day you’ve got a business to run, after all. However, it’s important to acknowledge that industry is ever-changing and in order to stay ahead of the curve and avoid competitors passing you by you need to be able to move with the times for the benefit of long-term business planning.

Market trend analysis needn’t be as scary as it sounds. It’s simply the comparison of industry data over a set time period, designed to recognize any consistent trends or results that could be used to map your business strategy - aligning it with the general direction of your industry. Market trends tend to be heavily influenced by consumer habits and behaviors. By carrying out the following types of industry trend analysis you’ll be able to determine the moves that could have a direct impact on your overall business performance:

Keep track of industry influencers and publications. As a busy entrepreneur, being pressed for time is by no means a rarity! We don’t always have the time or head space to be able to read through every interesting thought leadership article within our respective industries, so how can we keep track of industry developments? Social media is a powerful tool to keep track of industry influencers, their points of view and ensure you remain part of the conversation.

Absorb up-to-date industry research and trends reports like a sponge. To get a real picture of your industry landscape and determine the direction it is heading in, you really need to be reading up on the wealth of industry reports.

Make the most of digital tools and analytics to assess industry behavior. It's great because you can let these tools do all the legwork for you to help you understand the bigger picture of your marketplace much more quickly. Digital analytics can help you discover trends increasingly searched for by consumers online. For instance, Google Trends displays a long-term overview of niche trends while Google's Keyword Planner allows you to search the most popular keywords used by your target demographic online and the potential scale for using and bidding on them for your business as part of a digital advertising campaign.

Listen to your customers. It pays to talk to your customers. After all, they are the ones that help put food on the table! Don't be afraid to have a chat with them and learn more about their pressure points to discover what more your business can do to help them. Regular quantitative surveys of your existing customer base or – if you're a completely new start-up – your target market could provide valuable insight into possible changes in their behaviors and needs.

Competitor observation. Most successful businesses don't follow the crowd; they innovate and break new ground in order to stand out from the noise. However, observation of your competitors can often give you a good picture of their market positioning and whether they are reacting to what could be seen as an emerging trend. Competitor analysis doesn't have to cost the earth. By simply reviewing their website, customer reviews and social media channels it is possible to understand how you compare to your competitors.

Unit 4. MARKET STRUCTURE AND COMPETITION

1. Read the words and learn them by heart. Make up your own sentences with them.

feature	особенность, черта, характеристика
enterprise	предприятие, предпринимательство
to protect	защищать
to benefit from smth	извлекать выгоду из чего-л.
to carry out	проводить, выполнять
determinant	определитель, фактор
to determine	определять, устанавливать
monopsony	монопсония
economy of scale	эффект масштаба
to fulfil	соответствовать, удовлетворять
monopoly	монополия
homogeneous	однородный, гомогенный

unique	уникальный
survival of the fittest	естественный отбор
public utility service	коммунальные услуги
intervention	вмешательство
to impose taxes	облагать налогами; взимать налоги
mandatory	обязательный, принудительный
to restrict	ограничивать
restriction	ограничение
identical	идентичный, одинаковый
differentiated	дифференцированный
requirement	требование
moderate	умеренный, средний
oligopoly	олигополия
to be engaged in smth	заниматься чем-либо
distinct	различный
economic entity	хозяйствующий субъект, экономический субъект
to occupy	занимать
substantial	существенный, значительный

2. Read the words paying attention to the transcription.

feature |'fi:tʃə|

enterprise |'entəpraɪz|

determinant |dɪ'tɜ:mɪnənt|

determine |dɪ'tɜ:mɪn|

monopsony |mə'nɒpsəni|

monopoly |mə'nɒpəlɪ|

oligopoly |,ɒlɪ'gɒpəlɪ|

homogeneous |,hɒmə'dʒi:niəs|

unique |ju:'ni:k|

differentiated |,dɪfə'renʃi'eɪtɪd|

identical |aɪ'dentɪkl|

distinct |dɪ'stɪŋkt|

survival |sə'rvaɪvl|

mandatory |'mændətərɪ|

requirement |rɪ'kwaɪəmənt|

entity |'entɪtɪ|

occupy |'ɒkjʊpaɪ|

substantial |səb'stæŋʃl|

3. Text.

1. Before you start.

- What is competition?
- What competitive methods do you know? Are these methods always legal?
- What are the consequences of competition?
- What market structures do you know?

2. Read and translate the text.

Market Structure

Economic competition is an essential feature of a free enterprise economy. On the one hand, it protects the customers – they have the right of choice and they benefit from the fact that competition keeps prices close to costs; on the other hand, it makes producers and suppliers of scarce resources utilize them economically, using most sophisticated technologies.

A *market structure* can be understood as a system for categorizing the products and services offered by the firms, according to the nature and level of competition in the market. A ‘market’ in economics is an actual or virtual area where sellers and buyers communicate to carry out trade activities.

Determinants of Market Structure

The market type for any product or service is decided by the following factors:

• *Number of Sellers:* The number of firms selling a particular product on the market, determines the level of competition.

• *Number of Buyers:* Buyers decide the demand for a particular product. A monopsony market has multiple sellers and a single buyer who influences the price of the product.

• *Economies of Scale* (the size of the firm or the level of production) If the output is done on such a large scale that it fulfils the market demand solely, it may create a monopoly market.

• *Nature of Product:* If the products offered by different sellers are homogeneous, it lies in a perfect competition market. If it is unique and has no other substitute, it creates a monopoly in the market.

• *Entry Barriers:* The market runs on the rule ‘survival of the fittest’ where weak firms exit and strong ones survive. There are some public utility service markets which run on monopoly by the government like post offices, railways, water supply, etc.

- *Government Intervention:* Some markets are indirectly controlled by the government. The government either imposes heavy taxes or makes the business license mandatory to restrict the entry of firms.

Forms of Market Structure

Based on the above determinants, the market structure can be classified into four broad categories.

- Perfect Competition

It is a market where a large number of small firms compete by selling the same kind of products at the same prices (prices determined by the market) to earn a low-profit-margin. The firms freely enter and exit, and there is no government restriction. *For Example;* the farmers' market can be seen as the most common examples of a perfect competition market. Here, all the sellers are engaged in selling identical products at a single price.

- Monopolistic Competition

It is a market where a large number of sellers trade in differentiated products at a different price to meet the requirement of many buyers. They aim at moderate profits in a reasonably competitive market where the firms are free to enter, and exit and government don't control the market activities. *For Example;* a company producing cooking oil has a differentiated product which it has to sell at a competitive or reasonable price to the buyers.

- Oligopoly

Oligopoly is a market where there is a limited number of large sellers who are engaged in selling similar or distinct products at high prices in a less competitive market. The government exercise some control over the business activities and entry of firms is quite restricted. *For Example;* the cement industry, the firms manufacturing mobile phones.

- Monopoly

This term means such a situation on the market, when only one firm operates on it. At the same time there is no competition at all or no similar goods or services are produced by anyone. The firm thus creates high profitability. The entry of other firms is highly restricted, and government exercise complete control over the activities. There are different kinds of monopolies. For example:

- a natural monopoly when an economic entity occupies a privileged position in the market. *Examples:* utility companies (both public and private);
- a pure monopoly when there is only one provider of a certain type of service or goods;

Features of Different Forms of Market Structure

Features Category	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
Number of Firms	Many	Several	Few	Single
Nature of Product	Homogeneous	Differentiated	Homogeneous or Differentiated	Unique
Firm's Control Over Price	No	Little	Substantial	Complete
Entry	Free	Free	Restricted	Highly Restricted
Size of the Firms	Small	Small	Large	Very Large
Product Price	Uniform	Differentiated	High	Uniform
Government Intervention	No	No	Some	Yes
Profit Making Possibility	Low	Medium	High	High

4. Translate into English.

1. влиять на цену
2. эффект масштаба
3. удовлетворять рыночный спрос
4. однородный
5. рынок совершенной конкуренции
6. выживает сильнейший
7. коммунальные услуги
8. вводить налоги
9. низкая рентабельность
10. государственное ограничение
11. дифференцированные продукты
12. монополистическая конкуренция
13. умеренная прибыль
14. чистая монополия

5. Match the words and phrases with the definitions.

1	scale	A	to have an influence on someone or something
2	supply	B	the possibility of getting the right to use or look at something
3	equal	C	a state of balance
4	affect	D	looking or being almost, but not exactly, the same
5	substitute	E	the same in amount, number or size, or the same in importance
6	access	F	to provide something that is needed
7	equilibrium	G	to try to be more successful than someone else
8	demand	H	a limit or boundary of any kind
9	structure	I	money which is earned in trade or business
10	barrier	J	a device for weighing things or people
11	similar	K	to call for or require something
12	market share	L	the way in which the parts of a system are arranged or organized
13	compete	M	the number of things that a company sells compared with the number of things of the same type that other companies sell
14	profit	N	a thing that is used instead of another thing

6. Read and decide whether these statements are true or false.

1. Market structure describes how competitive a market is.
2. Perfect competition and pure monopoly are opposites.
3. In perfect competition, every company makes a different product.
4. Perfect competition makes it easy for new companies to start trading.
5. When there is perfect competition, companies are able to set any price they want.
6. Competition makes prices higher.

7. Match the following descriptions with the appropriate market structure?

- a) An industry with significant barriers to entry and a single supplier
- b) A highly concentrated market with just a few interdependent firms
- c) A highly competitive market with slightly differentiated products
- d) A highly competitive market where firms are price takers

8. Choose the best answer A, B or C from the list.

1. Companies usually have a with senior managers at the top and employees at the bottom.
A shape B structure C building
2. McDonald's has a very big of the fast-food market.
A piece B part C market share
3. A perfect economic system may never
A is B live C exist
4. A monopoly means an absolute or complete monopoly.
A pure B good C clean
5. Countries have been with each other for thousands of years.
A shopping B trading C selling
6. The point is where two things are balanced against each other.
A equilibrium B middle C equal
7. Honey is a healthier for sugar to make things sweet.
A difference B addition C substitute

9. Choose the right answer

1. *Which of these sentences is correct?*

- a) In a purely competitive market structure one firm is the sole producer or seller of a good or service.
- b) Buyers' easy access to information on the products and prices is necessary for pure monopoly to exist.
- c) Both perfect competition and pure monopoly have many sellers of the same product.
- d) The aim of any seller is to attract many buyers to his product in order to earn a profit.

2. *Which of these sentences is correct?*

- a) The goal of a company in purely competitive market structure is to get a larger share of the market.
- b) The goal of a company in purely competitive market structure is to hide the information on the products and prices.
- c) The goal of a company in purely competitive market structure is to enter an unprofitable industry.
- d) The goal of a company in purely competitive market structure is to control prices on goods or services.

3. *Which of the following is the most competitive market structure?*

- a) Perfect competition
- b) Monopolistic competition

c) Oligopoly

d) Monopoly

4. Which of the following is the least competitive market structure?

a) Perfect competition

b) Monopolistic competition

c) Oligopoly

d) Monopoly

5. Which of the following is NOT a feature of monopolistic competition?

a) Numerous sellers

b) Product differentiation

c) Numerous buyers

d) Homogenous products

10. Read the text. Use the words given in capitals on the right to form a word that fits in the gap in the same line.

GOVERN RUN PROTECT COMPLETE FREE

In a capitalist society, the economy and the state are 1..... separated. Most companies, factories, goods and services are owned by private firms and individuals rather than the 2..... . In such a society, the government provides only the 3..... for the rights of each individual; it does not get involved in the day-to-day 4..... of firms and households. This means that capitalism allows people the 5..... to create and accumulate wealth through individual effort.

11. Answer the questions.

1. What is a market?

2. What do we mean by market structure?

3. What are the four basic types of market structure?

4. What is perfect competition?

5. What are the characteristics of a purely competitive market?

6. What does homogeneous mean?

7. What is a price-taker?

8. What does easy entry mean?

9. What are the characteristics of a monopolistic competitive market?

10. What is an oligopoly market structure?

11. What is a monopoly market structure?

12. Test. Choose the one alternative that best completes the statement or answers the question.

1) *What is the difference between perfect competition and monopolistic competition?*

A) Perfect competition has a large number of small firms while monopolistic competition does not.

B) In perfect competition, firms produce identical goods, while in monopolistic competition, firms produce slightly different goods.

C) Perfect competition has no barriers to entry, while monopolistic competition does.

D) Perfect competition has barriers to entry while monopolistic competition does not.

2) *The market type known as perfect competition is*

A) almost free from competition and firms earn large profits.

B) highly competitive and firms find it impossible to earn an economic profit in the long run.

C) dominated by fierce advertising campaigns.

D) marked by firms continuously trying to change their products so that consumers prefer their product to their competitors' products.

3) *Which of the following market types has all firms selling products so identical that buyers do not care from which firm they buy?*

A) perfect competition

B) oligopoly

C) monopolistic competition

D) monopoly

4) *Perfect competition is characterized by all of the following EXCEPT*

A) well-informed buyers and sellers with respect to prices.

B) a large number of buyers and sellers.

C) no restrictions on entry into or exit from the industry.

D) considerable advertising by individual firms.

5) *Which of the following is the best example of a perfectly competitive market?*

A) diamonds

B) athletic shoes

C) soft drinks

D) farming

6) *Which of the following market types has the fewest number of firms?*

A) perfect competition

B) monopoly

C) monopolistic competition

D) oligopoly

7) Which of the following market types has a large number of firms that sell similar but slightly different products?

A) perfect competition

B) oligopoly

C) monopolistic competition

D) monopoly

8) Which of the following market types has only a few competing firms?

A) perfect competition

B) monopolistic competition

C) monopoly

D) oligopoly

9) In a perfectly competitive market, the type of decision a firm has to make is different in the short run than in the long run. Which of the following is an example of a perfectly competitive firm's short-run decision?

A) what price to charge buyers for the product

B) whether or not to enter or exit an industry

C) the profit-maximizing level of output

D) how much to spend on advertising and sales promotion

10) A price-taking firm

A) cannot influence the price of the product it sells.

B) talks to rival firms to determine the best price for all of them to charge.

C) sets the product's price to whatever level the owner decides upon.

D) asks the government to set the price of its product.

11) A large number of sellers all selling an identical product implies which of the following?

A) horizontal market supply curves

B) large losses by all sellers

C) the inability of any seller to change the price of the product

D) market chaos

12) Perfectly competitive firms are price takers because

A) each firm is very large.

B) there are no good substitutes for their goods.

C) many other firms produce identical products.

D) their demand curves are downward sloping.

13. For each of the verbs below, three of the four words or expressions fit. In each case circle the one that does not fit.

1. do	a) business c) a job	b) a profit d) a deal
2. make	a) money c) a loss	b) business d) a decision
3. take	a) a long time c) appropriate measures	b) a decision d) a deadline
4. have	a) progress c) shares in a company	b) something to eat d) a meeting
5. meet	a) a deadline expectation c) an appointment	b) customer's d) a target
6. launch	a) a product c) a campaign	b) a ship d) a team
7. cut	a) costs c) a decision	b) jobs d) a price
8. carry out	a) a meeting c) research survey	b) duties d) a market
9. achieve	a) progress c) a job	b) a breakthrough d) little
10. reach	a) a decision c) an agreement	b) a strategy d) a target

14. Read and translate the text, put 5 questions to it.

What is an Oligopolistic Market or Oligopoly?

The primary idea behind an oligopolistic market (an oligopoly) is that a few companies rule over many in a particular market or industry. Because of a limited number of players in an oligopolistic market, competition is limited, allowing every firm to operate successfully. The firms comprise an oligopolistic market, making it possible for already-existing smaller businesses to operate in a market dominated by a few.

For example, major airlines like American Airlines and United Airlines dominate the flight industry; however, smaller airlines also operate within the space, offering special flights in the holiday niche or offering unique services, providing special guest singers and entertainment on certain flights.

The businesses are generally the trend and price setters, seeking out and forming partnerships and deals that establish prices that are higher than the ruling companies' marginal costs. It means that oligopoly firms set prices to maximize

their own profit. Ultimately, it leads to partnerships and collaborations that foster success for themselves and other firms, specifically smaller companies operating within the same market or industry.

If one firm in a market lowers its prices on goods and services, attaining optimal sales growth, firms in direct competition usually follow suit, often creating a price war. Oligopoly companies generally do not enter such price wars and, instead, tend to funnel more money into research to improve their goods and services and into advertising that highlights the superiority of what they offer over other companies with similar products.

Firms in an oligopoly set prices, whether collectively- in a cartel - or under the leadership of one firm, rather than taking prices from the market. Profit margins are thus higher than they would be in a more competitive market.

Oligopolies in history include steel manufacturers, oil companies, tire manufacturing, grocery store chains, and wireless carriers. The economic and legal concern is that an oligopoly can block new entrants, slow innovation, and increase prices, all of which harm consumers.

Governments sometimes respond to oligopolies with laws against price-fixing and collusion. Yet, a cartel can price fix if they operate beyond the reach or with the blessing of governments. OPEC is one example of this since it is a cartel of oil-producing states with no overarching authority.

One measure that shows if an oligopoly is present is the concentration ratio, which calculates the size of companies in comparison to their industry. Today, several well-known oligopolies exist. Some of these include well-known or household names in key industries or sectors. Instances where a high concentration ratio is present include mass media. In the U.S., for example, the sector is dominated by just five companies: NBC Universal; Walt Disney; Time Warner; Viacom CBS; and News Corporation—even as streaming services like Netflix and Amazon Prime begin to encroach on this market. Meanwhile, within big tech, two companies control smartphone operating systems: Google Android and Apple iOS.

