

УЧЕБНИК / ДЛЯ ВЗРОСЛЫХ

Под редакцией Е. Н. Малюга

АНГЛИЙСКИЙ ЯЗЫК ДЛЯ ЭКОНОМИСТОВ



Коммуникативные задания

Грамматические сложности

Перевод текстов по экономической тематике

Реферирование газетных статей

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УЧЕБНИК

ДЛЯ ВУЗОВ

Под редакцией Е. Н. Малюга

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Допущено Министерством образования Российской Федерации
в качестве учебника для студентов высших учебных заведений,
обучающихся по экономическим специальностям



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Учебник рассчитан на студентов экономических вузов, прошедших базовый курс английского языка. Благодаря знаниям и навыкам, приобретенным с помощью этого учебника, студенты смогут легко ориентироваться в значительных потоках экономической информации. Особое внимание авторы уделяют практике ведения дискуссии, овладению навыками написания и представления докладов по различным экономическим темам.

Учебник подготовлен при содействии Национального фонда подготовки кадров в рамках программы «Совершенствование системы экономического образования в РУДН» Инновационного проекта развития образования. Допущен Министерством образования и науки Российской Федерации для студентов высших учебных заведений, обучающихся по экономическим специальностям.

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Предисловие

Учебник «Английский язык для экономистов» рассчитан на студентов экономических вузов, прошедших на более ранних этапах обучения базовый курс английского языка, английский язык для делового общения, английский язык для профессиональных целей, освоивших английский язык на уровне Intermediate — Upper-Intermediate. Учебник «Английский язык для экономистов» нацелен на повышение языковой компетенции студентов-экономистов, что позволит им находиться в курсе теоретических разработок ведущих зарубежных специалистов.

По прохождении данного учебника студенты смогут решать проблемы, характерные для российской экономики, ориентироваться в значительных потоках экономической информации.

Учебник «Английский язык для экономистов» — продолжение курса английского языка для профессиональных целей. Тематика курса максимально приближена к тематике изучения специальности на русском языке. Специальный акцент делается на современные тенденции развития экономического языка как одной из наиболее динамично развивающихся сфер, что призвано способствовать формированию у студентов навыков использования современных лексико-грамматических конструкций и терминологии. С точки зрения эффективности обучения, учебник знакомит студентов с принципами самостоятельного поиска языкового материала, необходимого для решения поставленных перед ними экономических задач на английском языке.

Особое внимание уделяется практике ведения научной дискуссии и овладению навыками написания и представления докладов по различным экономическим тематикам, что должно способствовать развитию у студентов склонности к проведению самостоятельной научной работы, опираясь на ранее приобретенные навыки чтения и аудирования.

Студенты, имеющие языковой уровень Intermediate — Upper-Intermediate изучают лексико-грамматический материал применительно к тематике учебного пособия. В отдельные аспекты обучения выделя-

ются: язык экономических текстов (газетно-публицистических, научных и учебных); перевод как вид речевой деятельности (устная и письменная формы); реферирование газетных, журнальных текстов.

Подобного рода учебник разрабатывается впервые с учетом языка специальности (экономической теории), ориентации на программу «Переводчик в сфере профессиональной коммуникации», привлечения аутентичных материалов о российской экономике, а также с опорой на новые технологии.

Апробация отдельных глав учебника успешно прошла на 5 курсе экономического факультета РУДН. Причем особенно удачными, по мнению специалистов, оказались подбор тем и отбор материала, содержащего большое количество профессиональной лексики. Успешным также оказался и разнообразный набор заданий, нацеленный на понимание англоязычных текстов, перевода их на русский язык, на расширение и закрепление знаний в области грамматики, а также на развитие навыков прямого и обратного перевода и реферирование текстов. Особым достоинством учебника является и то, что в каждом разделе имеются проблемные ситуации (case studies), ситуации для работы в группе и для «мозгового штурма».

Авторы выражают глубокую признательность рецензентам: доктору филологических наук, профессору кафедры английского языкознания филологического факультета МГУ им. Ломоносова Тамаре Борисовне Назаровой и кандидату филологических наук, профессору кафедры лексики английского языка МПГУ Татьяне Сергеевне Самохиной за положительную оценку учебника. Авторы также благодарят российские и зарубежные издательства, любезно предоставившие свои материалы в учебных целях.

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Unit 1

Labour Relations

A. Preliminary discussion

1. What are labor or trade unions?
2. How do unions influence the economy?
3. Do they increase or diminish economic efficiency?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What is collective bargaining?
2. Collective bargaining agreements typically cover several topics. What are they?
3. When does collective bargaining on a new contract begin?

C. Reading

C.1. Read the text and answer the questions.

1. How do closed and open shops differ?
2. What contract issues are addressed in the bargaining process?
3. Why have workers become “job conscious”?
4. How does the bargaining process occur?

Collective Bargaining

C. R. McConnell, S. L. Brue

Despite the decline of unionism, collective bargaining – the negotiation of labor contracts – remains an important feature of labor-management relations. The goal of collective bargaining is to establish a “work agreement” between the firm and the union.

The Work Agreement

Collective bargaining agreements (contracts) assume many forms. Some contracts are brief, taking up only 2 or 3 pages; others are lengthy and highly detailed, requiring 200 or 300 pages of print. Some agreements involve only a local union and a single plant; others set wages, hours, and working conditions for entire industries.

Typically, however, collective bargaining agreements cover several topics.

Union Status and Managerial Prerogatives. As for union status, the *closed shop* affords the union the greatest security. In a closed shop, a worker must be (or become) a member of the union before being hired. Under Federal labor law, such shops are illegal in industries other than transportation and construction. In contrast, a *union shop* permits the employer to hire nonunion workers but provides that these workers must join the union within a specified period, say, 30 days, or relinquish their jobs. An *agency shop* requires nonunion workers to pay union dues or donate an equivalent amount to charity. Union and agency shops are legal, except in the 20 states which expressly prohibit them through so-called right-to-work laws. In the *open shop*, an employer may hire union or nonunion workers. Those who are nonunion are not obligated to join the union or pay union dues; they may continue on their jobs indefinitely as nonunion workers. Nevertheless, the wage, hours, and working conditions set forth in the work agreement apply to the nonunion workers as well as the union workers.

The management side of the union-status issue is *managerial prerogatives*. Most work agreements contain clauses outlining certain decisions reserved solely for management. These prerogatives usually cover such matters as size and location of plants, products to be manufactured, types of equipment and materials to be used in production and in production scheduling.

Wages and Hours. The focal point of any bargaining agreement is wages and hours. Both labor and management press for the advantage in wage bargaining. The arguments which unions use most frequently in demanding (and by the firm in resisting) wage boosts are (1) "what others are getting," (2) the employer's ability to pay, based on its profitability, (3) increases in the cost of living, and (4) incre-



ases in labor productivity. In some cases, unions achieve success in tying wages to the cost of living through *cost-of-living adjustment (COLA)* clauses.

Hours of work, voluntary versus mandatory overtime, holiday and vacation provisions, profit sharing, and fringe benefits -- health plans and pension benefits -- are other contract issues which must be addressed in the bargaining process.

Seniority and Job Protection. The uncertainty of employment in a market economy, along with the fear of antiunion discrimination on the part of employers, has made workers and their unions "job conscious." The explicit and detailed provisions covering job opportunities which most agreements contain reflect this concern. Unions stress seniority (length of service) as the basis for worker promotion and for layoff and recall. They want the worker with the longest continuous service to have the first chance at relevant promotions, be the last one laid off, and be the first one recalled from layoff.

In recent years, unions have become increasingly sensitive to losing jobs to nonunion subcontractors and to overseas workers. Unions sometimes seek limits on the firm's ability to subcontract out work or to relocate production facilities overseas.

Grievance Procedures. Even the most detailed and comprehensive work agreement cannot spell out all the specific issues and problems which might occur during its life. For example, suppose that Nelson gets reassigned to a less pleasant job. Was this reassignment for legitimate business reasons or, as Nelson suspects, because of a personality conflict with a particular manager? Labor contracts contain *grievance procedures* to resolve such matters.

The Bargaining Process

The date for the beginning of collective bargaining on a new contract is usually set in the existing contract and is usually 60 days before the current one expires. The union normally takes the initiative, presenting its demands in the form of specific wage, fringe-benefit, and other adjustments to the present union-management contract. The firm counters with an offer relating to these and other contract provisions. It is not unusual for the original union demand and the first offer by the firm to be far apart, not only because of the parties' conflicting interests but also because the parties know they are obligated by law to bargain in good faith. The initial "*large demand-low offer situation*" leaves plenty of room for compromise during the negotiations.

The negotiating then begins in earnest on items in dispute. Hanging over the negotiations is the *deadline*, which occurs the moment the present contract expires. At that time there is a possibility of a *strike* -- a "work

stoppage” by the union — if it thinks its demands are not satisfactorily met. But there is also the possibility that at that time the firm may engage in a *lockout*, in which it forbids the workers to return to work until a new contract is signed. In this setting of uncertainty prior to the deadline, both parties feel pressure to find mutually acceptable terms.

Although bluster and bickering often occur in collective bargaining, labor and management display a remarkable capacity for compromise and agreement. Typically they reach a compromise solution which is written into a new contract. Nevertheless, strikes and lockouts occasionally *do* occur. When they happen, workers lose income and firms lose profit. To stem their losses, both parties look for and usually eventually find ways to settle the labor dispute and get the workers back to work.

Bargaining, strikes, and lockouts occur within a framework of Federal labor law, specifically the National Labor Relations Act (NLRA). This act was first passed as the Wagner Act of 1935 and later amended by the Taft-Hartley Act of 1947 and the Landrum-Griffin Act of 1959. The act sets forth the dos and don'ts of union and management labor practices. For example, while union members can picket in front of a firm's business, they cannot block access to the business by customers, co-workers, or strikebreakers hired by the firm. As a second example, firms cannot refuse to meet and talk with the union's designated representatives.

C.2. Decide whether these statements are True (T) or False (F).

1. A union shop affords the union the greatest security.
2. Union and agency shops are illegal in 20 states.
3. Nonunion workers cannot exercise their rights set forth in the work agreement.
4. The bargaining process usually begins within two months before the expiration of the current contract.
5. Both parties are pressed to find mutually acceptable terms prior to the deadline.

D. Vocabulary

D.1. Learn the vocabulary and make up your own sentences.

collective bargaining — the discussion held between an employer and trade unions in order to reach an agreement on wages and working conditions

prerogative (*n*) — a special right belonging to a particular person, especially because of the official position they hold

closed shop — a place of work where only members of a particular trade union are employed

relinquish (*v*) — to give up

dues (*n, plural*) — regular payments made to an organization such as professional association or trade union by its members

set forth (*phr v*) — to formulate one's demands, to settle one's requirements in definite terms

cost-of-living adjustment — in the U.S., an increase in someone's pay or pension, made to cover increases in the cost of living

voluntary (*adj*) — acting or done willingly, without being forced

mandatory (*adj*) — which must be done

fringe benefits — advantage or service given with a job besides wages (company cars, loans at low rates of interest, etc.)

explicit (*adj*) — clear and fully expressed

provision (*n*) — a part of a law, contract, agreement, etc. that relates to a particular subject

layoff (*n*) — the act of stopping a worker's employment

recall (*n*) — the act of officially telling someone to come back

grievance procedure — the system that a company has to discuss workers' complaints

spell out (*phr v*) — to explain in the clearest or most detailed way

expire (*v*) — to come to an end; run out

counter (*v*) — to move or act in order to oppose or defend yourself against something

in earnest — seriously; in a determined way

lockout (*n*) — a situation in which people are prevented from entering their place of work until they have agreed to accept conditions set down by their employers

bluster (*n*) — noisy or boastful talk

bickering (*n*) — quarrelling, especially about important matters

stem (*v*) — to stop

strike-breaker — a person who takes the job of someone else who is on strike

designated (*adj*) — chosen or named for a particular job or purpose

D.2. Give English equivalents to the following words and expressions:

- ◆ отказываться;
- ◆ добросовестно;
- ◆ поправка на рост прожиточного минимума;
- ◆ назначенный;

- ◆ увольнение из-за отсутствия работы;
- ◆ обязательный, принудительный;
- ◆ разяснять, растолковывать;
- ◆ предприятие, принимающее на работу только членов профсоюза;
- ◆ процедура разрешения трудовых споров;
- ◆ положение, условие (закона, договора, соглашения).

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

fringe benefits	in earnest	prerogative	
countered	voluntary	strike-breakers	stem

1. It is the ... of management to decide what products should be manufactured.
2. If strikes and lockouts occur labor and management usually try to reach a compromise solution to ... their losses.
3. Such contract issue as ... overtime must be addressed in the bargaining process.
4. A competitive salary with ... will be offered to all workers.
5. During the strike, the management successfully employed
6. The unions were accused of illegal actions, but they ... with the claim that the situation was disastrous.
7. The two parties can finally start negotiating ... about issues of mutual concern.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. The wage, hours, and working conditions *set forth* in the work agreement apply to the nonunion workers as well as the union workers.
2. Unions stress seniority (length of service) as the basis for worker promotion and for layoff and *recall*.
3. The date for the beginning of collective bargaining on a new contract is usually set in the existing contract and is usually 60 days before the current one *expires*.
4. There is also the possibility that at that time the firm may engage in a *lockout*.
5. Although *bluster and bickering* often occur in collective bargaining, labor and management display a remarkable capacity for compromise and agreement.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

The Infinitive

§ 1. **The bare infinitive.** The base form of a verb (*go*) often functions as an infinitive. It is called the **bare infinitive** because it is used without *to*. We must distinguish it from the **to-infinitive**, where *to* is always used in front of the base form of the verb.

§ 2. Forms of the infinitive.

Tense	Voice	
	active	passive
present infinitive	(to) ask	(to) be asked
present progressive infinitive	(to) be asking	—
perfect or past infinitive	(to) have asked	(to) have been asked
perfect/past progressive infinitive	(to) have been asking	—

Passive Present Progressive and Perfect Progressive infinitives are rarely used.

The Present Infinitive refers to the present or future. *We plan to reduce our energy consumption in the New Year.* **The present Progressive Infinitive** expresses an action happening now. *We appear to be making very good progress.* **The Perfect Infinitive** is used to show that the action of the infinitive happened before the action of the verb. *The problem seems to have occurred during the night.* **The Perfect Progressive Infinitive** is used to emphasize the duration of the action of the infinitive, which happened before the action of the main verb. *He looks tired. He seems to have been working all night.*

§ 3. The 'to-infinitive' is used:

- ◆ to express purpose. *He went to university to become a manager,*
- ◆ after certain verbs (**agree, appear, decide, expect, hope, plan, promise, refuse, etc.**). *She refused to pay the bill;*

- ◆ after certain adjectives (**happy, glad, sorry, etc.**). *We were happy to open a new store;*
- ◆ after **'I would like/would love/would prefer'** to express specific preference. *I'd like to see the manager;*
- ◆ after certain nouns. *What a surprise to see you here! Our decision to wait was wise. It was her wish to help us;*
- ◆ after **'too/enough'** constructions. *We've got enough money to pay the;*
- ◆ with: **'it' + 'be' + adjective (+ of + noun/ pronoun)**. *It was generous of him to offer \$ 1000;*
- ◆ with: **'so' + adjective + 'as'**. *Would you be so kind as to help me?*
- ◆ with **'only'** to express an unsatisfactory result. *She came in only to find the manager had left;*
- ◆ after: **'be + the first/second/etc/next/last/best', etc.** *He is always the last to come to work;*
- ◆ in the expression: **'for' + noun/pronoun + to-infinitive**. *For him to be so rude was unforgivable;*
- ◆ in expressions such as: **to tell you the truth, to begin with, to be honest, etc.** *To tell you the truth, this company has a very stable position in the market;*
- ◆ after: **verb + 'how/what/when/where/which/why'**. *I didn't know how to explain my absence.*

§ 4. The bare infinitive is used:

- ◆ after: most modal verbs (**can, must, will, etc.**). *The meeting will be held at 2;*
- ◆ after: **'had better/would rather/would sooner'**. *You'd better call our distributors at once;*
- ◆ after: **'make/let/see/hear/feel' + object**. *They made him pay for the damage.* But: in the passive: **be made/ be heard/ be seen + to infinitive**. *He was made to pay for the damage;*
- ◆ **'know' and 'help'** are followed by a **to-infinitive** or **bare infinitive**. *Could you help me (to) fill in this form?* But: in the passive: **be known, be helped + to infinitive**. *This company is known to be reliable.*

§ 5. **The negative.** We form the negative of a to-infinitive by putting **not** before **to**. *I soon learned not to conflict with the manager.*

§ 6. We use the infinitive:

- ◆ as the subject of a verb. *To advertise in magazines is very expensive;*
- ◆ as the object of a verb. *Both parties have decided to postpone the strike until a later date;*
- ◆ as the complement of **'be'**. *Your mistake was not to write that letter.*

§ 7. The split infinitive. “Splitting an infinitive” is usually considered unacceptable and should generally be avoided. *I want you to understand that clearly.* However, we often do separate *to* from the infinitive in spoken English, depending on where the emphasis falls: *I want you to clearly understand what I'm telling you.* This often the case with adverbs like: *completely, fully, really, truly.*

§ 8. Verb + object + infinitive. When the subject of the infinitive form is different from the subject of the verb, then an object pronoun (me, you, him, her, it, us, them) or a noun is placed before the infinitive form. *I want him/John to help me (=He should help me) but: I want to help (= I should help):*

- ♦ verb + object + bare infinitive is used after: **see/watch/observe/notice/hear/feel.** *I saw her enter the room;*
- ♦ verb + object + to-infinitive is used after: **want/wish/desire/would like/like/hate.** *He wishes the work to be done properly;*
- ♦ verb + object + ‘to be’ is used after: **expect/think/believe/suppose/consider/find/know/declare.** *I consider him (to be) a clever man;*
- ♦ verb + object + passive infinitive is used after: **order/command/ask for/allow.** *The manager ordered the cargo (to be) insured. He asked for the cases (to be) loaded today;*
- ♦ verb + preposition + object + to-infinitive is used after: **rely on/count upon/wait for.** *I rely on you to do it in time.*

§ 9. Verb in the Passive + to-infinitive is used after: **advise/allow/ask/believe/consider/expect/feel/find/force/hear/invite/know/report/say/see/suppose/teach/tell/think/trust, etc.** *He is said to be planning a new campaign. The goods are reported to have been dispatched. I was told not to touch the switch.*

F.1. Identify all the infinitive forms in the text “Collective Bargaining” and translate the sentences into Russian.

F.2. Choose an appropriate verb from the box to complete the spaces in the article. The first has been done for you.

negotiate	take place	go deal	act	be dispersed
drop	hand	ignore	negotiate	award

Owners Can't Ignore Union

New York (CNN money). One of the most influential figures in modern professional sports says he fully expects baseball (1) *to field* 30 teams next year, and not (2) ... ahead with plans announced this week (3) ... two teams.

“I say it as an illustration of again how foolishly the owners seem (4) ... , said Marvin Miller about the contraction plans announced by major league owners this week. “The notion that you can just (5) ... the union is foolish, and becomes more foolish each time they do it.”

Love him or hate him, Miller is someone who is tough (6)... when talking about labor relations in baseball in general and U.S. sports as a whole.

Before Miller, owners could and did ignore players' wishes. They would refuse (7) ... with players' agents, or (8) ... multiyear contracts.

The owners have apparently come up with a new theory of how (9) ... with the players union – if you can't beat them, pretend they're not there. They tried (10) ... the union their first defeat in the lifetime of most players by simply announcing the unilateral action.

Commissioner Bud Selig admitted that management would have (11) ... with the union how the players with the two yet-unnamed franchises will (12) ... , but not about whether contraction would (13)

F.3. Read the sentences from “The Economist” advertisements, underline examples of verb + object + infinitive or verb in the Passive + infinitive constructions and place them in the appropriate column in the box below. Translate the sentences into Russian.

1. The Treasury Select Committee of the House of Commons is seeking a Committee Specialist to assist with the inquiries.
2. Candidates will be expected to have a broad understanding of the whole range of the Government's economic agenda.
3. Strict impartiality is required and the person appointed will be expected not to engage in political activities for the duration of the appointment.
4. “Local Voices” is designed to support professional broadcasters in creating high-quality coverage of AIDS issues for their audiences.
5. We are looking to you to strengthen our efforts by providing a first rate national and international policy research and advisory service to Director General.
6. Due to the nature of the work, the successful applicant will be required to complete security clearance.
7. The Institute of Management and Computer Sciences is searching for an outstanding individual possessing a doctoral degree in management sciences area to head its management sciences stream.
8. He/she would be expected to provide leadership to build the Institute's management sciences track into a leading business program in Pakistan.

9. The institute is being planned to be elevated to the status of a university.
10. Following assessment of the Expressions of Interest, the Shell company will invite short-listed applicants to submit full technical and commercial proposals.

Verb + object + infinitive	Verb in the Passive + infinitive

G. Speak up

G.1. Answer the following questions.

1. Are labor relations good or bad in your country? Why?
2. Do you consider that the unions in your country can influence the decisions made by the management? Why?

G.2. Discussion topics.

1. To what extent in your opinion should unions be consulted before management makes decisions about manufacturing new products, changing working hours, hiring new staff?
2. Comment on the following: the decline of unionism in recent decades has been attributed to a) changes in the structures of the economy and labor force and b) growing managerial opposition to unions.

H. Reading the English newspaper

H.1. Read the article and do the exercises.

United Talks Break off

Chris Isidore

Airline mechanics seek mediation halt; 30-day strike countdown could start.

New York — United Airlines and the union representing its 15,000 mechanics are both poised to ask federal officials to declare an impasse in negotiations between the two sides, a move that could start the clock ticking towards a strike, although the airline said it is confident there won't be any disruption of service on account of the move.

The airline and the International Association of Machinists concluded four days of talks Friday mediated by the National Mediation Board, which

oversees labor relations in the airline industry without a new labor agreement.

United, the main unit of UAL Corp., issued a statement Friday saying it was asking the NMB to release the two sides from mediation. The union had already requested that the NMB declare a 30-day cooling off period which under airline labor law must precede a strike.

Shares of UAL, the world's second largest airline holding company, gained \$ 1.37 to \$ 34.49 in trading Friday.

The NMB issued a statement Friday saying that it would meet with the two sides separately during the week about a possible offer of binding arbitration, the step that must be taken before declaring a 30-day cooling off period. But unless both sides agree to binding arbitration, which rarely happens, the clock then starts ticking towards a possible strike a month later.

President Can Block Strike

At the end of the cooling off period President Bush can delay a strike for up to 60 more days through appointment of a Presidential Emergency Board to weigh the various offers from the two sides. Such a move is seen generally as benefiting management.

Bush named such a board in talks between Northwest Airlines and a separate mechanics union earlier in March, and he threatened to do so in labor talks at other major airlines since that time.

United's statement said it does not foresee any disruption in its service to customers as a result of Friday's developments, suggesting that it is counting on the president to come to management's rescue once again.

Joe Tiberi, spokesman for the IAM, said that the union would be opposed to any PEB in this case, and that it was confident that an agreement could be reached during the cooling off period.

"Historically those final 30 days when everyone's back is against the wall is when most productive negotiations take place," he said. "That's why we've been pushing for that since November."

Talks were delayed while the Aircraft Mechanics Fraternal Organization, an independent union that represents mechanics at Northwest, sought to win representation at United as well. The NMB rejected its petition to have a vote there earlier this summer.

H.2. Answer the following questions.

1. What moves show that a strike is possible?
2. Why did the union request a 30-day cooling off period?
3. How can President Bush delay a strike?
4. When do most productive negotiations take place?

H.3. Match up the words and definitions and translate them into Russian:

- | | |
|------------------------|--|
| 1) to mediate; | a) to prevent a situation, event, system, etc. from working in the normal way; |
| 2) binding; | b) a period of time usually between 10 and 20 days, in which you can think about certain types of contract you have just signed and change your mind about entering into it; |
| 3) to poise; | c) a point at which further movement or development is blocked; |
| 4) impasse; | d) when a disagreement between an employer and employees is dealt with by independent officials who try to reach an agreement between both sides in order to prevent a strike or legal battle; |
| 5) to oversee; | e) to hold or place in a carefully balanced position; |
| 6) cooling off period; | f) to try to end an argument between two people or groups by talking to both sides and encouraging them to reach an agreement; |
| 7) arbitration; | g) to check that an activity is being performed honestly and legally; |
| 8) to disrupt. | h) something that must be kept. |

H.4. Read the article once more, find the sentences containing infinitive and translate them into Russian.

H.5. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

Новый смелый российский пролетариат

«Ведомости»

Появляются независимые профсоюзы, но новый указ Кремля может подавить их в зародыше. Рабочие ивановского «Машзавода» спокойно перенесли почти десять лет вынужденного бездействия и нерегулярных зарплат, когда завод пытался пережить тяжелую постсоветскую экономическую зиму.

Однако, в прошлом году начали поступать заказы, и новый директор решил провести кампанию по повышению эффективности «в американском стиле» — с увольнениями, сокращениями зарплаты, отменой льгот. Рабочие взбунтовались.

Эксперты говорят, что по всей России рабочие начинают требовать свою долю плодов двухлетнего стремительного экономического роста. Эта борьба с руководством очень сильно отличается от «рабочего рая» советских времен, когда протесты рабочих были недопустимы.

«Мы вышли на забастовку», — сказала инженер Анна Смирнова, которая повела за собой 230 рабочих ивановского завода, расположенного примерно в трехстах километрах на северо-восток от Москвы. Забастовка продолжалась неделю, и в августе руководство согласилось обсуждать новые условия. «Мы были преданы заводу все это тяжелое время, а когда ситуация начала немного улучшаться, руководство решило нас уволить. Мы поняли, что у нас нет другого выбора, кроме как показать силу».

Теоретически рабочие «Машзавода» всегда были членами большого и влиятельного общенационального профсоюза, но, тем не менее, им пришлось изучать азы самоорганизации. Местные руководители «Союза машиностроителей» советовали им не устраивать какие-либо акции, а потом предположили, что лидеры профсоюза могут урегулировать проблему, переговорив с руководством завода на личном уровне. Председатель ивановского регионального профсоюзного комитета Вячеслав Степашкин признал, что этот подход был неправильным. «Рабочие взяли решение вопроса в свои руки и завоевали доверие руководства, — сказал он. — Они показали нам, что наш старый стиль профсоюзной работы — выступать в качестве партнеров руководства и охранителей социального спокойствия — просто не подходит в условиях новой рыночной экономики».

Рабочие смелеют и сталкиваются не только с тактикой руководителей, но и с сопротивлением собственного профсоюзного руководства. Постсоветская Российская Федерация Независимых Профсоюзов на бумаге выглядит внушительно — около 40 млн членов — но на практике это огромное бюрократическое учреждение больше заботится о том, чтобы не потерять расположение Кремля и сохранить собственность, унаследованную у советских профсоюзов, а не о том, чтобы защищать права простых рабочих.

«РФНП в течение многих десятилетий приучали заключать сделки с верхушкой и распределять льготы, — объясняет Евгения Дроздова, директор независимого Агентства Общественной и Трудовой Информации, единственной российской неправительственной организации, проводящей мониторинг трудового движения. — Идут споры о том, можно ли РФНП реформировать в принципе».

В России нет надежной статистики об активности трудового движения, но эксперты говорят, что за последние годы настроения рабо-

чих масс резко изменились. После финансового кризиса и девальвации рубля 1998 г. по стране прокатилась волна «диких» забастовок, начался подъем профсоюзов, не связанных с РФНП.

В прошлом году один из самых воинственных независимых профсоюзов — «Защита Труда» — провел серию акций, блокировал дороги и заставил одно дочернее предприятие «Газпрома» переселить рабочих, страдавших от ядовитых выбросов нефтедобывающего производства.

Сегодня забастовок меньше, в стране царит относительная экономическая стабильность, но рабочие ведут себя беспокойно и склонны организовывать акции местного масштаба. «Тенденция официальных профсоюзов поддерживать правительство и лишь на словах защищать своих членов становится большой проблемой для них, — говорит Андрей Рябов, эксперт Фонда Карнеги. — В России еще не появились профсоюзы, главной задачей которых было бы представлять интересы рабочих и которые не боялись бы вступать в конфронтацию с властями».

В 1999 г. впервые со времен развала Советского Союза в российской экономике начался рост. «Когда предприятия были банкротами и ничего не производили, профсоюзам было нечего делать, — говорит Кирилл Букетов, координатор по Восточной Европе Профсоюза рабочих пищевой промышленности, который недавно помог российским рабочим начать профсоюзную деятельность в местных отделениях компаний «МакДоналдс» и «Кока-Кола». — Когда речь идет о том, чтобы поделиться увеличивающимися прибылями, это совсем другое дело».

Некоторые активисты опасаются, что развитие трудовых отношений западного стиля может приостановиться, если в конце года Дума утвердит предложенный Кремлем законопроект, запрещающий создавать на заводах более одного профсоюза. Уже год Дума не может утвердить новый трудовой кодекс. Профсоюзы возражают против нескольких пунктов, предусматривающих снижение роли коллективных переговоров, удлиняющих рабочий день до 12 часов и лишаящих рабочих привилегий советских времен.

РФНП согласилась поддержать более мягкий вариант закона, в который была добавлена статья о том, что на одном рабочем месте можно создавать только один профсоюз. В июле Дума приняла в первом чтении пересмотренный законопроект. «По сути, мы вернемся в советские времена, когда всех представлял один профсоюз, контролируемый государством, — предупреждает Олин Бабиц, лидер «Защиты Труда». — Конечно, РФНП, унаследовавшая огромное количество бумажных членов с советских времен, будет зарегистрирована везде. Другим профсоюзам будет, по сути, запрещено вести коллективные

переговоры. Но как можно изменить ситуацию без давления со стороны независимых профсоюзов?»

Другие профсоюзные активисты менее пессимистичны. Смирнова говорит, что пути назад нет. «Наши руководители предупреждены, что они должны договариваться с нами».

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passages into English.

Рынок труда и профсоюзы

С. С. Носова

Профсоюз может повысить конкурентные ставки заработной платы путем: а) увеличения производственного спроса на труд; б) ограничения предложения труда с использованием замкнутых профсоюзов; в) непосредственного увеличения ставки заработной платы выше равновесной с помощью открытых профсоюзов.

Среди экономистов нет единодушного мнения о необходимости минимума заработной платы как механизма по предотвращению бедности. С одной стороны, минимум заработной платы порождает безработицу среди некоторых низкооплачиваемых рабочих, с другой, — он приводит к повышению доходов тех, кто продолжает работать.

Рабочие, объединенные в профсоюзы, могут получать заработную плату в среднем на 10–15 % выше по сравнению с не членами профсоюзов.

Модель двойной власти

Двусторонняя монополия — это объединения монополистической модели с моделью открытых профсоюзов. С одной стороны, профсоюз является монополистическим «продавцом» труда в том смысле, что он контролирует предложение труда и может оказать влияние на ставки заработной платы. С другой стороны, он противостоит монополистическому нанимателю труда (или совокупности олигополистических нанимателей труда), который тоже может воздействовать на заработную плату путем изменения занятости. Является ли это особым случаем? Нет. В таких важных отраслях, как сталелитейная, автомобильная, «большой труд» — один крупный производственный союз — ведет переговоры с «большим бизнесом» — несколькими крупными промышленными корпорациями. В условиях двусторонней монополии на обе

их сторонах рынка труда возможна ситуация, когда установившаяся ставка заработной платы и уровень занятости подходят к конкурентным уровням значительно ближе, чем в том случае, когда существует монополия только на одной стороне рынка.

K. Case study

K.1. Read the article and do the exercises.

More Vulnerable

Labour Laws Don't Cover Everyone

New York (CNN news). When Jose Castro helped to organize a trade union campaign at his workplace, Hoffman Plastic Compounds in California, he was fired. His firing was found to be unlawful, but on March 27th the Supreme Court ruled that he could not receive back pay. The reason: Mr. Castro is a Mexican, who is in the United States illegally and who used a friend's ID to get his job.

His case raised the question of the rights of people who are not lawfully residents. The court, which divided five to four on the ruling, was clearly in some confusion, as is the country at large. Under a Supreme Court ruling, children of illegal aliens may attend public schools. Most states provide illegal aliens with emergency medical care and insist that they get their vaccinations. They may not give them extra social assistance. People working illegally in America must pay taxes, but cannot receive a refund for overpayment; they must contribute to Social Security (the national pension), but cannot receive retirement benefits. Depending on state law, they can vote in local elections (such as those for school boards), but not national ones.

Labour laws used to cover everyone, even those people not legally permitted to work. Trade unions provided strong support, preferring immigrants to swell their ranks rather than provide cheap competition. In 1986, hiring undocumented workers was made illegal. But employers resisted becoming, in effect, immigration agents, and the law was little enforced.

The National Labour Relations Board, which supported Mr. Castro, has continued to allow undocumented workers to get back-pay if they are fired. But the Supreme Court jibbed in Mr. Castro's case, saying he had in any case got his job through a criminal fraud, and should not be paid wages he could not legally have earned. Chief Justice William Rehnquist added that this would only encourage violation of the immigration laws.

Writing for the minority, Justice Stephen Breyer argued that stripping labour-law protection from illegal aliens would not only undermine Ame-

rica's domestic labour law but would lower the cost of illegal labour, drawing more hopefuls in. Whatever happens, it is certain that America's non-citizens are now more vulnerable than they were.

K.2. After reading the text write down in two appropriate columns what illegal aliens can/must and cannot/ must not do in the United States.

Illegal aliens can/must do	Illegal aliens cannot/must not do

K.3. Sum up the arguments for and against paying Mr. Castro wages.

K.4. Divide the class into two groups and make up the speech of:

- a) Attorney;
- b) Prosecutor.

K.5. Decide what actions Trade Unions can take to support illegal aliens. Plan a Trade Unions' campaign against the violation of rights of America's non-citizens.

Unit 2

Production and Costs

A. Preliminary discussion

1. How can you define production?
2. What is the ultimate aim of production?
3. What are factors of production? Can you name some of them?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What difficult task does any producer face?
2. How many stages of production are mentioned in the text?
3. What is the key concept of Diminishing Returns?

C. Reading

C.1. Read the text and answer the questions.

1. How can you formulate the Law of Variable Proportions?
2. In what way is the output of final product affected by adding more units of production?
3. How does total cost of production differ from marginal cost?
4. Where is marginal analysis used?

Production and Costs

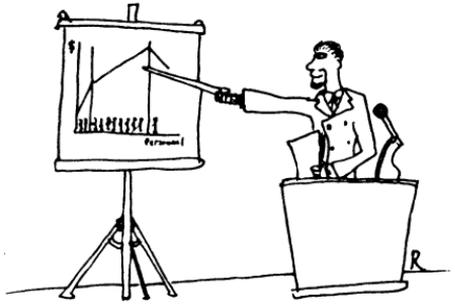
Garry Clayton

Whether they are film producers of multimillion-dollar epics or small firms that market a single product, suppliers face a difficult task. Producing an economic good or service requires a combination of land, labour, capi-

tal, and entrepreneurs. The theory of production deals with the relationship between the factors of production and the output of goods and services.

The theory of production is generally based on the short run, a period of production that allows producers to change only the amount of the variable input called labour. This contrasts with the long run, a period of production long enough for producers to adjust the quantities of all their resources, including capital.

The Law of Variable Proportions state that, in the short run, output will change as one input is varied while the others are held constant.



The Law of Variable Proportions deals with the relationship between the input of productive resources and the output of productive resources and the output of final products. The law helps answer the question: How is the output of the final product affected as more units of one variable input or resource are added to fixed amount of other resources? Of course, it is possible to vary all the inputs at the same time. Economists do not like to do this, however, because when more than one factor of production is varied, it becomes harder to gauge the impact of a single variable on total output.

When it comes to determining the optimal number of variable units to be used in production, changes in marginal product are of special interest. There are three stages of production — increasing returns, diminishing returns, and negative returns — that are based on the way marginal product changes as the variable input of labour is changed.

In stage one, the first workers hired cannot work efficiently because there are too many resources per worker. As the number of workers increases, they make better use of their machinery and resources. This results in increasing returns (or increasing marginal products) for the first five workers hired. As long as each new worker hired contributes more to total output than the worker before, total output rises at an increasingly faster rate. This stage is known as the stage of increasing returns.

In stage two, the total production keeps growing, by smaller and smaller amount. This stage illustrates the principle of diminishing returns, the stage where output increases at a diminishing rate as more units of variable input are added.

The third stage of production begins when the eleventh worker is added. By this time, the firm has hired too many workers, and they are starting to get in each other's way. Marginal product becomes negative and total plant output decreases.

Measures of Costs

Because the cost of inputs influences efficient production decision, a business must analyze costs before making its decision. To simplify decision making, cost is divided into several different categories.

The first category is fixed cost — the cost that a business incurs even if the plant is idle and output is zero. Total fixed cost, or overhead, remains the same whether a business produces nothing, very little, or a large amount. Fixed costs include salaries paid to executives, interest charges on bonds, rent payments on leased properties, and local and state property taxes. Fixed costs also include depreciation, the gradual wear and tear on capital goods over time and through use.

Another kind of cost is variable cost, a cost that changes when the business rate of operation or output changes. Variable costs generally are associated with labour and raw materials.

The total cost of production is the sum of the fixed and variable costs.

Another category of cost is marginal cost — the extra cost incurred when a business produces one additional unit of a product. Because fixed costs do not change from one level of production to another, marginal cost is the per-unit increase in variable costs that stems from using additional factors of production.

The cost and combination, or mix, of inputs affects the way businesses produce. The following examples illustrate the importance of costs to business firms.

Consider the case of a self-serve gas station with many pumps and a single attendant who works in an enclosed booth. This operation is likely to have large fixed costs, such as the cost of the lot, the pumps and tanks, and the taxes and licensing fees paid to state and local governments.

The variable costs, on the other hand, are relatively small.

As a result, the owner may operate the station 24 hours a day, seven days a week for a relatively low cost. As a result, the extra wages, the electricity, and other costs are minor and may be covered by the profits of the extra sales.

Measures of Revenue

Businesses use two key measures of revenue to find the amount of output that will produce the greatest profits. The first is total revenue, and the second is marginal revenue.

The total revenue is the number of units sold multiplied by the average price per unit.

The marginal revenue is determined by dividing the change in total revenue by the marginal product.

Keep in mind that whenever an additional worker is added, the marginal revenue computation remains the same. If a business employs, for example, five workers, it produces 90 units of output and generates \$ 1,350 of total revenue. If a sixth worker is added, output increases by 20 units, and total revenues increase to \$ 1,600. To have increased total revenue by \$ 300, each of the 20 additional units of output must have added \$ 15.

If each unit of output sells for \$ 15, the marginal or extra revenue earned by the sale of one more unit is \$ 15 for every level of output.

Marginal revenue can remain constant but businesses often find that marginal revenues start high and then decrease as more units are produced and sold.

Marginal Analysis

Economists use marginal analysis, a type of cost-benefit decision making that compares the extra benefits to the extra costs of an action. Marginal analysis is helpful in a number of situations, including break-even analysis and profit maximization. In each case the costs and benefits of decisions that are made in small, incremental steps.

The break-even point is the total output or total product the business needs to sell in order to cover its total costs. A business wants to do more than break even, however. It wants to make as much profits as it can. But, how many workers and what level of output are needed to generate the maximum profits?

The owner of the business can decide by comparing marginal costs and marginal revenues. In general, as long as the marginal cost is less than the marginal revenue, the business will keep hiring workers.

When marginal cost is less than marginal revenue, more variable inputs should be hired to expand output.

The profit-maximizing quantity of output is reached when marginal cost and marginal revenue are equal.

C.2. Decide whether these statements are True (T) or False (F).

1. The theory of production deals with a period of production that allows producers to change the amount of labour used.
2. The law helps answer the question: How is the output of final product affected as more units of one variable input or resource are added to fixed amount of other resources?

3. In stage one of production the more workers are hired the less are the returns.
4. When an additional worker is added, the marginal revenue computation changes according to the stage of production.
5. When marginal cost is less than marginal revenue, more variable inputs should be hired to expand output.

D. Vocabulary

D.1. Read and learn new words.

output (*n*) — the amount of goods or services produced by a person, machine, factory, company, etc.

input (*n*) — ideas, advice, effort, or money that you put into something to help it succeed

factor of production — something that is needed to produce a particular product

diminishing return — the idea that a point can be reached where the advantage or profit you are getting, stops increasing in relation to the effort you are making

marginal (*adj*) — relating to a change in a cost, value, etc. when one more thing is produced, one more dollar is earned, etc.

costs (*n*) — money that a business or an individual must regularly spend

fixed costs — costs to a business that do not change when the amount of goods or services produced does

incur (*v*) — if you incur a cost, a debt, or a fine, you do something that means that you lose money or have to pay money

overhead costs — costs not directly related to a particular product or service, but related to general costs for buildings, equipment, etc.

interest (*n*) — an amount paid by a borrower to a lender, for example to a bank by someone borrowing money for a loan or by a bank to depositor

charges (*n*) — an amount of money paid for services or goods

rent payment — money paid for the use of a house, office, etc.

lease (*v*) — to give somebody the right to use something for a particular period of time in return for payment

depreciation (*n*) — decreasing in value over a period of time

variable costs — costs that change when the amount of something produced changes

rate of operation — capacity of work done by a company or machine

marginal cost — the extra cost of producing one more of something

self-service (*n*) — a self-service shop, restaurant, etc. is one in which customers get the goods themselves and then go and pay for them

lot (*n*) — an area of land on which nothing has been built and which may be available to rent, or build on

revenue (*n*) — money that a business or organization receives over a period of time, especially from selling goods or services

break-even (*adj*) — when a company is neither making a profit or a loss

D.2. Give English equivalents to the following words and expressions:

- ◆ фиксированные затраты;
- ◆ самообслуживание;
- ◆ безубыточный;
- ◆ норма загрузки производственных мощностей;
- ◆ доход, выручка;
- ◆ переменные издержки;
- ◆ накладные расходы;
- ◆ износ;
- ◆ сокращающийся доход;
- ◆ фактор производства.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

returns	costs	fixed cost	incurred
interest	rents	leased	depreciation

1. Commercial ... have decreased significantly since their peak in 1997.
2. The East Moline foundry has been operating at less than 50 % capacity and has ... significant operating losses.
3. The ... is the added output resulting from employing one more worker.
4. Their retail branches are a ... , so the more business they put through them the better.
5. Delay in construction could increase ... significantly.

6. Chrysler might run out of money to pay ... on its bonds.
7. The proposed site of the factory may lead to... of property value in the immediate vicinity.
8. The local authority ... him the property.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

'One' and 'It'

§ 1. 'It' as an 'empty subject'. We often use 'it' in sentences referring to time, the weather, temperature or distance. When used in this way, it is sometimes called an empty subject because it carries no real information. It is present because every English sentence has to contain a subject and a verb. It is used in sentences with:

- ◆ time: *It's 8 o'clock. It's Tuesday. It's May 25th;*
- ◆ weather: *It's hot. It's raining. It rains a lot here;*
- ◆ temperature: *It's 37° centigrade/Celsius;*
- ◆ distance: *It's 20 miles to/from London;*
- ◆ the tides: *It's high tide at 11.44;*
- ◆ environment: *It's noisy/smoky in here;*
- ◆ present situation: *Isn't it awful! Isn't it a shame;*
- ◆ it's time ... *It's time (for us) to leave;*
- ◆ with **since**: *It's three years since we last met;*
- ◆ with **says**: *It says here there was a big fire in Hove;*
- ◆ with **take**: *It takes (us) half an hour to get to work.*

And note many expressions with it, e. g., **it doesn't matter**; **it's no use**, ('it' as a subject); **I've had it**; **That does it!** ('it' as an object).

§ 2. 'It' as a 'preparatory subject'. Sometimes sentences beginning with 'it' continue with an infinitive, a gerund or a noun clause. It is possible to begin such sentences with an infinitive or gerund, but we generally prefer 'it'.

- ◆ E. g.: *It's pleasant to lie in the sun (To lie in the sun is pleasant).*
- ◆ *It's pleasant lying in the sun (Lying in the sun is pleasant).*

- ◆ *It's a shame that he isn't here (That he isn't here is a shame).*
- ◆ *It doesn't matter when we arrive (When we arrive doesn't matter).*

§ 3. General statements with 'one' and 'you'. 'One' used as an indefinite pronoun meaning 'everyone/anyone' is sometimes applied (formally) in general statements: *World trade is improving, but one cannot expect miracles.*

In everyday speech, the informal 'you' is preferred: *Can you buy refrigerators in Lapland? (= Can anyone ...?)*

'One' may be used to replace 'I', but this tends to sound pompous: *One likes to have one's breakfast in bed now and again.*

'One' can be linked with 'one's', just as you can be linked with your. However, constructions with 'one', 'one's' and 'oneself' are often awkward because of the repetition of 'one'.

E. g.: *One should do one's best at all times. (Better: You should do your best at all times).*

One shouldn't be too hard on oneself. (Better: You shouldn't be too hard on yourself).

In AmE 'one's/oneself' can be replaced by 'his/her', 'himself/herself': *One should give himself/herself a holiday from time to time.* (For the use of the passive in place of one).

F.1. Identify all dumpy 'it' or 'one' in the text "Cost and Production" and translate the sentences into Russian.

F.2. Rewrite these sentences beginning 'It ...' if it is appropriate in written English. The first has been done for you.

1. To drive a car without a licence is illegal. E. g.: *It is illegal to drive a car without a licence.*
2. That she wasn't hurt in the fall was a miracle.
3. Their decision was a serious setback.
4. The announcement is to be made this evening.
5. Where the light was coming from was far from clear.
6. That you already know my secret is obvious.
7. If the two countries don't reach an agreement soon will be surprising.
8. The parcel I was expecting has arrived.

F.3. Match up the sentences and write ones beginning with 'It ...', 'that ...', as in the example: *It appears likely that the President will be re-elected.* A number of alternative answers are possible:

- | | |
|---|--|
| 1) the President will be re-elected; | a) this transpired during the trial; |
| 2) Beckman had a wrist injury for most of the match; | b) this follows the results of the survey; |
| 3) this was to be the band's last world tour; | c) this appears likely; |
| 4) Jacobs possessed three handguns; | d) this seemed to be the case; |
| 5) people are happy with the quality of supermarket food. | e) this emerged after the concert. |

G. Speak up

G.1. Answer the following questions.

1. How can overhead costs change the way people do business?
2. How does costs affect total revenue?

G.2. Discussion topics.

1. Comment on the statement: Profit is maximized when the marginal costs of production equal the marginal revenue from sales.
2. Explain the use of marginal analysis for break-even and profit-maximizing decisions.
3. Many oil-processing plants shift workers to maintain operations. How do you think a plant's fixed and variable costs affect its decision to operate around the clock?

H. Reading the English newspaper

H.1. Read the article and do the exercises.

The Benefits of Being Small: Balancing Economies of Scale Against the Advantages of Intimacy Is a Delicate Task

John W. Hunt, "Financial Times"

In the 1970s the British economist E. F. Schumacher coined the phrase "small is beautiful." The expression focused on a design question. As companies become larger and more complex, can they restructure to retain the human benefits of smaller companies?

Schumacher believed that they could not. They would have to reduce in size and change their command structure. His argument was simple. As a company adds more people in more locations the sheer task of holding this lot together becomes an end in itself. The economic advantages of scale will be eroded by the disadvantages of a loss of intimacy.

Schumacher was largely ignored outside Europe. At the time a prevailing view was that large companies could be very profitable if structures were crystal clear and rational. Through these means human error or deviance could be minimized.

One company was always quoted as the supreme example of the triumph of structure over deviance: International Business Machines, arguably the greatest exponent of machine-like precision through command and control structures.

However, in 1993 IBM lost \$ 5 bn (£ 5.6 bn). For those on the inside, the collapse of the world's most successful computing company was stunning. At the time I taught on IBM's senior management programme at La Hulpe in Belgium and I could track the growing unease. Yet the IBM staff still believed that creative, structural solutions would save the day. Managers largely ignored the evidence of paralysis at the top. They were part of the paralysis.

The rest is history. Lou Gerstner, with no background in computing, was brought in to rebuild IBM. Seemingly, overnight half of the far-flung 450,000 devoted, loyal, programmed IBM-ers were banished. The rational model had been shown to be flawed.

Since the 1990s various studies have reinforced the idea that 1,000 employees in one location is about the maximum size for any company if it is to retain the advantages of the economies of scale and minimize the human diseconomies arising from adding more people.

IBM did clean out 50 per cent of its workforce – but controlling size was not the main way the company reinvented itself. Its most important decision was to offload its entire hardware and components manufacturing. Outsourcing was its most spectacular strategy.

In the latest McKinsey Quarterly, the logic and effect of outsourcing as a strategy and how it affected IBM are examined. The research question posed by the authors is: has outsourcing gone too far?

The logic of outsourcing is that by shedding assets companies can concentrate on the interesting work. Employees are remotivated to develop product or services, discover solutions and be innovators or supply chain integrators. Liberation leads to an increased rate of return on invested capital.

The Journal provides sensible, practical insights into the sort of questions companies should ask before embarking on outsourcing. If internal suppliers can meet industry standards within a set time and present a competitive advantage, an internal solution may be preferable. If, as well, the internals are not readily substituted outside and are vital to the corporate culture and reputation, the company should resist outsourcing.

Conversely, if there are dramatic cost savings available from cheaper labour sources or the skills are hard to acquire or suppliers have greater productive capacity and higher levels of expertise and knowledge, the case for outsourcing is strong.

Rarely is outsourcing an either/or decision. So the authors discuss a mixture of tactics in which the company gets the best from both sources, internal and external. They rightly question the general assumption that outsourcing is always best.

One issue that the authors do not discuss is dependence. This is often critical. How dependent does a company become once it has transferred all its information technology processing to a supplier? Transferring staff is fine if the explicit and tacit knowledge is readily available elsewhere. It may be dangerous if it is not.

By the mid-1990s IBM had redefined its core business as e-business services and solutions, research and design and semiconductor architecture and manufacturing and spun off its hardware and components manufacturing business. By 2000 it reported revenues of \$ 8.09 bn.

What does all this tell us? First, by outsourcing manufacturing IBM made possible a massive strategic shift. Lesson: outsourcing is not just a tactic for transferring costs, or people problems.

Second, IBM's leaders could not have known in 1994 how the company's future would evolve. This was not change based on a clear vision and a rational plan. Lesson: To outperform the competitors, companies must take risks, follow a shared hunch and tolerate ambiguity about the outcomes.

Third, this transformation was achieved by relentless segmentation into smaller units. Lesson: Schumacher's argument on the human diseconomies of size was valid. For innovation and creativity, free forming self-governing teams are essential. Small in this sense is beautiful.

H.2. Answer the following questions.

1. What human benefits did Schumacher have in view when he coined the phrase "small is beautiful"?
2. Did other economists and industrialists share his opinion?
3. How did industrialists intend to minimize possible human error or deviance in a large company?
4. What other strategy besides controlling size did IBM use to reinvest itself in 1990s?
5. Was outsourcing strategy an efficient measure? What is the logic of this strategy?

H.3. Match up the words and definitions:

- | | |
|------------------------|--|
| 1) economies of scale; | a) something that is different from what is socially acceptable; |
| 2) to erode; | b) a person who expresses support, performs, or is an example of a stated thing; |
| 3) deviance; | c) the advantages that a big factory, shop, etc. has over a smaller one because it can spread its fixed costs over a larger number of units and therefore produce or sell things more cheaply; |
| 4) exponent; | d) to perform better than anyone else; |
| 5) outsourcing; | e) to wear or to be worn away gradually, esp. by slow action of water, wind, etc.; |
| 6) to outperform; | f) if a company, organization, etc. employs another company to do a part of its contract; |
| 7) far-flung; | g) a situation, when there is more than one possible meaning or interpretation; unclear; |
| 8) ambiguity. | h) spread over a great distance. |

H.4. Read the article once more, find the sentences containing it/one and translate them into Russian.

H.5. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

Инвестиции в качество

«Эксперт Северо-Запад»

Наши данные свидетельствуют, что важнейшим направлением инвестиций предприятий является вложение в повышение качества выпускаемой продукции. Об этом говорят 100 % опрошенных компаний. Так, холдинговая компания «Ладога» запустила в начале 2003 г. в Ивангороде предприятие по выпуску спиртованных полуфабрикатов — морсов и настоев из натурального растительного сырья. За счет реализации этого проекта компании удалось не только снизить себестоимость важного для производства компонента, но и решить проблему гарантированного качества сырья для выпуска настоек.

На предприятиях лесопромышленной корпорации «Илим Палп» реализуется целый ряд инвестиционных программ, направленных на повышение качества продукции. На Братском ЛПК после реконструкции картоноделательной машины в 2003 г. значительно улучшился внешний вид картона и его физико-механические показатели, получе-

на опытная партия картона повышенной прочности. На Котласском целлюлозно-бумажном комбинате после модернизации не только улучшился внешний вид картона, но и повысилась стабильность показателей его физико-механических свойств.

Внедрение новых технологий на кирпичных заводах группы ЛСР позволило значительно улучшить качество выпускаемой продукции. Так, на входящем в группу предприятии «Ленстройкерамика» установлено американское и немецкое оборудование, которое позволило перейти на прогрессивную технологию и начать выпуск высокопрочного кирпича. В «Ленстройкерамике» впервые в России был налажен массовый выпуск кирпича, позволяющего возводить здания 25 этажей и выше без увеличения толщины несущих стен. На другом предприятии группы «Керамика» освоены новые технологии по производству искусственного камня с использованием специальных добавок. При вдвое меньшей толщине стен этот материал дает такой же эффект теплоизоляции, что и обычная кирпичная стена.

Стремление повысить качество выпускаемой продукции свидетельствует об ужесточении конкурентной борьбы на большинстве рынков. Время, когда на рынках существовало значительное количество незаполненных ниш, постепенно заканчивается. Теперь наращивать оборот можно только за счет кого-то из конкурентов. И предприниматели все отчетливей понимают, что без качественной и современной продукции рассчитывать на это не приходится.

Настойки, пиво и опилки

Вторым по значимости направлением инвестиций, по мнению наших респондентов, является стремление компаний увеличить объемы производства и снизить издержки. Об этих задачах говорят соответственно 90,9 и 87,4 % опрошенных компаний. Типичным примером таких вложений является реконструкция группой «Еврохим» 2-го цеха по производству серной кислоты на «Фосфорите». Общий объем инвестиций в этот проект составил 11,6 млн долларов. В результате мощности производства возрастут с 450 тыс. до 700 тыс. тонн серной кислоты в год.

Проектом, призванным решить задачу по увеличению объемов производства, является и запуск холдинговой компанией «Ладога» второй очереди завода в Ивангороде. Расширение производства, куда уже вложено 2 млн долларов и будет направлено еще 3 млн долларов, позволит предприятию полностью удовлетворить потребность рынка в ароматных спиртах и настойках.

К проектам, задача которых — увеличить производственные мощности, можно отнести расширение производства петербургской пивоваренной компании «Вена». В результате реализации этого проекта возможности предприятия увеличились практически вдвое, что позволило компании значительно повысить объемы продаж и наладить выпуск новых сортов пива, а также расширить присутствие продукции «Вены» в других регионах страны. Еще одним примером инвестиций в расширение объема производства может служить проект модернизации производственной линии завода в Чудово, который обошелся компании URSA Russia в 6 млн евро. За счет его реализации удалось увеличить объем производства на 25 %, до 26 тыс. тонн стекловолокна в год.

Не секрет, что сегодня основную базу отечественных производственных мощностей составляет физически и морально устаревшее оборудование. В среднем по стране износ оборудования оценивается специалистами на уровне 50–60 %, а в отдельных отраслях этот показатель приближается к 100 %. Ясно, что на такой производственной базе добиться приемлемого уровня издержек просто нереально. Поэтому не случайно одной из важнейших задач, решаемых предприятиями за счет инвестиционных программ, является сокращение издержек.

Ковдорский горно-обогатительный комбинат вкладывает 92,3 млн рублей в сокращение затрат на транспортировку пород, что, как надеются на предприятии, даст значительный экономический эффект. Также в качестве примера инвестиций в снижение себестоимости производимой продукции можно назвать инвестиционную программу по реконструкции производственной базы предприятия «Гранит-Кузнечное». По мнению специалистов, этот проект позволит снизить себестоимость производства на 15 %. В корпорации «Илим Палп» за счет модернизации производства и внедрения новых технологий предполагают добиться снижения потребления древесного сырья и химикатов на 1 %, электроэнергии на 3 % и трудозатрат на 5 %, в течение ближайших пяти лет это даст совокупную экономию порядка 100–150 млн долларов. Компания URSA Russia в рамках программы по снижению издержек на производственных линиях заводов запланировала установку прессовальных агрегатов, что должно существенно снизить издержки складирования и транспортировки готовой продукции.

В условиях постоянного роста цен на энергию и энергоносители многие предприятия стараются удешевить производство за счет реализации программ по энергосбережению. Таких компаний в нашем

опросе оказалось 48,3 %. Например, на предприятиях, входящих в корпорацию «Илим Палп», реализуется программа по снижению потребления сторонней энергии. Как известно, в процессе деревопереработки образуются отходы, которые вполне можно использовать как топливо. Установка отопительных котлов для сжигания коры и опилок на Усть-Илимском лесопромышленном комплексе позволила полностью отказаться от закупок теплоэнергии. В ближайшее время такой же метод будет внедрен на комплексе в Братске, чуть позже аналогичные установки появятся в Котласе. На Санкт-Петербургском картонно-полиграфическом комбинате, полностью обеспечивающем себя тепловой энергией, идет строительство турбинного зала, что обеспечит предприятие еще и собственной электроэнергией. В тот же ряд можно поставить проект по установке классификатора на «Пикалевском глиноземе», входящем в группу «Металлург». В результате его реализации не только возрастет производительность цементного завода, но и снизится на 30 % потребление электроэнергии.

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passage into English using the active vocabulary.

Сущность и структура издержек производства

Производство любого товара сопряжено с определенными затратами (издержками). Затраты материальных ресурсов и денежных средств, которые несет производитель на производство продукции, называются **издержками производства**.

Поскольку в рыночной экономике конечной целью производителя является получение прибыли, то издержки производства как один из ее ограничителей всегда находятся под его пристальным вниманием.

Следует различать издержки производства:

- а) прямые и косвенные;
- б) внешние и внутренние;
- в) постоянные и переменные;
- г) краткосрочные и долгосрочные.

К прямым издержкам производства относятся те затраты по производству продукции, которые несет непосредственно производитель. В экономической теории они получили название **себестоимости**.

На предприятиях, где существует найм рабочей силы, они включают следующие элементы:

- ◆ сырье, основные и вспомогательные материалы;
- ◆ топливо и энергию;
- ◆ амортизацию;
- ◆ зарплату и отчисления на социальное страхование;
- ◆ прочие затраты.

Косвенные расходы по производству продукции несет государство, олицетворяющее общество в целом. Это расходы на образование, медицину, спорт (финансируемые за счет государства), содержание армии и органов правопорядка, управление и др. Как правило, эти расходы обеспечивают производство рабочей силы на качественно новой основе и создают условия для нормального функционирования производства. Основным источником погашения этих затрат является прибавочный продукт, изымаемый государством в виде налогов и обязательных платежей. Поэтому в основе цен на товары и услуги лежит не себестоимость, а стоимость, т. е. общественные затраты на производство продукции.

K. Speech practice

K.1. Read the interview given to Business Week by Plantronics CEO Ken Kannappan.

K.2. Sum up pros and cons of not relocating production to a country with ample cheap labour.

This Manufacturer Isn't Moving to China

"Business Week"

While the whole North American manufacturing base seems to be packing its bags for China, phone- and computer-headset manufacturer Plantronics (PLT) is staying in North America. The Santa Cruz (Calif.) company – a leader in the headset and call-center equipment business – has a big production plant down in Tijuana, Mexico, right across the border from San Diego. Like the U.S., Mexico has been hit hard by factory migrations to China in search of cheaper labor costs. While Mexican factory workers make a fraction of their U.S. counterparts, they make many times more than Chinese do.

For, the math behind a move to China simply doesn't add up. Many employees at the Mexico plant, which is one of the highest-paying factori-

es in the Tijuana region, have been working with Plantronics for decades. Ken Kannappan, CEO of Platronics says they carry key institutional knowledge. And a highly skilled, loyal work force has given Plantronics the ability to reduce costs in ways that likely would not be possible at a Chinese contract manufacturer.

Business Week Technology Editor Alex Salkever recently discussed these issues with Kannappan. Here are edited excerpts of their conversation:

Q: Why continue to do most of your production in North America? It's unusual these days, isn't it?

A: That's right. We do the overwhelming majority of our revenue and unit-volume production in the Plamex facility in Tijuana. We do make a little bit of our consumer products in China.

For high-volume, single-model stuff, there are a lot of people who can do it at a much lower cost in China. But for the quality levels we want, which are truly extraordinary in terms of low defect levels, we feel we need to do that closer to home. And for the type of widely varied product mix we're trying to make in a single plant, there really isn't anything comparable.

Q: Isn't that a minority viewpoint these days?

A: I think that's true. The labor costs are definitely lower in China. But bear in mind our labor costs represent about 1.5 % of the revenues, so it's not a huge amount. Most of our product costs come in materials, and we do source most of the materials in China, where it's cheaper. But in actual finished production and labor involved, it's a very small part of our expenses.

Q: Still, if you could get even cheaper labor in China and shave labor costs even a little bit, wouldn't it be worth it?

A: There are a lot of counterarguments to using more labor in China. You're talking 1.5 % of our costs in Mexico. Move it to China, and you could cut it to 0.5 %. So you have a 1 % margin at stake. But there are countervailing factors.

You've got airfreight, which can be very pricey. Our plant is less than an hour away from major domestic shipping facilities in the San Diego area, and we can get everything out on a truck. The proximity also helps us keep cycle times low, so we can make sure we get our products on store shelves. The big stores want less and less of a window between when they give an order and when it appears on their shelves.

Then you've got product-defect rates. Even though we use a lot of the same production procedures when we produce in China, in Mexico we have a higher level of quality. We have employees who have worked for us for

35 years, since we opened the plant. We have very low turnover. We have a very knowledgeable group that can produce exceptional quality. That's hard to replicate elsewhere.

Q: So a stable workforce close by allows you to maintain quality and cut costs more easily?

A: Yes. For example, we put a product-design team into our Mexico facility because when I have those people in the plant, cost reduction becomes very cool. One of the things they found was a way to use a plastic screw in one of our products instead of a metal screw – which actually turns out to be a better component because it is lighter weight. We actually saved some money on it.

Those are the kinds of things we want in place. If we were outsourcing to China, those things wouldn't have come back to us to the same degree. We wouldn't have the same level of innovation. In Mexico, we have a lot of people who really understand our products, in part because they have been working with on them for some time.

Unit 3

Urgent Problems of Marketing

A. Preliminary discussion

1. Do you know what marketing is?
2. How did marketing change in the 20th century?
3. What methods of merchandising do you know?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. Why did marketing specialists — including middlemen and facilitators develop?
2. What are marketing functions and who performs them?
3. When were chain stores organized?
4. How have methods of merchandising been changed?

C. Reading

C.1. Read the text and answer the questions.

1. What did the typical marketing setup use to be in America in the 19th century?
2. Why is there a little need for exchange goods in a subsistence-level economy?
3. What supersedes market places in England?
4. What should marketing begin with?

Evolution of Modern Marketing

Marketing, in economics, is that part of the process of production and exchange that is concerned with the flow of goods and services from pro-

ducer to consumer. In popular usage it is defined as the distribution and sale of goods, distribution being understood in a broader sense than the technical economic one. Marketing includes the activities of all those engaged in the transfer of goods from producer to consumer — not only those who buy and sell directly, wholesale and retail, but also those who develop, warehouse, transport, insure, finance, or promote the product, or otherwise have a hand in the process of transfer. In a modern capitalist economy, where nearly all production is intended for a market, such activities are just as important as the manufacture of the goods. It is estimated in the United States that approximately 50 % of the retail price paid for a commodity is made up of the cost of marketing.



In a subsistence-level economy there is little need for exchange of goods because the division of labor is at a rudimentary level: most people produce the same or similar goods. Interregional exchange between disparate geographic areas depends on adequate means of transportation. Thus, before the development of caravan travel and navigation, the exchange of the products of one region for those of another was limited. The village market or fair, the itinerant merchant or peddler, and the shop where customers could have such goods as shoes and furniture made to order were features of marketing in rural Europe. The general store superseded the public market in England and was an institution of the American country town.

In the United States in the 19th century the typical marketing setup was one in which wholesalers assembled the products of various manufacturers or producers and sold them to jobbers and retailers. The independent store, operated by its owner, was the chief retail marketing agency. In the 20th century that system met stiff competition from chain stores, which were organized for the mass distribution of goods and enjoyed the advantages of large-scale operation. Today large chain stores dominate the field of retail trade. The concurrent advent of the motor truck and paved highway, making possible the prompt delivery of a variety of goods in large quantities, still further modified marketing arrangement, and the proliferation of the automobile has expanded the geographic area in which a consumer can make retail purchases.

At all points of the modern marketing system people have formed associations and eliminated various middlemen in order to achieve more effici-

ent marketing. Manufacturers often maintain their own wholesale departments and deal directly with retailers. Independent stores may operate their own wholesale agencies to supply them with goods. Wholesale houses operate outlets for their wares, and farmers sell their products through their own wholesale cooperatives. Recent years have seen the development of wholesale clubs, which sell retail items to consumers who purchase memberships that give them the privilege of shopping at wholesale prices. Commodity exchanges, such as those of grain and cotton, enable businesses to buy and sell commodities for both immediate and future delivery.

Methods of merchandising have also been changed to attract customers. The one-price system, probably introduced (in 1841) by A. T. Stewart in New York, saves sales clerks from haggling and promotes faith in the integrity of the merchant. Advertising has created an international market for many items, especially trademarked and labeled goods. In 1999 more than \$ 308 billion was spent on advertising in the United States alone. The number of customers, especially for durable goods, has been greatly increased by the practice of extending credit, particularly in the form of installment buying and selling. Customers also buy through mail-order catalogs (much expanded from the original catalog sales business of the late 1800s), by placing orders to specialized “home-shopping” television channels, and through on-line transactions (“e-commerce”) on the Internet.

There are many possible ways to satisfy the needs of target customers. A product can have many different features and quality levels. Service levels can be adjusted. The package can be of various sizes, colors, or materials. The brand name and warranty can be changed. Various advertising media – newspapers, magazines, radio, television, billboards – may be used. A company’s own sales force or other sales specialists can be used. Different prices can be charged. Price discount can be given, and so on.

Marketing should begin with potential customer needs – not with the production process. Marketing should try to anticipate these needs. And then marketing, rather than production, should determine what goods and services are to be developed – including decisions about product design and packaging; prices or fees; credit and collection policies; use of middlemen; transporting and storing policies; advertising and sales policies; and, after the sale, installation, warranty, and perhaps even disposal policies.

This does not mean that marketing should try to take over production, accounting, and financial activities. Rather, it means that marketing – by interpreting customers’ needs – should provide direction for these activities and try to coordinate them. After all, the purpose of a business or nonprofit organization is to satisfy customer or client needs. It is not to

supply goods and services that are convenient to produce and might sell or be accepted free.

C.2. Decide whether these statements are True (T) or False (F).

1. Marketing includes the activities of all those engaged in the transfer of goods from producer to consumer.
2. Interregional exchange between disparate geographic areas depends on sufficient demand for goods.
3. In the 20th century independent stores could hardly compete with chain stores, which were organized for the mass distribution of goods.
4. The simultaneous advent of the motor truck and paved highway, making possible the prompt delivery of a variety of goods in large quantities, still further modified marketing arrangement, and increase in number of the automobiles has expanded the geographic area in which a consumer can make retail buying.
5. Marketing should begin with potential manufactures' possibility and production process. At the same time marketing should try to anticipate consumers' needs.

D. Vocabulary

D.1. Read and learn new words.

subsistence (*n*) — a small amount of money or food that is just enough to survive

rudimentary (*adj*) — at the simplest level

interregional (*adj*) — having connection among regions

itinerant merchant — a merchant habitually traveling from place to place

peddler (*n*) — a person who tries to sell (esp. dangerous or illegal drugs) by going from place to place

supersede (*v*) — to take the place of something (usually something older)

wholesaler (*n*) — a businessman who sells goods in large quantities, (esp. to shopkeepers)

jobber (*n*) — a dealer buying stocks and shares

retailer (*n*) — someone who sells things to the public in small quantities

concurrent (*adj*) — existing or happening at the same time

advent (*n*) — the arrival or coming of an important event, period, invention, etc.

- proliferation** (*n*) — a rapid increase or spreading
- middleman** (*n*) — a person who buys goods from producer, and sells to shopkeeper or directly to user
- ware** (*n*) — a small article for sale
- cooperative** (*n*) — a firm, farm, shop, etc. that is owned and run by all the people who work in it
- enable** (*v*) — to make able, give the power, means, or right to do something
- merchandising** (*n*) — the way in which goods are arranged and placed in a store
- haggling** (*adj*) — arguing, esp. in an attempt to fix a price
- trademark** (*n*) — a name, sign, or design used on a product to show it is made by a particular company
- durable goods** — expensive products that consumers do not regularly or often buy, for example refrigerators, televisions, etc.
- integrity** (*n*) — strength and firmness of character or principle; honesty
- installment buying** — a way of buying something by making small, regular payments over an agreed period of time
- on-line transaction** — a payment or a business deal over the Internet
- warranty** (*n*) — a written promise that a company gives to a customer, stating that it will repair or replace a product they have bought if it breaks during a certain period of time

D.2. Give English equivalents to the following words and expressions:

- ◆ покупка в кредит;
- ◆ товары длительного пользования;
- ◆ торговаться из-за цены;
- ◆ вытеснять;
- ◆ возникновение, изобретение;
- ◆ розничный торговец;
- ◆ распространение;
- ◆ совпадающий;
- ◆ средства к существованию;
- ◆ элементарный, примитивный;
- ◆ уличный торговец.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

subsistence	rudiment	advent	concurrent
cooperative	enable	merchandizing	haggle
trademarks	durable goods	warranty	peddling

1. Ford offers a 12-month basic ... on all car parts.
2. Their road-building equipment is fairly
3. She was sent to prison for
4. They do not have access to sufficient land for
5. He is serving two ... prison sentences.
6. We decided to set up a
7. For the third year in a row, analysts say that Morgans is the best in the industry for creative
8. The company used names similar to well-known ... to sell cheap imitations.
9. People are much better informed since the ... of television.
10. The fall in the value of the pound will ... us to export more goods.
11. It is the custom to ... in British and American shops.
12. Orders to factories for ... which include machinery, household appliances, cars and other items designed to last at least three years, fell to \$ 123.27 billion last month.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. The one-price system, probably introduced (in 1841) by A. T. Stewart in New York, saves sales clerks from haggling and promotes faith in the integrity of the *merchant*.
2. Customers also buy through mail-order catalogs (much expanded from the original catalog sales business of the late 1800s), by placing orders to specialized “home-shopping” television channels, and through *on-line transactions* (“e-commerce”) on the Internet.
3. Wholesale houses operate outlets for their *wares*, and farmers sell their products through their own *wholesale* cooperatives.
4. At all points of the modern marketing system people have formed associations and eliminated various *middlemen* in order to achieve more efficient marketing.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

The Passive

§ 1. **The passive: general information.** Active voice and passive voice.

In the active, the subject of the verb is the person or thing doing the action: *John cooked the food last night.*

In the passive, the action is done to the subject: *The food was cooked last night.*

The passive occurs very commonly in English: it is not merely an alternative to the active, but has its own distinctive uses.

§ 2. **Forms of the passive.** Passives can be formed in the following ways:

- ◆ 'to be' + past participle: *The food is/has been/will be cooked. The food is/was being cooked;*
- ◆ modal + 'to be/to have been' + past participle: *The food may be/have been cooked;*
- ◆ infinitive: 'to be/to have been' + past participle active: *The food is to be/was to have been cooked;*
- ◆ -ing form: 'being/having been' + past participle: *Being/Having been cooked...*

§ 3. **Transitive and intransitive verbs.**

The passive occurs only with verbs used transitively, that is, verbs that can be followed by an object.

There are verbs that can be used transitively or intransitively: *The door opened* (perhaps by itself). *The door was opened* (perhaps by someone).

§ 4. **Uses of the passive.**

4.1. The passive voice is a very versatile construction. It is particularly useful when the performer of the action is unknown or irrelevant to the matter at hand. Thus you might write in a memo *Office mail is now delivered twice a day* where what is important is the frequency of mail delivery, not the identity of the people working in the mailroom.

You can also use the passive voice to conceal the performer of an action or the identity of a person responsible for a mistake: *We had hoped to report on this problem but the data was inadvertently deleted from our files. Who deleted the data?* By using the passive voice the writer is able to avoid identifying the guilty party. This virtue of obscuring responsibility is in part

what makes the passive voice so tempting to anyone working in an organization where something has gone wrong. Since the occasions for avoiding responsibility are multitudinous, passive verbs are bound to thrive for at least in the foreseeable future.

Surprisingly enough, you can also use the passive voice to emphasize the performer of the action by putting the performer in a prepositional phrase using **by** at the end of the sentence: *The breakthrough was achieved by **Burlingame and Evans**, two researchers in the university's genetic engineering lab.* In this way the passive voice functions like a well-run awards ceremony. It creates suspense by delaying the announcement of the names.

4.2. You may sometimes find it desirable to conjoin a passive verb form with a passive infinitive, as in “*The building is scheduled to be demolished next week*” and “*The piece was originally intended to be played on the harpsichord.*” These sentences are perfectly acceptable. But it's easy for things to go wrong in these double passive constructions. They sometimes end in ambiguity: *An independent review of the proposal was requested to be made by the committee.* In this sentence, is the committee making the request or doing the review? What is worse, double passives often sound ungrammatical.

4.3. The Passive is used in factual writing, particularly in describing procedures or processes, academic writing and official letters where we often wish to omit the agent, and use passive.

E. g.: *Nuclear waste will still be radioactive even after 20, 000 years, so it must be disposed of very carefully. It can be stored as a liquid in stainless-steel containers which are enclosed in concrete. The most dangerous nuclear waste can be turned into glass. It is planned to store this glass in deep underground mines.*

4.4. Verbs that can be followed by either *object + object* or *object + prepositional object* in active clauses can have two corresponding passive forms. The passive form you choose depends on which is more appropriate in a particular context. Compare:

Active:

- she handed me the plate;
- she handed the plate to me.

Passive:

- I was handed the plate;
- the plate was handed to me.

Other verbs like ‘**to hand**’ are **give, lend, offer, promise, sell, tell, throw.**

However, verbs that can't be followed by *object + object* in the active have only one of these passive forms:

- | | |
|-------------------------------------|--------------------------------------|
| • he described me the situation; | • I was described the situation; |
| • he described the situation to me. | • the situation was described to me. |

Other verbs like this include **demonstrate, explain, introduce, mention, report, suggest.**

F.1. Identify all the passive forms in the text “Evolution of Modern Marketing” and translate the sentences into Russian.

F.2. Write the correct words in the blanks to convert each sentence from passive to active voice.

1. The company’s tax liability is reduced by a bond received from the foreign government. — The foreign government
2. Under the Code, a foreign tax is defined as any tax imposed by a foreign country or US possession. — ... a foreign tax as any tax
3. The land improvements were made by the foreign subsidiary controlled by Atkins, Ltd. — The foreign subsidiary
4. Coronda, Ltd. is not owned by a foreign corporation. — A foreign corporation

F.3. Rewrite these sentences beginning with (The) + a noun formed from the italicized verb and a passive verb. Choose an appropriate verb tense and make any necessary changes. Which variant sounds more formal?

1. They will consider the issue at next week’s meeting. *The consideration will be given to the issue at next week’s meeting.*
2. They eventually *permitted* the site to be used for the festival.
3. They have *transferred* the money to my bank account.
4. They will *present* the trophy after the speeches.
5. They will not *announce* the findings until next week.
6. They *demolished* the building in only two days.
7. They will *produce* the new car in a purpose-build factory.

F.4. If possible, make a corresponding passive sentence. If it is not possible, write “No passive.”

1. The committee called on Paula to explain her reasons for the proposed changes. — *Paula was called on to explain her reasons for the proposed changes.*
2. I got down most of what he said in his lecture. — Most of what he said in his lecture
3. When I was young my aunt and uncle looked after me. — When I was young I
4. The surgeons operated on him for nearly 12 hours. — He
5. Sandra let out a scream and collapsed to the floor. — A scream

6. Hugh takes after Edward — they're both very well organized. — Edward
7. All his relatives approved of his decision. — His decision

G. Speak up

G.1. Answer the following questions.

1. How important is marketing for a firm and for the whole economy?
2. Marketing is not an event, but process. How long does the process last?

G.2. Discussion topics.

Read the list of concepts of the marketing process. Rearrange them in accordance with their importance.

- ◆ Marketing is more than selling and advertising.
- ◆ Pinpointing consumers' need.
- ◆ Predicting demand.
- ◆ Establishing distribution systems.
- ◆ Calculating price.
- ◆ Developing communication campaigns.
- ◆ Gauging competition.

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Rebranding HealthSouth?

Sherri C. Goodman, "Birmingham News"

HealthSouth Corp. founder and ousted CEO Richard Scrushy once boasted he wanted the Birmingham-based corporation to become the McDonald's of health care and he spent millions to make that happen.

From golf shirts, pens, coffee mugs and gym bags to eminent scholar chairs, flashy traveling productions, radio programs and even television shows, the name and the logo were everywhere.

Now, the moniker is seemingly everywhere once again, but for different reasons: a headline-grabbing accounting fraud investigation complete with allegations of phony profits, extravagant spending, intimidation and insider trading.

Branding experts agree the scandal has damaged the HealthSouth name, but they believe it can recover, and, apparently so does the company's

new management. HealthSouth has no immediate plans to change the name, said spokesman Andy Brimmer.

Instead, the company plans to focus on preserving and rebuilding the value of the name.

“The brand can survive, but several things need to be done to ensure that happens,” said Clay Timon, CEO of San Francisco-based branding consultancy firm Landor Associates.

“Among other things, the company needs to employ a public-relations firm with crisis management expertise and work to understand what makes HealthSouth worthwhile to its customers,” Timon said.

“Brands are relatively strong. This is a relatively new brand, but in health care, a brand lives and dies on the quality of services a customer believes he gets. If quality remains high, then the brand can easily remain where it is,” Timon said.

Jim Johnson, chief executive of New York-based branding consultancy firm Enterprise IG, said the perception of the care given by HealthSouth has not been compromised by the accounting scandal.

“The problems are in financial governance, not in performing health duties. That would be a fatal flaw. This is a financial governance issue and people will separate that out,” he said.

One of the biggest challenges, though, will be the close association between Scrushy and HealthSouth.

“It is hard to separate Richard Scrushy, the person, from HealthSouth, the company,” said Robert Holmes, the University of Alabama at Birmingham’s business school dean.

“But it’s been a powerful brand and it would make sense to retain the name. If you can get beyond the Richard Scrushy part of it, it will probably be fine.”

Scrushy’s goal when he founded HealthSouth was to build a recognizable chain of standardized rehabilitation and out-patient surgery centers. Once the company went public and was considered a success, the company’s branding efforts expanded beyond advertisements, sponsorships and logos on clothing and office gear.

In 1995, the company recruited sports celebrities such as Bo Jackson, Rowdy Gaines and Tom Glavine to take part in a roadshow meant to teach children about athletic preparation and training. HealthSouth spent at least \$ 5.6 million to produce the flashy “Go for It!” show, which included thumping music, laser lights, a boy band and a girl group. One of the company’s customers, Travelers Group Inc., committed another \$ 5 million from 1996 to 2001 for the production.