Unit 5. MARKETING AND SALES

1. Read the words and learn them by heart. Make up your own sentences with them.

to identify	идентифицировать, распознавать
to anticipate	предвидеть, ожидать
requirement	требование, потребность
to persuade, convince	убеждать

to provide the benefits	предоставлять выгоду, преимущества
to find out	выяснить, узнавать
to carry out research	проводить исследование
improvement	улучшение, усовершенствование
to come up	подниматься, достигать
promotion	продвижение
retail outlet	розничная торговая точка
to stock	иметь в наличии, в продаже
sales force	торговый персонал
to go hand in hand	идти рука об руку
boundary	граница, черта
acceptable behavior	приемлемое поведение
placement	размещение
to charge the price	назначать цену
competitor	конкурент
average prices	средние цены
to establish	устанавливать
channel of distribution	канал сбыта
wholesaler	оптовый продавец
retailer	розничный продавец
to involve	включать
fair	ярмарка
on a voluntary basis	на добровольной основе
authority	орган, управление
refund	возврат денег
Annual Percentage Rate	годовая процентная ставка
to change one's mind	передумать
obligation	обязательство, обязанность
to disclose information	раскрывать информацию

2. Read the words paying attention to the transcription.

identify |aɪ'dentɪfaɪ|

anticipate |æn'tɪsɪpeɪt|

persuade |pə'sweɪd|

wholesaler |'həʊlsələ|

authority |ɔ:'θɔrɪtɪ|

average |'ævərɪdʒ|

3. Text

1. Before you start.

- What types of needs do you know? What do they include?
- What kind of needs do you have?
- How can you define wants?
- Do wants always satisfy needs?
- When do wants become demands?

2. Read and translate the text.

Marketing and sales

Marketing is the process of identifying, anticipating and then meeting the needs and requirements of consumers in order to make a profit. In contrast, selling involves persuading customers that your products or services provide the benefits that they are looking for.

You can therefore see that there is an important difference between marketing and sales. Marketing puts the needs of the customer first. Through market research, it is possible to find out about customer tastes and requirements.

In contrast selling takes place after marketing has helped the business to identify those sorts of goods that customers are looking for. The sales person is convinced that theirs is the best in the market. It is their job to then convince customers that this is the case.

The marketing department of a firm that produces razors like BIC or Gillette carries out research to find out the sorts of shaving developments that their customers are looking for. They ask customers to tell them what improvements they would like to see to existing products and what new products they would like developing. They test a range of possible products on customers. As a result of the marketing process, they are able to come up with the most suitable products.

Having invested so much in customer focused marketing they must then sell the benefits of the new product developments to customers. This involves advertising and promotion to communicate product benefits. It involves providing the appropriate support literature and direct selling to retail outlets that will stock the new razors. The sales force is effectively selling the benefits of the new products. These benefits were developed as a result of market and product research. Marketing and sales therefore go hand in hand.

Marketing is all about finding out what the customer wants. Selling is all about showing the customer that you can please them by providing them with the products that they want.

Marketing is designed to achieve profitable sales. It involves the use of powerful tools to manipulate the decisions of individuals and of other firms in the private and public sectors. This means that boundaries must be set to define the limits of acceptable behavior.

Marketing can be divided into four main elements that are known as *the four P's: product, price, placement and promotion*. Marketing analysts often look at a combination of these four factors. This combination of the four P's is known as the marketing mix.

The product element of marketing refers to the good or service that a company wants to sell. Next a company considers the price to charge for its product. There are three pricing options the company may take: *above, with or below the prices* that its competitors are charging. Most companies *price with the market* and sell their goods or services for average prices established by major producers in the industry.

The third element of the marketing process placement involves getting the product to the customer. A common channel of distribution is: *manufacturer – wholesaler – retailer – customer*. Communication about the product takes place between a buyer and a seller and is known as promotion. Promotion involves considering the packaging and presentation of the product, its image, the product name, advertising and slogans, brochures, trade exhibitions, fairs...

Some limitations are imposed on a voluntary basis by firms themselves and by industry-based organizations such as the Advertising Standards Authority. But the law must provide the ultimate source of regulation in areas such as:

- consumer protection: laws regulating product safety, honesty in product description and rights to refunds and exchanges;
 - credit: laws requiring lenders to provide full information about a loan including the Annual Percentage Rate (APR); also giving time for borrowers to change their minds;
 - information: obligation not to disclose information held about consumers;
 - child protection: age limits for the sale of alcohol and tobacco products;
- film certification.

Overall, the law has to find a balance between the importance of profitable business enterprise and the need to protect consumers from unfair or anti-social marketing activity.

4. Match the words with their definitions.

1. marketing	a. a company, organization, or business
2. refund	b. a person who buys goods or services for their own use

3. enterprise	c. a part of an organization such as a school, business, or government that deals with a particular area of study or work
4. obligation	d. an amount of money that is given back to you if you are not satisfied with the goods or services that you have paid for
5. borrower	e. a moral or legal duty to do something
6. consumer	f. an occasion when something gets better or when you make it better
7. research	g. the activity of deciding how to advertise a product
8. department	h. a detailed study of a subject in order to discover information or achieve a new understanding of it
9. promotion	i. someone who has borrowed money and has not yet paid it all back
10. improvement	j. activities to advertise something

5. Translate the following words and expressions into English.

1. продавец
2. разглашать информацию
3. годовая процентная ставка
4. выгодный сбыт
5. магазин розничной продажи
6. продвижение (товара)
7. реклама
8. торговый персонал
9. защита прав потребителей
10. маркетинговый отдел

6. Translate the following words and expressions into Russian.

1. to manipulate the decisions of individuals
2. private and public sectors
3. to make a profit
4. limitations
5. industry-based organizations
6. product safety
7. loan
8. market and product research
9. to change mind
10. to use powerful tools

7. Choose the correct answer.

1. is the process of identifying, anticipating and then meeting the needs and requirements of consumers.

- a) refund b) product safety c) marketing

2. Communicating product benefits includes and promotion.

- a) product research b) advertising c) product safety

3. Marketing involves the use of powerful tools to the decisions of individuals.

- a) manipulate b) change c) encroach

4. The is effectively selling the benefits of the new products.

- a) marketing b) sales force c) promotion

5. The job of is to convenience customers.

- a) sales person b) manager c) consumer

8. Say if the sentences are true or false:

1. Four P's are product, price, process and promotion .

2. The marketing strategies of determining product, price, placement and promotion are not planned in isolation.

3. Most companies charge higher prices than the prices of competitors to get the profit.

4. Retailers generally sell large quantities of a product to wholesalers, and wholesalers usually sell smaller quantities to customers.

5. Promotion involves presenting the product to the customer.

9. Match the beginning and end of the sentence:

1. The purpose of marketing is.....

2. Placement involves.....

3. The combination of the four P's is known as

4. Buying, selling, market research, transportation, storage, advertising are

....

5. The product element of marketing refers to

- a) the marketing mix.
b) getting the product to the customer.
c) to create a situation in which a sale can be made.
d) parts of marketing.
e) the good or service that a company wants to sell.

10. Choose the appropriate one from the italicized words and insert it into the sentence:

- 1.Factory representatives (*distribution / distribute*) products to wholesalers and retailers.
- 2.Our (*production / productive*) is very successful.
- 3.His (*retailer / retail*) business in Canada is expanding now.
- 4.Both the buyer and the seller must be (*satisfaction / satisfied*).
- 5.Sony is a major (*competitor / compete*) of General Electric.

11. Match the questions with the statements that follow them.

1. What sciences is marketing connected with?
2. Do low prices always increase sales of the product?
3. What is very important for marketing strategy of the company?
4. How can customers be influenced?
5. Why are companies continually developing new products to replace products with declining sales?
 - a) A price that is too low can reduce the number of sales just as much as a price that is too high.
 - b) Marketing is influenced by many of the social sciences, particularly psychology, sociology, and economics.
 - c) Products have a life cycle.
 - d) The company focuses its activities and products on consumer demands.
 - e) Marketers try to influence persons' intentions to buy by making the product attractive, affordable, and easily available.

12. Answer the questions.

1. What is marketing?
2. What is sales force?
3. What should be done to increase sales?
4. What limitations are provided by the ultimate source of regulation?
5. What is the job of a sales person?
6. What components does marketing include?
7. What is a marketing mix?

13. a) Find 11 common words connected with marketing in the word square. Four of them are vertical, six are horizontal, and one is diagonal.

R	Q	A	I	J	K	L	M	P	L	A	N
C	U	S	T	O	M	E	R	S	P	O	Q
A	A	S	M	A	R	K	E	T	I	N	G

H	L	D	L	F	G	H	J	T	S	T	O
O	I	E	E	F	W	R	U	U	C	V	O
J	T	M	A	G	Y	B	B	C	E	A	D
L	Y	A	T	H	I	R	U	B	D	U	S
N	Q	N	P	R	O	D	U	C	T	Q	P
O	S	D	T	T	R	V	G	H	J	W	R
O	M	S	E	R	V	I	C	E	S	X	E
D	I	K	I	R	E	S	E	A	R	C	H
D	X	X	A	P	Q	U	A	N	A	F	H

1. 2. 3. 4.
5. 6. 7. 8.
9. 10. 11.

b) Fill the gaps by choosing the words from the square to complete the text below:

Marketers and all levels of management realize the vital importance of 1..... This has become the watchword of good business. 2..... and experience has shown that 3..... will pay more for 4..... and 5..... of high quality, and also that they expect every aspect of the 6....., including 7....., to meet the highest standards. The job of Marketers is to design a 8..... 9..... with a 10..... of all the necessary components to satisfy consumer 11.....

c) Find words in the previous text that mean the same as the following:

- Users of products and services
- People who buy products and services
- Business professionals who work in the field of marketing
- Studies
- The extent to which consumers want something
- The movement of goods and services from the producer to the consumer
- The combination of factors that makes up a marketing plan

14. Fill in the missing words in the table:

Verb	Agent	General noun
1. market	marketer	
2. distribute		
3.		competition

4.		advertising; advertisement
5.	supplier	
6.	sponsor	
7. consume		
8. produce		
9.	analyst	
10.	researcher	
11. import		
12.	promoter	

15. Role play.

1) You are a representative of the marketing department. Study the opinions of customers, find out about their preferences, what changes they would like to see in your products, what new products and services they would like to see on the market.

2) You are a shop assistant. Try to convince the buyer that your product is the best on the market, and this is exactly what the buyer needs.

16. Speaking.

a) What other types of marketing do you know? Find information in the internet and prepare a report.

b) Describe the buying patterns women exhibit versus men.

17. Read and translate the text, put 5 questions to it.

Consumer Behavior: How People Make Buying Decisions?

Why do you buy the things? How did you decide to go to the university you're attending? Where do you like to shop and when? Do your friends shop at the same places or different places? Marketing professionals want to know the answers to these questions. They know that once they do have those answers, they will have a much better chance of creating and communicating about products that you and people like you will want to buy. That's what the study of consumer behavior is all about.

Consumer behavior considers the many reasons why - personal, situational, psychological, and social - people shop for products, buy and use them, and then dispose of them.

Stage 1. Need Recognition

Perhaps you're planning to backpack around the country after you graduate, but you don't have a particularly good backpack. Marketers often try to stimulate consumers into realizing they have a need for a product. For example, previews

at movie theaters. How many times have you have heard about a movie and had no interest in it - until you saw the preview? Afterward, you felt like had to see it.



Stage 2. Information search

Maybe you have owned several backpacks and know what you like and don't like about them. Or, there might be a particular brand that you've purchased in the past that you liked and want to purchase in the future. This is a great position for the company that owns the brand to be in - something firms strive for. Why? Because it often means you

will limit your search and simply buy their brand again.

If what you already know about backpacks doesn't provide you with enough information, you'll probably continue to gather information from various sources. Frequently people ask friends, family, and neighbors about their experiences with products. Internet shopping sites such as Amazon.com have become a common source of information about products. Amazon.com also offers product reviews written by consumers. People prefer "independent" sources such as this when they are looking for product information. However, they also often consult nonneutral sources of information, such as advertisements, brochures, company Web sites, and salespeople.

Stage 3. Evaluation

Obviously, there are hundreds of different backpacks available to choose from. It's not possible for you to examine all of them. Consequently, you develop what's called evaluative criteria to help you narrow down your choices.

Evaluative criteria are certain characteristics that are important to you such as the price of the backpack, the size, the number of compartments, and color. Some of these characteristics are more important than others. Marketing professionals want to convince you that the evaluative criteria you are considering reflect the strengths of their products.

Stage 4. Purchase

Stage 4 is the point at which you decide what backpack to purchase. However, in addition to the backpack, you are probably also making other decisions at this stage, including where and how to purchase the backpack and on what terms. Maybe the backpack was cheaper at one store than another, but the salesperson there was rude. Or maybe you decide to order online because

you're too busy to go to the mall. Other decisions, particularly those related to big ticket items, are made at this point.

Stage 5. Postpurchase Evaluation

At this point in the process you decide whether the backpack you purchased is everything it was cracked up to be. Hopefully it is. If it's not, you're likely to suffer what's called *postpurchase dissonance*. You might call it *buyer's remorse*. You want to feel good about your purchase, but you don't. You begin to wonder whether you should have waited to get a better price, purchased something else, or gathered more information first. Consumers commonly feel this way, which is a problem for sellers. If you don't feel good about what you've purchased from them, you might return the item and never purchase anything from them again. Or, worse yet, you might tell everyone you know how bad the product was.

(Source: *Principles of Marketing* <http://www.saylor.org>)

18. Answer the questions and discuss your results in the group.

1. Before you buy something, do you shop around in different places?
a. always b. sometimes c. never
2. Are you easily taken in by adverts and the appearances of products?
a. always b. sometimes c. never
3. When you buy something, do you ever throw away the receipt?
a. always b. sometimes c. never
4. Before you buy clothes, do you try them on first?
a. always b. sometimes c. never
5. When you buy a gadget, do you read through the guarantee and conditions?
a. always b. sometimes c. never
6. If you have a problem with a product, do you take it back to the shop as soon as possible with the receipt, guarantee and packaging?
a. always b. sometimes c. never
7. When you take something back, do you go up to a shop assistant and start off by explaining the problem politely?
a. always b. sometimes c. never
8. Have you ever rung up your local consumer protection organization to help you out with a problem?
a. yes b. no c. never

Unit 6. BUSINESS ORGANIZATIONS

1. Read the words and learn them by heart. Make up your own sentences with them.

to run a business	вести бизнес
business organization	коммерческая организация
to own	владеть, принадлежать
individual (sole) proprietorship	индивидуальное предприятие
proprietor, owner	собственник, владелец, хозяин
sole trader	частный предприниматель
entirely	полностью, целиком
business affairs	деловые отношения, дела
debt	долг
to consult smb	советоваться с кем-л., консультироваться
to make a decision	принимать решение
to share	делить
share	доля, акция
to bear <i>to bear responsibility</i> <i>to bear the expenses (losses)</i>	нести (расходы, ответственность и т. п.) <i>нести ответственность</i> <i>нести расходы (потери)</i>
to raise capital	привлекать капитал
liability <i>limited liability</i> <i>unlimited liability</i>	ответственность <i>ограниченная ответственность</i> <i>неограниченная ответственность</i>
to go bankrupt	обанкротиться
bankruptcy	банкротство, несостоятельность
to contribute	делать вклад, отдавать
draw up an agreement	составить соглашение, составить договор
to sue smb. for smth <i>to sue smb for damages</i>	предъявлять иск кому-л. о чем-л. <i>предъявлять кому-л. иск о возмещении ущерба</i>
fortune	богатство, состояние
general partner	главный партнер
private limited company	частная (закрытая) компания с ограниченной ответственностью
public limited company (plc)	публичная (открытая) компания с ограниченной ответственностью
stock market, stock exchange	фондовый рынок, фондовая биржа
to be listed on smth	котироваться на

shareholder	акционер
to appoint	назначать
authorized share capital	уставный капитал
to issue	выпускать (в обращение)
Articles of Association	Устав

2. Read the words paying attention to the transcription.

individual |ɪndɪˈvɪdʒʊəl|

proprietor |prəˈpraɪətə|

entirely |ɪnˈtaɪəli|

debt |det|

bear |beə|

bankrupt |ˈbæŋkrʌpt|

bankruptcy |ˈbæŋkrʌptsɪ|

sue |suː|

fortune |ˈfɔːtʃuːn|

authorized |ˈɔːθəraɪzd|

issue |ˈɪʃuː|

association |əˈsəʊʃiˈeɪʃən|

3. Read and translate the text.

Business Organizations

There are different ways to run a business. Business organizations belong to either the private or the public sector. The private sector consists of companies belonging to private individuals, and the public sector of companies owned by the government of the country.

There are various types of business organizations, which operate in the private sector. The simplest form is an **individual proprietorship** run by a **sole trader (entrepreneur)**: for example, a shop or a taxi owned by a single person who is entirely responsible for all the business affairs, for all aspects of management and, thus, for any debts. This type of organization has certain advantages and disadvantages. Sole trader doesn't have to consult anyone else when making decisions, the profits don't have to be shared with anyone else. But a sole trader has to bear 100% of the risks of his company. For this reason, he may have more difficulties raising capital. A sole trader has unlimited liability for his company, which means that if he goes bankrupt, he may lose both his company and his personal property.

If two or more individuals wish to go into business together, they can form a **partnership**. Partners generally contribute equal capital, draw up an

agreement defining the rights, responsibilities and liabilities of each partner, such as how the profits are to be distributed and what part each partner is to play in managing the company. On the one hand, these people are free from anybody's influence from outside, but on the other hand, partners may find their personal property at risk if creditors sue them. In many countries doctors, lawyers and accountants are not allowed to form companies, but only partnerships with unlimited liability – which should make them act responsibly as in the case of bankruptcy, a partner with a personal fortune can lose it all.

There is another type of partnership – limited or special partnership, consisting of at least one general partner with unlimited liability and at least one limited partner whose liability is limited to the capital he invested. The limited partners don't bear the risk of losing their personal property if the company goes bankrupt, but they also have no say in how the business is run.

Limited company (or corporation) is a kind of legal entity, with the right to sue and to be sued. The members of a limited company have limited liability. This means that if the business has difficulties, the members can be sued as participants of this business, not as individuals, and can be made to pay its debts only up to a certain limit. A **limited liability company** has the word "limited" or abbreviation "ltd" after its name.

Many large businesses in the UK are **public limited companies (plc)**, which means that the public can buy and sell their shares on the open stock market. Examples include Marks and Spencer, British Telecom and the National Westminster Bank. They raise capital by selling shares to the public, and these shares are listed on the Stock Exchange. The minimum share capital for a public limited company is 50, 000 pounds.