In 1996, Scrushy said HealthSouth was pursuing joint ventures to put the company's name and logo on athletic footwear and sports beverages. Neither panned out.

In 2001, the company created a television game show based on the roadshow. Scrushy then hired former child actor Jason Hervey to oversee the company's entertainment and marketing operations. Another television series and a joint venture with Sony followed.

Scrushy and Hervey also co-hosted a couple of radio shows one on HealthSouth related topics and one on the entertainment industry, which was recently canceled.

Broad or Unfocused?

Scrushy, who canned the "Go for It!" campaign in February to save money, saw the entertainment projects as a way to broaden HealthSouth's brand and build new business.

Current management sees it as "unfocused activity" drawing away from the core business. The company canceled the HealthSouth radio show and placed Hervey on administrative leave.

"Anything in the entertainment realm has been discontinued," Interim Chairman Joel Gordon said. As part of its effort to rebuild the brand's credibility, the new management removed all traces of Scrushy from corporate headquarters and the company Web site.

Posters promoting HealthSouth's new slogan, "The Many Faces of HealthSouth," will replace placards bearing Scrushy's corporate message, "Pulling the Wagon," in facilities throughout the system, Brimmer said.

The company has also announced plans to sell some of the aircraft, vehicles and tractor-trailers acquired while Scrushy headed the company. Meanwhile, the board of directors adopted corporate governance guidelines aimed at increasing its independence from the company. And the company pledged that payments to physicians, employees and suppliers will not be interrupted.

"Perception is very important to this company at this point," Gordon said. He added: "The future image of the company will certainly be less arrogant than in the past."

The Wall Street Journal has reported that some of the company's surgery partners are considering severing ties to HealthSouth. Timon, however, said he doubted the perception of the HealthSouth name will negatively impact centers around the country.

"Customers may be more tuned in with the local doctors they're dealing with," he said.

Sticking Together

At least one of HealthSouth's surgery partners gave the company a vote of confidence last week. A day after the SEC investigation was announced on March 19, the doctors at HealthSouth Outpatient Care Surgery Center in Birmingham had voted to remove HealthSouth's name from the exterior of its building, worried the association might hurt business and drag down the center. But last week, the doctors reversed their decision, opting to stick it out with HealthSouth, said ear specialist Dr. Dennis Pappas Jr.

"Originally we did not know how patients and others would perceive the events," he said. "But the public in this area at least has been sophisticated enough to realize it was individuals on the corporate side that have damaged the company severely."

"The patients also recognize the level of care has not changed," he said. "We haven't seen the concern or damage we expected," Pappas said.

H.2. Answer the following questions.

1. Why did the HealthSouth need re-branding?
2. What needs to be done to keep the brand?
3. What conditions must be met so that a health care brand be a success?
4. What was Scrusby's goal when he founded HealthSouth? How did marketing help him reach this goal?
5. What does HealthSouth's news slogan imply? How did it match company's re-branding strategy?

H.3. Match up the words and definitions:

- | | |
|--------------------|---|
| 1) logo; | a) to act host of a party, friendly meeting, TV show, etc.; |
| 2) expertise; | b) a group that travels around the country giving public performances for the purpose of entertainment, advertising, etc.; |
| 3) rehabilitation; | c) a person who goes to a hospital for treatment while continuing to live at home; |
| 4) out-patient; | d) making a person able to live a healthy, useful, or active life again, esp. after being ill, in prison, etc.; |
| 5) to go public; | e) special skills or knowledge in an area of work or stud; |
| 6) road show; | f) a design or way of writing its name that a company or organization uses as its official sign on its products, advertising, etc.; |
| 7) to compromise; | g) to become known to all or to many; |
| 8) to host. | h) to put into dishonorable position, bring shame to. |

H.4. Read the article once more, find the sentences containing passives and translate them into Russian.

H.5. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

Покупатель всегда прав

Елена Чиняева, «Эксперт»

Самые ценные бренды максимально ориентированы на потребителя

Список 100 ведущих брендов, опубликованный экономическим журналом Business Week в июле прошлого года, показывает, что наибольшим успехом пользуются бренды, максимально ориентированные на клиентов.

По мнению специалистов, успех брендов, которые, несмотря на тяжелый финансовый год, обусловленный экономическим кризисом, сумели удержать лидирующие позиции, объясним, прежде всего, тем, что они более, чем когда-либо, сконцентрировались на потребностях покупателей.

Ежегодный рейтинг мировых брендов готовит компания Interbrand, мировой лидер в области брендингового консалтинга. За основу берется расчет доходов, которые, как ожидается, может принести бренд в настоящее время и в будущем. В рейтинг входят 100 наиболее ценных глобальных брендов с показателем доходов, превышающим \$ 1 млрд. Бренды выбираются по двум критериям: во-первых, они должны быть глобальными и приносить существенные доходы на основных глобальных рынках. Во-вторых, должно существовать достаточное количество открытых маркетинговых и финансовых данных для расчета оценки бренда. Этот метод был впервые применен компанией еще 14 лет назад. С тех пор на его основе было оценено более 3000 брендов. Метод широко признан в деловом сообществе, в том числе налоговыми органами, аудиторами, фондовыми биржами, банками и консалтинговыми компаниями.

В периоды кризисов именно бренды, ориентированные на потребителей, обычно показывают лучшие результаты, так как они тесно связаны с удовлетворением ежедневных потребностей людей. И 2002 год не стал исключением. Coca-Cola сохранила свою лидирующую позицию и даже прибавила 1 %. Хороший результат у Nivea, ценность бренда

которой повысилась на 16 %. За год Nivea увеличила свою долю рынка, расширив ассортимент за счет новых продуктов, которые, как и прежде, были ориентированы на качественное удовлетворение потребностей потребителей. Успешно дебютировала компания Caterpillar, сразу заняв 79-ю строку в рейтинге. Рита Клифтон, председатель Interbrand, так прокомментировала это: «И Nivea, и Caterpillar являются прекрасными примерами успешного расширения бренда, причем в случае с Nivea речь идет о расширении внутри данной категории, а в случае с Caterpillar — за счет вхождения в совершенно новую категорию. Caterpillar повысила ценность бренда, заключая успешные лицензионные контракты только с теми производителями, которые обеспечивают сохранение основных характеристик бренда. Таким образом достигается стабильность и последовательность в обеспечении качественного обслуживания потребителей».

Среди других успешных брендов стоит отметить Samsung, который добился увеличения ценности бренда на 30 % — с \$ 6,4 млрд в 2001 г. до \$ 8,3 млрд в 2002. И это несмотря на тяжелую ситуацию на рынках телекоммуникаций, бытовой электроники и полупроводников, которые больше других пострадали от кризиса. Примечательно, что показатели конкурирующих брендов Nokia и Ericsson снизились на 14 и 49 % соответственно, а AT&T потеряла 30 %, выбыв из первой десятки.

Среди брендов рынка высоких технологий выделяется Dell, которому удалось прибавить 12 %. Его конкурент на компьютерном рынке бренд Compaq потерял 21 %. Второй компанией на рынке высоких технологий, ценность бренда которой увеличилась, стала немецкая SAP — прирост составил 7 %.

Комментируя шаги, предпринятые компаниями для увеличения ценности брендов в тяжелой обстановке кризиса, Ян Линдемманн, управляющий директор по оценке брендов в Interbrand, сказал: «В категории недифференцированных брендов компания Samsung достигла больших успехов в создании дизайна своей продукции и взаимодействии с потребителями. А Dell всегда представляла собой прекрасный пример интеграции стратегий развития бренда и бизнеса. Важной составляющей их бренда всегда была ориентация на высококлассное обслуживание потребителей, и их бизнес-модель структурирована таким образом, чтобы доставить эти услуги потребителю».

Заместитель редактора Business Week Джерри Кермуч добавил: «Хотя рынок рекламы и маркетинга за последний год сузился, мы видим, что те бренды, которые на первое место поставили интересы

потребителя, строя свой бизнес вокруг этого, были вознаграждены за свои усилия увеличением ценности бренда. Starbucks, который вырос на 12 % за последний год, является классическим примером бренда, успех которого основывается на удовлетворении потребностей клиентов. С другой стороны, такие бренды, как Ford и Merrill Lynch, которые потеряли 32 и 25 % соответственно, — это примеры брендов, которые утратили ориентацию на потребителя».

По словам Энди Миллигана, директора Interbrand, «во время рецессии потребители предъявляют особенно большие требования к тому, что они получают, используя тот или иной бренд. Неудивительно поэтому, что бренды, которые добиваются лучших показателей и имеют самую высокую ценность, — это те, которые последовательно концентрируются на инновациях и качественном обслуживании потребителей».

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passage into English.

Внутренний брендинг

Стоит ли тестировать продукцию на своих сотрудниках?

Независимые маркетологи утверждают, что продукцию компании нельзя тестировать на ее сотрудниках — они не могут относиться к своему продукту объективно. Однако некоторые, даже богатые компании продолжают использовать этот прием, который, по утверждению адептов внутреннего брендинга, позволяет экономить деньги и повышает лояльность сотрудников.

Иного мнения придерживаются независимые маркетинговые агентства. «Сотрудников компании нельзя проецировать на целевую группу. Это все равно что я буду спрашивать у своих сотрудников, купят ли они у нас консалтинговые услуги» — говорит председатель совета директоров агентства «A2z marketing» Андрей Стась. На сайте брендингового агентства «Студия “Гвоздь”» написано: «Для того чтобы протестировать разработанные нами название или графику торговой марки, клиент при нашей помощи проводит фокус-группы среди своих сотрудников». Но директор агентства Алла Корнилова поясняет, что все это — результат экономии заказчиком средств. «Если позволяет бюджет, то, конечно, надо заказывать независимую фокус-группу, и желательно даже не одну», — говорит она.

K. Case study

Case 1. Examples of Rebranding

The multinational company P&G was required to reformulate Lightdrink after a 30 % drop in sales following comments from the Food Commission over the effect of the brand on children's health and criticism that the product was packaged to look like a fruit juice.

To overcome the difficulty the company is trying a Rebranding strategy, which includes the following measures:

- ◆ P&G has signed up a pop group for a £ 2 m summer promotion for fruit drink brand Lightdrink. The partnership with the group is the cornerstone of a £ 12 m Lightdrink re-launch;
- ◆ buyers who save eight labels from Lightdrink products will be able to send them in exchange for an exclusive compact disk;
- ◆ the promotion will be supported by a TV advertising campaign;
- ◆ the package is to be re-designed.

Case 2. Coca-Cola to Rebrand "Diet" Fizzy Drinks

Coca-Cola in the UK is poised to change the brand names of Diet Fanta and Diet Dr. Pepper to Fanta Light and Dr. Pepper Light.

The company is also launching a Fanta Icy Lemon Light variant in the UK before the end of the year, which observers believe could be the springboard for the change.

The re-branding is designed to bring Coca-Cola's UK product range in line with branding across the rest of Europe. However, Diet Coke is expected to retain its name as significant money has been invested in establishing the brand since its UK launch in 1983.

Coca-Cola spent more than £ 4 m on Diet Coke in the year to June 2002 (Source: Nielsen Media Research). The brand is called Coca-Cola Light in France, Belgium and other European countries. Coca-Cola brands Lilt and Sprite already have "light"-branded variants in the UK.

A sales promotion was launched for the Diet Coke brand in August featuring an instant-win, top prize of £ 100,000. All Diet Coke bottles are coloured silver for the campaign and it has been supported with outdoor and press advertising.

K.1. After reading the cases form two groups of marketing analysts. Brainstorm other measures aimed at successful re-branding for each company. Then meet as one group and select some of the best suggestions for further activity.

Unit 4

Economic Development and Cultural Diversities

A. Preliminary discussion

1. What British, American, German, Japanese, etc. traditions in economic performance surprised you the most when you first came to these countries? Be specific.
2. Do foreign businessmen “stick out” in Russia? Describe their behavior. What is the stereotype of the American (British, German, Japanese, etc.) businessmen?
3. What stereotype do the foreign businessmen have of Russian ones? Can you bring into comparison foreign and Russian businessmen, their behavior and attitude to business?

B. Pre-reading exercises

B.1. Before reading the text, look at the title. What do you think the text is about? Choose the best answer:

- 1) culture influence on economic efficiency;
- 2) reflection of culture effect on individual behaviour in collective outcomes;
- 3) Casson’s culture theory.

B.2. Skim the text to check your answers.

C. Reading

C.1. Read the text and decide whether these statements are True (T) or False (F).

1. The economic productivity and dynamism of the group is reflected in better financial outcomes or in higher growth rates.

2. Culture does not influence or determine the economic and social objectives.
3. Casson considers that economic analysis can make progress in identifying the influences that culture has on economic performance and in quantifying their effects.
4. Such factors as religion, family attitudes, patterns of cooperation have shaped the public and corporate institutions of the European countries.
5. A means of bringing economic and cultural concerns together is to return to the minor notion of value creation.

Culture in Economic Performance

D. Throsby

If we accept the broadly based definition of culture — that culture can be seen as a set of values, beliefs, traditions, customs, etc. which serve to identify and bind a group together — then it is not difficult to propose that culture will affect the way individuals in the group think and act, and will also have a significant effect on the way the group as a whole behaves. Such a proposition can be put forward for a small group such as a corporation, where the group identity is built around a corporate spirit, or for a large group such as a nation, where shared values may include religious beliefs, social customs, inherited traditions and so on.

In either case, an economic version of this proposition might be phrased in terms of the ways in which the group's identity and values shape individuals' preference patterns, and hence their economic behaviour.

It is then possible to suggest that culture may effect economic outcomes for the group in three broad directions. First, culture will perhaps affect economic efficiency via the promotion of shared values within the group which condition the ways in which the group's members undertake the economic processes of production.

For example, if these cultural values are conducive to more effective decision-making, to more rapid and varied innovation and to more adaptive

behaviour in dealing with change, the economic productivity and dynamism of the group will eventually be reflected in better financial outcomes (in the case of the corporate enterprise) or in higher growth rates (in the case of the economy).

Secondly, culture may affect equity — for example, by inculcating shared moral principles



of concern for others and hence encouraging the establishment of mechanisms by which that concern can be expressed. In the case of society as a whole, one significant aspect of this might be seen in intergenerational equity, if a moral obligation to provide for future generations is an accepted cultural value. In general, the effect of culture on equity will be seen in resource allocation decisions of the group directed at achieving equitable outcomes for its members.

Thirdly, culture may be seen as influencing or even as determining the economic and social *objectives* that the group decides to pursue. At the small group level, say that of the individual firm, the corporate culture may be one of concern and care for employees and their working conditions, and these values may mitigate the importance of profit-seeking or other economic goals in the firm's objectives. At the societal level, cultural values may be entirely in tune with the pursuit of material progress, enabling criteria of macroeconomic achievement to be used to distinguish 'successful' from 'unsuccessful' societies. The culture of other societies, on the other hand, may be such as to temper the pursuit of material reward in favour of non-material goals relating to various qualities of life, thus affecting the pace and direction of economic growth; in such cases the criteria defining 'successful' and 'unsuccessful' will be different from the former case.

By these three avenues, the effect of culture on individual behaviour will be reflected in collective outcomes.

Thus, for example, at an aggregate level, we might observe the influence of culture on macroeconomic outcomes in terms of *efficiency indicators* such as the rate of growth of *per capita* GDP, rates of technological change, employment levels, rates and directions of structural change and so on, and in terms of *equity indicators* such as patterns of income distribution, social welfare programmes (especially care for the aged and sick), the supply of community services and (reflecting concern for intergenerational equity) the willingness to undertake long-term public investment programmes which may not be of much direct benefit to the present generation. How far has economics come in viewing economic performance as being mediated by cultural influences along the lines sketched out above? Mark Casson has suggested that:

"Economics is making progress in coming to terms with culture. Just a few years ago an economic theorist would typically claim that culture simply does not matter so far as economic performance is concerned; everything that matters is explained by prices -- real prices in external markets and shadow prices in internal ones. Today the theorist is more likely

to admit that culture matters, but to argue that it is something that economics cannot, or should not, attempt to explain.”

Casson goes on to argue that such defeatism is unwarranted, and that indeed economic analysis can make progress in identifying the influences that culture has on economic performance and in quantifying their effects. His own work attempts to specify cultural variables that affect interfirm relations such as cooperation and competition, and interfirm relations such as organisational behaviour, and to postulate their effects on economic outcomes in different cultural settings.

Nevertheless scepticism among economists still persists, especially at the macroeconomic level where there remains considerable speculation as to whether and to what extent cultural factors have played a role in determining economic performance in different countries. For example, the sources of post-war growth in Japan, and more recently in South Korea, Taiwan, Hong Kong and Singapore, have been widely contested.

It is undeniable that economic factors in these countries have contributed significantly to their rapid growth, including stable macroeconomic management (“getting the fundamentals right”), promotion of competition, strong export orientation, pressure for “catch-up” technological change, investment in human capital and so on. Even so there is disagreement among economists as to how far targeted industrial policies and strategic government interventions, which have been markedly contrary to the precepts of neo-classical orthodoxy, have been influential in promoting accelerated economic performance. Yet underlying all this, a more fundamental and pervasive role is proposed, which certain cultural principles, derived to a significant extent from Confucianism, have helped to create the conditions for economic success. These factors include concern for the welfare and mutual esteem of the group, an achievement-oriented work ethic, regard for the importance of the family, a belief in the need for education, a respect for hierarchy and authority and so on. Looking specifically at the Japanese case, we can observe that such factors as religion, family attitudes, patterns of cooperation within a culturally homogeneous society and so on, have shaped the public and corporate institutions of Japan and the manner of their operation; only in this way can the cultural foundations of Japanese society be seen to have permeated all aspects of Japanese economic life.

Within such a broadly based development framework we can suggest, as before, that a means of bringing economic and cultural concerns together is to return to the basic notion of value creation, where the generation of both economic and cultural values can be discerned as outcomes of a deve-

development process which balances the desire for material goods and services with the deeper needs and aspirations of human beings for cultural recognition, expression and fulfillment.

D. Vocabulary

D.1. Read and learn active vocabulary.

shared values — common cultural wealth

undertake (*v*) — to accept that you are responsible for a piece of work and start to do it

conducive (*adj*) — helping (an especially desirable result) to happen

inculcating (*adj*) — fixing in the mind of (someone)

equity (*n*) — a here is the situation when nobody has an unfair advantage

mitigate (*v*) — to lessen the seriousness of evil, harm, pain, etc.

to be in tune with — in agreement or sympathy

defeatism (*n*) — the practice of thinking or talking in a way that shows an expectation of being unsuccessful

unwarranted (*adj*) — unwelcome and done without good reason

postulate (*v*) — to suggest something as being likely or as a base for further reasoning, even though it has not been proved

pervasive (*adj*) — wide-spread

esteem (*v*) — to respect and admire greatly

permeate (*v*) — to spread or pass through or into every part of a thing, place, etc.

discern (*v*) — to see, notice or understand something only after careful thinking

D.2. Match up each word on the left with a word on the right. Then use five of the expressions to write about economic development and cultural diversities:

- | | |
|-----------------------|----------------|
| 1) varied; | a) level; |
| 2) shared; | b) prices; |
| 3) financial; | c) settings; |
| 4) intergenerational; | d) esteem; |
| 5) aggregate; | e) innovation; |
| 6) shadow; | f) rates; |
| 7) cultural; | g) outcomes; |
| 8) mutual; | h) defeatism; |
| 9) unwarranted; | i) values; |
| 10) growth. | j) equity. |

D.3. Find an appropriate word from the list below to complete each sentence.

inherited	income	bind (someone) together
put forward	economic variables	special promotion
undeniable	precepts	

1. The industry agreement ... companies ... to reduce the prices.
2. The UK accountancy bodies ... the idea of a European accounting standards body.
3. Problems he ... from his predecessor led to the bank's later troubles.
4. They live beyond their
5. The Japanese are subject to the same ... as everybody else.
6. It is ... that she is the best person for the job.
7. A ... in January produced a spectacular rise in profits.
8. Just follow these few basic ... and you won't go far wrong in business.

E. Comprehension

Read the text again more thoroughly and answer the questions.

1. What is culture?
2. What proposition can be put forward for a corporation?
3. What broad directions may culture affect?
4. How will the effect of culture be reflected?
5. What has Mark Casson suggested in relation to economics and culture?

F. Grammar notes

Modal Verbs: Can (Could), May (Might), Must (Have to), Be to, Should

These modal verbs except for **'have to'** and **'be to'** take no-s in the third person singular. In questions they come before the subject and have **'not'** after them in negations. Modal verbs are followed by an infinitive without **to** except for **'have to'** and **'be to'**.

Modal verbs are used to express — **ability, possibility, probability, obligation, permission, advice.**

'Can' — modal verb **'can (cannot)'** is used to describe ability, opportunity, permission, request, possibility/impossibility.

E. g.: *As the radical critique of contemporary economics has argued that some sort of economics **cannot** be value-free, so also **can** it be suggested that economics as an intellectual endeavour **cannot** be culture-free.*

To describe a future ability '**will be able to**' is used but not '**can**'.

E. g.: *Cultural relationships **will be able to** exist within an economic environment.*

'**Be able/unable to**' is used when '**can/could**' is grammatically impossible.

E. g.: *'Cultural materialism' **was able to** have a clear counterpart in economics, especially in 'old' school of institutional economics.*

You cannot use '**be able to**' with passive constructions.

E. g.: *Cultural interactions among members of the group **can be modelled** as transactions or exchanges of symbolic or material goods within an economizing framework.*

'**Could**' expresses ability in the past. This verb is more usual than 'was able to'.

E. g.: *Culture **could** in some circumstances become a contested phenomenon rather than an area of agreement and harmony.*

You can use '**could/might have**' + **past participle** to describe a past ability, which was not used or a past opportunity which wasn't taken.

E. g.: *It **could/might be suggested** that a definition of culture which relies on identifying distinguishing characteristics of groups **might be seen to** parallel a notion of such groups as societies or as social units within a society.*

'**Can/Could**' is translated into Russian as *может быть, возможно, мог*, etc. (affirmative form); *неужели, не может быть, чтобы*, etc. (doubt in the interrogative and negative forms).

'**Must + Present Infinitive**' in the affirmative and interrogative sentences expresses the necessity, obligation, duty, advice and order. The negative form **mustn't (must not)** usually expresses prohibition (**one must not**), in other words, it is opposite in meaning to the verb *may*. Lack of the necessity is expressed by the verb **needn't (need not)**.

'**Must**' only relates to Present Tense in some cases to Future Tense.

E. g.: *Every businessman **must** understand a language well enough for the purpose of trade.*

For expressing obligation in the Past (**must + Present Perfect and have to**) and Future '**have to**' + **Present Infinitive** are used in the necessary forms.

E. g.: *He **had to** take a taxi to get to the airport on time. That **must have been** the right restaurant. There are no other restaurants in the street. We **will have to** go to the supermarket tomorrow.*

'**Must**' is stronger than '**have to**' and shows urgency and importance.

'**Must**' is translated into Russian as *должен* (obligation), *должно быть*, *вероятно, по всей вероятности*, etc. (in the affirmative form and in the function of supposition with a great share of assurance).

'**Have to**' is used when the necessity comes from outside the speaker or when other people decide for the speaker what it is necessary to do.

E. g.: *Media consumption groupings across the continent **have to** differ markedly from many of the other consumer behaviour traits across the continent.*

'**Have to**' is translated into Russian as *пришлось, придется, приходится, предстоит*.

'**Be to + infinitive**' expresses the idea that someone else demands something.

E. g.: The effect of the considerations is **not** so much **to** undermine or replace the concept of culture.

'**Be to + infinitive**' is translated into Russian as *должен*.

'**May**' and '**Might**' sometimes have virtually the same meaning; they are used to talk about possibilities in the past, present or future. ('**Could**' is also sometimes used). '**May**' is sometimes a little bit 'more sure'; whereas **might** expresses more doubt.

'**May**' and '**might**' are used in the following cases.

Talking about the present or future with uncertainty.

E. g.: The impact of culture on the thinking of economists **may (might)** go further, because the cultural values they inherit or learn have a profound influence on their perception.

Talking about the past with uncertainty.

E. g.: He **may have been** upset. I couldn't really tell if he was annoyed or tired.

Both verbs can also sometimes be used for talking about **permission**, but usually only in formal situations.

E. g.: Businessmen **may** penetrate the bare surface of cultural difference otherwise they will never understand what motivates their foreign business partners.

'**May**': talking about things that can happen in certain situations.

E. g.: *The efforts **may** capture some of the characteristics of culture in an abstract economy.*

'**Might**': saying that something was possible, but did not actually happen.

E. g.: *The fact that economic agents live, breath and make decisions within a cultural environment **might have been** observable.*

'**May**' and '**might**' are translated into Russian as *может быть, возможно*.

‘Should’: giving advice.

E. g.: “The book **should** give foreign audiences an idea of how American negotiators think and act,” said the presenter (present). She **should have eaten** low fat foods. That might have prevented her heart attack (past).

Obligation: weak form of **‘must’**.

The cultural context of economics as a discipline **should** relate not only to the conditioning of its practitioners but also to the methodology of its discourse.

‘Should’ is translated into Russian as *следует, следовало бы, нужно, не мешало бы, должен (бы)*.

F.1. Identify all the modal verbs in the text “Culture in economic performance” and translate the sentences into Russian.

F.2. Complete the text with the correct modal verbs.

Understanding Culture

“New Straits Times” (Malaysia)

Culture as a point of difference ... never more challenged than in times of conflict.

At a time when Australia as a member of the “Coalition of Willing” is at war in Iraq, cultural difference particularly testing Muslim and non-Muslim Australians.

Religion ... inform a big part of culture. And as one participant at a Melbourne seminar on inter-religious dialogue observed, antipathy towards Muslim society happened over a long period of time in Australia.

Much of this grown out of ignorance. For many, this ignorance given rise to fear after the September 11 destruction of the New York World Trade Center, and the antipathy taken hostile proportions in the aftermath of the war against terrorism.

And the war in Iraq, for all the assurances to the contrary, seen by many as representing a clash of civilisations.

The climate ... present a challenge to community groups working in cross-cultural, inter-religious and multi-faith dialogue.

In benign times, understanding of culture seldom ... rise above the “festival.” Culture is celebrated in differences of language, dress, food, music, song and dance.

In times of conflict, more challenging aspects of difference ... surface. And as the war rages in Iraq, the cross-cultural community in Australia works to deal with the challenges. The youth and the school ... be necessary starting points.

Attitudes to Australia's involvement in Iraq is a point of contention across the political spectrum.

Psychologists for the Promotion of World Peace, an interest group of the Australian Psychological Society, commissioned a report to ... help teachers and parents deal with children's reaction to war.

The visit has come more out of inter-religious dialogue than the psychologists' report, but the goal ... be in harmony. Itexpose the young to broader experiences.

The visit come out of contacts Trotter made in the course of a conference on inter-religious dialogue.

F.3. Translate the text from Russian into English paying attention to the modal verbs.

«Ведомости»

Германская компания Metro С&С начала продавать российские товары под собственным брендом Аго. В московских магазинах компании уже можно купить российские брынзу, майонез и яйца Аго. Программа должна быть выгодна обеим сторонам: Metro, возможно, снизит закупочные цены, а поставщики увеличат объемы продаж.

О планах по продаже товаров российских поставщиков под собственными брендами Metro С&С, в том числе и за границей, стало известно осенью прошлого года. В нескольких восточноевропейских странах Metro уже смогла внедрить схожие программы. Но вскоре, как рассказала «Ведомостям» пресс-секретарь российского подразделения Metro г-жа Белова, можно будет купить корма для собак и кошек фирмы «Крона» (Петербург), фольгу «Саянской фольги» и хлопья предприятия «Союзпищепром» (Челябинск). А вот крабовые палочки и крабовое мясо «РОК-1» (Петербург) помимо России будут продаваться в Чехии, Словакии, Болгарии, Румынии и Польше.

По словам Беловой, некоторые российские товары следовало бы продавать и под брендом «Metro Quality». Белова говорит, что российские товары, которые продаются под особым (private) лейблом компании, должны выбираться в результате проведения специального аудита. Приоритет следует отдавать компаниям, которые способны быстро наращивать объемы производства, т. е. поспевать за ростом самой Metro С&С.

Программа может быть выгодна обеим сторонам, о чем говорят и немецкие торговцы, и российские поставщики: Metro просит снизить закупочные цены, но производители увеличивают объемы реализации.

Однако директор по маркетингу компании «Элинар-бройлер» Валентин Коряпаев считает, что далеко не всем поставщикам следует

торговать под чужими брендами. «Товар под особым лейблом должен быть либо очень дешевым, либо его необходимо закупать по очень низким ценам, а нам это не надо, — говорит он. — Нас устраивает объем, который у нас есть в Метро сейчас. И нам нужно уходить в нишу премиум, а не снижать цены». Торговый дом «Русал Саянская фольга», как рассказал недавно «Ведомостям» его гендиректор Илья Тихомиров, и так поставляет свою продукцию за рубеж, а Метро является лишь одним из возможных экспортных каналов.

F.4. Additional grammar material.

Compound Nouns

In English, words, particularly adjectives and nouns, are combined into compound structures in a variety of ways. And once they are formed, they – sometimes metamorphose over time. A common pattern is that two words – fire fly, say – will be joined by a hyphen for a time – fire-fly – and then be joined into one word – firefly. In this respect, a language like German, in which words are happily and immediately linked one to the other, might seem to have an advantage. There is only one sure way to *know* how to spell compounds in English: use an authoritative dictionary.

There are three forms of compound words:

- ◆ the **closed form**, in which the words are melded together, such as firefly, secondhand, softball, childlike, redhead, keyboard, makeup, notebook;
- ◆ the **hyphenated form**, such as daughter-in-law, master-at-arms, over-the-counter, six-pack, six-year-old, mass-produced;
- ◆ and the **open form**, such as post office, real estate, middle class, full moon, half sister, attorney general.

With a handful of exceptions, compounds created by the addition of a prefix are not hyphenated:

anteroom, antisocial, binomial, biochemistry, coordinate, counterclockwise, extraordinary, infrastructure, interrelated, intramural, macroeconomics, metaphysical, microeconomics, midtown, minibike, multicultural, neoromantic, nonviolent, overanxious, postwar, preconference, pseudointellectual, reunify, semiconductor, socioeconomic, subpar, supertanker, transatlantic, unnatural, underdeveloped.

F.5. Match up the compounds correctly and give English definitions:

- | | |
|--------------|---------------|
| 1) 2-year; | a) vacation; |
| 2) one-week; | b) education; |
| 3) African; | c) force; |

- | | |
|-----------------------|--------------------|
| 4) bull's; | d) tournament; |
| 5) data; | e) general; |
| 6) blue-green; | f) pressure; |
| 7) attorney; | g) dress; |
| 8) blood; | h) -eye; |
| 9) all-city; | i) American; |
| 10) half; | j) database; |
| 11) first-rate; | k) -in-law; |
| 12) daughter; | l) sister; |
| 13) ex; | m) person; |
| 14) English-speaking; | n) -wife; |
| 15) grand; | o) accommodations; |
| 16) grant; | p) foot; |
| 17) high-level; | q) mother; |
| 18) Italian-American; | r) -in-aid; |
| 19) life; | s) officials; |
| 20) light; | t) club; |
| 21) mayor; | u) like; |
| 22) sales; | v) year; |
| 23) secretary; | w) -elect; |
| 24) stock; | x) -treasurer; |
| 25) vice; | y) person; |
| 26) well-made; | z) broker; |
| 27) worldwide; | aa) president; |
| 28) air; | bb) clothes; |
| 29) ball. | cc) inflation. |

G. Discussion

The text "Culture in economic performance" mentions that culture may affect equity. What other phenomena can culture affect in your opinion?

H. Make a summary of the text

Use the active vocabulary.

I. Reading the English newspaper

I.1. Read the newspaper article and decide what the do's and the don'ts for business communication of foreign partners are.

You Are Talking to Me

“New Straits Times” (Malaysia)

I speak French, you speak Swahili, they speak Mongolian. We do business together in Bolivia. A simple enough proposition, but in practice an endeavour as fraught with traps for the unwary as negotiating the sale of camels to camel-producing countries.

One might understand a language well enough for the purpose of trade: for example, signing a partnership with a local distributor to market one's brand in a foreign market. Language is a simple matter; it obeys fixed rules of grammar and syntax not unlike one's own. When one stumbles, translators come to help.

All might appear to proceed smoothly, but when that distributor farts sonorously, repeatedly, during dinner with one's titled bosses — while the grin of pleasure spreads slowly across his innocent face — does one mutter automatically. The technical revolution in communications promised a great deal, but delivered precious little. The free exchange of ideas, unencumbered by ideological restrictions (like Soviet Communism) should have brought the world closer; instead it has driven communities so far apart that today clashes of civilizations appear inevitable.

The problem: however advanced our technology might become, no logical machine will ever displace the quintessentially irrational, emotional Human Factor. One day we might ourselves come to resemble machines, but until then the diversity of human culture will always have the upper hand. Multinationals ignore this fact at their peril.

“People of every culture think their way of doing things makes the most sense; it's the only way they know how to act,” says Sheida Hodge, a director of Berlitz International, an organisation specialising in communicating between cultures. Mrs Hodge, 58, is a fine example of a successful international businesswoman: born in Iran, she immigrated at 18 to the US and joined the General Electric Company, where she was responsible for developing overseas business. She later built her own import company and sold it to a Brazilian manufacturer.

“Business misunderstandings aren't usually the result of a conscious feeling of cultural superiority,” she says. “Very often we might observe scrupulously such surface differences as etiquette, but fail altogether to comprehend why another person's way of doing things is so foreign to our own.” Foremost among the differences that affect international business negotiations are the two contrary approaches to making decisions. “Western business standards are specifically task-oriented and thus rely greatly on the individual's apprehension of facts and figures,” says Hodge.

“Asian business cultures on the other hand emphasise the importance of maintaining long-term relationships. Facts and figures, they think, might change tomorrow, but it is the strength of the relationship that enables business partners to weather such changes.” Westerners (Americans in particular, who are accustomed to forthright and competitive negotiation) might find the Asian approach slow, prevaricating, even dishonest. Asians often find their Western counterparts rude, perhaps ignorant, certainly difficult to comprehend.

“In the case of multinational corporations, cultural differences might exist even within one’s own ranks. American head office executives should, for example, avoid evaluating employees in a foreign division by the same standards they apply at home, especially when American cultural values are alien there.” This might appear obvious to the armchair management consultant, but judging by the number of spectacular failures in international commerce recently, the obvious will keep escaping our notice if we persist in believing that our own standards are the only true guides to action.

It is to help breach the cultural divide that Hodge has written *Global Smarts* — a concise, regularly amusing collection of pithy observations gleaned from decades of frontline negotiating in countries as diverse as China and Brazil, as well as from corporate training programmes she designed for outbound expatriate workers.

Directed primarily at an American audience, the book nonetheless includes a large and varied selection of revealing opinions from non-American business people. Her analyses are general enough also to be applicable in a wide range of situations with which the modern multinational (including the Malaysian one) might find itself grappling with.

“Besides, the book gives foreign audiences an idea of how American negotiators think and act,” she adds.

Topics include culture shock (and its cost to companies in terms of lost talent and failed projects), how women executives should approach the challenge of an overseas posting, as well as anecdotal advice on how to deal with individual cultures (the Chinese idea of “lucky numbers,” for example).

Central to her arguments, however, and running constantly throughout the book is a deep yet thoroughly accessible comparative analysis of modern culture — especially where it intersects with business practices — and the psychological motivations underlying differences across the negotiating table and expatriate communities.

Hodge says: “I get this often: All people are the same. I’ll be nice to them, but I’ll tell them what I think. They can take it or leave it.” That is probably the worst attitude one can have when going abroad.

“If we don’t try to penetrate the bare surface of cultural difference then we will never understand what motivates our foreign business partners. Also this negative cast of mind makes us more receptive to the cumulative effects of culture shock.” Likewise the common practice of setting up expatriate enclaves: while providing a small degree of comfort against the unfamiliar, enclaves increase the rate of little differences building up gradually – unnoticed until they reach an irrevocable point of crisis.

“If only people try to see each other in complementary terms and understand one another’s position – imagine the creativity and synergy that might result,” Hodge adds. An admirable sentiment in these dark times.

I.2. Memory Test.

After reading the article about cultural differences of business partners, test your memory.

1. Why should everyone understand a foreign language?
2. What did the technical revolution in communications promise? And why?
3. Do you agree with Hodge’s opinion “Business misunderstandings aren’t usually the result of a conscious feeling of cultural superiority”?
4. How do the Asian and Western businessmen cooperate?

I.3. Vocabulary.

Give the definitions of the following words and phrases as they are used in the text:

- ◆ endeavour;
- ◆ unwary;
- ◆ unencumbered;
- ◆ clashes of civilizations;
- ◆ resemble;
- ◆ at one’s peril;
- ◆ glean;
- ◆ grapple;
- ◆ intersect;
- ◆ cumulative;
- ◆ synergy.

J. Reading the Russian article

J.1. Read the Russian article and translate the italicized words.

Западный подход в восточных странах: при ведении переговоров в балтийских государствах необходимо быть терпеливым и скромным

Специальный корреспондент, «Ведомости»

С экономической точки зрения, балтийские государства — Эстония, Латвия и Литва — интересные и развитые регионы. Прежде чем обратиться к различиям в стилях деловых переговоров, принятых в этих государствах, давайте сначала поговорим о том, что их объединяет.

По сравнению со своими соседями, Россией и Белоруссией, государствам Балтики свойствен отчетливо «западный» стиль.

Уровень образования высок, инфраструктура развита достаточно хорошо. Глобальные изменения — интернет, электронная почта, электронная коммерция и мобильные телефоны — наложили отпечаток на жизнь региона.

Все, о чем пойдет речь в этой статье, относится, в первую очередь, к бизнесменам старшего поколения. Молодые предприниматели, уже получившие на Западе степень MBA или ей подобную, — такие живут, в основном, в больших городах — как правило, ведут переговоры в международном стиле.

Огромное значение имеют хорошие отношения между деловыми партнерами.

Часто организуются встречи вне стола переговоров — в ресторанах, а иногда и дома. Традиционно большое значение придается тостам. Первый тост произносит хозяин, а гостю необходимо приготовить достойный ответ.

Скорее всего, ваши деловые партнеры из балтийских государств будут вести себя осторожно. В первую очередь, они постараются создать хорошие отношения и только потом сосредоточатся на самой сделке. Если вам удастся завоевать расположение партнера, вы будете вознаграждены долгосрочными деловыми отношениями.

Упрямство и некоторый недостаток гибкости во время переговоров следует воспринимать спокойно, терпеливо и последовательно. До и после переговоров вы можете выражать личные симпатии.

В силу своего советского прошлого большинство балтийских бизнесменов с понятной подозрительностью относятся к властям. Поэтому, если вам понадобится изменить условия контракта по юридическим основаниям или по причинам, связанным с действующими нормативами, вы должны очень четко объяснить, в чем дело. Несмотря на нелюбовь прибалтов к бюрократии, важные договоренности, которых вам удастся достигнуть в процессе переговоров, следует фиксировать

в письменной форме — либо в виде условий контракта, либо *в виде меморандума о намерениях*.

Ваш местный партнер может бояться того, что его готовность *пойти на компромисс* будет воспринята как слабость. Поэтому, чтобы довести переговоры до конца, *надо заручиться терпением*. Если вы хотите, чтобы ваш *партнер пошел на уступки*, вам придется ясно дать понять, что вы готовы пойти на *ответные уступки*. Имеет смысл включить в *текст чернового варианта договора* определенные условия, от которых можно будет отказаться в процессе переговоров.

Между тремя прибалтийскими странами, разумеется, есть определенные различия.

Самой скандинавской страной из всех трех является Эстония. Переговоры с ее представителями проходят спокойно, *сдержанно* и скромно. Многие эстонцы являются «мягкими индивидуалистами». В начале переговоров ваш эстонский партнер, скорее всего, будет говорить мягко. Он будет *преуменьшать собственные достижения* и покажет себя отличным слушателем.

Пунктуальность очень важна так же, как и грамотное расписание. Презентации должны быть *тщательно задокументированы*, здесь методичность важнее яркого общения.

J.2. Render the Russian article after making up the outline.

K. Speak up

K.1. Interview.

Use these questions as a guide to interview your partner. Add questions of your own.

1. What is your attitude to the problem of the mass expansion of Russian top-managers to the foreign countries? Try to explain this fact.
2. Can we assert that in 1970s the Russians were full of fear and operated under an ideological press? Have they got this feature now? Does it hinder our businessmen now?
3. Do you think businessmen from different countries working in one company can always work well together with their partners despite their cultural differences?
4. How can the non-verbal communication influence business partners' relations?

K.2. Case Study.

Read the article and do the exercises.

The Other Customs Barrier. Cultural Research Avoids Business Blunder

Margaret Kammeyer, "Export America"

Discovering cultural differences in business practices should be an integral part of conducting market research for new opportunities. Whether you are a new exporter or are exporting but looking for new markets, cultural factors play a very important role in determining the success of the venture. As markets open and the demand for American goods abroad increases, challenges beyond the traditional details of exporting now face firms doing business abroad.

Doing business with international clients requires more than just an understanding of the myriad of international rules and regulations. A lack of knowledge about a customer's culture can lead to misunderstanding, frustration, potential embarrassment and even loss of business. As David A. Ricks writes in *Blunders in International Business*, "Cultural differences are the most significant and troublesome variables... the failure of managers to fully comprehend these disparities has led to most international business blunders."

Savvy exporters are now not only expected to be familiar with country marketing reports but should also conduct research on their clients' culture and regional etiquette when preparing to enter new markets.

The building of successful business relationships is a vital part of any venture, and such relationships rely heavily on an understanding of each partner's expectations and intentions. Export representatives will want to ensure that they make the best impression on potential clients. This means that in addition to understanding preconceived notions about American business practices, it is also important for the international representative to have at least a basic familiarity with the customs and practices of the country in which the company is considering conducting business. Gift giving, proper forms of address, appropriate dress, entertainment, holidays, business hours and sense of time, are just some cultural differences of which to be aware. Mastering international business etiquette and understanding foreign customs is imperative for success in exporting.

Each culture has its own idiosyncrasies when it comes to social business relations and successful marketing strategies — what applies in one country often does not apply in another. Strategies that thrive in Japan will most likely fail in Hong Kong; therefore, not only is it important for new to export companies to be aware of the ramifications of cultural differences but also for already successful exporters contemplating expansion into new markets.

Some Interesting Cultural Observations

- ◆ In the People's Republic of China, don't write notes using red ink. This suggests that the writer will die soon. Avoid using the number four at all costs because this, too, signifies death.
- ◆ In India, the significance of a business arrangement is often determined by the amount of time spent in negotiations.
- ◆ In Thailand, it is considered offensive to show the sole of the shoe or foot to another. Therefore, it is necessary to take care when crossing your legs.
- ◆ In Saudi Arabia, the law prohibits the wearing of neck jewelry by men, and westerners have been arrested for neglecting to observe this rule.
- ◆ In Argentina, do not be offended if your business associate arrives 30 to 40 minutes late to a meeting.
- ◆ In Costa Rica, if you are invited for dinner to a home, bring flowers, chocolates, scotch or wine. Do not bring calla lilies; they are associated with funerals.
- ◆ In Germany, first names are reserved for family members and close friends. Moreover, in German business culture, it's not uncommon for colleagues who have worked together for years not to know of each other's first names.

K.3. Work in groups and discuss the questions.

- ◆ What are the advantages and disadvantages of working with international clients?
- ◆ Where can a lack of knowledge about a customer's culture lead to?
- ◆ What should business partners do when entering new markets?

K.4. Sum up the main arguments of the article and add your own ideas on the problem.

K.5. Prepare a five-minute presentation on the problem of economic development and cultural diversities.

Unit 5

Business Ethics

A. Preliminary discussion

1. How do companies educate employees about ethics?
2. Where do employees get information when they face a conflict between keeping a competitive edge and maintaining ethical standards?
3. How do employees learn to do a better job and to do it ethically?
4. Do you know what ethical crime is?
5. Why do ethical problems occur in Russian business?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text to define if the statements are true (T) or false (F).

1. TG&Y Stores is a wholesaling company.
2. Problems of business ethics are personal and human.
3. Ethics does not define conduct.
4. Ethical rules are the same in every society.
5. Employees prefer working for an ethical company.

C. Reading

C.1. Read the text and answer the questions.

1. What is a national retailing corporation?
2. What ethical problems can arise in business? What are their reasons?
3. What is the meaning of ethics? What is the difference between ethics and business ethics?
4. Is it necessary to encourage business firms to act ethically? Give your reasons.

5. What is the process of selecting employees for the companies? How can the administration weed out ethically undesirable employees?

Business Ethics

W. C. Frederick, K. Davis, J. E. Post

TG&Y Stores, a national retailing corporation with headquarters in Oklahoma City, sued seven of its buyers, charging them with accepting \$ 735,000 in cash and other gifts from the company's vendors. One of the buyers who purchased shoes for the retailing chain allegedly built a nest egg of \$ 525,000 from these kickbacks. TG&Y also sued twelve of the stores that allegedly had paid these bribes to TG&Y's buyers.

"Money laundering" provides another example. The Bank of Boston Corporation shipped over \$ 1 billion in cash to banks in Switzerland and other European nations without reporting these transactions to United States bank regulators. Twenty-one other banks also failed to file the required forms for big cash transactions. Drug-enforcement officials fear that such large cash flows may possibly cloak secret drug sales, gambling earnings, or other illicit chains that are hidden in banks and "cleaned up" or "laundered" so as to appear they were made honestly.

Ethical problems in business can arise also in a very personal, human way. When orders dropped in one-small manufacturing company, the supervisor knew she would have to lay off a loyal, hard-working employee in two months.

Company rules did not allow her to tell the employee in advance, for fear he would quit while still needed or not work as hard as he usually did after being told. The supervisor believed that it was unfair to the employee, but she had to enforce all company rules and policies. For her, the ethical dilemma had both personal and professional dimensions.

Episodes like these raise ethical questions for a number of reasons. Sometimes, society is harmed. At other times, an individual profits unfairly at the expense of others. Frequently, a business firm suffers higher costs when money is embezzled or when the firm has to pay hidden costs for its supplies. Money laundering cloaks illegal activities and protects lawbreakers.

However, business frequently demonstrates a high level of ethical performance. Twice within a five-year period, Johnson & Johnson protected its customers by recalling stocks of Tylenol capsules when poison was found in some Tylenol bottles on store shelves. In a similar case, Parker brothers voluntarily withdrew its all-time best-selling toy when two children choked to death



after swallowing some of its parts. Both companies spent millions of dollars on the recalls.

One of the major social challenges faced by business is to balance ethics and economics. Society wants business to be ethical and economically profitable at the same time.

The Meaning of Ethics

When one is dealing with ethics, clear thinking is extremely important, because most ethical issues and problems are controversial, involving emotional questions of right and wrong behavior. A good first step is to have a clear definition of ethics.

What Is Ethics?

Ethics is a set of rules that define right and wrong conduct. These ethical rules tell us when our behavior is acceptable and when it is disapproved and considered to be wrong. Ethics deals with fundamental human relationships. Ethical rules are guides to moral behavior. For example, all societies have ethical rules forbidding lying, stealing, deceiving, and harming others, just as they also have ethical rules that approve of honesty, keeping promises, helping others, and respecting the rights of others. Such basic rules of behavior are thought to be essential for the preservation and continuation of organized life.

For many people, religious beliefs and organizations are a major source of ethical guidance and moral meaning. The family institution also imparts a sense of right and wrong to children as they grow up, as do schools and other similar influences such as television. The totality of these learning experiences creates in each person a concept of ethics, morality, and socially desirable behavior.

Ethical rules are present in all societies, all organizations, and all individual persons, although they may vary greatly from one to another. Your ethics may not be the same as your neighbor's; or one particular religion's notion of morality may not be identical to another's; or what is considered ethical in one society may be forbidden in another society. In spite of this diversity, ethics is a universal human trait. All people everywhere need rules to govern their conduct, rules that tell them whether their actions are right or wrong, moral or immoral, approved or disapproved.

What Is Business Ethics?

Business ethics is not a special set of ethical rules different from ethics in general and applicable only to business. Business ethics is the applicati-

on of general ethical rules to business behavior. If a society's ethical rules say that dishonesty is unethical and immoral, then anyone in business who is dishonest with employees, customers, creditors, stockholders, or competitors is acting unethically and immorally. If protecting others from harm is considered to be ethical, then a business firm that recalls a defective and dangerous product is acting in an ethical way.

In the TG&Y episode, both the buyers who took the bribes and the bribers acted unethically because they deceived others, took unfair advantage of them, and then concealed their own selfish actions. They broke the rules of fair play. Likewise, the banks that allowed laundered money to flow through their accounts not only broke the law but protected criminals who harmed society and who brought tragedy into the lives of drug users and addicts. The supervisor who failed to give an employee advance notice of being fired was not breaking the law, but she felt unethical in not telling the whole truth. When business firms or people in business violate the rules that define right and wrong behavior, they are acting unethically, and they also may be acting illegally.

Why Is Business Ethics Important?

Why should business pay attention at all to ethics? What prevents a business firm from piling up as many profits as it can, in any way it can, regardless of ethical rules? In most cases, the general public expects business to exhibit high levels of ethical performance and social responsibility. Parker Brothers spent \$ 10 million in recalling the toy that was involved in the death of two children because company executives knew that its customers and the general public would approve its attempts to protect children's lives, even though the likelihood of further accidents was remote.

A second factor encouraging business firms and their employees to act ethically is to prevent harm to society. One of the strongest-ethical principles is stated very simply: "Do no harm." A company that is careless in disposing of toxic chemical by-products that may cause disease and death is breaking this ethical injunction. Many ethical rules operate to protect society against various types of harm, and business is expected to observe these commonsense ethical principles.

A third reason for promoting ethical behavior is to protect business firms from abuse by unethical employees or unethical competitors. Bribery and kickback schemes penalize honest business firms: "One New York apparel vendor says he lost a \$ 4 million account with one of the nation's largest retailers because he, unlike one competitor, didn't bribe the buyer with \$ 20,000 cars and pricey stereo systems."

High ethical performance also protects the individuals who work in business. Employees resent invasions of privacy (such as unjustified polygraph tests) or being ordered to do something against their personal convictions (such as “midnight dumping” of toxic wastes) or working under hazardous conditions (such as entering unventilated coal mines). Businesses that treat their employees with dignity and integrity reap many rewards in the form of high morale and improved productivity.

People feel good about working for an ethical company because they know they are protected along with the general public.

In spite of the positive benefits of good ethical practices, ethical problems do occur in business. One of the main reasons is:

Personal Gain

Personal gain, or even greed, causes some ethical problems. Business sometimes employs people whose personal values are less than desirable. They will put their own welfare ahead of all others, regardless of the harm done to fellow employees, the company, or society. In the process of selecting employees there is an effort to weed out ethically undesirable applicants, but ethical qualities are difficult to anticipate and measure. The embezzler, the chronic sick leaver, and the bribe taker slip through. Lacking a perfect screening system, business is not likely to eliminate this kind of unethical behavior entirely. Moreover, business has to proceed carefully in screening applicants, taking care not to trample on individuals' rights in the search for potentially unethical employees. Contrary to popular opinion, personal gain is not the most important reason why unethical practices occur in business.

D. Vocabulary

D.1. Read and learn new words.

sue (smb for smth) (*v*) — to make a legal claim, especially for an amount of money, because of some loss or damage that one has suffered

charge (with) (*v*) — to bring an especially criminal charge against; accuse

kickback (*n*) — (slang) money paid, usually secretly or dishonestly, to someone in return for doing something

bribe (*n*) — something especially money, offered or given in bribing

illicit (*adj*) — (done) against a law or a rule

embezzle (*v*) — to steal (money that is placed in one's care)

forbid (*v*) — to refuse to allow; command against, especially officially or with the right to be obeyed

govern (*v*) — to control and direct the affairs

conceal (*v*) — to hide; keep from being seen or known

penalize (*v*) — to punish for breaking a law or rule

hazardous (*adj*) — (especially of an activity) which contains risks or danger

weed smb/smth out (*phr v*) — to get rid of (people or things of unacceptable quality) in order to improve smth

D.2. Complete the sentences using the active vocabulary.

1. She was to be included in the investigation for accepting
2. The new tax laws ... people who earn less than & 7,000 a year.
3. The manager ... \$ 1,000 from the bank where he worked.
4. He was the robbery.
5. If you do not return our property we will
6. The country was ... by a small elite of military officers.
7. They were convicted of racketeering and were ordered to repay \$ 100 million in ... profits.
8. It was a ... occupation for him.

D.3. Give synonyms to the following words and word combinations:

in cash, vendor, transaction, lay off, enforcement, lawbreakers, to govern their conduct, ethical performance, abuse, remote, pricey, ethical injunction.

E. Speak up

E.1. Work in groups and discuss the problem of major ethical principles that can be violated by the employees and employers.

E.2. Make a summary of the text.

F. Grammar notes

Ellipsis

When you quote, you must use the author's exact words. However, you may omit material from the middle of the quotation, as long as you let your reader know by using an ellipsis.

An ellipsis is three spaced periods (...). It tells the reader you have omitted one or more words from the material you are quoting.

E. g.: *The committee's ideas, most of them useful, have less to do with overhauling management than improving attitude.*

As the report notes, *"The committee's ideas ... have less to do with overhauling management than improving attitude."*

You usually don't need to use the ellipsis at the beginning or end of quotations (since there will almost always be material that comes before or after the quotation). However, when you're ending your sentence with a quotation that is clearly unfinished, an ellipsis makes your reader's job easier: *He saw "the pins, the balls of yarn, old spools ..."*

(Notice that a fourth period is added to the ellipsis to close the sentence.)

Make sure you don't use punctuation from the quotation before or after the ellipsis, such as (,...) or (...,).

Ellipsis in the middle. *"I have been to Beijing and (have) seen the Great Wall", Professor Smith said.*

Ellipsis at the end. 1. *"Professor Hopkins said he was going on a call this evening."* 2. *"Did he say where (he was going)?" "No, he didn't say where."*

(Some authorities use **four** periods instead of three when the ellipsis is at the end or if more than a paragraph has been left out.)

Ellipsis at the beginning. 1. *"Buying shares is meant to be a way of making your money grow. Even these days (...), the principle still holds — invest in shares that you think will rise, in order to get a good return on your cash."* 2. *He also said, "(He who) seeks fame and fortune through immorality, misconduct, and deception will never achieve it."*

F.1. Make up ellipsis from the following sentences.

What Happened to Japanese Business Ethics?

Koyama Hiroyuki, "Look Japan"

Cases of Japanese corporations violating business ethics show up in the news one after another. To name but a few, there are the payoffs to "sokaiya" (corporate racketeers) by Ajinomoto, Takashimaya, and Nomura Securities; huge loans to sokaiya without adequate collateral by Daiichi Kangyo Bank; and the disclosure of unfair trade in copper by Sumitomo Corporation.

We can compare all this to the example of US businesses, which have a firm code of business ethics and a system for closely checking compliance with this code of conduct. It is often said that US corporations tend to engage voluntarily in ethical practices because Americans in general are imbued with the Puritan spirit and have deeply held religious beliefs. On the other hand, it is said that the Japanese are not particularly religious and many Japanese are unconcerned with ethics. But is this really valid?

We will not pursue the question of the religiosity or morality of the American people here. The important question for us is whether the Japanese are irreligious, and thus, unconcerned with ethics and morals.

The answer is no. Naturally, there are people in Japan who engage in unethical behavior without qualms, but individual examples mean nothing. Are the Japanese people overall ethical or not?

Japan has long held to the traditions of Confucianism. Over the centuries the Analects of Confucius, the book of Confucius' teachings, has become a central pillar in the Japanese psyche and come to form the core of what the Japanese consider the correct path of business. To argue the relative importance of Confucian ethics and Christian ethics is pointless. Essentially every mature society in the world stresses the importance of ethics.

So, what is wrong with current Japanese corporations?

In short, an ethical viewpoint must be established as an institution, and a means for ensuring the observance of ethics must be erected within the corporation. The greatest difference between Japanese and US corporations is that US corporations do not depend entirely on personal ethics, but use institutionalized methods of preserving ethical standards.

G. Reading the English newspaper

G.1. Discuss these questions.

1. What to your mind is the role of the large oil companies in price hikes?
2. What do you know about the bribery scandal connected with oil contracts in Kazakhstan?
3. Have you ever heard about Exxon's case? Speak about it.

G.2. Scan the article and analyze your previous answers.

G.3. Match up these words from the article with their meanings:

- | | |
|-----------------|--|
| 1) to hinder; | a) keen; |
| 2) mucky; | b) to support, strengthen or increase; |
| 3) hefty price; | c) to complain, grumble; |
| 4) reckoning; | d) dirty; |
| 5) zealous; | e) charging someone officially with an offence in law; |
| 6) to allege; | f) calculation; |
| 7) indictment | g) to state or declare without proof or before finding proof; |
| 8) to bolster; | h) a person on one side or the other in a noncriminal case being decided by a law court; |
| 9) litigant; | i) large amount of money; |
| 10) to grouse. | j) to stop or delay the advance or development of a person or activity. |

G.4. Read the article and do the exercises.

Big Oil's Dirty Secrets

"The Economist"

EVEN as it celebrates soaring profits — thanks to higher prices during the war and soaring share prices, now war is over, the oil industry faces a new danger largely of its own creation. It will surprise nobody to learn that oil and ethics mix about as well as oil and water. But, just as the tobacco industry and Wall Street gained a false sense of security because for years they got away with well-known practices of an ethically shady nature, only to pay a hefty price later, so too oil's hour of reckoning may be approaching. There are several reasons, including a high-profile bribery scandal; the growing political sensitivity of the oil industry; changing attitudes to corporate governance; and some potentially explosive lawsuits.

The bribery scandal, which seems certain to grow larger as more details emerge, concerns the battle to win oil contracts in Kazakhstan. During the 1990s, several big oil firms fought for the right to exploit the oil riches of the region, including Chevron Texaco, on whose board Condoleezza Rice served prior to joining the Bush administration. And, if prosecutors are to be believed, executives at some firms behaved over-zealously as this battle raged.

This week, Swiss investigators were reported to have added a bribery and money-laundering probe involving, among others, Credit Agricole, a French bank, to continuing American investigations into alleged Caspian corruption. Last month, a grand jury in New York issued indictments against two Americans — James Giffen, an independent banker with close ties to the Kazakh president, Nursultan Nazarbayev, and Bryan Williams, a former executive of Mobil. Both deny wrongdoing. America's Justice Department is also looking into whether Mobil, now merged with Exxon, took part in a plan to pay \$78 m from American and European oil firms into Swiss bank accounts belonging to Mr. Nazarbayev, among others. Exxon Mobil, the world's biggest oil firm, says it knows of no wrongdoing.

Oiling the Wheels

This is already the largest investigation by American authorities into alleged bribery abroad. As it unfolds, it seems certain to provide plenty of colorful stories that will keep it in the spotlight. It involves well-known Russian businessmen and politicians, payments for speedboats and fur coats, and — if only because they too were involved in bidding for Kazakh contracts — other big oil firms besides Mobil, including firms with connections to senior Bush administration officials other than Miss Rice.

It may also provide the sternest test yet of America's Foreign Corrupt Practices Act (FCPA), which outlaws bribery. When the act was introduced in 1977, many American oil firms grouched that the law handicapped them against foreign competitors when dealing in the undemocratic and unscrupulous parts of the world where oil is often found. That fear was not entirely groundless, as is clear from the current trial of former officials of France's Elf Aquitaine (now part of Total), where bribery seems to have been a core competency.

Some American oil-industry executives privately grouse that, if anybody is found guilty, it will be due to carelessness.

The FCPA, they admit, can be skirted by careful use of "signature bonus" payments to middlemen brokering contracts and via "arm's-length" transactions involving law firms based, more often than not, in London. On the other hand, argues Scott Horton of Patterson Belknap, a New York law firm, the FCPA has prompted American oil firms, though generally opposed to transnational laws on corporate behaviour, to support efforts led by the OECD to impose an international ban on bribery.

The current scandal in the Caspian can only bolster such efforts to bring some transparency to this mucky business. But will it also lead to a greater questioning of some of the techniques used to get around the FCPA? Amy Jaffe, of Texas's Rice University, insists that the current investigation "is going to force every legal department at every major oil firm to ensure they have a clear picture of what their agents, advisers and everyone else in foreign countries are doing. The Giffen case will define what you can and can't do."

Big oil is also facing legal troubles over its famed love of nature. This week, lawyers for aggrieved indigenous folk filed suit against Chevron Texaco in Ecuador. For a decade, legal activists have been trying to sue Texaco for dumping contaminated water in open ponds in that country's rain forest that, they claim, harmed both health and the environment. The firm denies wrongdoing, noting that there were no specific laws in Ecuador when it operated there that forbade its practices.

At first, the litigants pursued their claim in American courts, but a judge finally bounced the case back to Ecuador as the proper jurisdiction for the matter. That appeared to be a victory for the oil firm, but in order to have the trial moved south, Chevron Texaco had to agree to respect the ruling of the Ecuadorian court. If it does not, the American judge has retained the right to step into the matter once again. Joseph Kohn, a lawyer for the villagers, is already talking of \$ 1 billion as his team's estimate for cleaning up the damage allegedly done by the firm — even before any compensation for suffering and so on.

But legal attacks on alleged human rights abuses committed overseas may prove to be the most nettlesome of all for the oil industry. Consider the sort of public denial prompted by a lawsuit filed last month against an American oil firm: “Occidental has not and does not provide lethal aid to Colombia’s armed forces.” Even if the firm does indeed prove not to have provided “lethal aid,” it faces a high-profile trial exposing its relationship with a regime with an, ahem, uneven record on human rights. Similarly, Exxon is being accused of complicity in abuses committed by the Indonesian military in Aceh, and Unocal stands accused of benefiting from forced labour deployed by the military government in Myanmar. Both firms have consistently denied any wrongdoing.

These cases are tests of America’s Alien Tort Claims Act (ATCA). As the law dates back to 1789, its critics note that it does not deal with the precise circumstances of today’s cases: it was probably intended to give foreigners a legal forum when in America, rather than offer a domestic remedy for American misdeeds abroad. Oil industry lobbyists have been pushing Congress to repeal the ATCA.

Last year, the Bush administration took the unusual step of intervening in a lawsuit brought by the International Labour Rights Fund (ILRF) against Exxon, arguing that applying the ATCA in this case might hinder America’s efforts to fight terrorism.

Even so, points out the ILRF’S Terry Collingsworth, starting in 1980, this statute has indeed been applied in human-rights cases where foreign states or victims have been involved. Now, particularly with two separate cases related to Myanmar in American courts, it may end up applying to corporations that are judged to be “knowingly complicit” in abuses.

Could this be enough to transform an industry that is famously shameless, not least in America? Maybe. A few big legal losses, lots of bad headlines, and an impending Presidential election with an oilman on the ballot might work wonders.

G.5. Memory Test.

After reading the article, test your memory.

1. What new danger does the oil industry face?
2. What did the grand jury in New York issue against two Americans? And why?
3. What is the largest investigation by American authorities called? What can it involve and provide?
4. How did the American firms work after introducing the Foreign Corrupt Practices Act (FCPA) in 1977?

5. Does 'big oil' face legal troubles? What are their characteristics?
6. What cases became tests of ATCA?

G.6. Translate the first three passages of the text into Russian.

G.7 Render the article after making up your own outline.

H. Reading the Russian article

H.1. Read the Russian article, find key sentences and translate them into English.

Деловая этика американских миллионеров

А. Азаренок, Б. Шпотов, по материалам журналов: «Коммерсантъ Деньги», «Управление персоналом».

Я никогда не говорю: «Мне нужно, чтобы вы это сделали».
Я говорю: «Мне интересно, сумеете ли вы это сделать».

Генри Форд

Генри Форд развил идеи Рокфеллера и Карнеги об исключительно важной роли бизнеса и бизнесменов в Штатах. Поскольку решающую роль в жизни общества играет экономика, то не политикам, не школам, не духовенству, а предпринимателям принадлежит роль социальных лидеров, наставников, воспитателей народа. Они больше всего на виду у американской публики и дают ей примеры для подражания, которые могут быть либо хорошими, либо дурными. От морально-этических установок бизнесменов, подчеркивал Форд, в первую очередь, зависит благосостояние общества.

Получение прибылей за счет повышения цен и снижения заработной платы «автомобильный король» резко порицал, называя это спекуляцией и грабежом. Высокие цены, подчеркивал он, одинаково невыгодны и предприятию, рынок сбыта которого сужается, и народу, для которого дороговизна хуже самого высокого налога. В Америке, доказывал Форд, имеются предприятия, создаваемые исключительно ради обогащения их владельцев, но их деятельность теряет всякий практический смысл, когда эта цель достигнута, а погоня за личным обогащением вместо служения обществу неизбежно приводит к росту цен на товары и услуги и ухудшению их качества.

Форд наиболее полно сформулировал идею полезности крупных компаний, ибо они, доказывал он, вносят самый большой вклад в служение обществу. Без этого служения, т. е. возврата потребителю части

прибылей в виде снижения цен, предприятие не могло бы расти. «Производите вещи так, чтобы малообеспеченные люди легко могли покупать их». Когда промышленнику удастся понизить издержки и цены, и люди оказываются в состоянии больше покупать, это дает возможность наращивать производство, а более крупное производство еще больше снижает издержки. Это, в свою очередь, приводит к дальнейшему росту предприятия, увеличению числа рабочих мест, объема выплачиваемой заработной платы и к получению прибылей, необходимых для расширения производства.

Подобно Рокфеллеру и Карнеги, «автомобильный король» противопоставлял общественно-полезный бизнес спекуляции, но к спекулянтам относил не только играющих на повышении или понижении курса ценных бумаг, а вообще всех, кто ничего не производит и лишь манипулирует деньгами. Бизнесменов, имевших дело с капиталом в форме денег, он презрительно называл «капиталистами» и относил к ним также получателей дивидендов и процентов по вкладам и займам. Любой труд требует вознаграждения в форме денег, но «капиталист» вознаграждения не заслуживает, раз за него «трудятся» его деньги. По мнению Форда, источником капиталов для промышленности должна быть реинвестиция прибылей, а банкам следует играть роль только сберегательных и кредитных учреждений. Занимать деньги можно для того, чтобы начать дело, но далее следует получать прибыль за счет расширения производства и, соответственно, снижения цен. Жажда денег толкает людей на преступления, а промышленников — на повышение цен вместо повышения эффективности производства. Форд осуждал и тех автомобилестроителей, которые часто меняют модели, вводят «излишние» украшения, увлекаются дизайном, — все это лишь способ почаще залезать в карман покупателя.

Чтобы расширить или улучшить дело, промышленник не должен обращаться к внешним займам или продавать акции, его задача — как можно лучше использовать имеющиеся ресурсы. «Затыкать дыры деньгами» — только покрывать ошибки и недостатки, а не устранять их. Форд осуждал «прокручивание» прибылей в банках вместо вкладывания их в производство, как и вхождение банкиров в директораты промышленных компаний.

Приобретать акции, по его представлению, вправе только люди, непосредственно занятые производством, а не те, которые выкачивают из него деньги. (Сохранив устав закрытой компании, Генри Форд выкупил паи компаньонов, которых называл не иначе, как паразитами, а с 1919 г. он и его семья стали ее полными собственниками.) Когда

производителю приходится делиться доходами не с рабочими и покупателями, а с банкирами и акционерами, он перестает служить обществу. По мнению Форда, банкиры, входящие в правление фирмы, думают только о своей выгоде и обычно выступают против снижения цен и повышения заработной платы. Основой социального благополучия должны быть не дивиденды и проценты по вкладам, а низкие цены и высокие заработки.

Генри Форд был, пожалуй, единственным из «некоронованных королей» Америки, который пытался «своим умом» постичь многие явления американской и мировой цивилизации, хотя закончил только среднюю школу. С прямолинейностью технократа он порицал как финансистов, так и левых радикалов и профсоюзы, считая, что они сговорились друг с другом, чтобы подчинить производителя. Финансисты и коррумпированные политики своим эгоизмом разжигают недовольство народа, а «красные» его используют, чтобы столкнуть лбами промышленников и рабочих. Но поскольку уровень жизни народа зависит от материального производства, успех немислим без партнерства между рабочими и предпринимателями.

Высокую заработную плату Форд считал не благотворительностью, а экономической необходимостью. Высокие заработки при рациональном их расходовании должны привести к развитию массового потребления. Рост производства ограничивается покупательной способностью населения, и задача бизнеса — стимулировать потребление, поддерживать платежеспособный спрос. Рычагом стимулирования спроса Форд считал возврат части прибылей рабочим и покупателям: первым — в форме надбавок к заработной плате при сокращении рабочего дня (если у человека больше свободного времени, то он больше покупает и больше пользуется автомобилем), вторым — в виде ежегодного снижения цен и неограниченного продления срока службы автомобиля за счет массового производства запчастей.

Форд практически устранил дискриминацию в трудоустройстве. Двери моих заводов, с гордостью говорил он, открыты для всех, кто желает трудиться. В 1916–1917 гг. там работали представители около 60 этнонациональных групп (включая американских негров и индейцев) практически из всех стран мира.

Н.2. Translate from Russian into English (Получение прибылей ... увеличила свой доход).

Н.3. Read the Russian article again and make up an outline of the rendering.

Н.4. Render the Russian article.

I. Case study

Read the article and do the exercises.

A Nation of Cheaters

Kirk O. Hanson, "Boston Globe"

Cheating. What could be more American? From the snake oil salesmen of the late 19th century to the stock manipulators of the 1920s to the spitballers of modern baseball. But today it seems absolutely everybody is doing it. We cheat – or at least try to cheat – in every aspect of our lives. One out of four Americans surveyed say it's acceptable to cheat on their taxes. Former Tyco CEO Dennis Kozlowski sends paintings he bought to a New Hampshire address to cheat New York State out of the sales tax. College bound students cheat on the SAT tests. Teachers cheat by giving their students the answers to standardized tests so the teachers qualify for bonuses. Athletes cheat by using performance-enhancing drugs. Successful authors cheat by appropriating others' writings as their own. Even colleges steeped in honor codes – the University of Virginia and the US Naval Academy – have been rocked by massive cheating scandals in recent years.

After a depressing 2002 in which corporate executives too numerous to count cheated shareholders by fudging their accounts or manipulating markets, we have to ask whether cheating has become the new national norm. We have always had a few cheaters among us, but has the typical American now lost his or her moral compass? Have we lost our fundamental commitment to integrity and fair play? First of all, why do people cheat? There are two simple answers, neither very noble. People cheat to get ahead, even if they don't qualify for the advancement and even if they can't win a fair competition. Such people don't care about anyone else but themselves. This adult lies about the toaster he broke so he can get a full refund. The teenager lies about her age to save money on a movie ticket. The other reason is simple laziness.

But there are new reasons why people cheat – and these may give us a clue about how to stop the rising tide of cheating. Some people cheat today because they simply cannot get everything done which needs to be done. American life has become so intense, so rushed, so fully packed. Many shortcuts we seek involve cheating – copying school papers from the Internet or cheating our companies by telling our bosses we are sick so we can catch up on housework or errands.

Some people cheat today not just because they want to get ahead, but more because they fear the embarrassment of failure. Parents put huge ex-

pectations on children — you are a failure if you don't go to an Ivy League school. You have to win; we've sacrificed so much to make you a competitive swimmer. Companies put huge pressures on employees — you now have to do the job of two, or you will be laid off too. And American culture says again and again that you have to be successful and wealthy to be happy. Faced with this fear of being a failure, too many people seek a shortcut and falsify their resume, cheat on their SATs¹, or fudge numbers at work to look better.

Most threatening, at least to me, is the notion that more people are cheating today because they think everyone else cheats. I had to cheat on the test, some students argue, because everyone else cheats and we are graded on a curve. Some business students I have taught and some business people believe that “everyone cheats” and that you have to do so to be competitive. The widespread corporate scandals of the past year, touching so many of our blue-chip companies, have reinforced this cynical belief that good guys will finish last.

Finally, an increasing number of cheaters are arguing that they must cheat to resist unfair new systems of accountability. Teachers in schools are resistant to performance-based testing because it may threaten their jobs. Employees cheat to resist systems that silently measure their output. Some welfare advocates resist needs-based tests because they may remove some people from the rolls. So how can we reset the nation's moral compass and stem the troubling rise of cheating? There are things you and I can do individually — and there are things that must be done by our leaders in government, business, education, and the media.

What can we individually do? The first thing is to stand up for fair play in our own lives. We must resist the temptations to take short cuts with small acts of cheating. Pay full price for your child if he or she is actually 13 and not 12. And we need to become advocates for fair play. Talk to our children about how important integrity and fair play is and how cheating hurts them — it does!

We need to support efforts to control cheating. If someone is caught cheating, support strong penalties. If our own child is caught cheating, resist the temptation to blame the school or the teacher. If an athlete is caught cheating, support the referee or the rules which throw him off the team. Become intolerant of cheating around you.

We can turn down the pressure felt by our own spouses and children. It is OK if your husband does not get the big promotion; it's OK if your son

¹ SAT — Sholastic Aptitude Test.

does not get into the “best” school. Life is about doing your best, not just about winning.

There are also important things our leaders in government, business, and the media can do to help fight cheating in American life.

The first is to put tougher national laws and regulations in place that deal with all forms of cheating. We also need the commitment to enforce those laws and to impose tough sanctions. This is a job of Congress, regulators, and the courts.

Second, each of our institutions – businesses, schools, athletic teams, and voluntary associations – need their own tough rules against cheating. University of Virginia officials and its student leaders have apparently pursued the dozens of cheating cases uncovered recently, strengthening their own honor code in the process. But Bausch and Lomb board members weakened the company’s ethical culture, in my view, when they did not remove Ron Zarella as their CEO after it was revealed he had claimed a degree he did not have. Even sports-frenzied Notre Dame knew it had to get rid of a coach that lied on his resume.

Third, leaders in government and the private sector are going to have to invest in new systems to enforce standards against cheating, at least for a time. Government regulators and tax officials will have to do more audits. Employers will have to check the accuracy of all resumes. College teachers will have to use new on-line systems to check for plagiarism in papers.

Finally, I believe all our leaders – particularly those in the media – must contribute to building a new American culture in which wealth and celebrity are not the defining marks of success, but instead old-fashioned values such as integrity, faithfulness, and service to those in need. As long as Americans are chasing a dream defined by winning above all, they will continue to find new ways to cheat their way to the finish line.

J. Speak up

J.1. Work in groups and discuss the questions.

1. Is cheating a usual thing in Russia? Give your reasons.
2. If you know that cheating is wrong, will you do it? If you do it, will you feel bad?
3. Do you agree with the author’s opinion that “people cheat to get ahead ...”?
4. What measures can you propose to stop cheating in all the spheres of our Russian life including business? Compare your ideas with the author’s ones about American life.

J.2. Sum up the main arguments of the article and add your own ideas on the problem.

J.3. Prepare a five-minute presentation on the problem of corporate business ethics and cheating.

J.4. Interview.

Use these questions as a guide to interview your partner. Add questions of your own.

1. Are the Russians overall ethical or not?
2. What should the Russian companies do in order to establish strong business ethics?
3. Ethical principles and values are keys to ethical decision-making, but how should they be applied to actual business situations? Give your reasons.
4. What do you think the ethical clients are? What questions are clients likely to ask? Are they being treated the way they want to be treated?

Unit 6

Accounting

A. Preliminary discussion

1. What is the basic rule for accounting?
2. What particular skills should different kinds of accountants have?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What has the first priority been for those who set accounting rules?
2. What five main areas are the efforts of regulators and standard-setters focused on?
3. When did clamour for reform begin?

C. Reading

C.1. Read the text and answer the questions.

1. What can the crisis in accounting be used for?
2. Why have companies been compelled to show how they reconcile their pro-forma figures with the numbers produced according to GAAP rules?
3. What is the reason for a fight that the standard-setters may have on their hands?
4. What would make balance sheets larger and debt ratios higher?
5. What will the largest impact of 'fair-value accounting' be?
6. Why will people who are not trained in how to read accounts have to rely more than ever on experts?

True and Fair Is not Hard and Fast

“The Economist”

For accounts to reflect reality, they need to be more volatile and less precise. The procession of companies admitting to having lied in their reported accounts has undermined faith in corporate numbers and put the accounting profession under pressure to change its ways. In the 1990s, accountants clearly failed to keep up with the tricks that were devised to help companies inflate their profits. The first priority for those who set accounting rules has been to try to choke off the most obvious loopholes.

Looking further into the future, however, some see the crisis in accounting as an opportunity to change the shape and content of accounts more fundamentally. The growing use of market values for assets and liabilities (instead of the accidental “historic cost” at which they were obtained) is going to make shareholders’ equity and profits swing around far more than in the past. Under such circumstances, profits may come to be stated as a range of figures, each of them arrived at by using different accounting assumptions.

This may sound worryingly uncertain, but it might be better than trying to rely on a brittle illusion of accounting exactitude, which is liable to collapse during times of economic strain. For the moment though, the efforts of regulators and standard-setters are focused on five main areas:

Pro-forma accounts. These are the first sets of results produced by companies in America: they are unaudited and do not follow America’s GAAP (Generally Accepted Accounting Principles). In the years of the stockmarket bubble they were shamelessly abused. Companies regularly reported huge profits in their pro-forma earnings statements, only to register even larger losses in their official filings with the Securities and Exchange Commission (SEC). Since the end of March this year, companies have been compelled to show how they reconcile their pro-forma figures with the numbers subsequently produced according to GAAP rules, of which there are hundreds.

Off-balance-sheet vehicles.

These include the “special-purpose entities” made famous by Enron, which gave them the names of suitably fanciful characters in the Star Wars movies. They allowed the Houston oil trader to hide hundreds of millions of dollars of liabilities from investors’ eyes.



The Financial Accounting Standards Board (FASB), America's private-sector standard-setter, issued guidance on these vehicles in January, which Ford and General Motors say will have a material impact on their profits this year. But some think that the new rules are weak because they allow exemptions for "qualifying" special-purpose entities.

Stock options. Most significant of all, perhaps, is the attempt to force companies to account for stock options granted to their employees. This week, FASB agreed that the cost of employee stock options should be treated as an expense. The question is, how to value them. The standard-setters may yet have a fight on their hands. In 1994, Congress threatened to take away FASB's standard-setting powers if it did not abandon its attempt to make companies "expense" their stock options. Opposition is gathering once more, although this time recent accounting scandals should lend support to FASB's position.

Pension funds. Another controversial aim is to make companies change the way they account for their employee pension schemes. Britain's new standard on pensions, FRS17, forces them to measure pension assets at market value. In future, if a company's pension fund owes its members more than it owns in assets, the difference will be shown on the balance sheet. Outside Britain, such gaps can be smoothed out over years, with the result that some companies are still recording profits from their pension schemes despite the fact that the schemes themselves are in deficit. Britain's approach will spread: in March, FASB said it would start examining ways to improve accounting for employee pension plans, with the aim of publishing a new standard on pension accounting in America next year.

Revenue recognition. This is the vexed issue of when precisely to include revenue in the accounts — for example, when an order is made, when it is shipped, or when payment is received. Revenue recognition has been the main reason for restatements of accounts by American companies in recent years. Sir David Tweedie, chairman of the International Accounting Standards Board (IASB) in London, and his equivalents around the world want to lay down new rules on when a company can recognize revenue. Again, the effect could be far-reaching: companies could be made to look far smaller if they are prevented from pulling revenue forward from future periods, as many do now.

Future Standards

Standard-setters hope that today's mood of financial conservatism will allow them to tighten up other areas of accounting too. For example, Sir David wants all leases — contracts in which a company is committed to

pay for the use of an asset over a long period of time — to be recorded on companies' balance sheets as debt. The result would be to make balance sheets larger and debt ratios higher.