Another type of limited company is **private limited company**. In Britain, most of smaller enterprises are private limited companies. A company can be formed with a minimum of two people becoming its shareholders. They must appoint a director and a company secretary. The company cannot offer shares to the public. Their owners can only raise capital from friends or from banks. If the company goes out of business, the responsibility of each shareholder is limited to the amount that they have contributed; they have limited liability.

And, as we know, firms in the public sector are owned by the government, for example the post office or the railway.

4. Answer the questions.

- 1) What companies do the private and the public sectors consist of?
- 2) What are the examples of individual proprietorships?
- 3) Who is responsible for running business in such organizations?

- 4) What are the advantages and disadvantages of individual proprietorships?
- 5) Who can form a partnership?
- 6) What does unlimited liability mean?
- 7) What is the advantage of limited or special partnership?
- 8) Can private limited companies offer shares to the public?
- 9) How can these companies raise capital?
- 10) What are the examples of companies owned by a government?

5. Find English equivalents in the text.

1. вести бизнес
2. юридическое лицо
3. индивидуальный предприниматель
4. ответственность каждого акционера
5. ответственность за все аспекты управления
6. рисковать личной собственностью
7. покупать и продавать акции на бирже
8. быть свободным от чьего-либо влияния
9. увеличить капитал путем продажи акций
10. ограничена суммой, которую они внесли

6. Translate into English.

Принадлежать либо частному, либо общественному сектору; состоять из; работать в частном секторе; находящийся в собственности одного человека; быть полностью ответственным за; преимущества и недостатки; советоваться с кем-либо; по этой причине; сложности с привлечением капитала; стать банкротом; потерять как компанию, так и личную собственность; вкладывать равный капитал; составлять соглашение; определять права, ответственность и обязанности; играть роль в управлении компанией; нести риск потери личной собственности; большинство мелких предприятий; предлагать акции для продажи населению; обратиться на фондовую биржу.

7. Complete the text using the words:

shareholders, capital, amount, a factory, place, issue, annual, rights and duties, public

Founding a Company

Founders of companies have to write a Memorandum of Association (заявка на регистрацию акционерного общества), which states the company's name, purpose, registered office or premises* and authorized share 1)

Premises – is the technical term for the 2) in which a company does its business: an office, a shop, 3), a warehouse, etc. Authorized share capital means the maximum 4) of a particular type of share the company can 5)

Founders also write Articles of Association, which set out the 6) of directors and different classes of 7) Company's Memorandum, Articles of Association and 8) financial statements are sent to the registrar of companies, where they may be inspected by the 9)

**Premises | 'premisiz/ - помещение*

8. Determine what type of company the following disadvantages and advantages belong to.

Possible advantages:

1. You have total control of your business.
2. This is a good way of sharing responsibilities.
3. The financial risks are restricted.
4. You can increase your capital by selling shares.

Possible disadvantages:

1. There is a danger that conflicts of personality could ruin your business.
2. You may not have enough knowledge in economics and law to run your business.
3. It may be difficult to expand.
4. It's vital to expand your business in order to increase profits and enlarge everybody's share and you'll have to work more intensively.
5. You may risk your own possessions if the company ruins.

9. Summarize the information of the unit and speak on the topic: Business Organizations

10. Read and translate the text, put 5 questions to it.

Choose a business structure

The business structure you choose influences everything from day-to-day operations, to taxes and how much of your personal assets are at risk. Your business structure affects how much you pay in taxes, your ability to raise money, the paperwork you need to file, and your personal liability. You should choose a business structure that gives you the right balance of legal protections and benefits.

Selecting the right business organization is an essential part of starting a new small business. When business owners register a new business, they must also state the type of organization, or structure, they will use for their business. Each

option has distinct qualities, as well as pros and cons, that the business owner needs to consider before making a commitment. Choosing the right type of organization for a new business comes down to a little research and an understanding of the responsibilities involved with each structure.

To choose the right type of business organization, you must:

- Research the different types of business organizations.
- Determine the liability you want for the business.
- Determine the number of owners.

• Choose the tax structure that is best for you and your business. A sole proprietor files all business information on his personal taxes, because the business is not registered as a separate legal entity. At the same time, sole proprietors are also taxed only once, rather than twice--once for personal, once for the business. Similarly, business owners in a partnership or an LLC do not have to file separate business taxes, although in these two cases the business is recognized separately from its owners - limited personal liability in case of business failure. A corporation is an entirely separate entity, however, and the owners must file separate corporation taxes. This means that corporation owners are essentially taxed twice: once at the personal level and once at the business level.

• Consider the amount of recordkeeping that you are willing and able to do for the business. Recordkeeping is an essential part of running any business, but the types of records that you keep for the business will depend on its structure. The more complex the business structure, the more recordkeeping is required. In other words, expect to keep more records for a corporation than you would for a sole proprietorship.

Unit 7. STRUCTURE OF THE COMPANY

1. Read the words and learn them by heart. Make up your own sentences with them.

running business	ведение бизнеса
to run the business	вести бизнес
organizational structure	организационная структура
workforce, manpower	рабочая сила
hierarchy	иерархия
Board of Directors	Совет директоров
to be headed by smb	возглавляться кем-то
Chairman of the Board	Председатель правления
Chief Executive Officer (CEO)	Главный исполнительный директор

to be hired	быть нанятым
to be chosen	быть избранным
senior manager	старший менеджер
junior manager	младший менеджер
to report to smb	отчитываться перед кем-то
to be carried out by smb	выполняться кем-л.
public relations (PR)	связи с общественностью (PR)
accounting	бухгалтерский учет
to be engaged in smth	заниматься чем-л.
duty	обязанность
in-house	внутренний
legal consideration	юридическое рассмотрение
litigation	судебный процесс
to be owned by smb	принадлежать кому-л.
to appoint	назначать
day-to-day activity	повседневная деятельность
to keep an eye on smth	следить за чем-л.
warehouse	склад
to oversee	наблюдать
financial report	финансовый отчет
reporting	составление отчетов
recruitment	прием на работу
to be accountable to smb	быть подотчетным кому-л.
invoice	счет, накладная
enquiry	запрос
complaint	жалоба
copyright	авторское право
sell in bulk	продавать оптом

2. Read the words paying attention to the transcription.

hierarchy |'haɪərə:ki|

executive |ɪg'zekjʊtɪv|

litigation |lɪtɪ'geɪʃən|

report |rɪ'pɔ:t|

recruitment |rɪ'kru:tmənt|

enquiry |ɪn'kwairɪ|

3. Read and translate the text.

Organizational structure

Nowadays many countries although having different cultural, social, economic and political customs have worked out similar principles of running business and making companies in different spheres of life.

Every organization made up of more than one person will need some form of organizational structure. Most companies are made up according to the same principles and consist of three groups of people: shareholders (they provide the capital), the management (these people run the process of producing some goods or services) and the workforce (these people practically produce goods or services).

At the top of the company hierarchy there is a Board of Directors, who are usually the main investors to the business and it is headed by the Chairman of the Board or the President. Then comes a Managing Director (MD) or a Chief Executive Officer (CEO) who may be hired or chosen from the Board and has overall responsibility for running business. Senior managers or company officers head the various departments or functions within the company and report to the CEO about the production process, which is carried out by the people who are hired for the concrete job or service.

The typical company may have the different departments: marketing, public relations (PR), information technology (or IT), personal or human resources (or HR), finance (or accounting), production, research and development (or R&D).

Every department is engaged in its particular round of duties and responsible for the concrete function in the process of providing goods or services.

Very special place in this scheme is occupied by the in-house Legal Department, which provides legal strategy of the company, integrating legal considerations into business planning, reduces legal costs and presents the interests of the company in different kinds of litigation.

The way in which a company is organized can be illustrated for a packaging company. The company will be owned by shareholders that choose directors to look after their interests. The directors then appoint managers to run the business on a day-to-day basis. The Managing Director has the major responsibility for running of the company, including setting company targets and keeping an eye on all departments. The Distribution Manager is responsible for controlling the movement of goods in and out of the warehouse, supervising drivers and overseeing the transport of goods to and from the firm. The Production Manager is responsible for keeping a continuous supply of work flowing to all production staff and also for organizing manpower to meet the customers' orders. The Sales Manager is responsible for making contact with customers and obtaining orders

from those contacts. The Company Accountant controls all the financial dealings of the company and is responsible for producing management accounts and financial reports.

Other organizations will have different structures. For example, most organizations will have a Marketing department responsible for market research and marketing planning. A Customer services department will look after customer requirements. A Human resources department will be responsible for recruitment and selection of new employees, employee motivation and a range of other people focused activities. In addition, there will be a number of cross-functional areas such as Administration and Information Technology departments that service the functional areas of the company. These departments will provide back up support and training.

Organizations are structured in different ways:

1. by function as described above,
2. by regional area - a geographical structure e.g. with a marketing manager North, marketing manager South etc.,
3. by product e.g. marketing manager crisps, marketing manager drinks, etc.,
4. into work teams, etc.,

Reporting in organizations often takes place down the line. An employee might be accountable to a supervisor, who is accountable to a junior manager, who is then accountable to a senior manager - communication and instructions can then be passed down the line.

4. Match the words with their definitions.

1. shareholder	a. someone whose job is to manage part or all of a company or other organization
2. market	b. someone who owns shares in a company or business
3. accountant	c. the job of hiring people
4. recruitment	d. a place to buy and sell things
5. manager	e. someone whose job is to keep and check financial accounts

5. Translate the following words and expressions into Russian.

- | | |
|----------------------------|-------------------------------|
| 1. provide back up support | 6. organizational structure |
| 2. employee | 7. work teams |
| 3. senior manager | 8. shareholder |
| 4. junior manager | 9. human resources department |
| 5. set company targets | 10. market research |

6. Translate the following words and expressions into English.

1. руководитель отдела продаж
2. начальник отдела сбыта
3. рабочая группа
4. акционер
- 5.руководитель отдела маркетинга
6. назначать
7. отдел информационных технологий
8. отдел обслуживания клиентов
9. начальник производственного отдела
10. получать заказы

7. Choose the correct answer.

1.controls all the financial dealings of the company.
a) Senior Manager b) Accountant c) Sales Manager
2. The is responsible for keeping a continuous supply of work flowing to all production staff.
a) Production Manager b) Sales Manager c) Distribution Manager
3. The has the major responsibility for running of the company.
a) Distribution Manager b) Managing Director c) Production Manager
4. A human resources department is responsible for recruitment of new
a) employers b) directors c) employees
5. A marketing department is responsible for
a) recruitment b) market research c) promotion

8. Match the departments of the company with their functions.

1. Accounts / Finance	a. selling the company's products or services
2. Personnel	b. developing new products
3. Sales and Marketing	c. staff problems and recruitment
4. Research and Development (R&D)	d. the company's image
5. Customer Services	e. invoices, salaries, expenses and budgets
6. Public Relations (PR)	f. dealing with customers' enquiries and complaints

9. Answer the questions.

1. What is organizational structure?
2. Who are directors chosen by?

3. What is the function of a human resources department?
4. What are the main departments needed for a company to function properly?
5. What department is responsible for servicing the functional areas of the company?
6. What is the role of legal department in the company?

10. Match the business cards with the job description

1) I buy all the things that the company needs	a) John Sutton Managing Director
2) My job is to make sure that the company has a good image	b) Linda Gabiani Human Resources Director
3) My job is to find and test new products	c) Richard Gracetone Finance Director
4) I'm in charge of the people who sell our products	d) Alice Hernandez Chief Accountant
5) I type letters, file papers and make appointments for my boss	e) Li Wan Secretary
6) I have general responsibility for the whole company	f) Lena Friley Purchasing Manager
7) I make sure we have the products which people want to buy	g) Frederic Born Assistant General Manager
8) I look after the company's money	h) Yury Mankovich Director of Research and Development
9) I do the books and prepare the balance sheets	i) Jim Hicks Production Manager
10) I'm the company's people manager	j) John Verry Marketing Director
11) I make the products which the company sells	k) Santi Brunello Sales Director
12) I'm responsible for everything when the boss is away	l) Kate Hogg Public Relations Manager

11. Match each group of words (a-o) with the correct business function (1-15)

1. Human Resources	a. laboratory, tests, scientist, trial
2. Purchasing	b. parts, assembly line, shift, supervisor
3. Marketing	c. PR event, press release, company image, house magazine

4. Training	d. retail outlet, monthly figures, discount, commission
5. Legal	e. capital, dividend, cash flow, share price
6. Information Technology	f. recruitment, training, safety, employee relations
7. After-sales	g. invoice, bookkeeping, VAT, credit note
8. The Board	h. network. Screen, hard disk. Memory
9. Finance	i. questionnaire, mail shot, prospect, advertisement
10. Distribution	j. bulk buying, office supplies, delivery, order
11. Sales	k. shareholder, executive director, chairman
12. Production	l. course design, student, needs analysis, timetable
13. Research and Development	m. hot line, telephone support, complaint, 24-hour service
14. Accounts	n. stock control, lorry, warehouse, packaging
15. Communications	o. contract, patent, copyright, signatory

12. Match the position with the description

Meeting of Shareholders	Governing body of a company. Its members are elected by the stockholders of the company. Duties : set the company's policy, objectives, and overall direction; hire, monitor, evaluate and fire the Managing Director and Seniors executives; determine and pay the dividend; issue additional shares
Board of Directors	The highest-ranking executive in a company. Responsibilities: developing and implementing high-level strategies making major corporate decisions acting as the main point of communication between the board of directors and the corporate operations
Chairman of the Board (COB)	the Company's supreme governing body. It has the right to participate in management of the Company affairs, taking decisions in the key areas of Company business
Chief Executive Officer (CEO)	The most powerful member on the board of directors who provides leadership to the firm's officers and executives. This member ensures that the firm's duties to shareholders are being fulfilled by acting as a link between the board and upper management.

13. Insert the following words into the text:

capital, competition, plan, market, facility, investment, flow, products, expenses, overheads, stock, sales

.....

A few years ago I decided to start my own business. I live by the sea and I love surfing, so I knew that there would be a 1..... for surfboards, wetsuits and all the other equipment surfers need. There were already other shops in the area selling similar 2....., so I knew there would be quite a lot of 3....., but I still thought I could make a success of it. I had already built up a certain amount of 4..... in my bank account but I knew I would need an overdraft 5....., so I asked the bank what I needed to do. They told me I needed to prepare a business 6..... with a detailed cash 7..... . I was pleasantly surprised that they immediately agreed to provide the overdraft.

I deliberately opened my shop in May so I knew 8..... would be good, but when you start a business, the 9..... are very high as well.

In addition to 10..... – rent, regular bills and so on – you also have to make quite a big 11..... in computers, equipment and of course, 12.....

It’s too early to say, but things seem to be going OK. I’m keeping my fingers crossed!

14. Make a presentation in which tell about the structure of a company.

Use the following plan.

1. Decide which goods or services you will provide.
2. Which type of company is it going to be (a limited liability company “ltd”, public limited companies (plc), private limited company, a sole trader (entrepreneur), partnership?
3. Give a name to your company.
4. Make a structure of the company, *for example*:
 - a. General Director, the boss
 - b. Director of Research and Development, runs the scientific experimental department
 - c. Director of Human Resources, responsible for the staff
 - d. Training and Qualification Assessment Manager, professional studies
 - e. The Chief Executive Officer (CEO), runs day-to-day activities of the company
 - f. The Director of Legal Department, provides legal strategy of the company.
 - g. Director of Finance, responsible for monetary politics

- h. Director of Marketing Department, liable for sales
- i. Director of Production, runs the process of production of goods or services.

15. Read and translate the text, put 5 questions to it.

Types of Organizational Structure

Organizations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organizations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate. There are three main types of organizational structure: functional structure, divisional structure and a blend of the two, called matrix structure.

Functional Structure of an Organization

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself.

However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

Divisional Structure of an Organization

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. For example, the now-defunct Tecumseh Products Company was organized divisionally – with a small engine division, a compressor division, a parts division and divisions for each geographic area to handle specific needs.

The benefit of this structure is that needs can be met more rapidly and more specifically, as each division can operate more or less independently for the other divisions in the company. However, a divisional arrangement can also be cumbersome, as communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

Matrix Structure of an Organization

The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large

multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management – a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.

Unit 8. MONETARY POLICY

1. Read the words and learn them by heart. Make up your own sentences with them.

monetary policy	денежно-кредитная (монетарная) политика
to rest on	основываться на; опираться на
outcome	результат, итог
economic growth	экономический рост
issuance	выпуск, эмиссия
issue	выпускать; выпуск, эмиссия
the monetary authority	денежно-кредитное учреждение (институт)
to alter	изменять
rate of interest	процентная ставка
to maintain	поддерживать, сохранять
contractionary policy	сдерживающая политика
to reduce	уменьшать
expansionary policy	экспансионистская политика
rapidly	стремительно
accommodative policy	адаптивная политика
to set	устанавливать
to intend	намереваться; предназначать
to combat inflation	бороться с инфляцией
tight policy	жесткая политика
by fiat	указом, распоряжением
fiscal policy	налогово-бюджетная (фискальная) политика
the smooth operation	бесперебойная работа
open market operations	операции на открытом рынке
treasury bills	казначейские обязательства (векселя)
company bonds	облигации компании
renminbi	юань
debt	долг, долговое обязательство
debtor	должник, дебитор

to lend	давать займы, ссужать деньги под проценты
to borrow	занимать, одалживать

2. Read the words paying attention to the transcription.

issuance |'ɪʃ(j)u:əns|

issue |'ɪʃu:|

authority |ɔ:'θɔ:ri|

alter |'ɔ:ltə|

expansionary |ɪk'spænjənəri|

accommodative |ə'kɒmə,deɪv|

fiat |'fi:ɑ:t|

treasury |'trezəri|

debt |det|

3. Read and translate the text.

Monetary policy

Monetary policy rests on the relationship between the rates of interest in an economy, that is, the price at which money can be borrowed, and the total supply of money. Monetary policy uses a variety of tools to control one or both of these, to influence outcomes like economic growth, inflation, exchange rates with other currencies and unemployment. Where currency is under a monopoly of issuance, or where there is a regulated system of issuing currency through banks which are tied to a central bank, the monetary authority has the ability to alter the money supply and thus influence the interest rate (to achieve policy goals). The beginning of monetary policy as such comes from the late 19th century, where it was used to maintain the gold standard.