Yet another goal is to shift the world's body of accounting standards away from rules (the approach favoured in America) towards principles (more influential in Britain). The hard rules embedded in America's GAAP have helped devious financiers to design structures that obey the letter of the law but ignore the spirit.

But Bob Herz, the new chairman of FASB, is not optimistic about his ability to move GAAP towards principles and away from rules. Because companies and auditors demand certainty in America's litigious market place, the most he can do, he says, is to steer somewhere in between the two approaches.

Clamour for reform began in the 1990s. As share prices soared, people pointed to the growing gap between the book value of companies (what appeared in their accounts) and their market capitalization (valued on stock exchanges) as evidence of the irrelevance of accounts. The way to make them more relevant (and to stop executives from fiddling them) is, standard-setters believe, to force companies to value more of their assets and liabilities at market prices, to "mark them to market."

Instead of holding assets and liabilities at historic cost, and depreciating assets by a set amount each year, they maintain that companies should in future be required to mark them to market at the end of each reporting period. Big swings in values will then be passed quickly through the profit-and-loss account or through the shareholders' equity. Inevitably, profits will become far more volatile.

Derivative Issues

Using market value for all assets and liabilities will make some difference to how fixed assets are valued. But by far the largest impact of "fair-value accounting," as the use of market value is called, will be to bring the volatility of financial markets into companies' results. Fair-value accounting, therefore, will affect banks and insurance companies far more than others, because they have the highest proportion of financial assets.

The slow march to market value is probably unstoppable in the long run, because so many accountants now believe that it is the most intellectually valid way to value assets. But nobody knows what will be the consequences of the volatility that would inevitably follow. In the worst case, large numbers of investors could be frightened away from equities.

In future, accounts are likely to become more volatile, more complex and more subjective. Overall, standard-setters admit that people who are

not trained in how to read them will have to rely more than ever on experts. But to help readers cope with the complexity of fair value, they intend to introduce a new way of showing companies' income — instead of a single column with turnover and so on, the profit-and-loss statement will be presented in the form of a matrix, in three columns. One column will show gains and losses from changes in fair value, another would show old-fashioned costs and revenues, and the last would show the total of the two.

C.2. Decide whether these statements are True (T) or False (F).

1. The fact that companies confessed having lied in their reported accounts led to accounting reform.
2. Accounting exactitude always collapses during times of economic strain.
3. Special-purpose entities allow companies to reveal hundreds of millions of dollars of liabilities.
4. As pension schemes of some companies are in deficit they are recording losses.
5. Profits will become more volatile because of big swings in values.
6. In the long run the march to market value is inevitable.

D. Vocabulary

D.1. Learn the vocabulary and make up your own sentences.

volatile (*adj*) — of a quickly changing, undependable nature, especially easily becoming dangerous

keep up with (*phr v*) — to prevent something from falling to a lower level

choke off (*phr v*) — to stop, get rid of, or prevent

market value — how much people would be willing to pay for something, rather than a value calculated as a summary of costs

historic cost — the price paid for an asset when it was bought, rather than what it is worth now

shareholder's equity — the difference between the value of a company's assets and its liabilities other than those to shareholders. In principle, this what the company would be worth to shareholders if it stopped trading, its assets were sold and its debts paid

swing (*v*) — to change from one level, rate, or position to another so that a situation is the opposite of what it was before

arrive at (*phr v*) — to reach, especially after much effort or thought; come to

pro-forma (*adj*) — pro-forma figures, results, etc. which are not complete or final, but show what is expected to happen

reconcile (*v*) — to make two accounts or statements agree or add up to the same total

off-balance sheet — off-balance sheet items, activities, debts, etc. are ones that a company does not show on its balance sheet, but in notes added to it

stock option — an option to buy shares at a particular price. The pay of a company's top managers often includes stock options in the company they work for

litigious (*adj*) — too willing to take complaints to a court of law

book value — the value of an asset or group of assets in a company's accounts, not necessarily the amount they could be sold for

fiddle (*v*) — to prepare (accounts) dishonestly to one's own advantage

profit-and-loss account — a financial statement showing the financial results of a company's normal activities for a particular period of time, usually the financial year

fair value — the value of a business's assets based on the amount of money that could probably be obtained if they were sold

D.2. Give English equivalents to the following words and expressions:

- ◆ мошенничать, совершать махинации;
- ◆ первоначальная стоимость актива;
- ◆ обоснованная стоимость;
- ◆ неустойчивый;
- ◆ балансовая стоимость активов;
- ◆ соблюдать, придерживаться;
- ◆ счет прибылей и убытков;
- ◆ достигать;
- ◆ акционерный капитал;
- ◆ устранить;
- ◆ предварительный;
- ◆ подлежащий судебному разбирательству;
- ◆ колебаться;
- ◆ фондовый опцион;
- ◆ рыночная стоимость;
- ◆ согласовывать;
- ◆ внебалансовый отчет.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

fiddling	pro-forma	market values
volatile	choke off	swing
keep up with	reconcile	

1. In the 1990s, accountants were not able to ... the tricks that were thought out to help companies inflate their profits.
2. Accounts need to be more ... and less precise to reflect reality.
3. Those who set accounting rules thought it was very important to ... the most obvious loopholes.
4. The growing use of ... for assets and liabilities is going to make shareholders' equity and profits ... around far more than in the past.
5. Companies used to report huge profits in their ... earnings statements.
6. Companies have to show how they ... their pro-forma figures with the numbers produced according to GAAP rules.
7. To value more of their assets and liabilities at market prices will help stop executives from ... their accounts.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. The procession of companies admitting to having lied in their reported accounts has *undermined faith* in corporate numbers and put the accounting profession under pressure to change its ways.
2. This may sound worryingly uncertain, but it might be better than trying to rely on a brittle illusion of *accounting exactitude*, which is liable to collapse during times of economic strain.
3. Accounting principles were *shamelessly abused* in the years of the stockmarket bubble.
4. The standard-setters may yet have a fight *on their hands*.
5. This is the *vexed issue* of when precisely to include revenue in the accounts—for example, when an order is made, when it is shipped, or when payment is received.
6. As share prices soared, people pointed to the growing gap between the book value of companies and their market capitalization as evidence of the *irrelevance* of accounts.
7. The way to make them more relevant is, standard-setters believe, to force companies to *mark* more of their assets and liabilities *to market*.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

The Participle

The past participle (passive) and the perfect participle (passive).
(For the present participle see Unit “Banking”).

§ 1. **Form.** The past participle of regular verbs is formed by adding **-ed** or **-d** to the infinitive, e. g., *worked, valued*. The past participle of irregular verbs is the third form, e. g., *written, gone*.

§ 2. Use:

- ♦ as an adjective: **stolen money, a written report, a vexed issue**;
- ♦ to form the perfect tenses/infinitives and the passive voice: *he has reconciled, to have fiddled, it was marked to the market*;
- ♦ the past participle can replace a subject + passive verb: *As he was convinced that they were trying to abuse their rights he compelled them to leave the company.* = **Convinced** that they were trying to abuse their rights he compelled them to leave the company;
- ♦ the perfect participle passive (**having been + past participle**) is used when it is necessary to emphasize that the action expressed by the participle happened before the action expressed by the next verb: *Having been warned about the visit of an audit commission, he reconciled all the accounts.*

Differences of meaning. A few participles change their meaning according to their position. Compare:

- ♦ a **concerned** expression = a **worried** expression;
- ♦ the people **concerned** = the people who are/were **affected**;
- ♦ an **involved** explanation = a **complicated** explanation;
- ♦ the people **involved** = the people who are/were **affected**;
- ♦ an **adopted** child = a child who is brought up by people who are not his biological parents;
- ♦ the solution **adopted** = the solution that is/was **chosen**.

‘Very’ with past participles. When a past participle is used as a gradable adjective, it can usually be modified by **very**. This is common with words referring to mental states, feelings and reactions. *A very frightened animal, a very shocked expression. They were very bored. She looked very surprised.*

Common exceptions: much *mistaken*, well *known*.

§ 3. Participle constructions:

- ◆ **object + past participle.** In this structure, the past participle has a passive meaning: *He wants the report finished by the Annual Meeting;*
- ◆ **'have' + object + past participle.** This structure can be used to talk about arranging for things to be done by other people. The past participle has a passive meaning. *We have our accounts checked every week;*
- ◆ **'get' + object + past participle.** This structure can be used to mean finish doing something. The past participle has a passive meaning. *It will take me another hour to get the report written;*
- ◆ **'make' + reflexive object + past participle.** In a few cases *make* can be followed by *myself, yourself*, etc. and a past participle. The structure is common with *understood, heard* and *liked/disliked/hated*. *I don't know English, but I can make myself understood;*
- ◆ **(preposition) + noun + past participle + main sentence: With state pension systems stretched by the ageing of Europe's population, investors are turning increasingly to mutual funds.**

F.1. Identify all the past participle forms in the text "True and fair is not hard and fast" and put them into the appropriate columns.

Adjective	Perfect	Passive	Infinitive
reported accounts	has undermined	were devised	to be stated

F.2. Translate the following sentences into Russian paying attention to the participles.

1. These are the first sets of results **produced** by companies in America: they are unaudited and do not follow America's GAAP (Generally Accepted Accounting Principles).
2. Since the end of March this year, companies have been compelled to show how they reconcile their pro-forma figures with the numbers subsequently **produced** according to GAAP rules, of which there are hundreds.
3. These include the "special-purpose entities" **made** famous by Enron, which gave them the names of suitably fanciful characters in the Star Wars movies.
4. Most significant of all, perhaps, is the attempt to force companies to account for stock options **granted** to their employees.

5. Yet another goal is to shift the world's body of accounting standards away from rules (the approach **favoured** in America) towards principles (more influential in Britain).
6. The hard rules **embedded** in America's GAAP have helped devious financiers to design structures that obey the letter of the law but ignore the spirit.
7. As share prices soared, people pointed to the growing gap between the book value of companies (what appeared in their accounts) and their market capitalization (**valued** on stock exchanges) as evidence of the irrelevance of accounts.

F.3. Choose a verb from the box to complete the spaces in the article.

called	audited	decided	made	increased
clung	obliged	given	repeated	presented
measured	wild-eyed			

Try Revolution, not Evolution

“The Economist”

Closing up some obvious loopholes, bringing in more market valuation and taking away some jargon – these are all important changes. Together, though, they amount to patching up the existing system. It is not surprising that accountants have (1) ... to fix what is there already: they are on the whole a conservative bunch and not (2) ... to experimentation. Some of them, however, would like to see a far more radical rethink of accounts.

Regulators also believe that companies should be (3) ... to give out new sorts of information. There should be new sections in annual reports on companies' intangible assets and on “key performance indicators” -- such as employee turnover, customer acquisition cost or inventory turnover. The single most important thing that regulators could do to improve accounts, says Lynn Turner at Colorado State University and a former chief accountant at the SEC, would be to make companies report (4) ... key performance indicators.

The company would then have to state in its annual report what percentage of its numbers derive from estimates and what portion are verifiable facts: analysts might choose to apply a discount, reflecting the (5) ... risk, to companies with a high level of estimates. In subsequent years, the company would be (6) ... to go back and check how well its estimates had (7) ... up to reality, much as governments go back and revise GDP estimates. Over the long run, says Mr. Turner, managers of companies would not be able to get away with (8) ... big misses.

Although companies and their auditors pretend that they can work out a single profit figure and a single net-assets number, the truth is that accountants do not know exactly how much money a company has (9) ... , nor exactly how much it is worth at any one moment. Realistically, the best they can hope for is a range – “X corporation made somewhere between \$ 600 m and \$ 800 m” – depending on, for instance, what assumption is (10) ... about the likelihood that its customers will pay all the money that they owe.

Throughout the history of accounting, some folk have (11) ... for accounts to be (12) ... in the form of ranges. Mr Holgate, for instance, a partner of the world's largest accounting firm and by no means a (13) ... radical, believes that presenting profits in this way would be much more realistic. For understandable reasons, though, the world has (14) ... to the illusion of certainty and exactness.

G. Speak up

Answer the following questions.

1. Why is the problem of the transfer of the Russian banking sector to international standards so vital?
2. Why has the problem of reporting in accordance with international standards appeared in Russia?
3. What is the difference between Russian national accounting standards and international?

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Spring Fever

“The Economist”

A new device to embellish the books of Japanese companies.

In the spring, a Japanese politician's fancy usually turns to propping up the stockmarket. In years gone by, Japan's policymakers have suddenly tightened rules on short-selling and dreamed up a public stock-buying entity to shore up prices in time for March 31st, the end of most companies' financial year. This has boosted the book value of corporate cross-shareholdings – a boon, in particular, for the country's banks and life insurers. Not since 1982, however, has the Nikkei 225 stockmarket index ended March as low as it did this year. Many companies have large, unrealized losses in their equity portfolios.

The ingenuity of the old guard in the Liberal Democratic Party (LDP), which leads Japan's governing coalition, is not yet exhausted. If stockmarkets refuse to rise, these politicians will do the next best thing: revise accounting regulations so that sagging share prices need not be reflected in companies' year-end accounts. Led by Hideyuki Aizawa, head of the LDP's powerful committee on anti-deflation policies, and Taro Aso, the party's policy chief, they are putting the finishing touches to a bill that temporarily suspends mark-to-market accounting for banks, life insurers and 10,000-odd listed companies.

The bill will enable companies to choose whether they want to value their "long-term" equity holdings at acquisition cost, or at market prices. The idea draws on a similar exemption for bonds that life insurers plan to hold to maturity, even though, unlike bonds, equities do not mature. It is not clear how long the freeze will last; estimates range from two to five years.

The LDP, concerned that falling property prices will dent corporate accounts, also wants to delay by two years the introduction of impairment accounting for fixed assets, currently scheduled for 2005. The politicians want market-value accounting to be suspended by May, before companies have to report their earnings for the previous financial year. At their urging, the Accounting Standards Board of Japan, an independent body that supposedly sets accounting standards, has agreed to study these proposals on April 17th. Still, the accounting body is unlikely to adopt the plan in time for May, if at all.

That may not matter: the politicians' efforts are gathering steam, and they are ready to push through a privately sponsored bill within the next month or so, even without the accounting board's support. Still, the bill will probably only help a few companies. Those that revert to valuing shares at purchase prices will immediately look weak. Besides, say analysts, it will be fairly easy to calculate roughly how their books would have looked had they stuck to market-value accounting. A recent survey of 225 listed companies by the Nihon Keizai Shimbun, a newspaper, found that 83 % would still mark to market.

So why are the politicians so keen? Most likely, they want to help the struggling, mainly mutually owned, life-insurance industry, which is thought to have had unrealized equity losses of ¥ 2 trillion (\$ 16.6 billion) at the end of March. Regulations say that if a life insurer's capital, dented by such losses, falls below a certain level, the firm may not make interest payments on certain types of subordinated debt: in effect, it must default. The negative publicity could then lead to policy cancellations and even the collapse of some insurers. Freezing market-value accounting would wipe unrealized losses from the books.

The LDP's device may yet fail. It is opposed bitterly by some within the party and by regulators. Hirofumi Gomi, head of the supervisory division of the Financial Services Agency, Japan's financial regulator, says that changes in accounting practice should be left to professionals. "Personally, I am against the proposal," he says. "This will lead to a loss of confidence in Japan's financial markets."

H.2. Answer the questions.

1. Why are the Japanese politicians interested in propping up the stockmarket in the spring?
2. What measures will the LDP's leaders take in case stockmarkets refuse to rise?
3. What opportunities does the bill provide for the Japanese companies?
4. Why does the LDP want to delay the introduction of impairment accounting?
5. Why are the politicians so keen?

H.3. Decide whether these statements are True (T) or False (F).

1. The fact that Japan's policymakers tightened up rules on short-selling has become an advantage for the country's banks.
2. The bill will advance the mark to market accounting.
3. Bonds do not mature unlike equities.
4. The plan will not be adopted till May.
5. Without the accounting board's support politicians are unlikely to push through a privately sponsored bill.

H.4. Match up the words with definitions and translate them into Russian:

- | | |
|-----------------------|---|
| 1) short selling; | a) to make (a statement or story) more interesting by adding untrue details; |
| 2) propping up; | b) to fall in value, amount, or level, especially for a short time; |
| 3) to embellish; | c) debt that a borrower in financial difficulty will not repay until after other debts are repaid, or of which it will repay a smaller percentage; |
| 4) boon; | d) when a trader sells shares immediately after buying them, and then buys them back later, making a profit because the price of the shares has fallen; |
| 5) to sag; | e) to officially stop something from continuing or happening for a short time; |
| 6) impairment; | f) something very helpful or useful; |
| 7) subordinated debt; | g) supporting, keeping from falling or failing; |
| 8) to suspend. | h) weakening or making worse. |

H.5. Read the article once more, find the sentences containing the past participles and translate them into Russian.

H.6. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

«Самостоятельный налоговый учет будет не нужен»

«Время новостей»

Минэкономразвития и Минфин должны разработать концепцию развития системы учета и отчетности на среднесрочную перспективу, предусматривающую перевод российской бухгалтерии на международные стандарты финансовой отчетности (МСФО). Завтра в МЭРТ пройдет открытое совещание, на котором все заинтересованные стороны, в том числе и общественные организации, выскажутся о собственном видении этого процесса. О возможных путях перехода рассказал глава департамента корпоративного управления и новой экономики Минэкономразвития России Церен Церенов.

Кстати, необходимо разделять понятия «бухгалтерский учет» и «финансовая отчетность». Учет — это отражение в бухгалтерии всех хозяйственных операций, а отчетность — это сводные данные за определенный период времени.

— Как, по мнению МЭРТ, должен осуществляться этот переход?

— Мы предлагаем вариант постепенной либерализации государственного регулирования системы бухучета. Особенно важно привлекать профессиональное сообщество к вопросам регулирования. Мы считаем, что должно быть совмещение государственного и негосударственного регулирования. Мы предлагаем часть государственных полномочий по регулированию бухучета передать специально созданному негосударственному Национальному совету по вопросам международных стандартов финансовой отчетности. Это что касается бухгалтерского учета.

Финансовая отчетность нужна для акционеров, кредиторов, собственников и заинтересованных лиц, а не для государства, если оно не выступает как собственник. Для государства нужна налоговая отчетность. В отношении финансовой отчетности государство должно требовать только, чтобы она составлялась и была открытой. Но государство не в состоянии контролировать качество финансовой отчетности всех предприятий.

Переход на МСФО, по нашему мнению, должен осуществляться постепенно. Первыми на новую отчетность, возможно, уже с 2004 г. вместе с банками перейдут открытые акционерные общества (ОАО), акции которых котируются на фондовых рынках. Затем, предположительно с 2006 г., будут переходить публичные компании, ценные бумаги которых обращаются на фондовом рынке. А также те государственные унитарные предприятия, которые доживут до этого времени. И последними, где-то к 2010 г., перейдут компании, акции которых не обращаются на фондовых рынках, а также те, кто составляет отчетность по US GAAP. Разница между МСФО и US GAAP не такая уж большая, особенно по сравнению с российскими стандартами.

Малым предприятиям вообще не понадобится переходить на МСФО. Они должны будут составлять только налоговую отчетность. Кроме того, по нашему мнению, действующие на сегодняшний момент правила бухучета должны носить рекомендательный характер.

— Насколько я могу судить, подготовленная вами концепция имеет очень мало общего с минфиновской.

— Минфин выступает за постепенное сближение национальных и международных стандартов, не отменяя при этом государственное регулирование бухгалтерского учета. Профессиональное сообщество, может быть, когда-нибудь и будет допущено, может быть, к 2010 г. У нас другая позиция. Регулирование следует поручить профессиональному сообществу, и менять надо всю отчетность, а не отдельные ее части.

По мнению Минфина, переход на международные стандарты нужен только для консолидированной отчетности. При этом будут действовать утвержденные государством стандарты финансовой отчетности. Но для предприятий такие меры приведут к значительным сложностям. В этом случае трудно делать сводную отчетность по международным правилам. Для предприятий будет проще вести единый учет и составлять налоговую отчетность методом корректировок. Кроме того, Минфин предполагает подготовить законопроект о сводной (консолидированной) бухгалтерской отчетности, в котором прописать состав и порядок составления консолидированной отчетности. Зачем это делать, если это и так предусмотрено в МСФО? Кстати, необходимо говорить не о сводной бухгалтерской отчетности, а о консолидированной финансовой отчетности.

— Среди предприятий особенно слышны голоса тех, кто заинтересован в скорейшем переходе на МСФО, рассчитывая на привлечение инвестиций, или тех, кто вынужден вести западную бухгалтерию для своей головной компании. Но никто не говорит об основной массе рос-

сийских предприятий. Им будет легче или сложнее вести бухгалтерию по новым правилам?

— Вначале им будет сложнее, потому что понадобится переучивать своих бухгалтеров. Но в то же время мы собираемся освободить предприятия от необходимости составлять финансовую отчетность по национальным стандартам. Самостоятельного налогового учета вести также будет не нужно. По нашему мнению, при снижении госрегулирования в области бухгалтерского учета, отмены обязательности составления финансовой отчетности по правилам бухучета, а также использования единого учета предприятиям будет значительно проще составлять финансовую отчетность и вести бухгалтерский учет.

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passages into English.

Инструменты для анализа финансового состояния предприятия

Марина Ступакова, «Accounting report»

Как оценить финансовое здоровье предприятия, поставить ему диагноз и какие меры принять по его оздоровлению? Этот вопрос возникает у руководителя любой активно действующей на рынке организации. Можно предложить несколько методов. Например, если и дальше следовать медицинской терминологии, можно вызвать врача, то есть аудитора. А можно диагностировать состояние предприятия самостоятельно, на основе бухгалтерской отчетности и нормативных данных, которые есть на любом предприятии.

Бухгалтерия привыкла оперировать главным образом абсолютными показателями. Но только по ним даже при самом пристальном «разглядывании» чрезвычайно сложно судить о том, успешно ли работает предприятие. Здесь на помощь руководителю приходят методики, позволяющие с помощью системы относительных показателей, вычисляемых на базе данных стандартной отчетности, быстро (и в большинстве случаев безошибочно!) получить картину финансового состояния своего предприятия или его партнеров и на основе мониторинга этих показателей в течение определенного промежутка времени принимать правильные управленческие решения.

Такие методики финансового анализа реализованы в специализированных компьютерных системах, которые служат инструментами

для руководителей и специалистов при проведении диагностики и анализа финансово-хозяйственного положения предприятия.

Экспресс-диагностика

В первую очередь предприятия заинтересованы в использовании аналитической системы для экспресс-диагностики своей деятельности, что необходимо при решении задачи мониторинга показателей ликвидности, фондоотдачи, фондоемкости и т. д. Эти и другие показатели, позволяющие обобщенно характеризовать финансовое состояние предприятия и эффективность его функционирования, рассчитываются на основе бухгалтерского баланса (форма 1) и отчета о прибылях и убытках (форма 2). Анализируя их, финансовые службы предприятия могут нащупать его «болевые точки», а руководство — принять необходимые управленческие решения. При этом можно не только исследовать собственные показатели, но и сравнивать их с аналогичными показателями конкурентов.

Глубокий анализ

Экспресс-анализ позволяет предприятиям обнаружить свои «болевые точки». Но чтобы разобраться в причинах их возникновения, необходимо использовать расширенный набор финансовых данных. Для глубокого анализа в качестве источника информации предприятию полезно использовать не только баланс и отчет о прибылях и убытках, но и отчеты о движении денежных средств и капитала, данные дебиторской и кредиторской задолженности, расшифровки прибылей и убытков и так далее.

На основании анализа расширенного набора данных можно готовить рекомендации по снижению себестоимости продукции и потребности в оборотном капитале, улучшению показателей фондоотдачи и платежеспособности предприятия и др. Его результаты также могут быть использованы при управлении производством и реализации продукции и услуг, при создании бизнес-планов инвестиционных проектов. Потребность в оценке финансового состояния предприятия может возникнуть при анализе целесообразности новой эмиссии акций или у кредитора при оценке рисков финансирования в проекты предприятия.

K. Case study

Find the annual reports of two or three major companies of one sector in the Internet. Study the key income and balance sheet figures. Write a statement of financial position of each company.

Unit 7

Banking

A. Preliminary discussion

1. What banking facilities do you use?
2. What other services do commercial banks offer?
3. What changes have there been in personal banking recently?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. How have banks and thrifts made banking more convenient?
2. What could endanger the stability of the banking system?
3. What has technological progress led to?

C. Reading

C.1. Read the text and answer the questions.

1. Why are the shares of total financial assets of banks and thrifts declining?
2. How have banks and thrifts responded to the relative decline in traditional banking?
3. What do banks want changes in the law for?
4. What are the consequences of the increased integration of world financial markets?
5. How does E-cash work?

Recent Developments in Money and Banking

C. R. McConnell, S. L. Brue

The banking industry is undergoing a series of sweeping changes, spurred by competition from other financial institutions, globalization of banking, and advances in information technology.

The Relative Decline of Banks and Thrifts

Banks and thrifts are just two of several types of firms offering financial services. Although banks and thrifts remain the main institutions offering checkable deposits, their shares of total financial assets (value of things owned) are declining.

Pension funds, insurance companies, securities-related firms, and especially mutual funds have all expanded their shares of financial assets. Clearly, US households and businesses are channeling relatively more savings away from banks and thrifts and toward other financial institutions, mainly because these ones generally offer higher rates of return than do banks and thrifts. They are able to do so largely because they can participate more fully than banks and thrifts in national and international stock and bond markets. Banks and thrifts have responded to the relative decline in traditional banking in several ways.

Expansion of Services. In recent years, banks and thrifts has begun offering a variety of new services. For example, banks have increased their lending for commercial real estate projects such as housing developments, apartments, and office buildings. Banks and thrifts have developed new loan “products” such as home equity loans (loans based on the value of one’s house) and low- or zero-down-payment mortgages. They also now offer a variety of interest-bearing accounts such as money market deposit accounts.

Banks and thrifts have made banking more convenient by opening up full-service branch banks in suburbs and “minibanks” in shopping malls and grocery stores. Supplementing these branches has been an explosion in the number of bank-owned automatic teller machines (ATMs) which allow customers to withdraw cash, deposit checks, move money between accounts, and make other banking transactions. They have al-



so introduced “bank-by-telephone” and, more recently, “bank by Internet” services.

Push for Regulatory Reform. In 1994 Congress ended Federal restrictions on banks’ branching into other states, and a 1996 reform partially ended the legal separation of the banking industry and the securities-related industry. Banks are now allowed to obtain up to one-fourth of their revenues from security transactions. This change set up a flurry of purchases of small security firms by banks. Banks have pressed for further latitude in engaging in security-related activities. They would like to offer stock accounts, much as mutual fund companies and security-related companies do now.

Banks point out that less-regulated firms have invaded traditional banking, while banks have been prohibited from offering non-banking products. For example, General Motors and AT&T now offer credit cards, and mutual fund companies now offer money market mutual funds, which pay relatively high interest and on which large checks (\$ 500 or more) can be written. To counter such encroachments, banks want changes in the law so that they can own and operate companies in any line of business. With such reform, a bank could merge with, say, an insurance company or even a manufacturer of cash registers.

Critics of these reforms are concerned that increased participation by banks in non-banking businesses could endanger the stability of the banking system. Losses in other lines of business during times of recession might cause the firms to fail, collapsing their banking operations along with them. Such bank failures might undermine confidence in the entire banking system and in the Fed’s ability to maintain an adequate supply of money.

Globalization of Financial Markets

Another significant banking development is the increased integration of world financial markets. Major foreign financial institutions have operations in the United States, and US financial institutions do business abroad. For example, VISA, MasterCard, and American Express offer worldwide credit card services. Moreover, US mutual fund companies now offer a variety of international stock and bond funds. Globally, financial capital increasingly flows in search of the highest risk-adjusted returns. As a result, US banks must increasingly compete with foreign banks for both deposits and loan customers. Recent advances in computer and communications technology mean the trend toward international financial integration is likely to accelerate. Nevertheless, we must not overstate the extent of this globalization. Studies indicate that the bulk of investment in the major nations is still financed through domestic savings within each nation.

Electronic Money

Technological progress has also led to a new form of money: electronic cash and “smart cards.” Although still in their infancies, these innovations potentially are of great significance to commercial banks, thrifts, and central banks.

Electronic money, dubbed E-cash, is simply an entry in an electronic file stored in a computer. The Internet and the widespread availability of personal computers have made it possible for individuals to use E-cash instead of checks or currency in making transactions. E-cash is deposited, or “loaded,” into the account through Internet payments such as a paycheck, retirement benefit, or stock dividend. It is withdrawn, or “unloaded,” from the account through Internet, easing payments to others for a wide variety of goods and services.

In the future, account holders will be able to load sums from their E-cash accounts onto so-called stored-value cards. These smart cards are plastic cards containing computer chips which store information, including the amount the consumer has loaded. The amount of each purchase or other payment is then automatically deducted from the balance in the card’s memory. Consumers will be able to transfer traditional money to their smart cards through their computers or telephones or at automatic teller machines. Thus, nearly all payments could be made with a personal computer or a smart card.

C.1. Decide whether these statements are True (T) or False (F).

1. Sweeping changes in the banking industry result from the lack of competition between banks and other financial institutions.
2. Banks spur housing developments, construction of apartments and offices.
3. Recently the number of automatic teller machines have dramatically decreased.
4. After a 1996 reform banks are allowed to obtain more than one-fourth of their revenues from security transactions.
5. Competition for deposits and loan customers has become tougher as a result of the increased integration of world financial markets.

D. Vocabulary

D.1. Learn the vocabulary and make up your own sentences.

sweeping changes — changes that affect many people and make a big difference

spur (v) — to urge or encourage forcefully to work harder, perform better, etc.

thrift (*n*) — in the US, a savings and loan association or savings bank
rate of return — the amount of profit that a particular investment will make, expressed as a percentage

real estate — land or buildings

housing development — a piece of land on which houses have been built, usually close together, in a planned way

home-equity loan — an additional loan that a borrower takes out on a particular property, as a way to obtain money

down payment — the first payment made in the repayment of a large debt such as a mortgage

money market deposit account — an account held on the money market

flurry (*n*) — sudden confusion or excitement

latitude (*n*) — freedom to do, say, etc. what one likes

money market mutual fund — fund that invests in certificates of deposit (= money put into banks for a particular period of time), commercial paper (= money lent to companies for short periods of time), and treasury bills (= government borrowing over short period of time) rather than shares, company bonds, etc.

encroachment (*n*) — gradually taking more control of someone's rights, property, responsibility, etc.

undermine (*v*) — to weaken or destroy gradually

overstate (*v*) — to state too strongly, making things appear better, worse, or more important than they really are

smart card — a small plastic card with an electronic chip that records and remembers information

dub (*v*) — to name humorously or descriptively

pay check — a check that pays someone's wages

D.2. Give English equivalents to the following words and expressions:

- ◆ смарт-карта; интеллектуальная карта;
- ◆ сберегательное учреждение (сберегательный банк или ссудо-сберегательная ассоциация);
- ◆ кредит, обеспеченный жилым домом по рыночной стоимости минус сумма первой ипотеки;
- ◆ окрестить, дать прозвище;
- ◆ радикальные/разительные перемены;
- ◆ чек на получение заработной платы;
- ◆ волнение; суета, суматоха;

- ◆ побуждать, подстрекать;
- ◆ свобода; самостоятельность;
- ◆ жилищная застройка, жилищное строительство;
- ◆ преувеличивать;
- ◆ недвижимое имущество, недвижимость;
- ◆ вторжение, захват (постепенный), посягательство;
- ◆ норма прибыли;
- ◆ инвестиционный фонд открытого типа;
- ◆ первая выплата, аванс;
- ◆ подрывать;
- ◆ депозитный счет денежного рынка.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

flurry	encroachments	rates of return	undermine
spurred	latitude	home-equity loans	

1. Sweeping changes in the banking industry have been ... by competition from other financial institutions.
2. Other financial institutions generally offer higher ... than do banks and thrifts.
3. Banks and thrifts have developed new loan “products” such as ... (loans based on the value of one’s house) and low- or zero-down-payment mortgages
4. This change has set up a ... of purchases of small security firms by banks.
5. Bank failures might ... confidence in the entire banking system.
6. Banks have pressed for further ... in engaging in security-related activities.
7. To counter ... of mutual fund companies, banks want changes in the law.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. Although banks and thrifts remain the main institutions offering *checkable deposits*, their shares of total *financial assets* (value of things owned) are declining.
2. Pension funds, insurance companies, *securities-related firms*, and especially *mutual funds* have all expanded their shares of financial assets.

3. They would like to offer *stock accounts*, much as mutual fund companies and security-related companies do now.
4. Globally, financial capital increasingly flows in search of the highest *risk-adjusted returns*.
5. In the future, account holders will be able to load sums from their E-cash accounts onto so-called *stored-value cards*.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

Participles as Conjunctions and Prepositions

§ 1. Participles as conjunctions. The following participles can be used as conjunctions to introduce adverbial clauses of condition, concession and reason: **provided/providing**, **granted/granting** (*при условии, принимая во внимание*), **supposing**, **assuming** (*если, допустим, предположим, что*), **seeing + (that)** (*поскольку, принимая во внимание, учитывая, ввиду того что*).

E. g.: *You can get a loan provided you have high salary.*

§ 2. Participles as prepositions. The following participles can be used as prepositions: **given** (*при наличии, если учесть*), **failing** (*при отсутствии*), **regarding**, **considering**, **respecting** (*относительно*), **pending** (*до, в ожидании*), **following** (*вслед за*), **barring** (*кроме, за исключением*).

E. g.: *Given favourable conditions our bank can enter the world market.*

The '-ing' Form

§ 1. The two functions of the '-ing' form. Gerunds and present participles are formed from verbs and always end in *-ing*. Therefore words like *playing*, *writing*, etc. can function as **gerunds** or as **participles**. The *-ing* form is usually called a **gerund** when it behaves like a **noun**, and a **participle** when it behaves like an **adjective**. In this unit we will consider the *-ing form* as **present participle**. (For **gerund** see Unit "Monetary and Fiscal Policy.")

§ 2. The use of present participle:

- ◆ as adjectives: **Existing rulebook**, **banking system**, **sweeping changes**;
- ◆ to form the continuous tenses: *A further € 200 m would be written off against the private equity portfolio, which is currently **running down**, including € 100 m for goodwill impairment. For the past five years, the*

world's financial regulators have been working on a new set of rules for bank capital, called Basel 2;

- ◆ **'have' + object + present participle:** *We will have a new branch operating in June. All banks had people withdrawing their money after the crisis. I won't have them taking this loan;*
- ◆ a present participle can sometimes replace a **relative pronoun + verb:** *People who wish to open accounts = people wishing to open account;*
- ◆ **Present participles/participle** phrases such as **adding/pointing out/reminding/warning** can introduce statements in indirect speech: *The bank employee told me to fill in the form, reminding that a minimum deposit should be \$ 250;*
- ◆ verbs of sensation **'see', 'hear', 'feel', 'smell', 'perceive'** and the verbs **'listen to', 'notice', 'observe'** and **'watch'** can be followed by **object + present participle:** *The bank manager watched his employees doing their job properly;*
- ◆ **'catch/find/leave/keep' + object + present participle:** *He caught them stealing the money from the bank;*
- ◆ **'go/come/spend/waste/be busy'.** **'Go'** and **'come'** can be followed by the participles of verbs of physical activity (set expressions: e. g., the verb shop): *He goes swimming every day. I am going shopping today. 'Spend/waste' + an expression of time or money + present participle:* *She spent a lot of money buying her clothes. He was busy writing a report.*

§ 3. A present participle phrase replacing a main clause:

- ◆ when two actions by the same subject occur simultaneously it is usually possible to express one of them by a present participle. *He answered the questions. He presented the evidence. = He answered the questions presenting the evidence;*
- ◆ when one action is immediately followed by another by the same subject the first action can often be expressed by a present participle. The participle must be placed first: *He cashed the cheque and paid all his debts. = Cashing the cheque he paid all his debts;*
- ◆ when the second action forms part of the first, or is a result of it we can express the second action by a present participle: *She took a loan, buying a car.*

§ 4. A present participle phrase replacing a subordinate clause:

- ◆ these constructions are chiefly found in written English. The present participle can replace **'as/since/because' + subject + verb**, i. e., it

can help to explain the action which follows: **Knowing** (*As he knew he wouldn't be able to find a bank on his journey he cashed his cheque;*

- ◆ note that '**being**' at the beginning of a sentence will normally mean 'as he is/as he was': **Being** *a student he was interested in foreign languages;*
- ◆ the subject of the participle need not be the same as the subject of the following verb: *The day being fine, we decided to go the country.*

§ 5. The perfect participle (active):

- ◆ '**having**' + past participle: e. g., **having written**;
- ◆ the perfect participle emphasizes that the first action is complete before the second one starts, but is not normally necessary in combinations of this kind, except when the use of the present participle might lead to confusion. **Reading the instructions, he snatched up the fire extinguisher** might give the impression that the two actions were simultaneous. Here, therefore, the perfect participle would be better: **Having read the instructions, he snatched up the fire extinguisher.**

F.1. Translate the following sentences into Russian paying attention to the participles.

1. **Provided** banks carry more risks more capital should match these risks.
2. **Assuming** the rules are due to be applied in January 2007 bank capital rules must be practically set in stone by May 2003.
3. The study suggests that the complex new risk weightings will produce appropriate levels of capital for most of the world banks **granted** they are applied to different types of asset.
4. **Granted**, the Federal Reserve has always said that it would apply Basel 2 only to "internationally active" banks. The surprise is that this means so few.
5. **Given** that Basel 1 will not be deemed equivalent within the EU after 2006 American banks will not be able to operate in the EU.
6. Does global monetary policy need to be eased? A strange question to ask in the US, **given** that its economy is currently stretched as tight as a drum.
7. Members of the European Parliament (MEPs) might also try to reshape the new rules **following** the attempt of American congressmen.
8. Today's inflation report from the Bank of England shows that **following** the Governments tough action to get the economy back on the track, growth is set to strengthen through next year with inflation falling to its 2.5 per cent target.

F.2. Make up your own sentences using: provided, granted, assuming, given, following, etc.

F.3. Identify all the ‘-ing’ forms in the text “Recent Developments in Money and Banking” and translate the sentences into Russian.

F.4. Choose a verb from the box to complete the spaces in the article.

including happening	underlying loss-making	encouraging	running
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Deutsche Bank Sees Signs of an Upturn

Patrick Jenkins in Frankfurt and Phil Davis, «Financial Times»

Deutsche Bank on Wednesday said it had seen “(1) ... signs” of a turn-round of markets, as it reported a first-quarter loss.

The €219 m (\$ 244 m) net loss had been widely expected after the German bank warned earlier this week of E 1.2 bn in writedowns on its equity portfolio.

The loss, for the period to March 31, compares with a profit of €597 m in the same period last year.

But Deutsche said (2) ... pre-tax profits were up 72 per cent to €950 m, mainly driven by high bond issuance income — a performance that echoed recent first quarter results from the big US banks.

In addition, a programme of cost-cutting had reduced headcount by 15,000 to 71,000 in little over a year.

Josef Ackermann, chairman, said: “In view of our strongly reduced cost base and improved risk profile, we are well prepared to profit quickly and comprehensively from a market turnround. We are already seeing the first (3) ... signs of this (4)”

Of the writedowns, €500 m related to Gerling, the (5) ... insurer in which Deutsche has a 34.5 per cent stake.

On Tuesday Deutsche and Swiss Re said they would pump a combined €180 m into the embattled group.

Aside from Gerling, Deutsche said it would make net writedowns of €400 m against other investments (6) ... its stakes in Fiat, the (7) ... Italian industrial group; EFG Eurobank in Greece; and Germany’s MG Technologies.

A further €200 m would be written off against the private equity portfolio, which is currently (8) ... down, (9) ... €100 m for goodwill impairment.

The charges were partially offset by €503 m in asset sales, notably that of Deutsche’s custody business.

G. Speak up

G.1. Answer the following questions.