A policy is referred to as contractionary if it reduces the size of the money supply or increases it only slowly, or if it raises the interest rate. An expansionary policy increases the size of the money supply more rapidly, or decreases the interest rate. Furthermore, monetary policies are described as follows: accommodative, if the interest rate set by the central monetary authority is intended to create economic growth; neutral, if it is intended neither to create growth nor combat inflation; or tight if intended to reduce inflation.

There are several monetary policy tools available to achieve these ends: increasing interest rates by fiat; reducing the monetary base; and increasing reserve requirements. All have the effect of contracting the money supply; and, if reversed, expand the money supply. Since the 1970s, monetary policy has generally been formed separately from fiscal policy. Even prior to the 1970s, the

Bretton Woods system still ensured that most nations would form the two policies separately.

Within almost all modern nations, special institutions (such as the Federal Reserve System in the United States, the Bank of England, the European Central Bank, the People's Bank of China, and the Bank of Japan) exist which have the task of executing the monetary policy and often independently of the executive. In general, these institutions are called central banks and often have other responsibilities such as supervising the smooth operation of the financial system.

The primary tool of monetary policy is open market operations. This entails managing the quantity of money in circulation through the buying and selling of various financial instruments, such as treasury bills, company bonds, or foreign currencies. All of these purchases or sales result in more or less base currency entering or leaving market circulation.

Usually, the short-term goal of open market operations is to achieve a specific short term interest rate target. In other instances, monetary policy might instead entail the targeting of a specific exchange rate relative to some foreign currency or else relative to gold. For example, in the case of the USA the Federal Reserve targets the federal funds rate, the rate at which member banks lend to one another overnight; however, the monetary policy of China is to target the exchange rate between the Chinese renminbi and a basket of foreign currencies.

4. Match the words with their definitions.

1. interest rate	a. the number of people in a particular country or area who cannot get a job
2. unemployment	b. the process of developing or of increasing in size
3. currency	c. a continuing increase in prices
4. inflation	d. the value of the money of one country compared to the money of another country
5. exchange rate	e. the system or type of money that a country uses
6. issuance	f. an official organization, often created by the government, which is responsible for managing a particular duty or service
7. growth	g. the percentage charged by a bank etc. when you borrow money or paid to you by a bank when you keep money in an account there
8. authority	h. the act of supplying an official document, especially a financial product

5. Translate the following words and expressions into Russian.

- | | |
|---------------------------|--------------------------------|
| 1. federal funds rate | 6. borrow |
| 2. open market operations | 7. lend |
| 3. central banks | 8. to combat inflation |
| 4. money supply | 9. decreases the interest rate |
| 5. gold standard | 10. to issue currency |

6. Translate the following words and expressions into English.

1. денежная политика
2. казначейский вексель
3. облигация
4. деньги в обращении
5. валютная корзина
6. экономический рост
7. Федеральная резервная система
8. обменный курс
9. Бреттон-Вудская валютная система
10. налогово-бюджетная политика

7. Choose the correct answer.

1. rests on the relationship between the rates of interest in an economy.
a) Bretton Woods system b) fiscal policy c) monetary policy
2. At the beginning monetary policy was used to maintain
a) foreign policy b) national currency c) gold standard
3. Monetary policy has generally been formed separately from
a) fiscal policy b) federal funds c) Federal Reserve System
4. The primary tool of monetary policy is
a) central bank b) open market operations c) interest rate
5. Open market operations entail managing the quantity of through the buying and selling of various financial instruments.
a) banks b) federal funds c) money in circulation

8. Answer the questions.

1. What is monetary policy?

2. What tools does monetary policy use?
3. What is contractionary policy?
4. What is central bank?
5. What is the primary tool of monetary policy?

9. Complete the sentences with one of the three words in brackets.

MONEY IN OUR LIFE

1. We call money in notes and coins
(a. cash b. capital c. reserves).
2. Dollar, mark and ruble are all.....
(a. currencies b. hinds c. monies).
3. Money borrowed from a bank is a
(a. fund b. income c. loan).
4. Borrowed money that has to be paid back is a.....
(a. debt b. fund c. subsidy).
5. All the money received by a person or a company we call
(a. aid b. income c. wages).
6. The money earned for a week's work employees usually call
(a. income b. salary c. wages).
7. The money paid for a month's (professional) work is a
(a. loan b. salary c. wages).
8. Money placed in banks and other savings institutions is.....
(a. capital b. deposits c. finance).
9. Money paid by the government or a company to a retired person is called
a
(a. pension b. rebate c. subsidy).
10. The money from which the government pays pensions is kept in a
.....
(a. budget b. deposit c. fund).
11. Money needed to start a company is
(a. aid b. capital c. debt).
12. The money paid to lawyers, architects, private schools, etc. is called
.....
(a. fees b. installments c. wages).

10. Work in pairs. Discuss the meaning of the following words.

Wages - salary, capital – money, debt – loan, income – pension, budget – investment, deposit – credit.

11. Match the words and phrases 1-7 with their opposite meanings a-g.

1. to invest money	a. purchaser
2. to reimburse money	b. to save money
3. to borrow money	c. credit
4. seller	d. to withdraw money
5. to spend money	e. to deduct money
6. debtor	f. to lend money
7. debit	g. creditor

12. Fill in the gaps 1-11 with words from box a-k.

a. vouchers, b. bonus, c. stock options, d. benefits, e. car, f. salary, g. expenses, h. rise, i. health insurance, j. pension, k. income

MY DREAM

Last night I had a dream. I work in a large company and my base 1..... is a million dollars per year. Can you imagine, when I am 65, I will get a 2..... of \$ 500,000 per year! Moreover, I will get many other 3..... as well. Besides a 4..... plan gives me shares in the company, which I can sell at a profit if the price goes up. I will have an expensive company 5....., and it's great!

To tell the truth I am happy that I'll get unlimited travel and entertainment 6..... And I'll get free 7..... ! It is incredible! I can have free luncheon 8..... which can be used in most restaurants in the city. Furthermore, I'll get a special 9..... if the company's sales go up by more than 10% in the year.

So, my total 10..... next year could be more than \$1.5 million. May it be reasonable to ask for another 11..... ? At this thought I awoke.

13. Money vocabulary for shopping. Match words 1-14 with their definitions a-n:

1. Aisle	a. The price of an item that is considered to be of very good value
2. Barcode	b. Transportation of items from the shop to the customer's preferred address
3. Bargain	c. A return of the paid price which is usually subject to company policy

4. Cash	d. An act of returning a previously purchased unwanted item and receiving another in its place.
5. Clearance	e. A long walkway with items for sale on either side
6. Delivery	f. An act of providing payment for goods
7. Exchange	g. A time when most items are reduced usually due to the shop closing down.
8. Fault	h. The act of people standing behind one another to wait for a service
9. Purchase	i. A small square filled with lines which when scanned by a computer provides an item's name and price
10. Queue	j. A device securely attached to a product to deter thieves
11. Refund	k. A rectangular piece of paper often known as a note, which is used for payment of goods or services.
12. Security tag	l. An item, which does not satisfy its description or cannot fulfil its purpose
13. Till	m. A quantity of a particular product held by a shop.
14. Stock	n. A machine used to keep cash received from customers and to provide change if necessary.

14. Complete the text using the words:

credit, output, demand, inflation, circulation, unemployment, interest rates

If a government pursues a tight monetary policy, it restricts the amount of money in 1) ... and reduces the funds available to banks. When money is tight:

- 2) ... rise, because commercial banks have to borrow at a higher rate on the inter-bank market.
- 3) ... falls, because people and businesses borrow less at higher rates.
- 4) ... falls, because people and businesses buy less, as they have less money.
- 5) ... falls too, because with less consumption, firms produce less.
- 6) ... rises, because companies are producing and selling less, and so need less labor.
- 7) ... falls, because there is less money in circulation.

15. Read and translate the text, put 5 questions to it.

What Is an Interest Rate?

Interest is essentially a charge to the borrower for the use of an asset. Assets borrowed can include cash, consumer goods, vehicles, and property.

Interest rates thus apply to most lending or borrowing transactions. Individuals borrow money to purchase homes, fund projects, launch or fund businesses, or pay for college tuition. Businesses take out loans to fund capital

projects and expand their operations by purchasing fixed and long-term assets such as land, buildings, and machinery. Borrowed money is repaid either in a lump sum by a pre-determined date or in periodic installments.

An interest rate tells you how high the cost of borrowing is, or high the rewards are for saving.

So, if you're a borrower, the interest rate is the amount you are charged for borrowing money, shown as a percentage of the total amount of the loan. The higher the percentage, the more you have to pay back, for a loan of a given size. The interest rate on a loan is typically noted on an annual basis known as the annual percentage rate (APR).

If you're a saver, the savings rate tells you how much money will be paid into your account, as a percentage of your savings. The higher the savings rate, the more will be paid into your account for a given sized deposit.

For loans, the interest rate is applied to the principal, which is the amount of the loan. The interest rate is the cost of debt for the borrower and the rate of return for the lender. The money to be repaid is usually more than the borrowed amount since lenders require compensation for the loss of use of the money during the loan period. The lender could have invested the funds during that period instead of providing a loan, which would have generated income from the asset. The difference between the total repayment sum and the original loan is the interest charged.

When the borrower is considered to be low risk by the lender, the borrower will usually be charged a lower interest rate. If the borrower is considered high risk, the interest rate that they are charged will be higher, which results in a higher cost loan.

Even a small change in interest rates can have a big impact. It's important to keep an eye on whether they rise, fall or stay the same.

When interest rates are already high, the central bank focuses on lowering the discount rate. The discount rate is the interest rate that banks can borrow money from the Federal Reserve. There is a multitude of reasons why a bank may borrow from the Fed. These include meeting reserve requirements, cash needed for operations, or general liquidity. Banks, however, borrow from the Fed as a last resort, preferring to borrow from other banks as the rates are lower.

The lower the discount rate, the fewer financing costs for a bank, therefore, money is cheaper. When the discount rate is lowered, banks will lower the interest rate they charge customers for borrowing money as well. As this rate falls, corporations and consumers can borrow more cheaply. The declining interest rate makes government bonds and savings accounts less attractive,

encouraging investors and savers to spend their money and invest in riskier assets.

Unit 9. INFLATION

1. Read the words and learn them by heart. Make up your own sentences with them.

measure	единица измерения, мера
over time	с течением времени
uncertainty	неопределенность
to discourage, to prevent	мешать, препятствовать
to encourage	поощрять, поддерживать
to hoard	копить, хранить
out of concern	из опасения, из-за беспокойства
to ensure	обеспечивать, гарантировать
to adjust	регулировать, устанавливать
to mitigate	смягчать, уменьшать
hyperinflation	гиперинфляция
recession	рецессия, спад
to be caused by	быть вызванным чем-то
excessive growth	чрезмерный рост
moderate rate	умеренная ставка
fluctuation	колебание
mainstream economist	ведущий экономист
steady	устойчивый, стабильный
severity	трудности
to enable	давать возможность, облегчать
in a downturn	в период спада
liquidity trap	ловушка ликвидности
large scale unemployment	массовая безработица
to restrain	сдерживать
consumer price index	индекс потребительских цен
incomes policy	политика доходов
assets	активы
demand-pull inflation	инфляция спроса
cost-push inflation	инфляция издержек
reflationary policy	политика стимулирования роста цен
consumer price index	индекс потребительских цен
anticipated inflation	ожидаемая инфляция

2. Read the words paying attention to the transcription.

measure |'meʒə|

discourage |dis'kʌrɪdʒ|

hoard |hɔ:d|

concern |kən'sɜ:n|

ensure |ɪn'ʃʊə|

mitigate |'mɪtɪgeɪt|

hyperinflation |,haɪpərɪn'fleɪʃn|

recession |rɪ'seʃ(ə)n|

severity |sɪ'verɪtɪ|

3. Read and translate the text Inflation

In economics, inflation is a rise in the general level of prices of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation also reflects an erosion in the purchasing power of money – a loss of real value in the internal medium of exchange and unit of account in the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (normally the Consumer Price Index) over time.

Inflation's effects on an economy are various and can be simultaneously positive and negative. Negative effects of inflation include a decrease in the real value of money and other monetary items over time, uncertainty over future inflation may discourage investment and savings, and high inflation may lead to shortages of goods if consumers begin hoarding out of concern that prices will increase in the future. Positive effects include ensuring central banks can adjust nominal interest rates (intended to mitigate recessions), and encouraging investment in non-monetary capital projects.

Economists generally agree that high rates of inflation and hyperinflation are caused by an excessive growth of the money supply. Views on which factors determine low to moderate rates of inflation are more varied. Low or moderate inflation may be attributed to fluctuations in real demand for goods and services, or changes in available supplies such as during scarcities, as well as to growth in the money supply. However, the consensus view is that a long sustained period of inflation is caused by money supply growing faster than the rate of economic growth.

Today, most mainstream economists favor a low steady rate of inflation. Low (as opposed to zero or negative) inflation may reduce the severity of economic recessions by enabling the labor market to adjust more quickly in a downturn, and reduce the risk that a liquidity trap prevents monetary policy from

stabilizing the economy. The task of keeping the rate of inflation low and stable is usually given to monetary authorities. Generally, these monetary authorities are the central banks that control the size of the money supply through the setting of interest rates, through open market operations, and through the setting of banking reserve requirements.

A connection between inflation and unemployment has been drawn since the emergence of large-scale unemployment in the 19th century, and connections continue to be drawn today. In Marxian economics, the unemployed serve as a reserve army of labor, which restrains wage inflation.

4. Match the words with their definitions.

1. demand	a. a period or process in which business activity is reduced and conditions become worse
2. downturn	b. the value of money considered as the amount of goods it will buy
3. labor market	c. the fact that you no longer have something or have less of something
4. consensus	d. the amount of money you have to pay for something
5. price	e. an opinion that everyone in a group agrees with or accepts
6. purchasing power	f. an amount of money that you do not need to spend
7. loss	g. the need or desire that people have for particular goods and services
8. value	h. the people looking for work and the jobs that are available at that time
9. investment	i. the importance or worth of something for someone
10. saving	j. the act of putting money, effort, time, etc. into something to make a profit or get an advantage, or the money, effort, time, etc. used to do this

5. Translate the following words and expressions into Russian.

1. mainstream economists
2. money supply
3. capital projects
4. wage inflation
5. banking reserve requirements
6. goods and services
7. labor market
8. scarcity

9. percentage
10. fluctuations in real demand

6. Translate the following words and expressions into English.

1. покупательская способность
2. ликвидность
3. темпы инфляции
4. дефицит товаров
5. индекс потребительских цен
6. товары и услуги
7. уровень цен
8. денежно-кредитное учреждение
9. спад деловой активности
10. гиперинфляция

7. Choose the correct answer.

1. is a rise in the general level of prices of goods and services.
a) wage inflation b) recession c) inflation
2. High rates of inflation are caused by an excessive growth of the
a) labor market b) money supply c) scarcity
3. The task of keeping the rate of inflation low and stable is usually given to.....
a) monetary policy b) mainstream economists c) monetary authorities
4. Low or moderate inflation may be attributed to fluctuations in for goods and services.
a) real demand b) wage inflation c) capital projects
5. Monetary authorities are
a) business owners b) mainstream economists c) central banks

8. Answer the questions.

1. What is inflation?
2. What causes inflation?
3. What are positive and negative effects of inflation?
4. Why do most mainstream economists favor a low steady rate of inflation?
5. What authorities are engaged in keeping the rate of inflation low and stable?
6. What is relationship between growth and inflation?
7. What is the connection between inflation and unemployment?

9. Fill in the gaps 1-6 in the text with the following words a-f.

- a. producers
- b. employment
- c. supply
- d. excess
- e. hyperinflation
- f. unemployment

INFLATION

Inflation is one of the most important processes connected with money. It is a rise in the general level of prices. It is caused by an 1.....of demand over supply, and is related to an increase in the money 2..... Single-digit inflation is usually described by economists as moderate inflation. Double or triple-digit inflation, which some countries have survived for quite long periods, is known as galloping inflation. Inflation of four or more digits, as in Germany in the early 1920s, and Argentina in the early 1980s, is known as 3.....

Prices in general tend to remain at the same anticipated level unless there are demand-pull or cost-push shocks. If aggregate demand exceeds what a country can produce at full 4....., prices will rise (including wages, the price of labor): this is demand-pull inflation. However, for the last fifty years, costs have pushed up prices and wages, even in recessions and periods of high 5.....: this is cost-push inflation. Cost-push inflation is caused, for example, when unions demand wages that employers cannot afford or when oil 6..... are able to raise their prices.

10. Combine words that are opposite in meaning.

1. assets	a. saving
2. interest	b. unbalanced
3. consumer	c. liabilities
4. spending	d. no profit
5. deflation	e. asset
6. restrictions	f. free use
7. weighted	g. inflation
8. debt	h. seller

11. Choose one word from each pair in the previous exercise and fill in gaps 1-8 in the text.

The opposite of inflation, when prices fall (generally for short periods), is 1..... Government policies can be inflationary (often by accident), disinflationary or reflationary. Disinflationary policies might be aimed at

slowing down price inflation or at reducing imports; they involve reducing demand by raising taxation and/or cutting government 2..... Reflationary policies, on the contrary, involve revitalizing a sluggish economy by increasing consumer demand, by either cutting taxes or raising benefits, or relaxing monetary and credit 3.....

Inflation is measured by the retail price index (RPI) in Britain and the price index (CPI) in the US. These measure the cost of a 'basket' of goods and services, including food, clothing, housing, fuel, transport and medical care. The individual items in price indices are 5....., meaning that allowance is made for their relative importance in people's spending.

Unless inflation is both balanced (affecting all prices and costs equally) and anticipated, it distorts relative prices, tax rates and real 6..... rates. Unexpected inflation tends to benefit people with fixed nominal interest rate 7....., and to disadvantage creditors and people with fixed nominal interest rate 8..... or non- index-linked pensions.

12. Express your point of view.

1. How does inflation influence ordinary people? How does it affect your standard of living?
2. Why are prices different in various shops?
3. Imagine you own a food chain store? The price for petrol rose by 5%. What can you do to minimize expenses?

При ответе используйте фразы:

To my mind ...	In my experience ...
In my opinion ...	As far as I understand ...
On the one hand, ...on the other hand	From my point of view ...
If my memory serves me right ...	If I am not mistaken ...
It seems to me that ...	Personally, I think ...
My personal view is that ...	I am sure/certain/convicted that ...
The fact is that ...	This proves that ...
It is obvious that ...	There is no doubt that ...

13. There are several words and phrases that are equivalent to the Russian verb «сдерживать». These are *to restrict, to hold back, to restrain, to keep under control*. Translate each of the following sentences using all of these expressions.

1. При плановой экономике рост цен сдерживался прямым правительственным регулированием.

2. Инфляцию можно сдерживать при помощи жесткой политики доходов.
3. Некоторые экономисты считают, что жесткая политика доходов не может сдерживать инфляцию продолжительное время.
4. Задача правительства – сдерживать рост темпов инфляции.

14. In English, the Russian verb «принимать» corresponds to several verbs, each of which has its own characteristics of meaning and use. The most general meaning is the verb *to receive*. The verb *to accept* means to accept readily, with desire, for example: *to accept a wage rise / an invitation*. The verb *to adopt* is used in relation to such decisions, followed by a change in the usual course of action, the current situation, for example: *to adopt a new policy / an advanced technology / a plan*.

Use these verbs in the following sentences:

1. The business community except the recently formed government to ... a new fiscal policy.
2. An individual firm has to ... prices existing in the market.
3. It is argued that the Russian Federation has not ... a clear program of land reform so far.
4. The manufacturers ... the new tax rates with satisfaction.
5. Although the economic study had been done at the request of the government, the latter did not ... the recommendations the economists arrived at.
6. The Vice President was excepted to ... additional responsibilities.
7. Households are known to ... incomes in the forms of wages, interest, rent and social benefits.
8. Immigrants are ... mainly in the countries that need either unskilled workers or workers with human capital unavailable domestically.

15. Match each word with its translation.

output	1) измерять
hyperinflation	2) негативный эффект
headline inflation	3) платеж
fixed income	4) повышение
adverse effect	5) общий уровень инфляции
core inflation	6) гиперинфляция
purchasing power	7) ожидаемая инфляция
income distribution	8) индекс потребительских цен
consumer price index	9) постоянный доход
to gauge	10) структурная инфляция

domestic market	11) выпуск
payment	12) измерять
anticipated inflation	13) распределение дохода
to measure	14) покупательная способность
hike	15) внутренний рынок

16. Translate the sentences into English.

1. Ускорение денежного обращения вызывает более высокие темпы инфляции.
2. В индустриальных странах доля наличных денег составляет до 4 % денежной массы в обращении.
3. Политика доходов – это попытка прямо повлиять на заработную плату и другие доходы.
4. Когда повышается темп инфляции, процентные ставки растут, а совокупный спрос падает.
5. Экономисты уже определили, что вызывает инфляцию.
6. Правительство может принять жесткую политику, которая должна обеспечить низкий темп инфляции.
7. Постоянное увеличение денежной массы должно вызвать инфляцию.

17. Read and translate the text, put 5 questions to it.

Costs of Inflation

Almost everyone thinks inflation is evil, but it isn't necessarily so. Inflation affects different people in different ways. It also depends on whether inflation is anticipated or unanticipated. If the inflation rate corresponds to what the majority of people are expecting (anticipated inflation), then we can compensate and the cost isn't high. For example, banks can vary their interest rates and workers can negotiate contracts that include automatic wage hikes as the price level goes up.

Problems arise when there is unanticipated inflation:

- Creditors lose and debtors gain if the lender does not anticipate inflation correctly. For those who borrow, this is similar to getting an interest-free loan.
- Uncertainty about what will happen next makes corporations and consumers less likely to spend. This hurts economic output in the long run.
- People living off a fixed-income, such as retirees, see a decline in their purchasing power and, consequently, their standard of living.
- The entire economy must absorb repricing costs as price lists, labels, menus and more have to be updated.

- If the inflation rate is greater than that of other countries, domestic products become less competitive.

People like to complain about prices going up, but they often ignore the fact that wages should be rising as well. The question shouldn't be whether inflation is rising, but whether it's rising at a quicker pace than your wages.

Finally, inflation is a sign that an economy is growing. In some situations, little inflation (or even deflation) can be just as bad as high inflation. The lack of inflation may be an indication that the economy is weakening. As you can see, it's not so easy to label inflation as either good or bad - it depends on the overall economy as well as your personal situation.

18. Make a presentation using any interesting information about money. It can be based on a film, book, story or article. Use the learned vocabulary.

Unit 10. CENTRAL BANKING SYSTEM

1. Read the words and learn them by heart. Make up your own sentences with them.

implementation	выполнение, проведение
supervision <i>under smb.'s supervision</i>	надзор, контроль <i>под чьим-либо контролем</i>
lender of last resort	кредитор последней инстанции
liquidity	ликвидность
to ensure	гарантировать, обеспечивать
impose reserve requirements	налагать резервные требования
oblige <i>be obliged to smb.</i>	обязывать, заставлять <i>быть обязанным кому-либо</i>
legal tender	законное платежное средство
to exceed	превышать
to apply to smb. for smth	обращаться к кому-либо за чем-либо
to take money out of circulation	изымать деньги из обращения
to refuse	отказываться
to be responsible for	быть ответственным за что-л.
government	правительство
monetary system	денежная система
to deposit <i>to deposit money with a bank</i>	внести депозит <i>внести (депонировать) деньги в банк</i>
interest <i>to pay interest on</i>	процент <i>выплачивать процент по</i>

<i>interest on a deposit</i> <i>to earn interest</i> <i>at zero interest</i>	<i>процент по вкладу</i> <i>приносить процент</i> <i>под нулевой процент</i>
to issue	выпускать (в обращение)
currency <i>domestic (national) currency</i> <i>foreign currency</i> <i>free currency</i>	валюта <i>местная (национальная) валюта</i> <i>иностранная валюта</i> <i>свободно конвертируемая валюта</i>
to offer	предлагать
money supply	денежная масса, денежное предложение
value	ценность, стоимость
borrower	заемщик
borrowing	заимствование
fluctuation	колебание
government securities	государственные ценные бумаги
bank statement	выписка из банковского счёта

2. Read the words paying attention to the transcription.

ensure |ɪnˈʃʊə|

supervision |ˌsuːpəˈvɪzən|

impose |ɪmˈpəʊz|

oblige |əˈblaɪdʒ|

apply |əˈplaɪ|

circulation |sɜːkjʊˈleɪʃən|

issue |ˈɪʃuː|

value |ˈvæljuː|

deposit |dɪˈpɒzɪt|

fluctuation |ˌflʌktʃʊˈeɪʃn|

3. Read and translate the text

Central Banking System

A central bank is a public institution that manages the currency of a country or group of countries and controls the money supply – literally, the amount of money in circulation. The central banking system is a major sector of any modern monetary system. A key role of central banks is to conduct monetary policy to achieve price stability (low and stable inflation) and to help manage economic fluctuations. Central banks such as The Bank of England, The Federal Reserve System (the Fed) in the USA, the Central Bank of Russia (CBR) work together with the governments to control their countries' economy. They are

responsible for the implementation of monetary policy and supervision over the banking system.

Central banks have a number of different functions. A central bank is not a commercial bank. An individual cannot open an account at a central bank or ask it for a loan and, as a public body, it is not motivated by profit. Central banks act as bankers for the government and for other banks, function as lenders of last resort to commercial banks with liquidity problems. Because commercial banks might lend long-term against short-term deposits, they can face “liquidity” problems – a situation where they have the money to repay a debt but not the ability to turn it into cash quickly. This is where a central bank can step in as a “lender of last resort.” This helps keep the financial system stable. To ensure the safety of the banking system, central banks impose reserve requirements, obliging commercial banks to deposit a certain amount of money with the central bank at zero interest. This is the amount of money banks are required to hold to ensure they have enough to meet sudden withdrawals.

Central banks look after the countries’ gold reserves, issue banknotes and coins, the countries’ currency. These notes and coins are legal tender in the country where they are produced; this means that traders in that country may not refuse them when they are offered as payment. Banks also make sure that the countries’ currency keeps its value.

Central banks keep inflation under control. Inflation happens when there is a lot more money (in the form of banknotes and credit) available than there are goods for sale. In other words, when demand for the goods exceeds supply. When this happens, prices increase sharply and often. To stop it, the central bank needs to take money out of circulation, for example by increasing interest rates. This method makes borrowing more expensive and means that fewer people will apply for credit. And the central bank can increase the amount of money that all banks have to deposit with it.

Central banks conduct monetary policy by adjusting the supply of money, generally through open market operations. For instance, a central bank may reduce the amount of money by selling government bonds, thereby taking in money from commercial banks. The purpose of such open market operations is to steer short-term interest rates, which in turn influence longer-term rates and overall economic activity.

The CBR has been using the following main instruments of monetary policy:

- fixed targets for the money supply growth,
- refinancing of commercial banks,

- interest rates,
- open market operations,
- commercial banks reserve requirements,
- foreign currency control,
- direct quantity restrictions.

4. Match the English and Russian phrases:

1. to offer a discount	a) торговаться о ценах
2. to haggle about prices	b) оплатить счет
3. to pay in money	c) снимать деньги (со счета)
4. to pay a bill	d) предложить скидку
5. to withdraw money	e) положить деньги (на счет)

5. Choose the correct translation of the following sentences:

1. *Money is used for storing wealth.*

- a) Деньги используются для хранения ценностей.
- b) Деньги используются для накопления богатства.

2. *Paper money is much more convenient in the modern world.*

- a) Бумажные деньги намного удобнее в современном мире.
- b) Бумажные деньги очень удобны в современном мире.

3. *The bank sends its clients a regular bank statement.*

- a) Банк отправляет своим клиентам регулярное банковское извещение.
- b) Банк отправляет банковское извещение потенциальным клиентам.

4. *Credit cards are being used increasingly.*

- a) Кредитные карты редко используются.
- b) Кредитные карты широко используются.

5. *Sometimes you buy something on credit.*

- a) Вы иногда покупаете что-нибудь в кредит.
- b) Вы ничего не покупаете в кредит.

6. Translate into English.

Центральный банк; современная денежная система; работать вместе с правительством; быть ответственным за проведение денежной политики; действовать в качестве банкиров для других банков, имеющих проблемы с ликвидностью; обеспечивать безопасность; обязывать банки вкладывать деньги в центральный банк под нулевой процент; следить за запасами золота; осуществлять эмиссию денег; предлагать в качестве платежа; сохранять свою стоимость; контролировать инфляцию; спрос на товары; намного больше денег в наличии, чем товаров; изъять деньги из

обращения, повысив процентные ставки; сделать заем более дорогим; обратиться за кредитом.

7. Find proper definitions.

1) supervision	a) the speed with which an asset can be converted into cash (notes and coins)
2) interest	b) the process in which something such as information, money, or goods passes from one person to another
3) legal tender	c) the central bank, that lends to commercial banks if they have no other means of borrowing
4) to refuse	d) to put something valuable, especially money, in a bank
5) lender of last resort	e) to take money from a bank or other financial organization and pay it back over a period of time
6) liquidity	f) the importance or worth of something for someone
7) to deposit	g) money that is charged by a bank or other financial organization for borrowing money; money that you earn from keeping your money in an account in a bank or other financial organization
8) to borrow	h) the money that can be officially used in a country
9) trader	i) to say that you will not do or accept something
10) value	j) the act of watching a person or activity and making certain that everything is done correctly, safely, etc.
11) circulation	k) someone who buys and sells goods or services

8. Answer the questions.

- 1) What is the central banking system?
- 2) What are central banks responsible for?
- 3) What are central banks' main functions?
- 4) How do central banks ensure the safety of the banking system?
- 5) What is legal tender?
- 6) When does inflation happen?
- 7) How can central banks stop it?

9. Complete the text using the words:

reserve requirements, advice, supply, sells, buys, central bank, circulation, increases, decreases, by borrowing, lends, prevents, keep, requires

The Federal Reserve System

There is a 1..... for all states in the USA called the Federal Reserve System (the Fed) which controls various financial functions. All national banks

are members of the Fed. They have a right to obtain funds 2..... from their district reserve banks, to use various services, which the system provides and to get financial 3..... and assistance.

The Fed controls the money 4..... and 5..... the economy from crisis. Its most powerful tool in controlling the money supply is the 6..... . It is the percentage of all deposits that a bank must 7..... with the Fed. If the Fed 8..... banks to keep 20% of all funds on deposit, then they can loan out the other 80% to individuals and companies.

The Fed also 9..... and 10..... government securities (bonds). When it buys government securities, it 11..... the money supply by putting more money in 12..... When the Fed sells securities, it 13..... the money supply.

The Fed is the banker for other banks because it 14..... money to them.

10. Match the verbs from (a) with the nouns (b) below:

to deposit	ratios
to impose	targets
to fix	function
to appoint	chairman
to perform	money
to control	circulation
to clear	checks
to maintain	accounts

11. Complete the sentences with words and phrases from the right part.

1) Money supply in most countries comprises	a) either disinflation or deflation
2) Business firms respond to increased sales by ordering more ...	b) firms issue shares and bonds
3) In a booming economy, stock market prices rise and ...	c) currency
4) If the money supply continues to expand	d) an expected decline in purchasing
5) Lenders insist on higher interest rates to offset ... power.	e) the central bank
6) Economic activity declines and ... results.	f) raw materials
7) The most important determinant of the money supply is ...	g) prices begin to rise

12. Read and translate the text, put 5 questions to it.

The Bank of England

The Bank of England is Britain's central bank. Founded in 1694, it is the world's second oldest central bank, being six years younger than Sweden's Riksbank. It was privately owned until it was nationalized in 1946.

The Governor, Deputy Governor, and 16 Directors who form the Court of Directors are appointed by the sovereign on the recommendation of the Prime Minister.

The Bank of England is responsible for the control of the banking system in the interests of the nation. Its main function is to act as the Government's bank in the widest possible sense. It looks after the bank account of the Government just like an ordinary bank does for its customers. Into the account go all tax receipts and any other transfers of money from various banks, and out of it go all payments.

The Bank of England is a banker for the commercial banks and other financial institutions. The ordinary commercial banks keep about half of their cash assets on current accounts with the Bank of England which uses them for the day-to-day settlement of indebtedness between the banks. A lot of overseas central banks have accounts with the Bank of England to facilitate a wide variety of international transactions.

The Bank is the central note-issuing authority. New notes are issued and worn notes are withdrawn in very large numbers every day.

The Bank acts as the Government's agent for the administration of exchange control and protects the gold and foreign exchange reserves.

It implements the Government policy in the money market and the loan market by raising or lowering Bank Rate.

Because of its important position in the financial affairs of the country the Bank gives useful financial advice to the Treasury to assist it in forecasts of the economic situation. The Bank also advises companies on capital structure and finance.

The style of work of the Bank of England is much admired in the world and gives the credit for the safe and successful growth of London as the world's number one international center.

13. Describe the principal instruments of central banks.

14. Summarize the information of the unit and speak on the topic: Central Banking System

Unit 11. COMMERCIAL BANKS

1. Read the words and learn them by heart. Make up your own sentences with them.

trade in	торговать; отдавать старую вещь в счет покупки новой
to lend <i>to lend smth. to smb.</i>	одалживать, давать займы <i>одалживать что-либо кому-либо</i>
account <i>to open an account with a bank</i> <i>to put money on an account</i> <i>to keep, hold, have an account with a bank</i> <i>to pay interest on an account</i> <i>account holder</i>	счет <i>открыть счет в банке</i> <i>положить деньги на счет</i> <i>иметь счет в банке</i> <i>платить проценты по счету</i> <i>владелец счета</i>
current account (Br) / checking account (Am.)	текущий счет
deposit account (Br) / savings account (Am.)	депозитный (сберегательный) счет
to enable	давать кому-либо возможность или право что-либо сделать
to withdraw money <i>to withdraw money from an account</i> <i>to withdraw a deposit</i>	снять деньги <i>снять деньги со счета</i> <i>отозвать, взять вклад из банка</i>
at any time	в любое время
transaction <i>to make, carry out a transaction</i>	сделка <i>совершить сделку</i>
to transfer money	переводить деньги
to draw a cheque	выписывать чек
overdraft	превышение кредита (в банке)
loan <i>to issue, to grant, to advance a loan</i> <i>to make a loan</i>	заем, ссуда <i>предоставить заем</i> <i>получить заем</i>
instalment	очередной взнос
in monthly instalments	ежемесячными платежами

mortgage	ипотека
property	имущество; собственность
standing order	постоянное платёжное поручение
letter of credit	аккредитив
travelers' cheques	дорожные чеки
cash dispenser, ATM, cash machine	банкомат

2. Read the words paying attention to the transcription.

to withdraw |wɪð' drə:|

transfer |træns' fɜ:|

transaction |træn' zækʃn|

loan |ləʊn|

instalment |ɪn'stɔ:lmənt|

mortgage |'mɔ:ɡɪdʒ|

3. Read and translate the text

Commercial Banks

Commercial banks are businesses that trade in money. They receive and hold deposits, pay money according to customers' instructions, lend money, etc. People use these banks for their everyday money matters.

They can open current accounts. This type of account is very popular as it enables people to keep their money in a safe place. It allows them to withdraw money at any time and it provides them with a chequebook so that they don't have to carry a lot of cash. A current account is used for everyday transactions such as paying bills, transferring money and drawing cheques. A customer can have an overdraft on this type of account but it pays no interest.

A deposit account is used for saving money. It's not possible to draw cheques or have an overdraft on it but it earns interest for a customer.