1. What are the main services a bank should provide?
2. Which foreign banking system do you most admire? Why?

G.2. Discussion topics.

1. Discuss the strengths and weaknesses of the banking system in your own country.
2. Give your reasons for and against state-owned banks.

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Bad Debts and More Bad News

Krishna Guha, "Financial Times"

It is generally agreed that the banking system is malfunctioning, and the amount of credit outstanding is in steady decline.

Is Japan's economy in a mess because its banks are so weak they cannot lend? Or are the banks unable to lend because the economy is in such a poor state there is no demand for credit? This is probably the most important line dividing the two main schools of thought on what is wrong with Japan — and what needs to be done to get its economy growing again.

On one side are those economists who argue that bank credit is falling because the banks — which have massive bad debts and weak capital structures — cannot support any new lending. On the other, those who argue that it is impossible to find creditworthy borrowers since the corporate sector already has too much debt, the economy is shrinking and prices are falling. In any case, they say, bank lending will inevitably decline as big companies make more active use of capital markets.

No one disputes that the banking system is malfunctioning, and the amount of credit outstanding is in steady decline. Tales abound of banks turning away depositors because they do not know what to do with the money — even of banks placing deposits with competitors and having to take them back after being found out.

The issue is one of cause and effect. Not surprisingly, most businessmen believe there is a supply of credit problem, and most bankers believe there is a demand for credit problem. "There is no demand for loans," says Toru Hashimoto, retiring chairman of Mizuho Holdings. There is some truth in both arguments. Japan's banks are preoccupied with their bad debts, which

threaten their survival. Estimates of the total amount of loans which will eventually have to be recognized as bad range from ¥ 70,000 bn to more than ¥ 200,000 bn.

In many cases, the total loss after collateral would wipe out all or most of the banks' capital. No matter how freely deposits are available, banks need capital to make loans, particularly riskier ones. But government bonds are risk-free assets for regulatory purposes (in spite of the substantial market risk).

So money pours into Japanese government bonds. As a result, even though Japan's government is under attack from the ratings agencies, 10-year JGBs yield only 1.35 per cent. Highly rated companies — particularly those able to choose between bank loans and raising finance through bonds or commercial paper — also enjoy easy access to credit.

"The banking sector is obviously a matter of concern for all of us. But we, as a company, have no problems at all obtaining finance," says Taizo Nishimuro, chairman of Toshiba.

At the high end of the credit spectrum there is no credit problem at all. The problem begins lower down, with higher risk borrowers. Japan does not lack credit per se — it lacks a properly functioning credit yield curve. The banks' lack of capital is a much bigger problem here — but other factors are clearly at work, too.

Analysis of the corporate sector shows growing polarization in credit quality between those companies that have access to loans but for the most part do not need them, and those that do not have access, but do.

This is only to be expected in an economy suffering from negative growth and price deflation. Even without capital constraints, the banks would naturally reduce their overall lending, and take part in a "flight to quality." Moreover, most big companies outside the top credit bracket already have too much debt — a legacy of the bubble years, when any company with tangible assets, such as land, could obtain cheap credit.

Such companies may want new loans — and may even need them to stay alive — but until their overall debt burden is reduced it would be imprudent for the banks to lend to them. Indeed, many companies are engaged in a desperate effort to cut debt, at least in nominal terms.

This would not change even if the banks had plenty of capital. And this helps to explain why new banks and foreign lenders have not rushed in to meet unfulfilled demand for loans from creditworthy companies. There isn't any; not in the conventional business loan market anyway. But there is unsatisfied demand in the small-to medium-sized business sector, and for consumer finance.

Interest rates on consumer loans start at about 15 per cent. This could reflect risk — but the rapid growth and sustained profitability of consumer finance companies, such as Takefuji, and the entry of foreign lenders, such as GE Capital, suggest there is a lack of supply.

The same story may be true for the small- and medium-sized corporate sector. Although these companies are effected by the decline in the economy, and some by structural changes, most at least were not overleveraged in the first place.

“When we were a small company, it was difficult to get loans,” says Tadahashi Yanai, chief executive of Fast Retailing, the parent of retail chain Uniqlo. “Now, there is no problem at all.” But even here, it is not clear that lack of capital is the main problem. Poor risk assessment skills — and a tradition of lending only against collateral such as land — is at least as big an impediment.

Outside skills, probably foreign, may be needed. So, while there is a supply of credit problem to some sectors, particularly small- and medium-sized enterprises, and a stronger banking sector would certainly be able to make more loans to risky borrowers, this is not by any means the only reason why bank lending is falling.

And this suggests that fixing the banks may not, in itself, solve Japan's economic woes. Other radical action — perhaps including massive monetary or fiscal stimulus, or government funding for write-offs of excessive corporate debts — might be necessary to get Japan working again.

H.2. Answer the following questions.

1. What are two points of view on what is wrong with Japan?
2. Why is there some truth in the arguments of businessmen and bankers?
3. What does analysis of the corporate sector show?
4. Why have new banks and foreign lenders not rushed in to meet unfulfilled demand for loans from creditworthy companies?
5. What is the main problem according to the CEO of Fast Retailing?
6. How is it possible to get Japan working again?

H.3. Decide whether these statements are True (T) or False (F).

1. Bank lending will decline as big companies use more actively money markets.
2. For regulatory purposes Japanese banks could use government bonds without any risk.
3. The banks' lack of capital is a much bigger problem at the high end of the credit spectrum.

4. If there were no capital constraints the banks would reduce their overall lending.
5. The rapid growth and sustained profitability of consumer finance companies reflect risk.
6. Bank lending is decreasing because banking sector is not able to make more loans to risky borrowers.

H.4. Match up the words and definitions and translate them into Russian:

- | | |
|--------------------|---|
| 1) to malfunction; | a) a debt that will probably never be paid, and is therefore worthless to the person or company that is owed the money; |
| 2) bad debt; | b) assets promised by a borrower to a lender if the borrower cannot repay a loan; |
| 3) to abound; | c) unwise and thoughtless; |
| 4) collateral; | d) a fact or event that makes action difficult or impossible; |
| 5) tangible asset; | e) to function faultily; |
| 6) imprudent; | f) if a company has borrowed too much money and cannot make payments on the debt; |
| 7) overleveraged; | g) an asset that is physical and can be valued easily, rather than an intangible asset that is difficult to value; |
| 8) impediment. | h) to exist in large numbers or great quantity. |

H.5. Read the article once more, find the sentences containing ing-forms and translate them into Russian.

H.6. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

MasterCard заплатит розничным компаниям

Джейтон Энсфорд, Кэйра Скэннелл, «Ведомости»

Платежная система урегулировала иск за \$ 1 млрд.

Платежная система MasterCard International согласилась заплатить \$ 1 млрд, чтобы урегулировать обвинения в навязывании компаниям розничной торговли более дорогих в обслуживании дебетовых карт. Теперь единственным ответчиком по иску осталась Visa USA.

Разбирательство, инициированное американскими розничными компаниями под руководством Wal-Mart Stores, длится уже 6,5 лет. В понедельник, наконец, начался судебный процесс, но накануне за-

седания MasterCard неожиданно объявила о достижении с истцами внесудебного соглашения. Судья запретил сторонам разглашать его условия, чтобы эта информация не повлияла на решение суда. Однако, по словам информированных источников, MasterCard согласилась заплатить \$ 1 млрд.

Дебетовые карты стали активно выпускаться в США около 10 лет назад. По утверждению розничных компаний, в целях борьбы за этот рынок Visa и MasterCard начали оказывать на них давление, чтобы побудить принимать карты этих двух систем, а не карты конкурентов. Между тем дебетовые карты Visa и MasterCard дороже в обслуживании, и розничные компании были вынуждены перекладывать затраты на покупателей. Обслуживание дебетовых карт в режиме он-лайн с введением PIN-кода и мгновенным списанием денег со счета обходится розничным компаниям, по их утверждению, в \$ 0,09 при покупке в \$ 100; так расплачиваются держатели карт региональных платежных систем. Обслуживание карт в режиме оф-лайн с подписыванием чека обходится в \$ 1,49; этот способ платежа продвигали Visa и MasterCard.

Чтобы заставить розничные компании принимать их дебетовые карты, Visa и MasterCard угрожали прекратить сотрудничество с магазинами по обслуживанию своих кредитных карт. Системы же утверждали, что лишь придерживаются своего правила «уважай все карты» (т. е. и кредитные, и дебетовые).

По оценкам аналитиков и самих розничных компаний, если бы Visa и MasterCard были признаны виновными, они могли бы заплатить от \$ 5 млрд до \$ 25 млрд. И хотя MasterCard согласилась лишь на \$ 1 млрд, эксперты называют это победой розничных компаний, потому что система согласилась смягчить свою политику «уважай все карты». Соглашение выгодно и MasterCard. Ее доля на рынке дебетовых карт существенно меньше, чем у Visa, и выплаты MasterCard по самостоятельному соглашению эксперты оценивали в меньшую сумму, чем, если бы она участвовала в суде вместе с Visa. Последняя, похоже, не собирается идти на компромисс. «Visa намерена продемонстрировать суду, что наши действия законны и направлены на интересы потребителей», — заявила компания.

Банки, входящие в платежные системы, не понесут непосредственных расходов, связанных с выплатой компенсации розничным компаниям, однако их доходы от обслуживания дебетовых карт сократятся. По оценкам аналитиков, если Visa проиграет дело или урегулирует его, прибыль банков — членов систем может сократиться на 1–2 % в год. Рынок дебетовых карт в США существенно меньше, чем кредитных

(объем покупок по первым составил в 2002 г. \$ 480 млрд, а по вторым — \$ 1,2 трлн), но растет быстрее (на 24 % в год против 7 % у кредитных карт).

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passages into English.

Выдача ссуды

С. С. Носова

Банки извлекают прибыль, принимая денежные средства у вкладчиков и предоставляя их в виде ссуд заемщикам. Банки назначают более высокую процентную ставку по ссудам, чем ту, которую они выплачивают по вкладам. Этого превышения должно хватить на покрытие текущих расходов и обеспечение прибыли. В ряде случаев банки получают дополнительный доход в качестве оплаты своих услуг по кредитованию и по проведению других банковских операций. Банки также получают доход, когда вкладывают часть своих активов в ценные бумаги. В этом случае они ничем не отличаются от обыкновенных акционеров и получают доход от дивидендов.

В банк вкладывают свои денежные средства много людей. Все они не придут одновременно в банк за своими деньгами. По сути дела, ежедневное изъятие депозитов равняется такой же сумме вкладов, которые производят клиенты. Депозиты вкладчиков становятся фактическими резервами банка. Из них он вычитает обязательные резервы, которые по закону должны быть положены на резервный счет в Банке России.

Банковские депозиты представляют собой большей частью расчетные счета и вклады до востребования. Они подлежат немедленной оплате по первому требованию вкладчика. В случае «банковской паники», когда большая часть вкладчиков будет снимать свои денежные средства с депозитов, банк может использовать эти обязательные резервы для оплаты. На свои избыточные резервы банк может выдать кредиты. Обычно ссуда выдается простым переводом кредитной суммы на ссудный счет заемщика. В банке остается лишь долговое обязательство заемщика. Это долговое обязательство, переданное банку, — не деньги, так как оно не является общепринятым средством обращения. Банк же, создав ссудный счет, создал деньги. Именно посредством расширения банковского кредита и создается большая часть денег, используемых в экономике.

K. Case study

K.1. Read the article and do the exercises.

What about Us?

“The Economist”

The focus on Iraq is diverting attention from other poor countries.

Finance ministers from the world’s richest economies were able to breathe a sigh of relief after the spring meetings of the World Bank and its sister body, the International Monetary Fund (IMF), last weekend in Washington, DC. Having spent most of their time talking about the rebuilding of Iraq (and what to do about its debts), they produced an artfully worded statement that at least papered over their disagreements. Representatives of poor countries were probably less impressed: not much attention was paid to their needs.

The spring meetings of the Bank and the IMF are supposed to give a shove to those items on the developing world’s agenda that have got bogged down. This is always a tall order, but never more than this year. Even before the meeting, the World Bank’s president, James Wolfensohn, had admitted that at times of international crisis the issue of poverty tends to get pushed aside.

This is a pity, because in some areas the need for progress is urgent. Top of the list is trade: the Doha round of talks is stalled because of intransigence, mainly European, over the issues of farm subsidies and the blocking, by America, of plans to make access to cheap medicines easier for poor countries. The various communiqués paid lip service to the need for a breakthrough: but there is little sign of action from those responsible for the impasse.

Debt relief was another disappointment for developing countries. The rich countries’ commitment to helping heavily indebted poor countries was blandly restated without any acknowledgment of the problems raised by some critics – and, more important, with only coded criticism of those creditor countries that have yet to give the help they promised. And the talk of giving poor countries more of a say in the Bank and the IMF remains, for now, just talk.

None of this will surprise those developing countries that have grown used to seeing the gap between rich-country rhetoric and practice. A commitment to free trade is always much easier to reaffirm than to implement; and pledges seem easier to sign than cheques. But this failure to deliver sits oddly with the belief, which hardened after September 2001, that helping

all countries to participate in the global economy was the best way to prevent “failed” states.

K.2. In groups answer the questions and make a list of the following.

1. What countries most urgently need help of the world community?
2. What are the most urgent problems?
3. What means can be used to help solve these problems?
4. What role can World Bank and IMF play in this?

Now present your ideas to the other groups. When you have finished your presentations, compare your ideas and decide which will be the best and why.

K.3. Write a proposal stating your ideas to the World Bank.

Unit 8

Financial Markets and Investments

A. Preliminary discussion

1. What types of financial markets do exist?
2. What is the difference between capital and money markets?
3. What is investment and what two main forms does it take?
4. Give an example of securities market.
5. What is the purpose of a futures market?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. Characterize in general the state of America's financial markets.
2. What is the clearest indicator of the markets state?
3. Is the risk of default on corporate bonds large?
4. How does market volatility effect investing?

C. Reading

C.1. Read the text and answer the questions.

1. Why does the author compare investing with a manic depressive market?
2. What are the markets usually influenced by?
3. Analyze the situation with the government bonds and corporate bonds.
4. Give the general characteristic of the financial markets of America.

America's Financial Markets

"The Economist"

Messages of Hope?

Investing, said the father of security analysis, Benjamin Graham, is like being in business with a Mr. Market, a manic depressive whose mood swings sharply between fear and enthusiasm. Sometimes Mr. Market's price is wildly above (or wildly below) any intrinsic value, and this is when the investor should sell (or buy). The trick is to work out when his mood is reasonable, and when it is unhinged.

Wartime has made Mr. Market more volatile than usual, with initial despair about the economic outlook after September 11th giving way more recently to euphoria, to judge by the prices of some financial assets. As Wall Streeters headed off for Thanksgiving, financial markets seemed to be looking ahead to an early economic recovery in America.

Although they have dipped this week, share prices are still up sharply from their recent lows on September 21st. A rally of this speed and size (with prices up by about one-fifth) is unusual this early in a recession. Since 1932, Bianco Research has found seven similar-sized rallies of the S&P 500 index during a recession. And on each occasion, the rally preceded the end of the recession by an average of three-and-a-half months. Moreover, such stock-market rallies have usually continued into the following quarter, with share prices gaining on average a further 22%. "Bluntly, the rally signals the market's belief that the recession is over," says Jim Bianco, the firm's boss.

The prices of government bonds, of all maturities, have been falling since early November. In the week of November 12th falling prices pushed up the yield on 30-year Treasury bonds by 39 basis points (hundredths of a percentage point) — the biggest weekly rise since 1987. In the same week, the yield on ten-year Treasuries saw the biggest weekly increase since 1982. After an attempted rally ran out of steam this week, Treasury-bond prices resumed their fall, and yields — their rise. Plenty of commentators say this reflects expectations of stronger growth before long — and thus of higher inflation.

Corporate bonds with an investment grade tell a similar story, with yields ri-



sing over the past couple of weeks. Because the risk of default on these bonds is small, their prices are driven by the same economic forces as government bonds. The yields on junk bonds, on the other hand, are much more sensitive to the risk of default, which typically declines as the economic outlook improves. Yields on junk bonds have fallen over the past two weeks, and the gap in yields between investment-grade bonds and junk has narrowed, from 688 basis points to 600.

Commodity prices are sending mixed signals. Oil prices have fallen by one-third since September 11th, and do not appear to have hit bottom. Falling oil prices usually point to economic weakness. However, the fall in prices may be driven mostly by expectations of increased supply, especially from Russia, rather than of falling demand. Other commodity prices are behaving as one might expect if economic activity were turning up. The Economist's commodity price index is up by 5 % from its low on October 23rd, almost back to where it was before the terrorist attacks. Copper — known as the metal with a PhD in economics, because of its usefulness as a leading indicator — is up by 12 % in the past weeks, and is now higher than it was September 11th.

Perhaps the clearest indicator of what the markets think is the price of federal-funds futures contracts. As recently as November 9th, these assumed that an interest-rate cut of at least a quarter-point and quite likely a half-point, was a racing certainty at the Federal Reserve meeting on December 11th. Now, the market reckons there is only a 30% chance of a cut in December, and that the Fed may even start to tighten again early next year.

It is possible that the markets are being driven by factors other than expectations of economic recovery. The government-bond market has been confused since the Treasury's surprise decision in late October to stop issuing 30-year bonds. Prices of junk bonds may have been bid up by investment funds trying to use up large cash balances before the end of the year, rather than by expectations of economic recovery, says Martin Fridson of Merrill Lynch. Shares may be benefiting from looser monetary policy, not improved fundamentals, just as they did when the Fed eased in anticipation of a millennium bug.

And, as Graham knew, Mr. Market is often wrong. He may have read too much into better-than-expected data on consumption. Even if the corporate sector is over the worst, share prices still look high by most historic measures. PIMCO, America's largest bond fund, reckons the market is overdoing its optimism about the economy, and sees opportunities to buy bonds.

C.2. Decide whether the statements are True (T) or False (F).

1. Financial markets are usually more stable at wartime.
2. The rally of share prices rise is usual in a recession.
3. Stock market rally signals that the recession is in full swing.
4. The yields on junk bonds are more sensitive to the risk of default than the corporate bonds.
5. The gap in yields between investment grade bonds and junk has widened.
6. Falling of oil prices points to strong economy.
7. The fall in prices may be driven by expectations of increased demand.

D. Vocabulary

D.1. Read and learn new words.

intrinsic value — real, basic value

swing (*v*) — to move backwards and forwards or round and round from a fixed point

give way to (*phr v*) — to allow to be overcome by something or somebody

dip (*v*) — to drop slightly

Treasury bond (*n*) — an American government bond

yield (*v*) — to produce, bear or provide, especially as a result of work or effort

to loose monetary policy — to make monetary policy less stiff

bid up (*phr v*) — to increase the charged price for goods, one's work or services

bug (*n*) — an eager but sometimes not lasting interest in the stated thing

rally (*v*) — to become strong, to rebound

D.2. Give English equivalents to the following words and expressions:

- ◆ резко меняться от чего-то до чего-то;
- ◆ уступать чему-то;
- ◆ государственные облигации;
- ◆ корпоративные облигации для инвестирования;
- ◆ краткосрочные казначейские векселя;
- ◆ израсходовать что-то;
- ◆ смягчать денежно-кредитную политику;
- ◆ инвестиционные фонды открытого типа для приобретения ценных бумаг.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

blue chip	issuer	slice	healthy	bonds
interest rate	secondary	capital	security	yield
price	interest	bank	shares	primary
obligations	investment			

1. A bond is an ... bearing ... issued by governments, companies and some other organizations.
2. Bonds are an alternative way for the ... to raise ... to selling shares or taking out a ... loan.
3. A bond's ... is the ... (or coupon) paid on the bond divided by the bond's market
4. Corporate bonds issued by ... companies are also unlikely to default; this might not be the case with high-yield junk bonds issued by firms with less ... financials.
5. Markets in securities such as ... and ... is called a capital market.
6. The existence of liquid ... market can encourage people to buy in the ... market, as they know they are likely to be able to sell easily should they wish.
7. In return for risking their ... by giving it to the company's management to develop the business, shareholders get the right to a ... of whatever is left of the firm's revenue after it has met all its other
8. This money is paid as a dividend, although most companies retain some of their residual revenue for ... purposes.

D.4. Match up the words on the left with the definitions on the right:

- | | |
|--------------------|--|
| 1) bear market; | a) a situation in which prices on the stock market are going up; |
| 2) bull market; | b) a situation in which prices on the stock market are falling; |
| 3) junk bond; | c) the American government bond; |
| 4) treasury bill; | d) a bond with a high rate of interest but with a high risk of not being repaid; |
| 5) liability; | e) the percentage amounts charged for borrowing money by the banks and building societies; |
| 6) interest rates; | f) an amount of money owed by a business to a supplier, lender, etc.; |
| 7) yield; | g) date at which the money will be returned; |
| 8) maturity. | h) the amount of money that you get from an investment, especially bonds. |

D.5. Give synonyms for the italicized words in each sentence below, or explain their meanings.

1. Investing, said the father of security analysis, Benjamin Graham, is like being in business with a Mr. Market, a *manic depressive* whose mood *swings* sharply *between* fear and enthusiasm.
2. After an attempted rally ran out of steam this week, Treasury-bond prices *resumed* their fall, and *yields* — their rise.
3. The prices of *government bonds*, of all *maturities*, have been falling since early November.
4. Because the risk of *default* on these bonds is small, their prices *are driven* by the same economic forces as government bonds.
5. Copper — known as the metal with a *PhD in Economics*, because of its usefulness as a leading indicator — is up by 12 % in the past weeks, and is now higher than it was September 11th.

E. Make a summary of the text

Use the active vocabulary.

 **F. Grammar notes**

Sentences of Real and Unreal Condition

Conditional sentences have two parts: the **if-clause** and the **main clause**.

E. g.: *If you post the invitations today, they will arrive on time.*

There are three types of conditionals:

- ◆ type 1 — true in the present;
- ◆ type 2 — untrue in the present;
- ◆ type 3 — imaginary, contrary to fact in the past.

The usage of the verb forms in conditionals is presented in the tables below.

Type 1 — Real Present

If-clause: 'if' + any present form (Present S., Present Cont. or Present Perfect).

Main clause: 'can/may/might/should' + bare infinitive Present Simple.

This type of sentence is used to express something **true or likely to happen in the present or the future**.

E. g.: *If you finish work early, we'll meet to go out.*
If you have finished your work, you can go for a walk.
If you are busy, I won't keep you long.

Type 2 – Unreal Present

If-clause: 'if' + Past Simple or Past Continuous.

Main clause: 'would/could/might' + bare infinitive.

This type of sentence is used to express something **untrue in the present**, it is also used to **give advice**.

E. g.: *If I had money, I would travel round the world (= but I don't have money – untrue in the present).*

If I were you, I would take this job (advice).

After *if* we normally use **were** instead of *was* in all persons in **type 2** conditionals in formal situations. **Was** is mainly used in **spoken English**.

E. g.: *If I were/was you, I wouldn't go on this business trip.*

Type 3 – Unreal Past

If-clause If + Past Perfect or Past Perfect Continuous	Main clause would/could/might+ have + past participle
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This type of sentence is used to express **imaginary situation** contrary to facts in the past; also it is used to express **regrets or criticism**.

E. g.: *If you had accepted his offer last month, you wouldn't have been more successful.*

When the if-clause precedes the main clause, we separate the two clauses with a comma.

Conditionals are usually introduced by: **if, unless, providing, provided (that), as long as, in case, on condition (that), but for (= without), otherwise, or else, what if, supposing, even if, only if.**

E. g.: *Unless you don't reserve a ticket, you won't get a seat.*

Only if you reserve a ticket, will you get a seat.

But for you, I wouldn't have got that job.

What if you are sacked, will you look for the similar job?

You will get a promotion, providing/ provided that/as long as you work hard.

When we omit *if* **should, would and had** (past Perfect) come **before the subject**.

E. g.: *Should he turn up, tell him to wait for me. = If he turns up, tell him to wait for me.*

F.1. Put the verbs in brackets in the correct tense form.

1. If you (order) in bulk, you (get) a discount.
2. If we (break) into this market, our turnover (increase) substantially.
3. If your main competitor (go bankrupt), we (increase) our market share.
4. Unless we (receive) payment by the end of the week we (be forced) to consider legal action.
5. We (be able) to reduce the number of hours worked on condition that (is) increase in productivity.
6. If the Chinese government (warn) about the new disease, the consequences (be) less damaging.
7. If foreign-owned manufacturers (can) thrive despite all the annoyance of life in Britain, why (not/can) the locals?
8. If stock markets (fall) much further, the big banks' capital adequacy ratios (can) go below the level that international rules require.
9. If inflation (fall) too, it (may) be impossible to cut real interest rate enough to spur demand.
10. If (there/be) no surge in investment, the country (suffer) from nationwide electricity shortages.

F.2. Complete the following sentences using the appropriate type of conditional.

1. If one can not be sure which way asset prices will move,
2. If productivity comes at the expense of jobs, it
3. In case oil prices increase, it
4. Unless vaccine for SARS is found,
5. If the market is oversupplied,

G. Speak up**G.1. Answer the following questions.**

1. What do governments and companies use markets in securities for?
2. What is the secondary market? Give an example.
3. One American tycoon punned saying "Gentlemen prefer bonds." What did he mean?
4. What account for most of what is traded in the financial markets?
5. What are the investment perspectives in your country?

G.2. Discussion topics.

1. Suppose you are a financial consultant. Your customer is 56, he is married and has two grown-up daughters. He has several million dollars that he'd like to invest with 100 % safety. At the same time he would like to have free access to his funds and get regular income to avoid taxes legally. What investment portfolio would you suggest?
2. In your opinion why do companies issue and people buy the shares?

H. Reading the English newspaper

H.1. Read the article and do the exercises.

In Search of Those Elusive Returns

"The Economist"

Despite this week's stock market rally, tumbling equity prices and bond yields have sparked a fierce debate over asset allocation.

Early this week the markets were telling themselves that the second Gulf war was as good as won. Equities rallied; bond and oil prices fell; gold hardly flickered. But that did not help investors, such as insurance companies and pension-fund managers, with their thorny conundrum: how to allocate their assets over the long term? The accepted wisdom, that equities offer superior returns in the long run, has recently looked a little hollow. Forecasts for the so-called equity risk premium (the return in excess of the yield on government bonds demanded by investors to compensate for the extra risk of holding equities) range from a traditional 5 % to as little as 2.4 % a year. Such a thin premium may look on the low side to many investors, given that share prices could tumble again and that more corporate misbehaviour may be uncovered. Yet most of the alternatives to pure equities – bonds issued by governments (in developed or emerging markets), municipalities or companies; asset-backed securities; funds of hedge funds; bonds indexed to equities or to credit risks – all seem loaded with their own mixture of downside risk and lacklustre returns.

What can an asset manager do, apart from hiding under the duvet? There is plenty of advice available. For example, the amazing foresight of the pension fund of Boots, a British retailer, which moved all its assets into bonds in 2001 to miss the worst of the equity slump, is now inviting criticism. "Why sacrifice around 3 % a year so that trustees can sleep peacefully at night? That's a lot of money compounded over 25 years," argues someone who thinks he knows better. The reason is that, for some pundits, equities have lost so much value that they are beginning to look cheap. In

some cases the dividends paid on shares, divided by share prices, are even outstripping the yield on bonds issued by the same company. This makes no sense. The share price has no theoretical ceiling, while the bonds pay a fixed amount. A handful of academic works on the equity risk premium, published in the past year, far from gathering dust on university bookshelves, have become the stuff of hot debate in investment banks and company boardrooms, and among the trustees of pension funds and even university endowments.

Why? Because popular assumptions about long-term investment returns have been overturned. A year ago Robert Arnott, chairman of First Quadrant, an investment firm, and Peter Bernstein, an investment adviser, estimated that the equity risk premium should be as low as 2.4 %. They argued that accidents of history, survivor bias, changes in corporate culture and many other factors had made equity returns look higher than they really were over the past 75 years. And they concluded that the outlook for equity and bond returns in the short term was about the same: between 2 % and 4 %. Sobering conclusions have also come from academics at the London Business School, whose analysis of equity returns since 1900 shows that, before the last bull run, only two decades, the 1950s and 1960s, had produced real rates of return of over 10 %. The authors, Elroy Dimson and others, note that returns were low in 1900, but that investors became used to higher returns over the next century.

Now, perhaps, shareholders will have to accept lower rewards once again. Bill Gross, a fixed-income champion at Pimco, an American asset-management firm, predicted last September that bond returns will outstrip equities until share prices fall to their fair value, that is, until the Dow Jones Industrial Average is at 5,000 rather than today's 8,000-odd. However, those with an equity bias, such as Chris Johns, chief economist at ABN Amro Securities, continue to argue for at least a 60 % equity weighting over the long term. "We're near to the wrong point of the cycle to go into bonds," he says. The debate is even causing ideological rifts within the same financial institution, says Mr. Dimson of the London Business School. Corporate financiers are quoting one equity risk premium to companies creating incentive plans for their employees; fund managers pick another rate for asset allocation; those advising utilities use another to negotiate with governments on funding; universities worry about how much of their endowments they can spend each year. Then there are the aggregate — often wildly optimistic — returns forecast by equity analysts. "These are very hot issues," says Mr. Dimson, "since the equity risk premium drives decisions on asset allocation and company investments." Institutional investors

know they cannot stay out of the market forever. Some dived into equities this week as stock markets rose. But they are also being tempted into so-called alternative investments. Hedge funds are attracting a growing proportion of institutional assets: they have been able to achieve above-average absolute returns in aggregate. But many investors will be disappointed, because fewer hedge funds are likely to outperform in future and the fees they charge are high. Jerome Booth of Ashmore Investment Management sings the virtues of sovereign debt in emerging countries.

Since a crisis in 1998, these markets have become less volatile, he says; the investor base has become more institutional and less speculative; and there is less risk of contagion between countries. Rating agencies have consistently underrated sovereign bonds because the risk is hard to quantify, says Mr. Booth. He boasts over 25 % average returns for his funds in the past decade. But even he cautions investors against putting more than 5 % of their assets into such bonds, at least to start. What about the rest? Many investors have sought higher yields in corporate-credit markets, from single-name corporate bonds, credit default swaps, or packages of securities backed by pools of corporate names. The recent high levels of defaults and ratings downgrades have taken the shine off that market. There may, therefore, be little alternative to a cautious return to equities. Messrs Arnott and Bernstein recommend that investors accustom themselves to much lower returns than they have enjoyed in the past. "It's naive to expect earnings and dividends to grow faster than the economy," says Mr Arnott. That translates roughly into higher pension contributions, a longer working life and less rosy retirement all round. Or you can take a punt. Recently, Jonathan Compton of Bedlam Asset Management said he was buying his 18-year-old daughter shares in one company, BP: "One of the great opportunities this side of Mars," he was quoted as saying. This week BP's shares dipped when a \$ 3.4 billion shortfall appeared in its pension fund.

H.2. Answer the following questions.

1. How did the Gulf war inflict the financial markets?
2. Why is long term assets allocation a puzzle for the investors?
3. What are the forecasts for equity risk premium?
4. What are pure equities?
5. What is possible advice in the given situation?
6. Why did equities lose so much in value?
7. What do academics think about the problem under review?
8. Why do the returns seem to be illusive?
9. Why can many investors be disappointed nowadays?

H.3. Translate into Russian the following sentences from the text.

1. Despite this week's stock market rally, tumbling equity prices and bond yields have sparked a fierce debate over asset allocation.
2. The alternatives to pure equities — bonds issued by governments (in developed or emerging markets), municipalities or companies; asset-backed securities; funds of hedge funds; bonds indexed to equities or to credit risks — all seem loaded with their own mixture of downside risk and lacklustre returns.
3. Corporate financiers are quoting one equity risk premium to companies creating incentive plans for their employees; fund managers pick another rate for asset allocation; those advising utilities use another to negotiate with governments on funding; universities worry about how much of their endowments they can spend each year.
4. The recent high levels of defaults and ratings downgrades have taken the shine of that market.

H.4. Find the words in the text which mean the following:

- ◆ to buy or sell a commodity to establish a definite price for future use;
- ◆ an ordinary share on which no fixed amount of interest is paid;
- ◆ to burn unsteadily; shine with an unsteady light;
- ◆ a large bag filled with feathers or man-made material and is used on a bed instead of a sheet and blankets to keep one warm;
- ◆ to be very pessimistic because of difficulties;
- ◆ a person or firm that holds and controls property or money for an advantage of someone else or a member of a group appointed to control the affairs of a company;
- ◆ agreement by contract to pay money to someone if something especially misfortune, happens to them.

H.5. Think of a word which best fits each space. Render the text.

Representatives from the Tacoma (Wash.) Russell 20–20 Association — among the world's ... groups of pension and investment advisers — are scheduled to arrive in Russia on May 12 for a very special The nonprofit Russell 20–20 was founded by Tacoma investment ... George Russell Jr., after the ... of the Berlin Wall in 1989 as a vehicle for top financial ... to explore the ... climates in emerging-market countries. Representatives from GE Asset Management, State Street Global Advisors, and Lazard Asset Management, among others, will ... with Russian political and business ... in Moscow, including ... Alexei Kudrin.

The goal is for each company to ... Russia's prospects as a place for ... investment. (The association makes no joint investment... .) Everyone

knows the country's ... market is hot — the Russian Trading System ... is up 43 % for the year But is topsy-turvy Russia a great spot for investors with a 30-year time horizon? On the ... of the association's visit, *Business Week* Moscow Bureau Chief Paul Starobin put that question — and plenty of others — to Moscow investment fund manager Mattias Westman. The director of Prosperity Capital Management, with \$ 270 million in ..., Westman has ... great success in negotiating Russia's investment minefields. Over the last three years, Russian Prosperity Fund, created in 1996, has been the country's top ..., with a return on ... of 557 %, according to Standard & Poor's.

I. Translation

Translate the following passage using the active vocabulary.

Финансирование капиталовложений: международный опыт. В США, европейских странах и Японии существуют различные формы финансирования капитальных вложений. Из многообразия их характеристик выделим две основные, в основном, сложившиеся на протяжении нынешнего столетия.

В одном случае важнейшую часть заемных средств нефинансовые корпорации получают с помощью размещения частных облигаций; такой путь предполагает мощную систему финансовых посредников (частные страховые компании, частные пенсионные фонды, сберегательные банки и т. д.), которые предъявляют массированный спрос на долгосрочные частные обязательства. В США на размещение облигаций приходилось почти 60 % всех заемных ресурсов, привлекавшихся нефинансовыми корпорациями на протяжении 1970–1994 гг. В Канаде эта доля превосходила одну треть.

Там же, где промышленные фирмы особенно тесно сращены с крупными банками, основная часть заемных средств приходится на банковские ссуды. Так, в Японии на банковские ссуды приходилось свыше $\frac{3}{4}$ всех заемных средств, привлекавшихся нефинансовыми корпорациями в период 1970–1994 гг.; в Германии эта доля превышала половину.

Вместе с тем, в послевоенные годы экономическая и финансовая интеграция постепенно «размывает» прежние национальные особенности системы частных финансов. В современной теории наибольшее значение придается базовой пропорции финансовой структуры — соотношению между привлеченными и собственными средствами корпорации.

J. Reading the Russian newspaper

J.1. Read the article, find key sentences and translate them into English.

Акции — не для всех

Михаил Оверченко, Борис Сафронов, «Ведомости»

По-настоящему вкладывать деньги в акции россияне начнут еще через много лет.

Едва ли не с начала приватизации в России надежды на развитие фондового рынка связывались с населением — рядовыми гражданами-инвесторами. Предполагалось, что их число будет расти, а их деньги — подпитывать рынок. Определенный прогресс достигнут: частные инвесторы вкладывают деньги в ценные бумаги — как напрямую, так и через инвестиционные фонды. Между тем опыт такой продвинутой страны, как Германия, убеждает, что фондовый рынок на долгие годы останется делом узкого круга избранных россиян.

Символом американского фондового рынка является пресловутая старушка, регулярно читающая биржевые сводки, чтобы быть в курсе стоимости своего инвестиционного портфеля. Почти половина американских семей владеет акциями — неудивительно, что фондовый рынок США в значительной степени является заложником их поведения. Например, когда в прошлом году ведущие американские корпорации одна за другой стали признаваться в многомиллиардных приписках, разочарованные американцы установили печальный рекорд: в июле 2002 г. они вывели из паевых фондов, вкладывающих средства в акции, рекордную сумму — \$ 50 млрд. Во многом благодаря этому индекс Dow Jones, отражающий среднее изменение цен 30 основных американских акций, за первые три недели июля рухнул на 16,7 %.

Иное дело Европа. Европейцы, по словам аналитиков инвестиционного банка Schroder Salomon Smith Barney, «очень инертные инвесторы». Они выходят на рынок поздно, когда акции уже долго росли, покупают их по высоким ценам, а затем никак не хотят уходить с рынка, несмотря на убытки, которые они несут из-за падения котировок. Неудачный опыт запоминается надолго и на годы отталкивает обывателя от вложений в акции — они прочно ассоциируются с убытками. Преодолеть этот пессимизм может только длительный рост котировок. «Без поддержки розничных инвесторов фондовый рынок вряд ли сможет подняться до прежних высот, а они будут оставаться в стороне, пока не появятся признаки устойчивого восстановления», — по-

лагает аналитик Schroder Salomon Smith Barney Мониш Пьюри. Круг замкнулся.

В 1990-х гг. многие эксперты видели резерв развития европейского фондового рынка в формировании так называемой акционерной культуры — появлении в обществе широкого класса мелких инвесторов, вкладывающих сбережения в акции. Но в последние два года эти надежды рухнули вместе с котировками акций. И теперь эксперты спорят, ушел ли европейский частный инвестор с фондового рынка на 10 лет или «до следующего поколения».

Подобным образом после биржевого краха 1929 г. для фондового рынка было потеряно целое поколение американцев. Индексу Dow Jones потребовалось 25 лет, чтобы подняться до уровня 1929 г. Это, конечно, не означает, что и европейским фондовым индексам нужно четверть века на восстановление утраченных позиций, но им предстоит пройти еще долгий путь обратно. Индекс 300 европейских «голубых фишек» (акций ведущих компаний) FTSE Eurotop достиг пика в 1709 пунктов 5 сентября 2000 г. С тех пор он упал более чем в два раза и сейчас составляет 812 пунктов. Но больше всех подешевели акции немецких компаний: фондовый индекс Германии DAX в прошлом году упал на 42 %, а в I квартале этого года — еще на 22 %.

Неутешительны и данные национальных ассоциаций паевых фондов. Они показывают, что подавляющее большинство европейских частных инвесторов продают паи фондов акций и облигаций и вкладывают деньги в безопасные фонды денежного рынка — которые размещают их в банковские депозиты и другие низкодоходные, но зато надежные инструменты денежного рынка.

История свидетельствует, что в периоды депрессии индивидуальные инвесторы надолго уходят с фондового рынка. Как следует из исследования, проведенного аналитиком Morgan Stanley по Европе Ричардом Дэйвидсоном, с 1974 г. по 1981 г. в США был лишь один месяц, когда приток средств в паевые фонды акций превысил отток. В Японии, которая с начала 1990-х гг. не может выбраться из стагнации, активы фондов акций за 12 лет сократились на 90 %.

Европейцы-акционеры

Отношения европейцев с фондовым рынком складываются по-разному. Во Франции и Италии из всех вложений в инвестиционные фонды лишь 20 % приходится на фонды акций, в Германии и скандинавских странах — 35–40 %, а больше всего любят акции англичане — в Великобритании этот показатель составляет 75 %. С учетом вложений

в пенсионные фонды (которые также вкладывают значительные средства в акции) лидерство Великобритании становится еще более существенным: по данным UBS, среднестатистический англичанин вкладывает в акции 35 000 евро, француз — 16 000 евро, а немец — 7 000 евро. Но больше всех акций покупают швейцарцы — в среднем на 70 000 евро. Впрочем, размер вложений в акции определяется не только аппетитом инвесторов, но и существующими ограничениями.

J.2. Render the article using the active vocabulary.

K. Case study

Read the text and do the following exercises.

Guilford Shares Gain 24 Percent

Ellen McCarthy, "Washington Post"

Guilford Pharmaceuticals Inc. announced a potentially lucrative licensing deal with Pfizer Inc. and a smaller first-quarter loss last week, helping shares of the Baltimore biotech rise.

Pfizer, the pharmaceutical maker based in New York, agreed to pay Guilford \$ 15 million for the right to develop its potential treatments for neurodegenerative diseases and pain. Pfizer plans to pay for the research and manufacturing costs associated with the project and award Guilford a \$ 42 million royalty for each compound that is developed and \$ 20 million for each further indication of a compound.

Guilford said its first-quarter loss was \$ 11.2 million (37 cents per share), compared with a loss of \$ 13.5 million (45 cents) in the same period last year. The company's revenue for the three months ended March 31 declined to \$ 3.5 million from \$ 6.2 million. The company also said it landed an \$ 18.8 million loan that will allow it to restructure a lease on its Baltimore facility, freeing up an additional \$ 40 million in working capital. Shares of Guilford gained 24 percent last week to close at \$ 6.04.

The Washington Post-Bloomberg regional stock index closed at 176.32, up 1.77 points. The NVTC Potomac Tech 60, an index of 60 local technology companies, closed at 571.41, down 12.48 points.

Digene Corp. of Gaithersburg also posted gains last week. Digene said Tuesday it cut its loss for the three months ended March 31 to \$ 619,000 (3 cents), compared with a \$ 3.3 million (19 cents) loss in the same period last year. The firm's revenue for its fiscal third quarter climbed to \$ 17 million from \$ 14.2 million, based largely on a 43 percent increase in sales of

its cervical cancer test. Last week shares of Digene climbed 11 percent to close at \$ 22.10.

Richmond-based Ethyl Corp.'s improved first-quarter earnings did little to help its stock last week. The firm earned \$ 16.3 million (98 cents) during the three months ended March 31, compared with a \$ 1.6 million (10 cents) loss in the same period last year. The company's revenue rose to \$ 173.5 million, from \$ 146.2 million in the year-earlier period. Ethyl warned that it remained "concerned about certain aspects of the global economy" that could have a negative impact during the second and third quarters of the year. Shares of Ethyl fell 14 percent last week to close at \$ 8.60.

K.1. Make an analysis and compare the operation of three companies:

- ◆ Guilford Pharmaceuticals Inc.;
- ◆ Digene Corp. of Gaithersburg;
- ◆ Ethyl Corp.

K.2. Answer the questions.

1. Why is the licensing deal with Pfizer considered to be lucrative? In what way can it help the shares of Baltimore biotech?
2. Which of the companies is the most successful?

K.3. Find information about the operation of two or three similar companies on the Internet. Analyze and compare their performances.

K.4. Think of a conversation between a journalist and the Head of one of the companies. Discuss the present state of affairs and the future perspectives.

Unit 9

The Role of Government

A. Preliminary discussion

1. What is the role of the government in the economy?
2. Should government interfere in all branches of the economy? If not, which ones it shouldn't.
3. What role does the government play in your country?
4. What do you think about the economic policy of your government?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What three points of view are presented in the text on the role of government in the economy?
2. Whose point of view is the most proper?
3. What is the principle difference in views of Samuelson and Friedman?

C. Reading

C.1. Read the text and answer the questions.

1. What is the essence of Keynesians approach to the role of state in the economy?
2. What is the difference in the role of state in a country with market and command economy?
3. What do the classical economists think about the role of government?
4. Do you think that market itself can run economy properly?

What Role Should the State Play in the Economy?

Plenty of economists provided intellectual support for state intervention during the era of big government, particularly from the 1930s to the 1980s. Keynesians argued that the state should manage the amount of demand in the economy to maintain full employment. Others advocated a command economy, in which the government would decide price levels, oversee the allocation of scarce resources and run the most important parts of the economy (the “commanding heights”) or, in communist countries, the entire economy. The role of the state increased at the expense of market forces. Economists provided plenty of examples of market failure that seemed to justify this.

Since the 1950s, there has been growing evidence that government intervention can also be flawed, and can often impose even greater costs on an economy than market failure. One reason is that when a government acts, it usually does so as a monopoly, with all the attendant economic inefficiencies this implies. In practice, policies of Keynesian demand management often resulted in inflation, and thus lost much of their credibility. There was growing concern that public investment was crowding out superior private investment, and that other public spending on things such as health care, education and pensions was similarly discouraging private provision. Government management of commercial enterprises was often seen to be inefficient and, starting in the 1980s, nationalization gave way to privatization. Even when the state was not directly responsible for economic activity, but instead set the rules governing private behaviour, there was evidence of regulatory failure. High rates of taxation started to discourage people and companies from undertaking economic activities that would, without the tax, have been profitable; wealth creation suffered.

Most economists agree that there is a need for some government role in the economy. A market economy can function only if there is an adequate legal system, and, in particular, clearly defined, enforceable property rights. The legal system is probably an example of what economists call a public good (although the existence in many countries and industries of some self-regulation shows it is not always so).

Although politicians in many countries spent the 1980s and 1990s talking about the need to reduce the role of the state in the economy, and in



many cases introduced policies of privatization, deregulation and liberalization to help this happen, public spending continued to increase as a share of GDP.

Classical economists had long recognized the need of government to provide goods and services that would not or could not be provided by the private sector. But they urged that this participation be kept to a minimum.

Paul Samuelson and Milton Friedman have different views on what role the government should play in the economy. Samuelson argues that too many of the problems the classical economists wanted to leave to the marketplace were not subject to its influence. These externalities, affecting things like public health, education, and environmental pollution, were not subject to the laws of supply and demand. Consequently, it was up to government to establish goals for the economy and use its powers to achieve them.

Milton Friedman sees things differently. Like the classical economists of old, he regards supply and demand as the most powerful and potentially beneficial economic forces. The best that government can do to help the economy, in Friedman's view, is to keep its hands off business and allow the market to "do its thing." The minimum wage laws are a case in point. Whereas Samuelson endorses minimum wage laws as a means of helping workers at the bottom of the income ladder, Friedman would argue that by adding to unemployment, they harm the very people they were designed to help. That is, he explains, by increasing labour costs, minimum wages laws make it too expensive for many firms to hire low-wage workers. As a result, those who might otherwise be employed are laid off.

On the one hand, Samuelson endorses the concept of government-sponsored programs such as public housing and food stamps as means of reducing poverty. Friedman, on the other hand, would prefer to give the poor additional income and allow them to use the funds to solve their problems without government interference. To apply this concept, Friedman suggested the "negative income tax," which would apply a sliding scale of payments to those whose income from work fell below a stated minimum.

C.2. Read the text again and complete the sentences using your own words as much as possible.

1. Others advocated a command economy in which ...
2. The reason that government intervention can impose even greater cost on economy than market failure is that ...
3. High rates of taxation started to ...

4. A market economy can function only if ...
5. Classical economists urged that ...
6. Samuelson argues that ...
7. Friedman sees things differently, ...
8. Whereas Samuelson endorses minimum wage laws as a means of helping workers ...
9. Friedman suggested the “negative income tax,” which ...

C.3. Decide whether these statements are True (T) or False (F).

1. Keynesians argue that the state can in no way maintain full employment.
2. All the economists reject a command economy as the most inefficient one.
3. Only market failure can impose the greatest costs on an economy.
4. Government management of enterprises is seen to be the only inefficient way.
5. High tax rates encourage people and companies to undertake additional economic activities.
6. A market economy can function well without any legal system and state control.
7. According to Friedman, the best the government can do to help the economy is to take business in its hands.
8. Samuelson turns down the government-sponsored programs for workers, saying that they should think about themselves.

D. Vocabulary

D.1. Learn the vocabulary and make up your own sentences.

imminent (*adj*) — which is going to happen very soon

painstaking (*adj*) — careful, thorough

surmount (*v*) — to succeed in dealing with (especially a difficulty), to overcome

roll over (*phr v*) — an amount of money such as a pension or investment continuing to be invested or lent without stopping

dash the hopes — to put an end to; to strike violently often resulting in damage or destruction

hover (*v*) — to stay around one place, especially in a way that is annoying

foreclose (*v*) — to take back property because of someone's failure to repay

stasis (*n*) — a balance between different forces and influences

D.2. Choose the right definitions of the words and use them in your own sentences:

- | | |
|---------------------|--|
| 1) an advocate; | a) to express approval or support of (opinion, action, etc.); |
| 2) to oversee; | b) a person who speaks for or supports an idea, way of life; |
| 3) a flaw; | c) not much or many compares with what is wanted; |
| 4) attendant; | d) something outside; that can be seen but is not natural or real; |
| 5) scarce; | e) happening at the same time as or as a result of something else; |
| 6) to crowd out; | f) a small sign of damage that makes an object not perfect; |
| 7) externality; | g) to watch to see that work is properly done; |
| 8) a case in point; | h) which proves or is an example of the subject under consideration. |
| 9) to endorse. | |

D.3. Which words do the following sentences define?

- ◆ The amount by which something is less than what is needed, especially the amount by which money that goes out is more than money that comes in:

a) lack;	b) deficit;	c) scarcity.
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- ◆ A fixed regular payment made by employers, usually monthly, for professional or office work:

a) salary;	b) wages;	c) earnings.
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- ◆ To keep watch over a job or activity as the person in charge:

a) control;	b) supervise;	c) oversee.
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- ◆ Someone who follows or supports a particular person, belief or cause, etc.:

a) supporter;	b) follower;	c) backer.
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- ◆ To set apart for a particular purpose:

a) allocate;	b) allot;	c) distribute.
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- ◆ Not working or performing in a satisfactory way, especially because of waste of wastefulness or lack of ability or organization:

a) inefficient;	b) inept;	c) ineffectual.
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- ◆ One's purpose, a position or object one wishes to reach or obtain:

a) aim;	b) target;	c) goal.
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- ◆ Spending or using up something:

a) expenditure;	b) spending;	c) outlay.
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- ◆ Anything that brings advantage, help, profit:

a) gain;	b) benefit;	c) interest.
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- ◆ To enter into or take part in a matter which does not concern one, and in which one is not wanted:
 - a) interfere;
 - b) intrude;
 - c) interpose.

D.4. Insert the following words into the gaps below.

revenues	persuade	suffer	deficit
subsidies	approve		

Mexico's economy ... from structural weakness, which Mr. Fox has so far been unable or unwilling to address. One challenge concerns the public finances. The central-government budget ... is 0.65 % of GDP. Mr. Fox has begun to offer ... to special interests, such as farmers and the textile industry. Although the government ... the opposition-controlled Congress to ... some tax increases last year, it remained dangerously dependant on volatile

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

Mixed Conditionals

All types of conditionals can be mixed. Any tense combination is possible if the context permits it.

Conditional clause (if-clause)	Main clause
'if' + Past Simple or Past Continuous	'will' + bare Infinitive
<i>If I had enough money, I would (I'd) retire.</i>	
'if' + Past simple	'would' + Perfect Infinitive
<i>If I were you, I wouldn't have been so assertive yesterday.</i>	
'if' + Past Perfect or Past Perfect Continuous	'would' + bare Infinitive
<i>If she had been told about the meeting, she would be at it.</i>	

Wish Clauses. We use 'wish' with Past Tense forms (Simple and Continuous) to express regret about present situation.

E. g.: *I wish I knew the problem better (= but I don't).*

After 'I wish' we can use 'were' instead of 'was' in all persons.

E. g.: *I wish I were more help.*

We can use **'wish'** with **'could'** to express a wish for a present situation to be different.

E. g.: *I wish I could use computer well.*

We use **'wish'** with **'would'** to say how we would like somebody to be-have in the future as well as in situations that do not involve people,

E. g.: *I wish you would stop finding faults with me.*

I wish the environment in the company would be friendlier.

We use **'wish'** with the Past Perfect when we have regards about the past.

E. g.: *I wish I hadn't taken her advice (= but I did).*

We can use **'if only'** instead of **'I wish'**, but it is more dramatic.

E. g.: *If only I were not sacked.*

If only I had known he was my boss, I would have never joked that way.

F.1. Put the verbs in brackets into the correct form.

1. These are miserable times for managers, everything is being cut – jobs, budget, investment plans. If only there (be) somewhere else to go.
2. If only Europeans (be) sidelined, the new agenda would be led and defined by America, and Europe would have little say in how future threats would be faced.
3. If the campaign to oust Saddam (mean) invading Iraq, months would be needed to prepare.
4. I wish the Europeans (be not brought) in, otherwise they would slow everything down and the opportunity would pass.
5. If Barcelona summit (fail) to give liberalization a boost, the outside world would have stopped listening to the high-sounding promises two years ago.
6. I wish projected fiscal deficit (look) optimistic.
7. If the GDP revision (hold), America would not have had a recession in the technical sense of two declining quarters of output.
8. Everyone wishes the foreign-owned manufacturers (can) thrive despite all the annoyance of life.
9. Unless spending in the 23 provinces (can) be brought under control, the IMF believes the renewing aid to Argentina will prove useless.

F.2. Imagine what would happen in the following situations.

1. If the government of your country lowered interest rates ...
2. I wish the rouble was the strongest currency. If it ...
3. If inflation was high...

4. If only the sale of alcohol was banned in Russia ...
5. If the Central Bank collapsed in the country ...

F.3. Complete the following sentences with the appropriate conditional clause.

1. If a country is export-oriented, ...
2. If debts continued to grow in real terms through recession, it ...
3. I wish Russia had entered the WTO two years ago. Then ...
4. If only America had enough own oil resources, ...
5. I wish consumer prices never rose. Then ...

G. Reading the English newspaper

G.1. Read the article and do the exercises.

Carving Up the Scraps of Power

"The Economist"

For months Argentina's president and his finance officials promised that an IMF deal was imminent. Recently it seemed that this might even be true. But it has become clear that for every obstacle the government painstakingly surmounts.

The government is still going through the motions of trying to reach an agreement with the IMF which would at least roll over Argentina's obligations to the fund itself. The economy minister wrote his own draft plan of intent (though such documents are normally negotiated), but the IMF dashed his hopes. The Funds spokesman said that the two sides were not talking about any kind of final timetable for a deal.

The Argentina's government thinks this unfair. The economy seems to have stopped shrinking at last. The peso has hovered close to 3.60 to the dollar, inflation remains restrained. The central bank's reserves have risen a little. So have tax revenues. The central government had a budget surplus of 200 m pesos in July, though that would disappear if Argentina resumes debt payments.

But the government has yet to show that it has a coherent economic program. It has not decided what to do about bank deposits frozen by the previous government. Congress, having blocked a plan to turn these into bonds, has turned its attention to bank bashing. The average Argentine still blames the banks for the confiscation of savings and much else besides. The banks, in turn, having written off huge losses, want reassurance that Argentines still want a banking system.

Congress recently extended for three months a ban on mortgage foreclosures and the seizing of debtor's cars. The Senate unanimously approved a bill reinstating a 2 % tax on interests and commissions for a bankrupt trade-union health scheme. Another measure would make foreign banks' head officials liable for new deposits in their Argentine branches. Until such measures are withdrawn, the banks want any deal with the IMF halted. But they have agreed with the government to delay indexing most loans to inflation.

Then there are the courts. On taking office in January, Mr. Duhalde misguidedly set in motion the impeachment of the Supreme Court. But having failed to raise the necessary two-thirds majority in Congress, he is now desperately lobbying to halt this because the court is bloody-mindedly ruling government measures unconstitutional. Last month, it struck down a 13 % cut in government salaries and pensions made last year. That creates a large fiscal hole. The court may also reverse a government decree which converted dollar deposits into pesos. That would mark the end of the banking system, whose dollar denominated assets were turned into (devalued) pesos at par.

The creeping paralysis of government has led to calls for the presidential election to be brought forward. But the candidacy of the ruling party is being squabbled over by half a dozen contenders.

Argentines are clamouring for new leaders. But none has yet appeared. The danger Argentina faces is one of stasis, in which the election fails to produce a government capable of imposing its will, or of starting to rebuild the country's discredited institutions. No wonder that the IMF is now demanding "political consensus" for any deal.

G.2. Answer the questions.

1. What progress has Argentina made under the interim president?
2. Why do you think the country needs a new government?
3. In what way do the present Argentina's government influence the economy?

G.3. Use the new vocabulary while rendering the text.

G.4. Find the English equivalents in the text to the words below. Use them in your own situation:

- 1) восстанавливать (порядок или в прежнем положении);
- 2) покушаться на что-то, задавать трепку;
- 3) сразить, свалить;
- 4) вздорить, пререкаться по пустякам;

5) соперник, претендент, кандидат;

6) требовать.

G.5. Find the sentences in the text with the synonyms to the given words and translate these sentences into Russian:

1) meticulous, scrupulous;

2) to cease, to stop;

3) impediment, snag;

4) to diminish, to dwindle;

5) to curb.

G.6. Find words in the text which mean the following:

1) a person chosen to speak officially for a group;

2) naturally or reasonably connected and therefore easy to understand;

3) an amount additional to what is needed or used;

4) an amount of money usually related to the value of goods sold, paid to the person who sold them;

5) to attempt to influence someone in order to persuade them to support one's actions, needs or beliefs;

6) a person who takes part in a competition;

7) a quantity of something kept for future use; store;

8) a plan with a list of the times at which stated events are to happen;

9) the first rough and incomplete form of something written, drawn, or planned.

H. Reading the Russian newspaper

H.1. Read the article, find key sentences and translate them into Russian.

Роль правительств. Великие расточители

Алан Битти, «Ведомости»

Правительственный контроль за расходами и производительностью, введенный в военное время, сегодня стал прерогативой развитого государства.

Некоторые правительственные институты оказались удивительно стойкими. Например, система налогообложения Великобритании, введенная 200 лет назад для финансирования войн с Наполеоном, сохранила свой первоначальный облик. Единственная угроза ее мно-

голетнему статусу — ежегодное утверждение путем голосования в Парламенте.

Подобная долговечность системы налогообложения — не только дань привычке и традиции. Сам тот факт, что правительство в состоянии контролировать экономическую ситуацию в стране, свидетельствует о ее развитости.

До XIX в. государственные расходы были в значительной степени ограничены нуждами на ведение различных войн. Необходимость содержать профессиональную армию сама по себе была достаточной, чтобы подстегивать проведение политических реформ в стране: английская междоусобная война XVII в. потребовала от правительства жесткого контроля за общественными финансами, что подразумевало, в частности, борьбу за уплату налогов на содержание армии.

Но, когда в XIX в. произошла индустриальная революция, а технологии производства стали более сложными, правительства решили немедленно принять участие в создании инфраструктуры, которая дала бы возможность развиваться частной коммерции.

То есть, система налогообложения должна была быть модифицирована, чтобы быть в состоянии вести учет повысившихся расходов. Традиционно, акцизные сборы на товары и таможенные пошлины на импорт составляли основной источник дохода. В 1850 г. таможенные пошлины были источником дохода для федеральных правительств США, и более чем на 40 % для Великобритании.

Отмененный в конце войн с Наполеоном подоходный налог был вновь введен в 1841 г. консервативным правительством Роберта Рила, которое столкнулось с финансовым кризисом в железнодорожной системе и с растущим государственным дефицитом.

Но помимо этого, вплоть до XX в. усиление правительственного контроля за экономикой было весьма незначительным. В 1900 г. только 10 % (а в США только 3,3 %) национального дохода в индустриальных странах извлекалось из налогов. Правительства придерживались доктрины свободных предприятий и свободной торговли.

Однако в результате войн XX в. общественные расходы приблизились к современному 30–40 %-ному уровню. Начиная с 1930 г. два фактора влияли на рост общественных расходов — суровый опыт депрессии в индустриальном мире и появление теоретического обоснования необходимости правительственного вмешательства в экономику. В США запросы государства, связанные с депрессией, позволили президенту Рузвельту расширить сферы влияния федерального правительства. Некоторые обращали восхищенные взгляды на Россию, которая в ходе

строительства коммунизма осуществила удивительно быструю индустриализацию, установив тотальный надзор над экономикой.

Послевоенный период в Западной Европе закрепил за правительством роль столпа экономики. В большинстве стран правительства берут на себя еще большую ответственность за социальное благополучие с помощью социальной системы страхования.

Эта послевоенная модель смешанной экономики была модифицирована, после того как в 1970 г. разностороннее вмешательство правительств в экономику продемонстрировало свою несостоятельность. В частности, правительства лишили себя национализированных индустриальных предприятий, рассчитывая на то, что повышенная эффективность частного управления начнет перевешивать стратегические и дистрибутивные причины общественного владения экономикой.

Однако, несмотря на то, что большинство критиковало государственный контроль в течение 1980-х гг., ограничить его было непросто. К 1995 г. доля занятых в государственном секторе Великобритании сократилась начиная с 1979 г. наполовину до, приблизительно, 16 %. Но невмешательство государства в производство не остановило расходы.

Пока осознание необходимости «изгнания» государства из всех экономических сфер не придет в следующий век, мало вероятно, что будет сокращено прогрессирующее правительственное расточительство.

H.2. Render the article using the active vocabulary.

I. Speak up

I.1. Answer the questions.

1. What actions should government take to keep economy from slump?
2. In what situation should the government cut its spending?
3. Do you agree that the companies rescued by the government can be restored to health? Can you give an example of any company in your country?
4. Do you think that government always benefit from high tax rates? In what situation do the total revenues collected by the government actually decline?

I.2. Discussion topics.

1. Do you think there is too much or government in your country?
2. Whenever a nation appears to be entering into a period of recession or inflation government is expected to take steps to reverse the trend. (In your opinion) what steps might they be?

3. What do you think about the way the government spends taxpayers' money in your country?
4. Should the government bail-out the failing companies? Give your reasons.
5. "When tax rates are so high that they discourage investment, the wealth and jobs that might have been created are lost." Explain this statement.

I.3. Read the paragraph from the text "Keynes revisited" and answer the questions.

This week, with little ceremony, President George W. Bush quietly brought to a close more than a decade of US economic policy orthodoxy. By signalling his support for lower taxes and higher public spending in the next year that could reach as high as \$ 130 bn (£ 88 bn) – 1.3 percent of gross domestic product – he threw the US administration's weight behind the proposition that a temporary deficiency in aggregate demand should be met by a shift in government finances from surplus to deficit.

This argument, the simplest distillation of the teachings of John Maynard Keynes, has been out of favour in much of the industrialised world for 10 years or more. But with the world's three largest economies – the US, Japan and Germany – all in recession or close to it, the conventional wisdom is up for re-assessment. At Saturday's gathering in Washington of finance ministers and central bankers from the Group of Seven leading industrial nations, the burden of expectation will fall on governments to play their part in averting global recession by cutting taxes and boosting public spending.

"In the general response to the terrorist attacks, the governments of the developed world have been showing a commendable degree of co-ordination," says Fred Bergsten of the Washington-based Institute for International Economics. "Now is the appropriate time for the G7 countries to mount a coordinated fiscal stimulus."

In the US, the intellectual climate has shifted decisively in favour of just such an activist policy. In the rest of the world, however, a revival of Keynesianism is still viewed with suspicion.

1. In what economic situation are lower taxes and higher public spending preferable?
2. Why is Keynesianism still viewed with suspicion?
3. At a meeting in New York with the nation's business leaders a distinguished member of the Keynesian club said: "Only under these circumstances should governments deficit-spend: if there's a national

emergency, if there's a recession or if there's a war." Noting that at least two, if not all three, of those conditions were met, he went on: "We've got to do what it takes to make sure this economy gets growing so people can find work." Comment on this statement and give your own point of view.

- Discuss the government actions in case of national emergency in your country.

J. Case study

J.1. Read the following selection.

How Government Can Affect Market

What can happen when government intervenes in a market economy? Using imaginary figures, we will take the market for potatoes as an example.

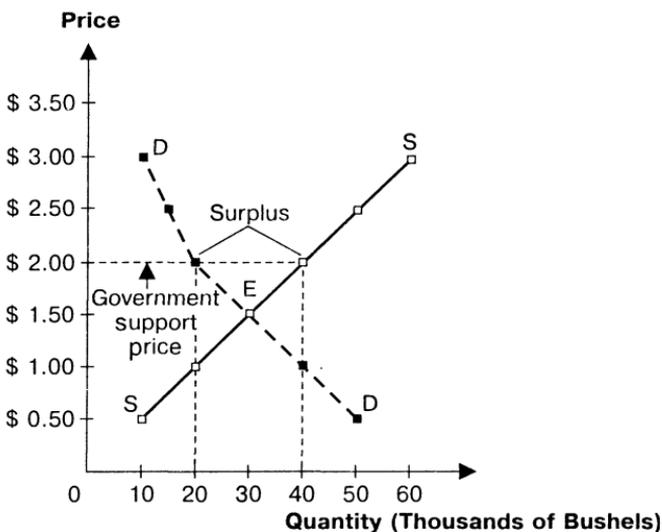
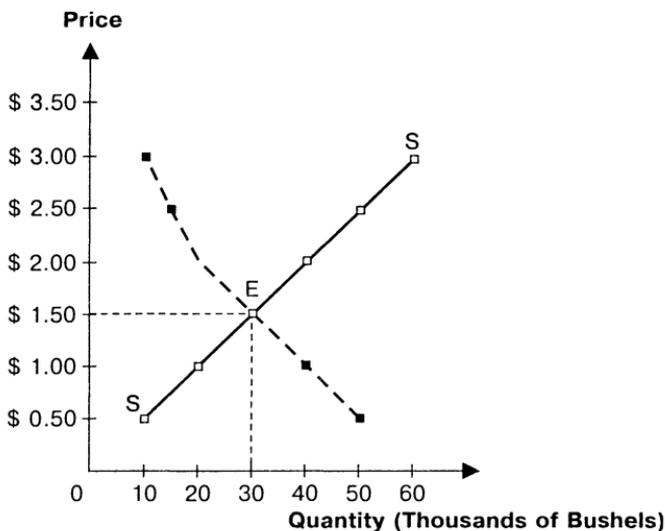
The demand and supply schedules show how many bushels farmers would be willing to put on the market at each price.

Price	Quantity Demanded	Quantity Supplied	Result
\$ 3.00	10,000 bu	60,000 bu	Surplus
\$ 2.50	15,000 bu	50,000 bu	Surplus
\$ 2.00	20,000 bu	40,000 bu	Surplus
\$ 1.50	30,000 bu	30,000 bu	Equilibrium
\$ 1.00	40,000 bu	20,000 bu	Shortage
\$ 0.50	50,000 bu	10,000 bu	Shortage

The graph below shows the supply and demand situation presented in the above table.

For example, at a price of \$ 3.00 per bushel, buyers would purchase only 10,000 bushels; but farmers would put 60,000 bushels on the market. There would be a surplus of potatoes. At \$ 1.00 per bushel, buyers would try to purchase 40,000 bushels, but farmers would be willing to put only 20,000 on the market.

There would be a shortage of potatoes. *Equilibrium* occurs at the price of \$ 1.50, at which buyers would be willing to purchase 30,000 bushels and farmers would be willing to produce and sell 30,000. There would be no surplus and no shortage. The market would be "cleared."



Now, suppose that the government decides that farmers ought to receive at least \$ 2.00 per bushel. That is, it puts a "floor" under the price and takes action to prevent the price from falling below \$ 2.00. In the graph below, the broken line at \$ 2.00 shows this "floor" price. Notice where this broken line touches the demand curve (D). Go from this point down to the horizontal axis at the bottom. It shows that buyers will purchase only 20,000 bushels at this price. Notice where the broken line touches the

supply curve (S). Moving from this point down to the horizontal axis at the bottom, you will see that farmers will try to put 40,000 bushels on the market when the price is \$ 2.00. As a result, there will be a surplus of potatoes. Consumers will pay more for potatoes, even though there is a surplus of unsold potatoes in existence.

J.2. Describe the graphs and discuss with a partner the following problems. Share your ideas with the whole group.

1. What will happen if the government raises the support price to \$ 2.50? How many bushels will be purchased? How many will be produced and put on the market? How large will the surplus be?
2. Suppose that the government decides to put a “ceiling” on potato prices, forbidding farmers to charge more than \$ 1.00 per bushel. How many bushels would appear on the market? How many bushels would buyers be trying to purchase? Would there be a shortage or a surplus?
3. Instead of potatoes, consider the price of labor (wages per hour). Assume that hourly wages for a particular type of worker (unskilled laborer) and the supply of workers are at equilibrium at \$ 4.35 per hour. What will happen if government increases the legal minimum wage from \$ 3.35 per hour to \$ 5.50 per hour?
4. Using the same principles, what will probably happen to the supply of apartments if the government sets a legal “ceiling” on the amount of rent a landlord can charge if it is below the equilibrium price for rental property?
5. If it is the role of government to assure economic security and equity, are there situations where price supports or ceilings are necessary?

Unit 10

Monetary and Fiscal Policy

A. Preliminary discussion

1. How does the federal government manage the US economy?
2. What are its objectives?
3. What role does the Federal Reserve play in managing the economy?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What are strengths of monetary policy?
2. If the money supply is \$ 150 billion, what will total spending be if velocity of money is 4?
3. What is federal funds rate?

C. Reading

C.1. Read the text and answer the questions.

1. Why is monetary policy a more subtle and more politically conservative measure than fiscal policy?
2. How can changes in banking practices reduce the Fed's control of the money supply?
3. What are the effects of tight and easy money policies?
4. When does the velocity of money decline?
5. How can the Fed obtain the market interest rates it desires?

Effectiveness of Monetary Policy

C. R. McConnell, S. L. Brue

Strengths of Monetary Policy

Most economists regard monetary policy as an essential component of U.S. national stabilization policy, especially in view of the following features and evidence.

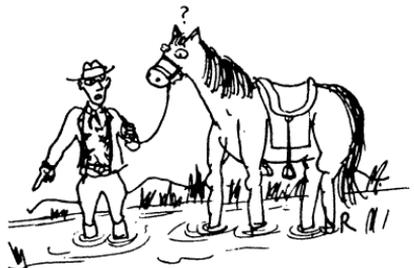
Speed and Flexibility. Compared with fiscal policy, monetary policy can be quickly altered. Recall that the application of fiscal policy may be delayed by congressional deliberations. In contrast, the Open Market Committee of the Federal Reserve System can buy or sell securities on a daily basis and thus affect the money supply and interest rates almost immediately.

Isolation from Political Pressure. Since members of the Fed's Board of Governors are appointed for 14-year terms, they are not often subject to lobbying and need not concern themselves with their popularity with voters. Thus the Board, more easily than Congress, can engage in politically unpopular policies which might be necessary for the long-term health of the economy. And, monetary policy itself is a more subtle and more politically conservative measure than fiscal policy. Changes in government spending directly affect the allocation of resources, and changes in taxes can have extensive political ramifications. By contrast, monetary policy works more subtly and therefore is more politically palatable.

Shortcomings and Problems

Despite its recent successes, monetary policy has certain limitations and it encounters real-world complications.

Less Control? Some commentators suggest that changes in banking practices may reduce, or make less predictable, the Fed's control of the money supply. People can now move near-monies quickly from mutual funds and other financial investments to checking accounts, and vice versa. A particular monetary policy aimed at changing bank reserves might then be rendered less effective by movements of funds within the financial system. For example, people might respond to a tight money policy by quickly converting near-monies in their mutual fund accounts or other liquid financial investments to money in their chec-



king accounts. Bank reserves would then not fall as intended by the Fed, the interest rate would not rise, and aggregate demand might not change. Also, banking and finance are increasingly global. Flows of funds to or from the United States might undermine or render inappropriate a particular domestic monetary policy. Finally, the prospects of E-cash and smart cards might complicate the measurement of money and make its issuance more difficult to control.

How legitimate are these concerns? These financial developments could make the Fed's task of monetary policy more difficult. But recent studies and Fed experience confirm that the traditional central bank tools of monetary policy remain effective in changing the money supply and interest rates.

Cyclical Asymmetry. If pursued vigorously, tight money can deplete commercial banking reserves to the point where banks are forced to reduce the volume of loans. This means a contraction of the money supply. But an easy money policy suffers from a "You can lead a horse to water, but you can't make it drink" problem. An easy money policy can ensure only that commercial banks have the excess reserves needed to make loans. It cannot guarantee that the banks will actually make the loans and thus that the supply of money will increase. If commercial banks, seeking liquidity, are unwilling to lend, the efforts of the Board of Governors will be to little avail. Similarly, the public can frustrate the intentions of the Fed by deciding not to borrow excess reserves. Additionally, the money the Fed injects into the system by buying bonds from the public could be used by the public to pay off existing loans.

In short, a potential cyclical asymmetry is at work. Monetary policy may be highly effective in slowing expansions and controlling inflation but largely ineffective in moving the economy from a recession or depression toward its full-employment output. This potential cyclical asymmetry, however, has not created major difficulties for monetary policy in recent eras. Since the Great Depression, higher excess reserves have generally translated into added lending and therefore into an increase in the money supply.

Changes in Velocity. Total expenditures may be regarded as the money supply multiplied by the velocity of money — the number of times per year the average dollar is spent on goods and services. If the money supply is \$ 150 billion, total spending will be \$ 600 billion if velocity is 4 but only \$ 450 billion if velocity is 3.

Some economists feel that velocity changes in the opposite direction from the money supply, offsetting or frustrating policy-related changes in the money supply. During inflation, when the money supply is restrained

by policy, velocity may increase. Conversely, when measures are taken to increase the money supply during recession, velocity may fall.

Velocity might behave this way because of the asset demand for money. An easy money policy, for example, means an increase in the supply of money relative to the demand for it and therefore a reduction in the interest rate. But when the interest rate — the opportunity cost of holding money as an asset — is lower, the public will hold larger money balances. This means dollars will move from hand to hand — from households to businesses and back again — less rapidly. That is, the velocity of money will decline. A reverse sequence of events may cause a tight money policy to induce an increase in velocity.

Interest as Income. Monetary policy is based on the idea that expenditures on capital goods and interest-sensitive consumer goods are inversely related to interest rates. We must now acknowledge that businesses and households are also recipients of interest income. The size of such income and the spending which flows from it vary directly with the level of interest rates.

Suppose inflation is intensifying and the Fed raises interest rates to increase the cost of capital goods, housing, and automobiles. The complication is that higher interest rates on a wide range of financial instruments (for example, bonds, certificates of deposits, checking accounts) will increase the incomes and spending of the households and businesses that own them. Such added spending is obviously at odds with the Fed's effort to restrict aggregate demand.

The point is this: For those who pay interest as an expense, a rise in the interest rate reduces spending, while a decline in the interest rate increases spending. But for those who view interest as income, a rise in the interest rate increases spending, while a decline in the interest rate reduces spending. The change in spending by interest-income receivers partly offsets and weakens the change in spending by purchasers of capital goods, homes, and autos.

Recent Focus: The Federal Funds Rate

In the past few years, the Fed has communicated its changes in monetary policy by announcing changes in its targets for the federal funds rate. (Recall that this rate is the interest rate which banks charge one another on overnight loans.) Statements by the Fed that it intends to increase the Federal funds rate suggest a “tighter” monetary policy is coming, while statements that it intends to reduce the Federal funds rate foretell an “easier” monetary policy. Interest rates, in general, rise and fall with the Federal funds rate.

The Fed does not set either the Federal funds rate or the prime rate; each is established by the interaction of lenders and borrowers. But because the Fed can change the supply of excess reserves in the banking system and then the money supply, it normally can obtain the market interest rates it desires. To increase the Federal funds interest rate, the Fed sells bonds in the open market. Such open-market operations reduce excess reserves in the banking system, lessening the excess reserves available for overnight loans in the Federal funds market. The decreased supply of excess reserves in that market increases the Federal funds interest rate. In addition, reduced excess reserves decrease the amount of bank lending and hence the amount of deposit money. We know that declines in the supply of money lead to increases in interest rates in general, including the prime interest rate.

In contrast, when the Fed wants to reduce the Federal funds rate, it buys bonds from banks and the public. As a result, the supply of reserves in the Federal funds market increases and the Federal funds rate declines.

The money supply rises because the increased supply of excess reserves leads to greater lending and creation of deposit money. As a result, interest rates in general fall, including the prime interest rate.

C.2. Decide whether these statements are True (T) or False (F).

1. According to recent studies the money supply and interest rates can be effectively changed by the traditional central bank tools.
2. Monetary policy is an instrument for moving the economy from a recession.
3. During inflation velocity may fall when the money supply is restrained.
4. Expenditures on capital goods and interest rates are mutually dependent.
5. The Fed sets the prime rate.

D. Vocabulary

D.1. Learn the vocabulary and make up your own sentences.

money supply — the amount of money in an economy at a particular time, and the speed with which it is used

subtle (*adj*) — very clever in noticing and understanding

near-money — something that can easily be turned into cash, for example some types of bank deposit

checking account — an account that allows the customer to use a checkbook and provides services such as bill payments

aggregate demand — the total demand for goods and services in an economy

issuance (*n*) — if an organization issues securities such as bonds and shares, it makes them available for people to buy

tight money — money that costs a lot to borrow because interest rates are high

deplete (*v*) — to lessen greatly in amount, contents, etc.

easy money — when there is easy money, banks and other organizations are willing to lend money, and interest rates are low

avail (*n*) — getting what you want

velocity of money — the number of times a particular unit of money is spent over a period of time

opportunity cost — the real cost of doing something, including the cost of things that you cannot do because of the choice you have made

recipient (*n*) — someone who receives something

Certificate of Deposit (CD) — a sum of money left with a bank for a particular period of time, and the document showing details of this

be at odds — if two statements, descriptions, actions, etc. are at odds with each other, they are different although they should be the same

federal funds rate — the interest rate banks charge each other

prime rate — the most favourable interest rate for borrowing by a bank's best customers, those companies with the least risk that they will not repay the loan

D.2. Give English equivalents to the following words and expressions:

- 1) находиться в противоречии, не соответствовать;
- 2) тонкий, проницательный; умный;
- 3) истощать, исчерпывать запасы/ресурсы, уменьшать;
- 4) прайм-рейт; базисная ставка;
- 5) «почти-деньги»;
- 6) денежная масса;
- 7) «дешевые деньги»;
- 8) процентная ставка по «федеральным фондам»;
- 9) текущий счет;

- 10) получатель;
- 11) депозитный сертификат;
- 12) совокупный спрос;
- 13) вмененные, скрытые издержки;
- 14) пуск в обращение;
- 15) скорость обращения денег;
- 16) выгода, польза;
- 17) «дорогие деньги».

D.3. Choose an appropriate word or expression from the box to complete the following sentences. Translate the sentences into Russian.

federal funds rate	money supply	aggregate
demand	tight money	velocity of money
at odds	near-monies	deplete

1. People might respond to a ... policy by quickly converting ... in their mutual fund accounts or other liquid financial investments to money in their checking accounts.
2. Bank reserves would then not fall as intended by the Fed, the interest rate would not rise, and ... might not change.
3. Total expenditures may be regarded as the money supply multiplied by the ... – the number of times per year the average dollar is spent on goods and services.
4. Statements by the Fed that it intends to increase the ... suggest a “tighter” monetary policy is coming.
5. Such added spending is obviously ... with the Fed’s effort to restrict ...
6. If pursued vigorously, ... can ... commercial banking reserves to the point where banks are forced to reduce the volume of loans.
7. The Open Market Committee of the Federal Reserve System can buy or sell securities on a daily basis and thus affect the ... and interest rates almost immediately.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. When the interest rate – the opportunity cost of holding money as an asset – is lower, the public will hold larger *money balances*.
2. Velocity might behave this way because of the *asset demand for money*.
3. A reverse sequence of events may cause a tight money policy to *induce* an increase in velocity.