Another function of commercial banks is to provide credits in the form of overdrafts and loans. Using an overdraft, a customer can take out more money than he has in his account up to a certain limit agreed with the bank. He has to pay the money back when requested by the bank, and he also has to pay a relatively high rate of interest when he is overdrawn. For this reason, an overdraft is not the best option for long-term borrowing.

A loan is cheaper if a large amount of money has to be borrowed over a longer period. It is usually taken out for a car or a house, and is repaid in

monthly instalments along with a fixed rate of interest. A loan used to buy a house or land is called a mortgage.

Other commercial bank services include: standing order facilities, where some amount of money is transferred from one account to another at regular intervals; opening letters of credit; advising their customers on making investments, for example in gold, property or shares; providing safe facilities for their customers to lock up valuable articles such as jewelry or important documents; foreign currency and travelers' cheques transactions; paying out cash for example from cash dispensers.

4. Find proper definitions.

1) transaction	a) an arrangement by which a customer can withdraw more from an account than has been deposited in it, up to an agreed limit
2) standing order	b) a machine in a public place, often outside a bank, that you can use to take money from your bank account using a plastic bank card; ATM or cash machine
3) mortgage	c) one of a number of parts into which an amount of money that is owed has been divided, so that each part is paid at different times until the total is reached
4) loan	d) an instruction to a bank to pay fixed sums of money at stated times
5) letter of credit	e) a piece of paper that you buy from a bank or a travel company and that you can use as money or exchange for the local money of the country you visit
6) cash dispenser	f) a single business deal
7) traveler's cheque	g) something lent (usually money) that will have to be given or paid back
8) instalment	h) a financial document in which a bank formally promises to pay a particular amount of money into the bank of a person selling goods if the goods are delivered by an agreed date and in an acceptable condition. Buyers often use it to buy goods from other countries
9) overdraft	i) an agreement that allows you to borrow money from a bank or similar organization, especially in order to buy a house, or the amount of money itself

5. Translate into English.

Торговать деньгами; получать и хранить депозиты; давать деньги в долг; открыть текущий счет; хранить деньги в безопасном месте; снимать деньги со счета в любое время; носить много наличных; перевод денег; выплачивать проценты; предоставлять кредиты в форме овердрафта и ссуды; до определенной суммы, согласованной с банком; выплачивать деньги, когда банк требует этого; выплачивать относительно высокую процентную ставку; долгосрочный заем; ежемесячные очередные взносы; открыть аккредитив; дать совет клиентам по поводу инвестиций; операции с валютой.

6. Answer the questions.

- 1) What are commercial banks?
- 2) What are advantages and disadvantages of a current account?
- 3) What is a current account used for?
- 4) What do you know about a deposit account?
- 5) What is an overdraft?
- 6) Why isn't it the best option for long-term borrowing?
- 7) What are loans taken out for?
- 8) How is a loan repaid?
- 9) What is a mortgage?
- 10) What are other commercial bank services?

7. Complete the text using the words:

cheque, loan, current account, deposit account, investment advice, foreign currency, cash dispensers, credit card, standing order

Banking Products

My salary is paid directly into a low-interest 1) I can withdraw money from it or from automatic 2) I pay regular, monthly bills by way of a 3) ... : the bank pays them according to my instructions, and debits my account. I pay irregular bills by 4) ... or use my 5) ... in shops and restaurants. I used to have a 6) ... which paid a high interest, but had restrictions as to how and when I could withdraw my money. Last year I asked the bank for a 7) ... to buy a car. I always use the bank to buy 8) ... when I go abroad. My bank also keeps offering me 9) ... about shares, bonds, mutual funds and so on.

8. Choose the necessary word and put it in the sentence:

1 New ... are constantly being introduced and developed by commercial banks.	a) competition
--	----------------

2 Development banks exist to increase the economic growth of a country and ... the living standard of population.	b) raise
3 The aim of commercial banks is to provide and develop services that can be sold at ... that will yield a profit.	c) payments
4 Many banks offer a combination of wholesale and ... banking.	d) smaller-scale
5 The wholesale banking provides ... services to companies and other banks.	e) a price
6 The retail banking provides ... services to the general public.	f) services
7 Deposits ... and credits are the basis of the services offered by banks.	g) large-scale
8 The increased ... between the banks contributes to the development of international business.	h) retail

9. Read and translate the text, put 5 questions to it.

Types of Banks

Most banks can be categorized as retail, commercial or corporate, or investment banks. The big global banks often operate separate arms for each of these categories.

Retail Banks

Retail banks offer their services to the general public and usually have branch offices as well as main offices for the convenience of their customers. They provide a range of services such as checking and savings accounts, loan and mortgage services, financing for automobiles, and short-term loans such as overdraft protection. Many also offer credit cards. They also offer access to investments and individual retirement accounts (IRAs). The larger retail banks also cater to high-net-worth individuals with specialty services such as private banking and wealth management services. Examples of retail banks include TD Bank and Citibank.

Commercial or Corporate Banks

Commercial or corporate banks tailor their services to business clients, from small business owners to large, corporate entities. Along with day-to-day business banking, these banks also offer credit services, cash management, commercial real estate services, employer services, and trade finance, JPMorgan Chase and Bank of America are examples of commercial banks, though both have large retail banking divisions as well.

Investment Banks

Investment banks focus on providing corporate clients with complex services and financial transactions such as underwriting and assisting with merger and acquisition (M&A) activity. They are primarily financial intermediaries in these transactions. Their clients include large corporations, other financial institutions, pension funds, governments, and hedge funds. Morgan Stanley and Goldman Sachs are among the biggest U.S. investment banks.

Credit unions offer banking services but, unlike banks, they are not-for-profit institutions created for and managed by their members or customers. Credit unions provide routine banking services to their clients, who are generally called members. Credit unions are created, owned, and operated by their clients, and are generally tax-exempt. Members purchase shares in the co-op, and that money is pooled together to fund the credit union's loans. They tend to provide a limited range of services compared to banks. They also have fewer locations and automated teller machines (ATMs).

In Britain there are also building societies that provide mortgages, i.e. they lend money to home buyers on the security of houses and flats, and attract savers by paying higher interest, than the banks.

There are also supranational banks such as the World Bank or the European Bank for Reconstruction and Development, which are generally concerned with economic development.

10. Complete the sentence by choosing the correct word or phrase:

1. Banks take deposits and then use them to

- a) make loans.
- b) pay debts.
- c) buy another company.

2. Investment banks often act as

- a) borrowers.
- b) suppliers.
- c) intermediaries.

3. Credit unions are the equivalents of

- a) enterprises.
- b) savings banks.
- c) building societies.

4. Banks in most countries are supervised by

- a) a central bank.
- b) government.
- c) board of Directors.

5. *Credit unions are widespread in*

- a) Russia.
- b) Great Britain.
- c) the USA.

11. Match the English and Russian equivalents:

1. to make a profit	a) контролировать
2. to supervise	b) выпускать кредитные карты
3. to provide services	c) управлять банком
4. to run a bank	d) получать прибыль
5. to issue credit cards	e) предоставлять услуги

12. Make phrases:

1. merchant	a) account
2. foreign	b) union
3. checking	c) exchange
4. credit	d) loan
5. long-term	e) bank

13. Choose the correct prepositions for the following sentences:

1. *Banks are supervised _____ the Central Bank _____ Russia.*

- a) with, of
- b) by, of
- c) by, in

2. *The banking structure varies _____ one country _____ another.*

- a) from, to
- b) from, by
- c) of, for

3. *Investment banks often act as underwriters _____ an issue _____ shares.*

- a) for, in
- b) for, of
- c) to, of

4. *Building societies provide long-term loans _____ homebuyers.*

- a) to
- b) with
- c) on

5. *Credit unions are very popular _____ America*

- a) for
- b) to

c) in

14. Summarize the information of the unit and speak on the topic: Commercial Banks

Unit 12. TAXATION

1. Read the words and learn them by heart. Make up your own sentences with them.

compulsory	принудительный, обязательный
contribution <i>to make a contribution</i> <i>a contribution to smth.</i>	вклад <i>сделать вклад</i> <i>вклад во что-либо</i>
public authorities	органы государственной власти
source	источник
revenue <i>annual, yearly revenue</i> <i>net revenue</i>	доход <i>годовой доход</i> <i>чистый годовой доход</i>
to levy, to assess, to impose <i>to levy a tax on smb.</i> <i>A special tax is imposed on very high incomes.</i>	взимать налог, облагать налогом <i>облагать кого-либо налогом</i> <i>Очень высокие доходы облагаются специальным налогом.</i>
direct taxes	прямые налоги
indirect taxes	косвенные налоги
to provide smb. with smth.	обеспечивать кого-либо чем-либо
defense	оборона
municipal services	муниципальные услуги
to give effect	осуществлять, приводить в исполнение
welfare	благополучие
to promote	способствовать, помогать, содействовать
tier	уровень
value-added tax (VAT)	налог на добавленную стоимость (НДС)
securities tax	налог на ценные бумаги
tax return	налоговая декларация
tax authority	налоговый орган
to submit smth to smb.	представить что-либо кому-либо на рассмотрение
to lodge	подавать жалобу, прошение

illegal evasion of tax obligations	незаконное уклонение от налоговых обязательств
eliminate	ликвидировать
avoidance	избежание (минимизация налоговых обязательств законным путем)

2. Read the words paying attention to the transcription.

compulsory |kəm'pʌlsəri|

revenue |'revənju:|

levy |'levɪ|

assess |ə'ses|

impose |ɪm'pəʊz|

municipal |mju:'nɪsɪpl|

tier |tɪə|

evasion |ɪ'veɪʒn|

eliminate |ɪ'lɪmɪneɪt|

3. Read and translate the text.

Taxation

Taxes are a compulsory financial contribution by a person or groups of persons to the expenditure of public authorities. In modern economies taxes are the most important source of government revenues. Taxes imposed on income (on wages, salaries, profits, dividends, rent, interest) and on capital are known as “direct” taxes. Taxes on commodities or services are known as “indirect” taxes. Many things imported into the country have to pay taxes or “duties”.

Taxes are considered to have three functions:

- fiscal or budgetary, to cover government expenditure, to provide the public authorities with the revenue required for meeting the cost of defense, social services, interest payments on the national debt, municipal services, etc.;

- economic, to give effect to economic policy, to promote stable economic growth;

- social, to increase the economic welfare of the community.

Businesses and individuals are subject to many forms of taxes. The various forms of business organizations are not taxed equally. The tax situation is simpler for proprietorships and most partnerships while companies are levied differently.

Russian taxes provide revenue for three tiers of the budget: federal, regional and local.

The major taxes paid to the budget are: profit tax, value-added tax, securities tax. Tax returns are audited by tax authorities at the time they are submitted.

If a company or a person assessed believes the assessment is incorrect in any way, an appeal may be lodged against it. The appropriate financial organ is required by law to reply to such an appeal within five days.

We should say that along with cases of illegal evasion of tax obligations there are legal ways of avoidance by which a person or a business may so arrange affairs as to minimize or even eliminate tax liability on property and income.

4. Answer the questions.

- 1) What are taxes?
- 2) What are “direct” and “indirect” taxes?
- 3) What are the functions of taxes?
- 4) How are businesses taxed?
- 5) What taxes are paid to the federal budget?
- 6) What bodies audit taxes?
- 7) When can taxpayers lodge an appeal?
- 8) What is the difference between tax evasion and tax avoidance?

5. Translate into English.

Обязательный финансовый вклад; расходы органов государственной власти; важный источник правительственных доходов; налог на зарплату рабочих; налог на зарплату служащих; налог на прибыль; налог на дивиденды; налог на рентные платежи; налог на процентный доход; налог на капитал; покрывать издержки (расходы); процентные платежи по внешнему долгу; стабильный экономический рост; благосостояние общества; подлежать обложению налогом; доходы трех уровней бюджета; налог на добавленную стоимость; налог на ценные бумаги; подавать налоговую декларацию; проводить аудиторскую проверку; подавать апелляционную жалобу; в течение пяти дней; ликвидировать обязательства по уплате налогов.

6. Complete the text using the words:

invest, tax policy, tax authorities, receive, more, equal, taxation, taxpayer, income

Tax Policy

There are four objectives of tax policy: simplicity (простота), efficiency, fairness (честность, справедливость), and revenue sufficiency (достаточность).

Simplicity means that relations of the 1) ... and the 2) ... are as easy as possible.

Efficiency means that 3) ... interferes as little as possible in the choices people make. For example, the tax law shouldn't induce (побуждать, склонять) a businessman to 4) ... in real estate (недвижимость) instead of research and development.

Fairness, to most people, requires that equally situated taxpayers pay 5) ... taxes and that better-off (состоятельные) taxpayers pay 6) ... tax. The problem though is how to judge if two taxpayers are equally situated. For example, one taxpayer might 7) ... income from labor while another receives the same 8)... from inherited wealth (унаследованное состояние).

Revenue sufficiency is an obvious criterion of 9)

7. Chose the correct words to complete each sentence:

- 1) The tax on wages and salaries is called ... tax .
a) value-added b) income
- 2) A tax that is levied at a higher rate on higher incomes is called a ... tax.
a) progressive b) regressive
- 3) VAT, sales taxes, customs duties on import, etc. are ... taxes.
a) direct b) indirect
- 4) Reducing the amount of tax, you pay to a legal minimum is called
a) tax avoidance b) tax evasion
- 5) Making false declarations is called ... and is illegal.
a) tax avoidance b) tax evasion

8. Find the right definition

1. revenue	a. the total amount of money that a government or person spends
2. government	b. a particular legal form for a small company in some countries
3. tax	c. something that provides protection against attack from enemies, or against something dangerous such as weather or an infection
4. municipal	d. the general state of health or degree of success of a person, business, country, etc.
5. expenditure	e. to remove or take away someone or something

6. equally	f. the amount of money that is owed by a person, company, country, etc. and that they usually have to pay interest on
7. dividend	g. the offices, departments, and groups of people that control a country, state, city, or other political unit
8. debt	h. money paid to the government that is based on your income or the cost of goods or services you have bought
9. defense	i. belonging to a town or city
10. assessment	j. a part of the profit of a company that is paid to the people who own shares in it
11. proprietorship	k. the process of calculating how much tax someone must pay, or the amount that must be paid
12. welfare	l. fairly and in the same way
13. eliminate	m. the income that a government or company receives regularly

9. Translate the sentences from Russian into English

1. Я не знаю, облагается ли этот товар пошлиной.
2. Налог на ввозимые товары защищает местную промышленность.
3. При помощи налогов государство получает деньги на здравоохранение, армию и другие расходы.
4. Существуют разные взгляды на то, как надо распределять налоги.
5. Сумма налога должна зависеть от дохода налогоплательщика
6. Почти в каждом государстве существуют как прямые, так и косвенные налоги.

10. Read and translate the text and make 5 questions to it.

The types of taxes

Tax is a rate or sum of money assessed on a person or property for the support of the government and commonly levied upon assets or real property (property tax), or income derived from wages, (income tax), or upon the sale or purchase of goods (sales tax).

Ad valorem tax (value added tax) is a tax imposed upon the difference between the cost of an asset to the taxpayer and the present fair market value of such asset, a tax based on a percentage of the value of the property subject to taxation, as opposed to a specific tax, which is a fixed sum applied to all a certain class of articles.

Capital gains tax (UK) is foreign currency bank accounts owned by persons not domiciled only in the UK and situated in the UK for the purposes of capital gains tax.

Estate tax (inheritance tax, transfer tax) is a tax upon the transfer of property, not upon the property itself, estate taxes imposed upon the net value of decedent's estate. Estate taxes are based upon the power to transmit or the transmission from the dead to the living. The same tax result is accomplished in some jurisdiction through imposition of inheritance taxes which are taxes imposed upon the receipt of the deceased's property by the beneficiary. Estate taxes and inheritance taxes are both forms of transfer taxes which are taxes levied upon the passing of title to property.

Estimated tax is an income tax paid periodically by a taxpayer on income not subject to withholding taxes, in an amount based upon the taxpayer's projected liability.

Excise tax is a federal tax imposed upon the purchase of certain items.

Franchise tax is a tax generally imposed by the states upon corporations. Often, the franchise tax is divided into two components: 1) a tax upon the net income of the corporation attributable to activities within the state; and 2) the tax on the net worth of the corporation located in the state.

Income tax is a tax imposed upon income received which is recognized for tax purposes by the taxpayer, reduced by the allowable deduction and credits.

Progressive tax is a tax in which rate increases as the amount subject to tax increases. For example, a progressive tax would be a tax at which on lower income levels the rate of tax was lower the rate of tax on higher income levels.

Property tax generally tax imposed by municipalities upon owners of property within their jurisdiction based upon the value of such property.

Proportional tax is a tax imposed at a fixed and uniform rate in proportion to the property subject to the tax.

Regressive tax is a tax in which rate decreases as the amount to which the tax is applied increases.

Sales tax is a tax generally imposed by state or local government on the sale of certain items that are generally not for resale. In general, the sales tax is at a set rate regardless of the purchase price of the property.

Unified estate and gift tax is a federal tax imposed upon the net value of an estate and on gifts of certain amounts. The transferor is liable for the gift taxes but if the transferor fails to pay the gift tax, the transferee may be held liable for its payment.

Use tax is a tax imposed upon property purchased in one jurisdiction but brought into another jurisdiction. The jurisdiction imposing a "use tax" does so to curtail out-of-state purchases made for the purpose of avoiding sales taxes. The rate of a use tax is generally the same as the rate of a sale tax.

Withholding tax is the amount of income tax withheld from a payment of income. For example, an employer is required to withhold taxes from employee's salary when the salary is paid to the employee. The amount withheld is a credit against the amount of income taxes that the employee must pay on income earned for the taxable year.

Interest in commercial law, consideration paid for the use of money loaned or forbearance in demanding it when due. Interest is a means of compensation and expresses a formula consisting of the amount charged (a percentage), the amount loaned and the time involved.

Compound interest is an interest paid not only upon the principal sum, but also upon the interest previously paid on that sum. Thus, interest already paid or accrued becomes part of the principal, for purpose of subsequent interest calculations.

Interest rate is the amount of interest paid usually expressed as a percentage of the amount of the underlying debt.

11. Match the Russian translation with the paragraphs in Exercise 10 and give a name to each type of tax.

... – это налог на разницу между стоимостью продукта для налогоплательщика и настоящей обоснованной рыночной ценой этого продукта.

... – это налог на передачу собственности, а не на саму собственность.

... – федеральный налог, взимаемый при покупке некоторых видов товаров.

... обычно взимается штатами с корпораций.

... – это налог, который взимается с полученного и заявленного дохода налогоплательщика, за вычетом сумм, разрешенных законом, и кредитов.

... – налог, при котором ставка возрастает по мере увеличения суммы, подлежащей налогообложению.

... – это обычно налог, взимаемый муниципальными органами с владельцев собственности.

... – налог, при котором ставка уменьшается по мере того, как объем дохода, подлежащего налогообложению, увеличивается.

... – федеральный налог, взимаемый с чистой стоимости наследства и дарений определенных размеров.

... – это часть подоходного налога, которая удерживается из выплаты дохода.

12. Using a variety of sources, prepare a presentation on a country's taxation system

Unit 13. TRADE

1. Read the words and learn them by heart. Make up your own sentences with them.

to be involved	участвовать, быть включенным (во что-то)
sales outlet	точка продаж
intermediary, middlemen	посредник
manufacturer	производитель
sales representative	торговый представитель
to persuade	убеждать
an authorized dealer	официальный дилер
franchise	франшиза
the edge of town	окраина города
domestic trade	внутренняя торговля
visible	видимый
invisible	невидимый
insurance	страхование
freight	перевозка грузов
expertise	экспертиза
Gross National Product GNP	Валовый национальный продукт ВВП
Gross Domestic Product GDP	Валовый внутренний продукт ВВП
earnings	заработанные средства
expenditure	расходы
balance of payments	платежный баланс
balance of trade	торговый баланс
surplus	излишек, активное сальдо
deficit	дефицит

2. Read the words paying attention to the transcription.

to persuade |pə'sweɪd|

authorized |'ɔ:θəraɪzd|

intermediary |,ɪntə'mi:diəri|

franchise |'fræntʃaɪz|

manufacturer |,mænjʊ'fæktʃərə|

expertise |ekspɜ:'ti:z|

deficit |'defɪsɪt|

surplus |'sɜ:pləs|

3. Read and translate the text.

Trade

Very few producers make their goods and sell them directly to their end-users. There are usually specialized marketing intermediaries involved in getting goods or services to the right place - a sales outlet convenient to consumers - at the right time. These intermediaries constitute a distribution channel or a chain of distribution.

The shortest channel exists in cases of direct marketing, where the manufacturer sells directly to consumers, reaching them by telephone or direct mail, or by way of its own sales representatives who contact existing and potential customers, and try to persuade them to buy goods or services. More common are channels with a single intermediary - e.g., a sales agent or broker for industrial goods, a retailer for consumer goods, an authorized dealer in the automobile industry, or a franchise in the fashion, car hire and fast-food businesses. More channels that are complex add further intermediaries such as wholesalers and different agents.

Marketing channels change over time. For example, in retailing, the development of department stores, chain stores, mail order firms, supermarkets, hypermarkets on the edge of town, franchising systems, and so on, were all twentieth century developments. The twenty-first century prefers virtual reality shopping.

Not only domestic, but also international trade is actively conducted. Countries buy and sell various goods as well as various services. Goods bought from abroad, such as food, cars, machines, medicines, books and many others, are called *visible imports*. Goods sold abroad are called *visible exports*.

Services, such as insurance, freight, tourism, technical expertise and others, are called *invisible imports and invisible exports*.

The total amount of money a country makes including money from visible and invisible exports, for a certain period of time, usually for a year, is a *Gross National Product, or GNP*.

The difference between a country's total earnings or GNP, and its total expenditure is called its *balance of payments*.

The difference between what a country receives for its visible exports and what it pays for its visible imports is its *balance of trade*. If a country sells more goods than it buys, it will have a *surplus*. If a country buys more than it sells, it will have a *deficit*. A trade deficit represents an outflow of domestic currency to foreign markets. This may also be referred to as a negative balance of trade (BOT).

4. Define the following words from the text.

Outlet, authorized dealer, sales representatives, end-users.

5. Answer the questions.

1. How is a distribution channel created?
2. What is the shortest channel to sell?
3. What does the term “a single intermediary» mean?
4. What are the selling developments of the XX century?
5. What are the XXI century characteristics in selling?

6. Match the right and left parts of the table to get proverbs related to trade.

1. When buyers don't fall for prices	a) others must fail.
2. Pile it high	b) must not open a shop
3. It is not enough to succeed	c) and sell it cheap
4. A man without a smiling face	d) then what were we buying before?
5. Marketing is everything	e) prices must fall for buyers
6. If every new product is 'improved'	f) and everything is marketing.

7. Find definitions (1-12) for terms (a-l) related to trading.

1. agent	a. an agent in a particular market, such as securities, commodities, insurance
2. distributor	b. a general term for agents, brokers, dealers, merchants, traders, wholesalers, retailers, and other marketing intermediaries.
3. outlet	c. a merchant such as a shopkeeper who sells to the final customer.
4. broker	d. a place where goods are sold to the public – a shop, store, kiosk, market stall, etc.
5. franchisee	e. a collective term for a company's sales representatives or commercial travelers
6. sales force	f. an intermediary who stocks goods from various suppliers and delivers them to retailers when ordered.

7. consumer	g. a person (generally a wholesaler) who stocks and resells components or goods to manufacturers or retailers.
8. merchant / trader	h. a person (or company) who buys a product or service from a producer or a shop.
9. retailer	i. a person who buys (and takes possession of) goods, and sells them on his or her own account.
10. buyer	j. a person who buys an exclusive right to sell certain products in a certain area (or to use a particular name).
11. middlemen	k. a person who negotiates purchases and sales in return for commission or a fee.
12. wholesaler	l. the end-user of goods or services, whose needs are satisfied by producers.

8. Underline the right words, given in the brackets:

1. Goods sold to other countries, such as food, cars, machines, medicines, books, musical instruments and many others, are (*visible, invisible*) exports.
2. Services, such as insurance, freight, tourism, technical expertise, medical operations and others sold to other countries are invisible (*imports, exports*).
3. The difference between total earnings of a country and its total expenditure is called its balance of (*payments, trade*).
4. The difference between a country's earnings for its visible exports and expenditure for its visible imports is called its balance of (*payments, trade*).
5. The difference between a country's GNP and its total expenditure is called its balance of (*payments, trade*).
6. The total amount of money a country earns including exports, for a certain period of time, is called (Gross Domestic Product - *GDP, GNP*).
7. The amount of money a country earns for goods and service inside the country is called (*GDP, GNP*).
8. If a country sells more goods than it buys it will have a (*deficit, surplus*).

9. Continue the sentences:

1. If a country buys more goods than it sells it will have a
2. Gross National Product is the total amount
3. Gross Domestic Product is
4. Invisible exports and imports are
5. Visible exports and imports are
6. A country's balance of payments is
7. A country's trade balance is

10. Translate into English.

1. Страны продают и покупают как товары, так и различные услуги.
2. Если страна покупает больше, чем продает, то в стране будет дефицит.
3. Что такое платежный баланс?
4. Расскажите о годовом валовом продукте нашей страны.
5. Наш регион продает больше, чем покупает.
6. Товары, продаваемые за рубеж, называются экспортом.

11. Put in the right prepositions, if it is necessary.

1. Goods bought __ abroad are called visible imports. Goods sold __ abroad are called visible exports.
2. The difference __ a country's total earnings GNP and its total expenditures is called balance of payments.
3. The total amounts __ money a country earns __ goods __ the country is called Gross Domestic Product.
4. Goods sold __ other countries are visible exports.

12. Discuss with the group the following topics:

1. Why did trade arise?
2. What is the role of trade in society?
3. What problems hinder the development of trade?

13. Read and translate the text and make 5 questions to it.

Comparative Advantage

The first long-distance trade is thought to have occurred 5,000 years ago between Mesopotamia and the Indus Valley.

Trade seems to be as old as civilization itself - ancient civilizations traded with each other for goods they could not produce for themselves due to climate, natural resources, or other inhibiting factors. The ability of two countries to produce items the other could not and mutually exchange them led to the principle of comparative advantage.

This principle, commonly known as *the Law of Comparative Advantage*, is popularly attributed to English political economist David Ricardo and his book *On the Principles of Political Economy and Taxation* in 1817. However, Ricardo's mentor James Mill likely originated the analysis.

Ricardo famously showed how England and Portugal benefited by specializing and trading according to their comparative advantages. In this case,

Portugal was able to make wine at a low cost, while England was able to manufacture cloth cheaply. By focusing on their comparative advantages, both countries could consume more goods through trade than they could in isolation.

The theory of comparative advantage helps to explain why protectionism is often counterproductive. While a country can use tariffs and other trade barriers to benefit specific industries or interest groups, these policies also prevent their consumers from enjoying the benefits of cheaper goods from abroad. Eventually, that country would be economically disadvantaged relative to countries that conduct trade.

When two countries trade, they can each have a comparative advantage and benefit each other. For instance, imagine a country that has limited natural resources. One day, a shepherd stumbled upon an abundant cheap and renewable energy source only occurring within that country's borders that could provide enough clean energy for its neighboring countries for centuries. As a result, this country would suddenly have a comparative advantage it could market to trading partners.

Imagine a neighboring country has a booming lumber trade and can manufacture building supplies much cheaper than the country with the new energy source, but it consumes a lot of energy to do so. The two countries have comparative advantages that can be traded beneficially for both.

Unit 14. THE BUSINESS CYCLE

1. Read the words and learn them by heart. Make up your own sentences with them.

business cycle	цикл деловой активности
fluctuation	колебание
feature	особенность, черта
to expand	расширяться, развиваться
capacity	мощность, способность
growth (expansion, upturn)	рост
recovery	оживление
recession (decline, downturn, contraction)	рецессия; спад
depression (slump)	глубокий спад деловой активности; кризис
trough	низшая точка (цикла), дно
boom	бум, быстрый подъем (деловой активности)
peak (prosperity)	высшая точка; пик

debt	долг; задолженность
to pay mortgage or rent	оплачивать ипотеку или аренду
internal and external theories	внутренние и внешние теории
to lay-off	увольнять
austerity program	программа жесткой экономии
tax cuts	снижение налогов
to enhance growth	увеличить рост
to prosper	процветать, преуспевать
severe	тяжелый, серьезный
to keep its stand	сохранить свою позицию
indices	показатель, индекс
maturity point	точка зрелости
to establish the niche	занять нишу
loyalty	верность, преданность
venture	рискованное, смелое предприятие
to struggle	пробиваться; бороться

2. Read the words paying attention to the transcription.

recession |rɪ'seʃən|

trough |trʌʃ|

prosperity |prɒ'spɛrɪtɪ|

internal |ɪn'tɜ:nəl|

external |ɪk'stɜ:nəl|

capacity |kə'pæsɪtɪ|

debt |det|

enhance |ɪn'hɑ:ns|

prosper |'prɒspə|

severe |sɪ'veɪə|

indices |'ɪndɪsɪ:z|

maturity |mə'tʃʊərətɪ|

niche |ni:ʃ|

venture |'ventʃə|

3. Text

1. Before you start.

• What do you already know about business cycles? Work in pairs or small groups and discuss the reasons why business development is always cyclical.

• What definitions for “crisis” in general can you suggest? Can you give any synonyms?

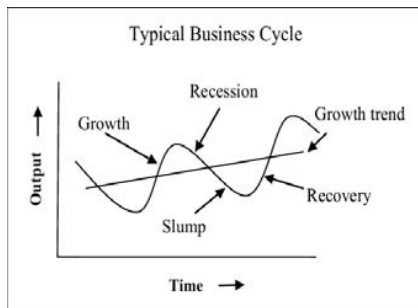
- What can cause a crisis in an economic sphere?
- Is a crisis an essential and inevitable part of every business cycle?

2. Read and translate the text.

Business Cycle

Economic history shows that the economy never grows in a smooth and even pattern. A country may enjoy several years of economic expansion and prosperity. This might be followed by a recession or even a financial crisis or rarely a prolonged depression.

The business cycle is the fluctuation in the general level of economic activity, measured by the rate of unemployment and changes in GDP; it is a permanent feature of market economies: gross domestic product fluctuates as booms and recessions succeed each other. During a boom an economy expands to the point where it is working at full capacity, so that production, employment, prices, profits, investment and interest rates all tend to rise.



During a recession, the demand for goods and services declines and the economy begins to work at below its potential. Investment, output, employment, profits, commodity and share prices, and interest rates generally fall.

A serious, long-lasting recession is called a depression or a slump.

The highest point of the business cycle is called a peak, which is followed by a downturn or downswing or a period of contraction. The lowest point of the business cycle is called a trough, which is followed by a recovery or an upturn or upswing or a period of expansion.

Economists sometimes describe contraction as ‘negative growth’.

There are various theories as to the cause of the business cycle. Internal theories consider it to be self-generating, regular and repeating. A peak is reached when people begin to consume less. In the mid-nineteenth century, it was suggested that the business cycle results from people infecting one another with optimistic or pessimistic expectations. When economic times are good or when people feel good about the future, they spend, and run-up debts. If interest rates rise too high, a lot of people find themselves paying more than they anticipated on their mortgage or rent, and so have to consume less. If people are worried about the possibility of losing their job in the near future they tend to save more. A country’s output, investment, unemployment, balance of payments

depend on millions of decisions by consumers and industrialists on whether to spend, borrow or save.

Investment is closely linked to consumption, and takes place when demand and output are growing. As soon as the demand stops growing at the same rate, investment will drop, leading to a downturn.

Another theory is that sooner or later during every period of economic growth – when the demand is strong, profits are increasing – employees will begin to demand higher wages or salaries. As a result, employers will either reduce investment, or start to lay-off workers, and downsizing will begin.

External theories, on the contrary, look for causes outside economic activity: scientific advances, natural disasters, elections or political shocks, demographic changes, and so on. There is a theory that, where there is no independent central bank, the business cycle is caused by governments beginning their periods of office with a couple of years of austerity programs followed by tax cuts and monetary expansion in the two years before the next election.

4. Match the words with their definitions.

expansion	a period of rapid growth of real GDP resulting in lower unemployment, accelerating inflation rate and rising asset prices
depression	a situation in which something has reached its lowest level, price, etc. before going up again
boom	the increase of something in size, number, or importance
recovery	a period during which something reaches its highest level, price, rate, etc.
trough	time of low economic activity, when investments lose value, businesses fail and people lose their jobs, that lasts for a long period of time, usually several years
contraction	a process in which a situation improves after a difficult period, or in which prices increase after falling in value
peak	a phase of the business cycle in which the economy as a whole is in decline

5. Answer the questions on the text.

1. What is the business cycle?
2. What phases of the business cycle are generally identified?
3. What economic indicators are taken into account when estimating the phase of the business cycle?
4. What theories of the business cycle does the text review?

5. What is the economy like during a boom?
6. How does the economy work during a recession?
7. What is a peak and what is a trough?
8. How do internal theories view the business cycle?
9. What factors are considered important in external theories?
10. Which of the various theories of the business cycle mentioned in the text do you find the most convincing?

6. Complete the following sentences to summarize the text above:

1. The business cycle is
2. During a boom an economy
3. In the period of recessions the demand for goods and services
4. There are ... theories as to the cause of the business cycle.
5. Internal theories suppose that
6. External theories, on the contrary, consider that
7. There is also a theory that

7. Viewpoint. Which of the theories mentioned in the text do you find the most convincing?

8. Read the following text and fill in the gaps with the words from the table below. Make 5 questions to the text.

peak	trough	profits	expansion phase
enhance growth	prosper	severe	decision-making
degradation	brand identity	to keep its stand	to branch out
trust and goodwill	intelligent marketing practices	to have low indices	potential threat of competitors
depression	boom	recession	maturity point

Business (or economic) cycles characterize the changes in economic activity during particular periods of time. These changes can be observed both globally (in the scale of a national economy as a whole) and locally (in the scale of each particular business). The cycles of economic development are measured with the changes of GDP. In terms of a business, it is the profit that shows how a business is doing.

In the global meaning, a business cycle means the fluctuations in economic activity of a nation's economy that are typically characterized by four recurring

phases: 1) recession (decline, contraction), 2) trough, 3) growth (expansion, recovery) and 4) peak (prosperity). Complete business cycles vary in length. The duration of business cycles can be anywhere from about two to twelve years, with most cycles averaging about six years in length.

During a a) the demand for goods and services decreases, and the economy begins to work at below its potential. A rigorous and long-lasting recession is called a b)or a slump. A recession leads to the lowest point of the business cycle which is called a c) In its turn, a trough is followed by a growth – the period when economy “recovers” from the crisis and starts expanding again. Quick and abrupt recovery is known as a d) The highest point of a recovery is called a e) when economic activities reach their maximum and economy starts working at full capacity.

With the passage of time, a business enters into different phases of its life as well. These phases resemble the changes in national economies. But their interpretation is, naturally, a bit different.

1. *Growth*. This is the initial phase when many policies and business strategies should be framed. It is also called the f), because the business tries to establish its niche in the market by creating the brand identity and generating brand loyalty within the customer base using g) This stage is characterized by a rise in consumer demand and a consequent requirement of increased inputs in terms of production, manufacturing, and general operations to keep up with the rising sales and continued growth. The growth phase, being marked by increased sales, shows a rise in h) and firmly establishes the brand name of the business in the market. A company has to work on its strength and look out for the i) The focus of this stage is to maintain the core customer group and build j) amongst the customers.

2. *Peak*. The second crucial juncture is the “peak” phase. A business reaches its k) and becomes well established in the market. Sales reach their apex and a business doesn't need to put much effort to increase its turnover. The profits are fairly stable. The l) and brand image are well established. The customer base, investors, and other important business networks are well laid. However, intensive marketing must enhance the overall market position, or at least maintain the current one. This is the phase where the company would want m) into other ventures and dabble with product innovation.

3. *Recession*. Then comes the phase when the market sales of a business decline. There can be a lot of factors responsible for the n) of the business. It can be government policies, new strong competitors, labor problems or any other unfavorable conditions that can bring about a drastic change in the

economic stability of a business. It becomes a stage where a company struggles o) in the market. This stage shows a loss in market share and the business is said to be in a phase of recession.

4. *Trough.* The trough stage is opposite of the peak stage. In terms of the market share and sales, a business reaches its lowest point. Prices and profits start falling. A business tends p) of selling, buying, employment and production. Consumer demand and confidence level remain low. High competition in the market leads to the downfall of a business. If the trough phase becomes q), then it is known as depression.

The last phase may be the end of a business. But this doesn't happen in most cases, because businesses often frame new expansion policies to r) When businesses frame such policies, this stage becomes a recovery stage, which, if successful, takes the company back to its growth, thus completing the cycle. Proper planning and s) are essential to make a business t) again.

9. Arrange the features from the list below according to the four stages of a business cycle and fill in the table.

High supply; Loss in sales; High competition; Decrease in demand; High income; New policies; High unemployment; Loss of market share; Creation of customer loyalty; High market share; Low income; Increasing demand; Strong brand image; High advertising; Loss in customer confidence; High demand; Fall in market share; Less advertising; Cost cutting and reduction; Increased income; Lowest income

<i>Growth</i>	<i>Peak</i>	<i>Recession</i>	<i>Trough</i>

10. Match and translate the antonyms:

depression	recovery
recession	boom
aggregate	rise
upturn	individual
low	partial
heavy	falling
rising	increase
reduction	downturn
full	high

fall	light, some
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11. Complete the statements choosing the right option.

1) The _____ phase of the business cycle follows a recession.

- a. recovery
- b. contraction
- c. peak
- d. trough

2) The upper turning point of a business cycle is a _____ .

- a. boom
- b. trough
- c. peak
- d. expansion

3) A serious, long-lasting recession is called a _____ .

- a. boom
- b. depression
- c. growth
- d. contraction

4) Technological advances, natural disasters, elections are _____ factors causing the business cycle.

- a. internal
- b. endogenous
- c. exogenous
- d. demographic

12. Discuss with the group the following topics:

1. What is the average duration of business cycles
2. What measures should a business take during each of the four stages of a cycle?
3. What can help a business survive the ups and downs
4. Think over and say what happens during each stage of a business cycle to each of the following factors:
 - Jobs – increase in number; decrease; stay the same.
 - Unemployment – high; low; the highest; becomes higher (lower).
 - Prices for consumer goods – go up; go down; stay the same.
 - Consumers buying habits – buy less, buy more; no change.
 - Number of business firms in the market – increases; decreases; stays the same.

13. Translate the following sentences into English.

1. Экономика страны переживает глубокий, затяжной спад.
2. Нынешний спад привел к уменьшению объемов производства.
3. Оживление в экономике, последовавшее за продолжительной депрессией, объясняется рядом факторов.
4. По прогнозам экономистов, нынешний экономический подъем продлится еще 3-4 месяца.
5. В этом году, по прогнозам аналитиков, прирост инфляции не превысит 5-6%.
6. Экономический подъем - состояние экономики страны, характеризующееся ростом производства, повышением его эффективности, оживлением экономической деятельности в разных сферах, повышением уровня жизни. Экономический подъем характеризуется ростом реального валового национального продукта.
7. Экономический спад - длительное, устойчивое снижение объемов производства основных видов товаров и услуг, понижение деловой активности. Обычно экономический спад сопровождается уменьшением реальных доходов населения, ухудшением условий жизни и безработицей.

APPENDIX. TEXTS FOR ADDITIONAL READING

What Is a Market Economy?

There are four types of economies: traditional, command, market, and mixed (a combination of a market economy and a planned economy).

A market economy is an economic system in which economic decisions and the pricing of goods and services are guided by the interactions of a country's individual citizens and businesses. There may be some government intervention or central planning, but usually this term refers to an economy that is more market oriented in general.

The theoretical basis for market economies was developed by classical economists, such as Adam Smith, David Ricardo, and Jean-Baptiste Say. These classically liberal free market advocates believed that the “invisible hand” of the profit motive and market incentives generally guided economic decisions down more productive and efficient paths than government planning of the economy. They believed that government intervention often tended to lead to economic inefficiencies that actually made people worse off.

Market economies work using the forces of supply and demand to determine the appropriate prices and quantities for most goods and services in the economy. Entrepreneurs marshal factors of production (land, labor, and capital) and combine them in cooperation with workers and financial backers, to produce goods and services for consumers or other businesses to buy. Buyers and sellers agree on the terms of these transactions voluntarily based on consumers preferences for various goods and the revenues that businesses want to earn on their investments. The allocation of resources by entrepreneurs across different businesses and production processes is determined by the profits they hope to make by producing output that their customers will value beyond what the entrepreneurs paid for the inputs. Entrepreneurs that successfully do so are rewarded with profits that they can reinvest in future business, and those who fail to do so either learn to improve over time or go out of business.

Unlike other types of economies, a market economy increases the efficiency of businesses. Governments, in their limited roles, promote increased efficiency and free and increased competition.

In the face of competition, a business tends to do whatever is necessary to lower its costs and achieve a higher number of sales to increase profits.

Competition forces businesses to find ways to achieve a competitive advantage so that they can capture a larger market share for their product or service. This leads them to figure out how to reduce costs, improve their product, and so on in order to capture that extra market share.

Price elasticity of demand and supply

There is a relationship between demand and price. How much demand for a commodity is affected by a change in price is called elasticity of demand. If a small change of price results in a large change in demand, the demand is called elastic, if the demand changes a little, it is called inelastic. The price elasticity of demand coefficient is negative as demand usually falls with a rise in price. The price elasticity of supply shows the percentage change in the quantity supplied resulting from a one-percent change in price.

As an increase in the quantity supplied is normally a result of a rise in price, the coefficient is usually positive. We have a “0” (zero) elasticity when a price change results in no quantity supplied change. This is called a perfectly inelastic supply. Provided the elasticity varies between zero and one, the supply is called inelastic. With coefficients greater than one, the supply is called elastic. The percentage change in quantity is larger than the corresponding percentage change in price.

Agricultural supply is mostly inelastic because of the high proportion of such inputs as land, buildings, and machinery. The elasticity of agricultural commodities (potatoes, wheat, fruits, eggs, milk) varies greatly. Because of increasing specialization of production of farm animal products, in particular, elasticity for such commodities as pigs or broilers has decreased in recent years.

Natural Monopoly

A natural monopoly is a type of monopoly that exists typically due to the high start-up costs or powerful economies of scale of conducting a business in a specific industry which can result in significant barriers to entry for potential competitors. A company with a natural monopoly might be the only provider of a product or service in an industry or geographic location. Natural monopolies can arise in industries that require unique raw materials, technology, or similar factors to operate.

Natural monopolies can also arise when one firm is much more efficient than multiple firms in providing the good or service to the market. A good example of this is in the business of electricity transmission where once a grid is set up to deliver electric power to all of the homes in a community, putting in a second, redundant grid to compete makes little sense.

A natural monopoly, as the name implies, becomes a monopoly over time due to market conditions and without any unfair business practices that might stifle competition. Some monopolies use tactics to gain an unfair advantage by using collusion, mergers, acquisitions, and hostile takeovers. Collusion might

involve two rival competitors conspiring together to gain an unfair market advantage through coordinated price-fixing or increases.

Companies that have a natural monopoly may sometimes exploit the benefits by restricting the supply of a good, inflating prices, or by exerting their power in damaging ways other than through prices.

For example, a utility company might attempt to increase electricity rates to accumulate excessive profits for owners or executives. Or an internet service platform might use its monopoly power over information, online interactions, and commerce to exercise undue influence over what people can see, say, or sell online. Regulations over natural monopolies are often established to protect the public from any misuse by natural monopolies.

Under the common law, many natural monopolies operate as common carriers, whose business is recognized as having risks of monopoly abuse but allowed to do business as long as they serve the public interest. Common carriers are typically required to allow open access to their services without restricting supply or discriminating among customers and in return are allowed to operate as monopolies and given protection from liability for potential misuse by customers.

For example, landline telephone companies are required to offer households within their territory phone service without discriminating based on the manner or content of a person's phone conversations and are in return generally not held liable if their customers abuse the service by making prank phone calls.

In most cases of government-allowed natural monopolies, there are regulatory agencies in each region to serve as a watch-dog for the public. Utilities are typically regulated by the state-run departments of public utilities or public commissions.

What Is the Federal Reserve System (FRS)?

The Federal Reserve System (FRS) is the central bank of the United States. Often simply called the Fed, it is arguably the most powerful financial institution in the world. It was founded to provide the country with a safe, flexible, and stable monetary and financial system. The Fed has a board that is comprised of seven members. There are also 12 Federal Reserve banks with their own presidents that represent a separate district.

The Fed was established by the Federal Reserve Act, which was signed by President Woodrow Wilson on Dec. 23, 1913, in response to the financial panic of 1907.

Before that, the U.S. was the only major financial power without a central bank. Its creation was precipitated by repeated financial panics that afflicted the

U.S. economy over the previous century, leading to severe economic disruptions due to bank failures and business bankruptcies. A crisis in 1907 led to calls for an institution that would prevent panics and disruptions.

The Fed has broad power to act to ensure financial stability, and it is the primary regulator of banks that are members of the Federal Reserve System. It acts as the lender of last resort to member institutions that have no other place from which to borrow. Often referred to simply as the Fed, it has the mandate to ensure there is financial stability in the system. It is also the main regulator of the country's financial institutions.

The system's 12 regional Federal Banks are based in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

The Fed's main income source is interest charges on a range of U.S. government securities it has acquired through its open market operations (OMO). Other income sources include interest on foreign currency investments, interest on loans to depository institutions, and fees for services - such as check clearing and fund transfers—provided to these institutions. After paying expenses, the Fed transfers the rest of its earnings to the U.S. Treasury.

The Federal Reserve payments system, commonly known as the Fedwire, moves trillions of dollars daily between banks throughout the U.S. Transactions are for same-day settlement.

In the aftermath of the 2008 financial crisis, the Fed has paid increased attention to the risk created by the time lag between when payments are made early in the day and when they are settled and reconciled. Large financial institutions are being pressured by the Fed to improve real-time monitoring of payments and credit risk, which has been available only on an end-of-day basis.

The Fed is considered to be independent because its decisions do not have to be ratified by the president or any other government official. However, it is still subject to congressional oversight and must work within the framework of the government's economic and fiscal policy objectives.

Taxes and public spending

In most economies government revenues come mainly from direct taxes on personal incomes and company profits as well as indirect taxes levied on purchase of goods and services such as value added tax (VAT) and sales tax. Since state provision of retirement pensions is included in government expenditure, pension contributions to state-run social security funds are included in revenue, too. Some small component of government spending is financed

through government borrowing. Government spending comprises spending on goods and services and transfer payments.

Governments mostly pay for public goods, that is, those goods that, even if they are consumed by one person, can still be consumed by other people. Clear air, national defense, health service are examples of public goods. Governments also provide such services as police, fire-fighting and the administration of justice.

A transfer is a payment, usually by the government, for which no corresponding service is provided in return. Examples are social security, retirement pensions, unemployment benefits. In most countries there are campaigns for cutting government spending. The reason for it is that high levels of government spending are believed to exhaust resources that can be used productively in the private sector. Lower incentives to work are also believed to result from social security payments and unemployment benefits.

Whereas spending on goods and services directly exhausts resources that can be used elsewhere, transfer payments do not reduce society's resources. They transfer purchasing power from one group of consumers, those paying taxes, to another group of consumers, those receiving transfer payments and subsidies.

Another reason for reducing government spending is to make room (создать условия) for tax cuts. Government intervention manifests itself in tax policy which is different in different countries. In the United Kingdom the government takes nearly 40 percent of national income in taxes. Some governments take a larger share, other a smaller share. The most widely used progressive tax structure is the one in which the average tax rate rises with a person's income level. As a result of progressive tax and transfer system most is taken from the rich and most is given to the poor.

Rising tax rates initially increase tax revenue but eventually result in such large falls in the equilibrium quantity of the taxed commodity or activity that revenue starts to fall again. High tax rates are said to reduce the incentive to work. If half of all we earn goes to the government, we may prefer to work fewer hours a week and spend more time in the garden or watching television. Cuts in tax rates usually reduce the tax burden and the amount of taxes raised but might increase eventual revenue. If governments wish to reduce the tax burden and balance spending and revenue, they are supposed to reduce government spending in order to cut taxes.

Reclamation for Value-added Tax

Duty-free is not the only way to buy cut-price goods in Europe. Tax-free shopping offers even greater number of discounts to visitors from outside the EU and includes more than just perfume, alcohol and cigarettes.

The main difference between duty-free and tax-free shopping is that duty-free is available to everyone travelling within the EU. Tax-free shopping, however, is a perk only available to non-EU members flying into European countries, which add up to around 100 million tourists each year. Value-added tax (VAT) normally included in a price of goods is refunded when leaving the EU.

Most goods are sold with VAT included in a selling price. This ranges from 7 per cent for some goods in Germany to 25 per cent in Sweden and Denmark. In the UK, VAT stands at 17,5 percent. However, visitors only get saving of 14,8 percent on a purchase price as there is an added fee for handling of the refund.

Tax-free shopping has become big business with tourists from non-EU countries spending huge sums every year. It is a simple system, which means you receive a refund when you leave a country. There is often a minimum sale of between \$ 30 and \$ 100 to qualify for a refund.

After purchasing any goods ask for a Tax-free Shopping Voucher, which you need to reclaim your VAT. When you leave the EU your vouchers must be stamped at the customs. Then vouchers can be cashed at Refund Points.

Regulation of International Trade

Traditionally, trade was regulated through bilateral treaties between two nations. After World War II, as free trade emerged as the dominant doctrine, multilateral treaties like the GATT and World Trade Organization (WTO) became the principal regime for regulating global trade.

The WTO, created in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT), is an international organization charged with overseeing and adjudicating international trade. The WTO deals with the rules of trade between nations at a near-global level; is responsible for negotiating and implementing new trade agreements; and is in charge of policing member countries' adherence to all the WTO agreements, signed by the majority of the world's trading nations and ratified in their parliaments. Additionally, it is the WTO's duty to review the national trade policies and to ensure the coherence and transparency of trade policies through surveillance in global economic policy making.

Headquartered in Geneva, Switzerland, the WTO has more than 150 members, which represent more than 95% of total world trade. It is governed by

a ministerial conference, which meets every 2 years; a general council, which implements the conference's policy decisions and is responsible for day-to-day administration; and a director-general, who is appointed by the ministerial conference.

Five basic principles guide the WTO's role in overseeing the global trading system:

- **Nondiscrimination.** This principle inspired two major policies—the most favored nation (MFN) rule and the national treatment policy—embedded in the main WTO rules on goods, services, and intellectual property. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, that is, a WTO member has to grant the most favorable conditions under which it allows trade in a certain product type to all other WTO members. The national treatment policy, adopted to address nontariff barriers to trade (e.g., technical standards, security standards) dictates that imported and locally produced goods should be treated equally (at least after the foreign goods have entered the market).

- **Reciprocity.** This principle reflects both a desire to limit the scope of free riding that may arise because of the MFN rule and a desire to obtain better access to foreign markets.

- **Binding and enforceable commitments.** The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a list of concessions. A country can change its commitments but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.

- **Transparency.** WTO members are required to publish their trade regulations, to maintain institutions charged with review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO.

- **Safety valves.** Under specific circumstances, governments can (within limits) restrict trade to attain noneconomic objectives, to ensure “fair competition,” and under special economic circumstances.

The WTO operates on a “one country, one vote” system, but actual votes have never been taken. Ostensibly, decisions are made by consensus, with relative market size as the primary source of bargaining power. In reality, most WTO decisions are made through a process of informal negotiations between small groups of countries, often referred to as the “green room” negotiations (after the color of the WTO director-general's office in Geneva) or “miniministerials” when they occur in other countries. These processes have

been regularly criticized by many of the WTO's developing-country members who are often excluded from these negotiations.

The WTO oversees about 60 different agreements that have the status of international legal texts. Member countries must sign and ratify all WTO agreements on accession. Some of the most important agreements concern agriculture, services, and intellectual-property rights.

Examples of Contractions in the US

The longest and most painful period of contraction in modern American history was the Great Depression, from 1929 to 1933. More recently, deep contraction occurred during the early 1980s when the Federal Reserve sent interest rates soaring to squelch inflation. This contractionary period, however, was short-lived and succeeded by a robust and sustained period of expansion.

The Great Recession of 2007 to 2009 was a period of substantial contraction spurred by an unsustainable bubble in real estate and the financial markets. The peak that preceded the 2008 recession occurred in the third quarter of 2007, when GDP growth was 2.4%. The 2008 recession was a rough one, because the economy immediately contracted by 1.6% in the first quarter of 2008. It rebounded 2.3% in the second quarter, an optimistic sign. However, it contracted 2.1% in the third quarter and then 8.5% in the fourth quarter. In the first quarter of 2009, it contracted by 4.6%. During 2008, the unemployment rate rose from 4.9% in January to 7.2% by December. The trough occurred at the end of the second quarter of 2009, according to the NBER. GDP only contracted by 0.7%. Unemployment, however, rose to 10.2% by October 2009 because it is a lagging indicator. The expansion phase started in the third quarter of 2009 when GDP rose 1.5%. Four years into the expansion phase, the unemployment rate was still above 7%, because the contraction phase moved the economy so low that it took much longer to recover.

When the COVID-19 pandemic spread to the U.S. in March 2020, the economic impact of travel and work restrictions ended a peak in the U.S. economy and the longest economic expansion in its history - June 2009 to February 2020.² Following the roll-out of vaccines in 2021, the U.S. economy experienced a strong recovery into 2022. By mid-2022, the Federal Reserve started to raise interest rates to curb inflation, increasing the risk of a recession. On August 16, 2022 President Biden signed into law the Inflation Reduction Act, the aim of which is to lower inflation, invest in energy production, and reduce healthcare costs.

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Учебное пособие

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