4. Changes in government spending directly affect the allocation of resources, and changes in taxes can have extensive political *ramifications*.
5. Monetary policy is based on the idea that expenditures on capital goods and interest-sensitive consumer goods are *inversely* related to interest rates.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

The Gerund

§ 1. **Form.** The gerund has exactly the same form as the present participle: *changing, slowing, converting*. The *-ing* form is usually called a **gerund** when it behaves like a **noun** and a **participle** when it behaves like an **adjective**. However, there is some overlap between these two main functions and it is often difficult to make formal distinction. In broad terms, the **gerund** can take the place of a noun, though it can, like a verb, have an object: *She doesn't mind **working** overtime. They postponed **launching** the new model.*

§ 2. Functions:

- ◆ the gerund often functions in general statements as an uncountable noun with no article. It can also be replaced by **it**. **Leading a team is a key management function. It is very important;**
- ◆ sometimes the gerund functions as a countable noun which can be replaced by **it** (singular) or **they** (plural). *Shaw often gave **readings** of his plays. **They** were very popular;*
- ◆ we can use a gerund after determiners like **a, the, this, a lot of** and **some**, or after possessives and adjectives: **Your quick thinking saved us all;**
- ◆ the gerund also has some of the characteristics of a verb: e. g., it can be followed by an adverb or adverbial phrase: **Working effectively is difficult.** It can take an object: *We risk **losing our position** as market leader.* It can have a perfect form and even a passive: *I am sorry for **having wasted your time.** I can't forgive myself for **having been taken by surprise.***

§ 3. Use. The gerund can be used in the following ways:

- ◆ as a **subject** of a sentence when action is being considered in a general sense. *Advertising in trade journals has created a lot of interest in our products;*
- ◆ in short prohibitions: *No smoking;*
- ◆ in compound nouns: *waiting list*. The gerund here carries the main stress;
- ◆ as a complement of a verb: *Her duty is handling problems with customers.*

Gerunds after prepositions. When a verb is placed immediately after a preposition the gerund form must be used: *He is thinking of investing. What else can we do besides buying bonds?*

- ◆ A number of verb + preposition/adverb combinations (“phrasal verbs”) take the gerund. The most common are **be accustomed to, be for/against, care for, give up, keep on, leave off, look forward to, put off, see about, take to, be used to**. *We are looking forward to hearing from you. He is used to controlling his company.*
- ◆ The most important verbs followed by the gerund are: **admit, anticipate, appreciate, avoid, consider, defer, delay, deny, detest, dislike, dread, enjoy, escape, fancy = imagine, finish, forgive, imagine, involve, keep = continue, loathe, mean, mind = object, miss, pardon, postpone, practise, prevent, propose = suggest, recollect, remember = recollect, resent, resist, risk, save, stop, suggest, understand**. *She admitted taking the money.*
- ◆ The gerund is also used after the expressions **can't stand (= endure), can't help (= prevent/avoid), it's no use/good** and after the adjective **worth**. *It's no use arguing.*
- ◆ **Verbs + possessive adjective/pronoun object + gerund**. Compare: *He insisted on doing it. He insisted on my doing it*. Verbs and expressions which can take either construction are: **dislike, dread, fancy, involve, like, mean, mind, propose, recollect, remember, resent, save, stop, suggest, understand, approve/disapprove of, insist on, it's no good/use, object to, there is no point in, what's the point of**. *What's the point of trying so hard? What's the point of your trying so hard?*
- ◆ **'Excuse', 'forgive', 'pardon' and 'prevent'** are not followed directly by the gerund but take either possessive adjective/pronoun + gerund or pronoun + preposition + gerund: *I can't prevent him spending his own money.*

F.1. Identify all the gerund forms in the text “Effectiveness of Monetary Policy” and translate the sentences into Russian.

F.2. Choose a word from the box to complete the spaces in the article. After that write down each ‘-ing’ form into the appropriate column: the gerund or the present participle.

willing	multiplying	rising	spending	easing
slashing	citing	falling	strengthening	allowing
treating	causing	lending	eversing	

Bank of Japan Eases Monetary Policy

David Pilling, “Financial Times”

The Bank of Japan on Wednesday surprised markets by (1) ... monetary policy sharply, (2) ... uncertainty in Japan’s financial markets and the possible negative impact on the economy of the Sars crisis.

The central bank said it would raise the target for current accounts held at the central bank to ¥ 22,000 bn – ¥ 27,000 bn (\$ 184 bn – \$ 225 bn), from the previous level of ¥ 17,000 bn – ¥ 22,000 bn. Under the bank’s quantitative (3) ... policy, begun in March 2001, the BoJ has flooded the market with enough liquidity to drive interest rates down to virtually zero.

Because of “uncertainty regarding the economic and financial situation, the bank thought it appropriate to raise the target balance of current accounts held at the bank to maintain financial market stability, thereby (4) ... support for economic recovery,” the BoJ said in a statement.

Analysts said the announcement showed that Toshihiko Fukui, who became BoJ governor in March, was (5) ... to be more aggressive than his predecessor, Masaru Hayami. In his short time at the helm, Mr. Fukui has called an unprecedented emergency meeting, raised the amount of shares the BoJ can buy from banks and initiated a scheme for the bank to buy asset-backed securities from small and medium companies.

Even so, Mamoru Yamazaki, chief economist at Barclays Capital, said the policy moves would have almost no effect on the real economy or on prices, which have been (6) ... for seven years. He said the supply of more liquidity would, however, reassure the edgy financial markets, which have been battered by a sharply (7) ... stock market.

On Wednesday, the Nikkei average responded to the news by (8) ... 2.9 per cent to 7,831.4. Bank shares, which have been battered recently, rallied sharply. Of the big four, Mizuho rose 8.5 per cent, UFJ 11.6 per cent, Sumitomo Mitsui Financial Group 14 per cent and Mitsubishi Tokyo Financial Group 14.1 per cent.

The BoJ also signalled its intention to help in the workout of bad loans, which have paralyzed the banks, by (9) ... loans to the Industrial Revitalization Corporation (IRC) as collateral in its money market operations. The IRC, which begins business next month, is due to buy up to ¥ 10,000 bn of loans owed by weak, but salvageable, companies in an effort to get them off banks' books and clear them through the market.

The BoJ has long argued that its monetary policy cannot work properly unless commercial banks are restored to health, (10) ... them to fulfill their function of (11) ... base money into credit. Risk averse-banks have been (12) ... their loan books in an attempt to bolster their precarious capital-adequacy ratios, (13) ... bank (14) ... to fall for more than 60 straight months.

Mr. Yamazaki said that, until bad loans had worked through the system, BoJ policy was likely to prove impotent in terms of (15) ... deflation. Only if the government asked the bank to directly fund more (16) ... could the price fall be halted he said. "Without such a big policy change, it's very difficult to alter the current price situation."

The gerund	The present participle

G. Speak up

G.1. Answer the questions.

1. Who controls monetary policy in Russia?
2. What are particular features of monetary policy in Russia?

G.2. Analyze current economic conditions and formulate monetary policy for your country.

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Restoring the Fiscal Option

"The Economist"

Governments seem unable to use budgets to temper recessions. That is a pity.

The traditional Keynesian remedy for recession — deficit spending, and plenty of it — went out of fashion years ago. As it had come to be applied, it deserved to. Many governments were using budget deficits not merely to

cushion recessions but, fatally, to boost economic growth year in year out. That did not work, for the result was chronic inflation and higher taxes. But such past abuses should not blind governments to the role that budgetary policy can play in tempering the economic cycle. The fiscal option is often useful-and sometimes vital.

Yet politicians everywhere, it seems, are intent on denying themselves this option. Europe's governments were so worried that their new single currency would promote fiscal irresponsibility that they devised a "stability pact," which sternly discourages deficit spending. In the United States, nine months after the recession began, Republicans and Democrats are quarrelling over which ill-conceived measures to include in their stimulus package — as if to prove right of those who say that fiscal expansion always comes too late to be of any use. And in Japan, where fiscal stimulus has been tried and tried, the policy has apparently been a total failure. Governments of the world's big economies have either rejected the idea of active fiscal policy, or are proving that it would be better if they had.

Money Has Its Limits

This is a dangerous state of affairs. Monetary policy cannot carry the whole burden of stabilizing economies, especially when it has succeeded in driving inflation right down. Low inflation means low interest rates over the course of the cycle; and, since interest rates cannot fall below zero, they cannot then be cut by much should recession strike. The contribution that fiscal policy can make to cushioning the economy in a downturn may then become crucial.

However desirable this cushioning might be, does Japan not show that fiscal policy is impotent in the face of powerful deflationary forces? Actually, no. Japan used fiscal policy hesitantly and incompetently during the 1990s. When a big budget stimulus was briefly delivered, in 1995, the economy picked up; but fiscal policy then turned contractionary again. Budgets have not been used in a sustained and determined way to spur recovery. Now the government fears adding to its debt burden (the result of years of stagnation and contraction, note, not of years of seriously attempted reflation). The fear is misplaced. Fiscal reflation combined with monetary easing — "monetisation" of the deficit — would increase debt held by the central bank, not by the public. Even now, then, it is neither too late nor too costly for Japan to use fiscal policy.

What about the shambles over America's economic-stimulus bill? Does that not prove the folly of fiscal activism? It shows the dangers, no question. If fiscal policy is to play its part in softening a recession, without je-

opardizing the goal of budget balance over the longer term, Congress must be ready, when circumstances require, to pass simple measures that are politically undemanding and plainly temporary, and to do it quickly. With urgency at a premium, bigger one – off tax rebates, for instance, would make better sense than a bitterly contested rejigging of taxes and spending, with bad long-term implications for the budget whoever wins. Is it too much to ask that Congress “prioritie”: deal with the recession first, and argue about long-term taxes and spending later?

Let us hope the politicians can rise to the challenge. If low inflation is here to stay, governments need to learn to use fiscal policy more intelligently. Japan shows how bad the alternative can be.

H.2. Answer the following questions.

1. Why did the traditional Keynesian remedy for recession go out of fashion?
2. Why did Europe’s governments devise a “stability pact”?
3. Why can’t monetary policy carry the whole burden of stabilizing economies?
4. What would increase the debt held by the central bank?
5. Why do governments need to learn to use fiscal policy more intelligently?

H.3. Decide whether these statements are True (T) or False (F).

1. Budgetary policy can play an active role in tempering the economic cycle.
2. Japan failed to use fiscal stimulus effectively.
3. If recession strikes interest rates will be cut by much.
4. The congress must be ready to pass undemanding and temporary measures if fiscal policy jeopardizes the goal of budget balance.
5. Japan managed to use fiscal policy with careful consideration.

H.4. Match up the words and definitions and translate them into Russian:

- | | |
|--------------------|---|
| 1) reflation; | a) to urge or encourage forcefully to work harder; |
| 2) contractionary; | b) great disorder, (as if) the result of destruction; |
| 3) to spur; | c) an amount of money that is paid back to you when you have paid too much; |
| 4) to pick up; | d) policy of increasing the amount of money being used in a country, usually leading to more demand for goods and more industrial activity; |
| 5) shambles; | e) to rearrange especially so as to perform different work or to work more effectively; |

- 6) to jeopardize; f) if business or trade picks up, it improves;
7) rebate; g) to put at risk or in danger;
8) to rejig. h) showing or causing contraction, and especially causing
a reduction in business activity.

H.5. Read the article once more, find the sentences containing the gerunds and translate them into Russian.

H.6. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

Что России хорошо, то МВФ плохо

Николай Вардуль, «Коммерсантъ»

Российская экономика растет вопреки рекомендациям фонда.

На сайте московского представительства МВФ размещен доклад МВФ с рекомендациями российскому правительству по экономической политике в 2003 г. Главная рекомендация — не расходовать, а сберегать сверхдоходы от экспорта нефти. По существу, МВФ советует России укреплять доллар и ослаблять рубль. Российская же экономика растет, несмотря на то что власти проводят экономическую политику, прямо противоречащую вашингтонским рецептам.

«Для ограничения масштабов реального укрепления рубля ключевой задачей правительства по-прежнему является сбережение сверхдоходов от реализации нефти и противостояние сверхлимитным расходам, установленным в бюджете 2003 г.» — вот главная мысль доклада МВФ.

Идея ослабления реального курса рубля для российской экономической политики не нова. Ее активно пропагандировал советник президента Андрей Илларионов. Именно в этом он видел залог повышения конкурентоспособности российской промышленности как на внутреннем, так и на внешних рынках. При этом от господина Илларионова изрядно доставалось экспертам и руководству МВФ. Дело доходило до того, что советник российского президента в своих публикациях называл политику финансовой стабилизации, проведение которой было условием получения кредитов фонда, «социалистической», в том смысле что МВФ подталкивал Россию не к сокращению госрасходов, а, наоборот, к росту налогов и поддержанию госрасходов на несоразмерном с возможностями экономики уровне. Любопытно, что теперь господин Илларионов и эксперты МВФ выступают союзниками. Вероятно, МВФ считает приоритетом номер один наведение финансо-

вого порядка, полагая, что только на этой основе возможно проведение стимулирующей повышение конкурентоспособности курсовой политики. Так или иначе, тема конкурентоспособности стала одной из центральных в последнем послании российского президента — возможно, с легкой руки его советника. Президент, правда, ее расширил, поставив задачу достижения конкурентоспособности всего российского, начиная с промышленности и кончая профессорами и студентами. Одним из путей ее решения действительно является понижение реального курса рубля. Понижения же реального курса рубля, несмотря на рекомендации МВФ, практически невозможно добиться в условиях высоких цен на нефть. Для этого надо «сберегать сверхдоходы» не в долларах, а в рублях. Так что реальный курс рубля может снизиться именно со снижением цен на нефть.

МВФ исходит из того, что среднегодовая цена нефти в 2003 г. составит \$ 25,2 за баррель. В российский бюджет-2003 закладывалась средняя цена в \$ 21,5 за баррель. И тут МВФ берется за старое, то есть обвиняет российское правительство в том, что оно проводит неверную курсовую и бюджетную политику: начиная с 2003 г. Банк России допустил повышение курса рубля, а бюджетная политика «слабеет» еще с 2001 г. Так, в 2003 г. профицит бюджета расширенного правительства сократится на 0,5 % по сравнению с 2002 годом и на 3,6 % по сравнению с 2000 г. Все это можно было бы считать финансово-экономической эквилибристикой, если бы не вывод: МВФ фактически против дальнейшего снижения налогов в России, то есть, по Илларионову, фонд как был «социалистическим», так им и остался.

Пока экономисты спорят, российская экономика продолжает расти. По оценке МВФ, в 2003 г. российский ВВП вырастет на 4 %. Получается, курс рубля растет вместе с экономикой. Тогда в чем же смысл рекомендаций его снижения? МВФ считает, что главный источник роста — внутреннее потребление, второй источник — инвестиции, которые растут после сокращения в начале 2002 г.

Но внутреннее потребление подталкивает с конца 2002 г. тот самый ускоренный рост денежной массы, который МВФ ставит в вину российскому ЦБ. А рост инвестиций — прямое следствие укрепления рубля, которое опять же в Вашингтоне считают ошибкой.

Получается парадокс: будет ли расти российская экономика, если правительство и ЦБ выполняют рекомендации МВФ, — еще большой вопрос, хотя бы потому, что МВФ не рекомендует продолжать снижать налоги; но сейчас она растет, причем потому, что функционирует прямо вопреки советам из Вашингтона.

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passages into English.

Эффективность кредитно-денежной политики

С. С. Носова

Большинство экономистов рассматривают кредитно-денежную политику в качестве неотъемлемой части национальной стабилизационной политики. Действительно, в пользу кредитно-денежной политики можно привести несколько конкретных доводов.

Быстрота и гибкость

По сравнению с фискальной политикой кредитно-денежная политика может быстро меняться. Применение соответствующей фискальной политики может быть надолго отсрочено из-за обсуждений в парламенте. Иначе обстоит дело с кредитно-денежной политикой: буквально ежедневно принимаются решения о покупке и продаже ценных бумаг, что быстро влияет на предложение и процентную ставку.

Изоляция от политического давления

По своей природе кредитно-денежная политика мягче и консервативнее в политическом отношении, чем фискальная политика. Изменения в государственных расходах непосредственно влияют на распределение ресурсов, а налоговые изменения, без сомнения, могут иметь далеко идущие политические последствия. Кредитно-денежная политика, наоборот, действует мягче и потому представляется более приемлемой в политическом отношении.

Монетаризм

Хотя большинство экономистов считают как фискальную, так и кредитно-денежную политику действенными инструментами стабилизации, так называемые монетаристы полагают, что ключевым фактором определения уровня экономической активности является изменение денежного предложения, а фискальная политика относительно неэффективна.

Однако необходимо признать, что кредитно-денежная политика в реальной действительности сталкивается с рядом сложностей.

Минусы кредитно-денежной политики: избыточные резервы, появляющиеся в результате политики дешевых денег, могут использо-

ваться банками для расширения предложения денег; вызванное кредитно-денежной политикой изменение денежного предложения может быть частично компенсировано изменением скорости обращения денег; воздействие кредитно-денежной политики ослабится, если кривая спроса на деньги пологоа, а кривая спроса на инвестиции крута; к тому же кривая спроса на инвестиции может сместиться, нейтрализовав кредитно-денежную политику.

K. Case study

K.1. Read the article and do the exercises.

Fears Grow That US Economy Faces Deflation

Jenny Wiggins, Peronet Despeignes and David Pilling, "Financial Times"

Fears of deflation in the US rose on Friday as stock prices fell and government bond yields dipped to 45-year lows after a key measure of inflation dropped to its lowest level in 37 years.

The concerns were heightened by reports that Japan's deflation gathered pace in the first quarter with prices down 3.5 per cent from a year ago, their fastest 12-month drop on record.

The fall may fuel concerns that the Japanese economy could be in a deflationary spiral. Japanese prices have been falling since 1995 at an average annual rate of 1 to 2 per cent. The latest figures showed deflation accelerating in the 2002 financial year to 2.2 per cent, a record for a full year.

In the US the yield on 10-year and 30-year US Treasury bonds fell to 3.49 per cent and 4.45 per cent in early trading.

Longer-dated US government bonds have rallied sharply this week, with investors convinced that inflation will remain subdued, having less of an impact on the value of long-term assets.

The Labour Department reported that the 12-month rise in its core consumer price index fell to 1.5 per cent in April, its slowest 12-month rate of increase since January 1966. Strategists said the subsequent fall in bond yields could, however, be positive for the economy. "This is what the Federal Reserve wants," said Dominic Konstam, head of interest rates products research at Credit Suisse First Boston.

Falling yields mean falling borrowing costs, which make it easier for businesses to borrow and homeowners to refinance mortgages and get extra cash – factors that have helped keep the economy afloat. But the sharp slowdown in inflation has inflamed talk of Japanese-style deflation.

Japan's deflation figures were released along with gross domestic product figures showing that growth in the first quarter fell to almost zero, leading some economists to conclude that the economy was on the brink of yet another recession. Nominal growth fell 0.6 per cent in the March quarter, or minus 2.5 per cent on an annualized basis.

Paul Sheard, economist at Lehman Brothers, said: "If you look at the chart it looks horrible. It looks as though deflation is going through the floor." However, the headline figure exaggerated the picture, because the GDP deflator in the first quarter of 2002, when Japan began pulling out of recession, was positive, he noted. "It's something of a statistical fluke, though deflation is deflation and it is not a good sign." Most economists in the US have dismissed deflationary risks as marginal. But the Fed said recently that odds of an "unwelcome substantial" slowdown in inflation were now stronger than that of a rebound. "We continue to believe that inflationary pressures are building," said Brian Wesbury, an economist with Chicago-based, bond-trading firm Griffith Kubik, Stephens and Thomson, but "it is getting harder and harder to argue against the deflation story."

Concerns have also grown about a global-wide deflation which the US could import, as western Europe flirts with recession and Japan looks more likely to enter a deflationary spiral.

K.2. In pairs discuss the following.

1. Make a list of economic indicators that allow predicting future economic conditions.
2. What monetary instruments are used to control the economy?
3. What dangers does deflation pose for the economy?
4. How do you understand the connection between recession and deflation?
5. What is the main difference between the situations in Japan and the USA?

K.3. Issue a monetary policy directive that recommends how you would stabilize the economy. After each group has presented its monetary directive discuss the benefits of each policy.

Unit 11

Globalization

A. Preliminary discussion

1. What is globalization?
2. When did globalization gain its popularity?
3. Why do you think globalization excite so much disputes and controversy nowadays?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. Why does the author think that a comprehensive and radical alternative to globalization must be found?
2. According to the author in what way does localization differ from globalization?
3. What main flows of the concept of 'comparative capital' does the author give in the article?

C. Reading

C.1. Read the text and answer the questions.

1. What effects does globalization have on the economic development?
2. How does the author define 'localization'?
3. Why do you think the author described theory of comparative advantage as an 'ivory tower'?
4. How should GATT and WTO be revised to be relevant to today's reality?

There Is an Alternative to Globalization: It's Localization — a Global Manifesto

Colin Hines — Associate of the International Forum on Globalization. The arguments and alternative policies proposed in this paper are to be found in his new book "Localization — A Global Manifesto."



Localization — an Idea Whose Time Has Come

Globalization and free trade are under unprecedented attack as its adverse effects on the majority and the environment becomes ever clearer. Now is the time for a comprehensive and radical alternative to enter the public arena. This must be based on a new direction for the global economic system. Only when a new policy is worked out will inequality be improved. It must reduce, improve the basic provision of needs, and adequately protect the environment.

This process is “Localization” — a set of interrelated and self-reinforcing policies that actively discriminate in favour of the local. It provides a political and economic framework for people, community groups and businesses to re-diversify their own local economies. Not only does it have the potential to increase community cohesion, reduce poverty and inequality, but also it can improve livelihoods, social provision and environmental protection and provide the all-important sense of security.

It is the very antithesis of globalization, which emphasizes a beggar-your-neighbour reduction of controls on trade and contorts all economies to make international competitiveness their major goal. Localization involves a “better your neighbour” supportive internationalism where the flow of ideas, technologies, information, culture, money and goods has as its end goal the protection and rebuilding of local economies world-wide. Its emphasis is not on competition for the cheapest, but on co-operation for the best.

Globalization – World-wide Reality Based on Unrealistic Theories

Trade liberalization is built on the flawed theory of comparative advantage, the unchallenged diktat of being internationally competitive, and the illusionary promise of growth generating future wealth for all. Comparative advantage, “do what you do best, and trade for the rest” was an ivory tower theory that ignored the reality of the differences in power between traders and producers as well as those between nations. It was also originally developed against a backdrop of the certainty that money would remain local. However fundamental these flaws are and however irrelevant the theories are to today’s realities, the World Trade Organization is the global cheerleader and enforcer of comparative advantage.

“Capital advantage” holds that the free flow of money internationally ensures its efficient and rational use, allows financial investors to diversify risks globally and in the process ensure that governments run their economy to the benefit of such investors. The reality is the opposite, with investors exhibiting a herd instinct fuelled by “the trend is my friend” mentality. To woo footloose capital countries try to provide the low inflation, low tax, low government expenditure policies investors deem “prudent.” This means giving up power over major domestic control mechanisms like interest rates and government borrowing and risking reduced demand levels through lower domestic expansion. Recent economic crises have highlighted the adverse effects of global money flows and the Multilateral Agreement on Investment designed to speed this process up was defeated by international opposition.

The Advantages of Shifting from Globalization to Localization

The international resistance to the adverse effects of globalization is on the rise, providing an opening to pursue the case for localization. The parameters of the “local” although predominantly the nation state depend to some extent on the goods and services being considered. These range from the subnational for food stuffs, to the geographic region for aeroplanes. Localization requires widespread involvement, it will therefore be something done by people, not something done to them. The huge potential of localization includes devolved power, control of the economy, increased environmental and social protection and benign technological developments. Global financial instability makes such a radical departure evermore timely.

Localization can foster and build sustainable local communities to help rebuild local economies everywhere on a permanent and inclusive basis. It allows the achievement of social cohesion and economic renewal particu-

larly through investment in labour intensive, infrastructural renewal and face to face caring. Local businesses have a central role and much to gain. Globalization on the other hand poses a triple threat to sustainable local communities. Its fetishism of international competitiveness lead to public expenditure curbs which constrains community renewal; to the opening up of government purchasing to foreign interests, thus cutting local jobs; and the shifting of agriculture away from smaller scale farming for local markets to agribusiness methods to feed the wealthy globally.

Achieving Localization

The first step to localization is a “mindwrench” away from passive acceptance that globalization is as inevitable as gravity and towards a set of self-reinforcing measures that will bring about a ‘Protect the Local, Globally’ end goal for the international economic system. Protective safeguards such as import and export controls, quotas, subsidies, etc. will need to be introduced over a clearly agreed transition period. These will not be introduced as old style protectionism which seeks to protect a home market whilst expecting others to remain open. Any residual long distance global trade will instead be geared to funding the diversification of local economies. Such a dramatic, radical change will need to be introduced at first at the level of regional groupings of countries, especially the most powerful – Europe and/or North America.

Trade and Aid for Localization

The General Agreement on Tariffs and Trade (GATT) rules at present administered by the World Trade Organization should be revised fundamentally to become a General Agreement for Sustainable Trade (GAST), administered by a democratic World Localization Organization (WLO). Their remit would be to ensure that regional trade and international aid policies and flows, information and technological transfer, as well as the residual international investment and trade should incorporate rules geared to the building up of sustainable local economies. The goal should be to foster maximum employment through a substantial increase in sustainable, regional self-reliance.

How Localization Might Come About

The widespread resistance to globalization can be built upon to help fashion a viable localist alternative. There are already countless people and groups strengthening their local economies from the grass roots up. The greatest spur to consideration of such radical local alternatives at the go-

vernmental level will be the need to respond to global economic upheavals and the deflation, the job losses and inadequate consumer demand that will come in its wake. Equally crucial in shaping a different localist imperative amongst politicians will be the pressure that the politically active can bring to bear. This must shift from fighting separate issue specific aspects of globalization to realizing that their individual successes can only be secured as part of an overarching change to localization, but in an internationally supportive manner. In short to Protect the Local, Globally.

C.2. Decide whether these statements are True (T) or False (F).

1. Globalization has had a positive effect on the economic development of the world.
2. Globalization must reduce inequality, improve the basic provision of needs, and adequately protect the environment.
3. "Localization" is a set of interrelated and self-reinforcing policies that actively discriminate in favour of the local.
4. According to the author each country should do what it can do best, and trade for the rest of the world. It must reduce inequality, improve the basic provision of needs, and adequately protect the environment.
5. The greatest alternatives to globalization accepted at the governmental level will spur global economic upheavals and the deflation, the job losses and inadequate consumer demand that will come in its wake.

D. Vocabulary

D.1. Read and learn new words.

livelihoods (*n*) — the way in which you earn money in order to live
beggar-your-neighbour — beggar-my-neighbour is a card game in which the aim is to obtain all one's opponent's cards, leaving him with none. (*fig*) It means something assigned to bring to ruin your neighbour

comparative advantage — the advantage that one country has over another because it is better at making a particular product

ivory tower — (*often derog*) an imaginary place where very clever people are supposed to avoid the difficult reality of ordinary life

backdrop (*n*) — the conditions in which something happens

cheerleader (*n*) — a person who calls for and directs cheering esp. at sport game

herd instinct — a feeling which makes a group act alike, esp. in being unfriendly towards stranger

footloose capital — free capital that can be put everywhere

adverse (*adj*) — unfavorable; going against; opposing

labour intensive — (of an industry) needing a lot of workers compared to its other needs, such as money. Compare with “capital intensive”

residual (*adj*) — left over; remaining

gear (*v*) — to allow (an activity or course of action) to be dependent on or influenced by (a particular fact or condition)

diversification (*n*) — the process of making or becoming different in form, quality, aims, or activities; producing more and different products in order to make a business larger or protect it if the market for certain products fails

self-reliance (*n*) — ability to act without depending on the help of others

upheaval (*n*) — a great change, esp. with much activity, confusion, and sometimes violence

D.2. Give English equivalents to the following words and expressions:

- 1) сравнительное преимущество;
- 2) расширение промышленно-хозяйственной деятельности на новые сферы;
- 3) остаточный;
- 4) средства к существованию;
- 5) неблагоприятный;
- 6) единство, сплоченность;
- 7) стадный инстинкт;
- 8) достоверность;
- 9) трудозатратный.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

comparative	advantage	prudent	livelihood	certainty
labour	intensive	gear	footloose	

1. Removing quotas allows to enrich the world.
2. These must be ... loans requiring the buyer to put in significant capital.
3. More than one million Americans depend on Japanese companies for their

4. There is no ... that an agreement will be reached.
5. The company was using old, production methods.
6. We must ... the amount of products we make to the level of public demand.
7. The proposal has attracted a lot of ... comment.
8. I wish I could be ... fancy-free.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. The Crown remains some *vestigial* power.
2. It was not *discreet* of you to say that.
3. The expert focused on the conditions *inimical* to economic development.
4. You will not get much *sustenance* out of one bar of chocolate.
5. She is *financially independent* (of her family), so called a woman of independent means.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

Inversion

§ 1. Inversion after adverbs. Sometimes in a sentence the normal subject-verb order can be reversed. Such cases are called inversion.

Inversion can occur if a sentence begins with an adverb. This can happen after **here** and **there** or after adverb particles such as **back**, **down**, **off**, **up**, etc. In such sentences the noun subject comes after the verb. This is common with verbs of motion, such as go and come.

E. g.: *Here comes my friend!*

There goes the last train! (Note the progressive is not used here.)

This kind of inversion is common after **to be** when we are offering things or identifying location (often with a plural subject):

E. g.: *Here's a piece of cake!* (*offer*).

Here's your document! (*offering or indicating*).

'There's (stressed) Ann Adams! (*identifying person*).

Inversion does not occur if the subject is a pronoun:

E. g.: *Here it comes. There she goes. Up it went.*

§ 2. Inversion after negative adverbs. Certain adverbs, when used at the beginning of a sentence, must be followed by auxiliary verbs (**be, do, have, can, must, etc.**) + **subject + the rest of the sentence**. This kind of inversion, which may be used for particular emphasis, is typical of formal rhetoric and formal writing. It occurs after the following:

- ◆ negative or near-negative adverbs (often of time or frequency, such as **never, rarely, seldom**); or adverbs having a negative effect, e. g., **little, on no account**: e. g., *Never/Seldom has there been so much protest against the Bomb. Little does he realize how important this meeting is. On no account must you accept any money if he offers it;*
- ◆ **nor, nowhere, hardly ... when, scarcely ... when, no sooner ... than**: e. g., *He can't do it; nor can I. Hardly had I fallen asleep when the telephone rang. No sooner had we reached the town than we learned the news.*

The word order is, of course, normal when these adverbs do not begin a sentence: e. g., *There has never/seldom been so much protest against the Bomb. He little realizes how important this meeting is:*

- ◆ combinations with **only** (e. g., **only after, only then**): e. g., *The pilot reassured the passengers. Only then did I realize how dangerous the situation had been;*
- ◆ **so + adjective (+ that) and such(+ that)**: e. g., *So sudden was the attack (that) we had no time to escape. Such was his strength that he could bend iron bars;*
- ◆ however + adjective or adverb with a subject; adjective or adverb + as or though + subject: e. g., *However busy he is (= Busy as he is), he never refuses to help us. Late thought it is, we'll stay here a little longer. Fast as they walked, they missed this train.*

F.1. Identify inversions in the text “There is an alternative to globalization: it’s localization – a global manifesto” and translate the sentences into Russian.

F.2. Rewrite the sentences so that they begin with the words in italics.

1. There has *never* been such a display of strength by the workers.

2. I realized what had happened *only later*.

3. You shouldn't sign the document *on any account*.

4. You shouldn't answer the door when I'm out *in any circumstances*.

5. The papyrus was *so old*, we didn't dare to touch it.

F.3. Rewrite each sentence, starting with the word in brackets, so that it has the same meaning. Translate these sentences into Russian.

1. The phone rang just as John got into the bath (*hardly*).
2. Three days of the holiday had passed before I began to relax. (*not until*)
3. The force of the wind was so strong that it flattened the houses. (*such*)
4. Management takes no responsibility for loss of belongings. (*in no way*)
5. The thief took my wallet and my sunglasses too. (*not only*)
6. I only knew it wasn't a fancy dress party any longer when I arrived there in my Superman costume. (*only when*)
7. Shortly after I started cooking, there was a power cut. (*hardly*)
8. She didn't know that they were talking about her behind her back. (*little*)
9. She never told me that I would have to pay for the make up demonstration. (*at no time*)
10. We don't often get summers like the platform just as the train pulled away. (*no sooner*)
11. The earthquake was so devastating that thousands of people were made homeless. (*so*)
12. She met George Clooney in a bar, and he took her out to dinner. (*not only*)
13. The play started just after I arrived. (*no sooner*)
14. Tom didn't realize how difficult the exam would be. (*little*)
15. You must not stay in the building if the fire alarm goes off. (*on no condition*)
16. I had hardly ever seen him looking so depressed. (*seldom*)
17. The response to the appeal was so great that we managed to raise \$1 million. (*such*)
18. She didn't find a penny. (*not*)
19. You are not allowed to speak during the lecture. (*at no time*)
20. He looked so absurd that everybody stared at him. (*so*)
21. The demand for the computer game was so great that it sold out in one day. (*such*)

G. Speak up

G.1. Answer the following questions.

1. Does globalization increase poverty and inequality?
2. Does globalization reduce national sovereignty in economic policy-making?
3. Are periodic crises an inevitable consequence of globalization?

G.2. Discussion topics.

1. Globalization is not merely a question of economics. Culture, community, civil society, and personal freedoms are important elements in a rich and vibrant world. Can civil society, religion, and community thrive given the fact of globalization?
2. What are the preconditions for prosperity? Can free trade be fair? Is foreign aid effective at improving people's lives? Do corporations in the developing world exploit the poor or contribute to economic growth? What role can technology play in ending poverty?

H. Reading the English newspaper

H.1. Read the article and do the exercises.

War and Terrorism Put Globalization at Risk

Gail D. Fosler

New York. The dual threats of terrorism and war may be able to achieve what anti-globalization forces have not — a significant decline in global trade and investment.

“The most serious economic consequence of the current global security threat is the vulnerability of the United States and other countries that depend on global trade to shocks from actual supply interruptions and to the sharply changed incentives that have promoted globalization,” says Gail D. Fosler in the current issue of *StraightTalk*, her monthly newsletter.

This new, higher risk to the global business environment has important implications for global market and supply chain strategies.

In the United States, several important industries have increasingly come to depend on their global supply chain both for supplying the US market and for export. Retailers and domestically branded apparel, appliance, and footwear manufacturers and distributors have tapped low-cost labor elsewhere, often Asia. Computers, electronics, and video, audio and communications equipment depend heavily on offshore supply. More than 40 %

of all US requirements for both consumer and industrial use in footwear, apparel, and computers are made overseas.

Uncertain Supply Chain Connections

This increasing global dependence also exposes both companies and countries to the risks of supply interruption from real or perceived terrorist threats. The impact of supply shocks differs depending on the industry. Shocks to the auto industry have a big impact on the industrial sector, because they account for large up-stream purchases. Service sector shocks, in contrast, have relatively less impact on the rest of the economy.

Large differences in the economic impacts among industries help explain the devastation caused by the drop in technology demand and the impact of the West Coast dock strike on the one hand and the relatively smaller economic effects of $9/11$ on the other. Not only did the technology industry itself decline, but it also dragged with it close to twice as much demand throughout the economy. The dock strike had a similar impact.

The hotel and air transportation industries shutdown in the wake of $9/11$ did not ripple through the economy to the same extent, although the impact was enormous on the companies and industries involved. While these industries incurred huge economic hardship from which they have yet to recover, they do not have the broad economic reach in either scope or demand that some other industries do.

Global Growth Will Continue

Despite the threat of war and the darkening mood in financial markets, the global economy is intact. Overall, global growth is projected to be about 3.4 % this year, with better economic performance in almost all regions.

“Since stock markets are forward-looking animals, it is not surprising that they have continued to take valuations down in the face of the tremendous uncertainty surrounding events in the Middle East and increasing unease about the deteriorating situation in North Korea,” says Foster. “Still, corporate profits in most major countries are showing substantial improvement even in the current lackluster growth environment. This profit improvement is not unencumbered by financial risks as weak stock markets, bad credits, and other impairments tug at the bottom line. But, in spite of this, a recovery is clearly underway.”

Even in Europe, where the financial mood is blackest, the strengthening US dynamic and the strong correlation between the European and US business cycles suggest that the European economy will improve later in 2003. Just as Europe was not immune from the US slowdown in 2000 and 2001, it will also be lifted by faster growth in the US this year.

US consumer fundamentals also appear to be improving. The continued rise in wages and salaries, which is a core component of consumers' spending power even in the face of a sharp drop in consumer confidence, complements a huge gain in real disposable income driven by low inflation and the 2001 tax cuts. Consumer spending power is rising at a 5.8% annual rate. Consumer spending growth, which is running at a 3% annual rate, is low, not high, relative to spending power in the face of substantial discounts and financing incentives, reflecting an ongoing trend toward higher savings rates.

But as February numbers show, consumer confidence is still a problem, and probably constitutes the biggest risk associated with the imminent prospect of war. Until the economic momentum and corresponding job gains really take hold, consumer expectations remain volatile.

"The positive effects for an improving economy are in a foot race with the negative concerns of war," Fosler says. "The outcome is a genuine unknown."

H.2. Answer the following questions.

1. What new risks can threaten the process of globalization?
2. What facts prove that nowadays national economies are very dependent on each other?
3. How does the threat of war influence the global economy?
4. What is the perspective of economic development in the global business environment?

H.3. Match up the words and definitions:

- | | |
|-----------------------|--|
| 1) spending power; | a) weakening or making worse; |
| 2) disposable income; | b) stopping of work or operation because of a labour quarrel, holiday, repair, lack of demand, etc.; |
| 3) impairment; | c) involving an activity performed outside a particular country, rather than inside it; |
| 4) appliance; | d) to make action or movement difficult for; weigh down; |
| 5) devastate; | e) income that is available for someone to spend or save after they have paid tax and paid for the things that they need such as accommodation and food; |
| 6) off-shore; | f) buying power; |
| 7) shutdown; | g) an apparatus; instrument, or tool for a particular purpose, esp. an electrical machine that is used in the house; |
| 8) encumber. | h) to destroy completely so that nothing useful or valuable remain. |

H.4. Read the article once more, find the sentences containing inversion and translate them into Russian.

H.5. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

«Глобализация» национальных хозяйств и современный экономический кризис

Владислав Иноземцев

Многие экономисты, социологи, философы и политологи считают, что наиболее характерной чертой XX в. является нарастающая интернационализация социально-экономических процессов. Безусловно, движение по всему миру гигантских потоков капитала, товаров, людей и, что особенно бросается в глаза, беспрецедентно интенсивный обмен информацией определяют лицо и динамику уходящего века. Для собирательного обозначения всех этих процессов применяется понятие глобализации, наполняемое различным содержанием в зависимости от целей и представлений того или иного исследователя. Адепты западных ценностей говорили о глобализации, подразумевая экспансию их идеалов в планетарном масштабе; проповедники ускоренной индустриализации усматривали в ней подтверждение модели «догоняющего» развития; ряд коммунистических теоретиков позитивно оценивали этот процесс с точки зрения вовлечения их собственных стран в мировое разделение труда.

Рост интенсивности хозяйственного и информационного обмена между отдельными регионами планеты бесспорен. Между тем та взаимозависимость, которая обычно и наполняет собой понятие глобализации, отнюдь не очевидна. Дело в том, что наблюдается не столько нарастание взаимозависимости элементов мировой экономики, сколько беспрецедентный рост ее односторонней зависимости от основных центров постиндустриального мира. На мой взгляд, именно этот тезис подтверждается ходом развития того разрушительного экономического кризиса, который начался летом 1997 г. и возможные последствия которого еще не достаточно оценены.

Главная глобальная экономическая проблема современности связана с формированием в рамках ведущих западных стран замкнутой хозяйственной системы. Этот процесс может быть прослежен по четырем

направлениям: концентрации в постиндустриальном мире большей части интеллектуального и технологического потенциала человечества; сосредоточении основных торговых оборотов в пределах сообщества развитых держав; замыкании инвестиционных потоков и резком ограничении миграционных процессов из «третьего мира» в развитые регионы планеты.

Первое из этих направлений представляется наиболее очевидным. К 1990 г. члены «Клуба Семи» обладали 80,4 % мировой компьютерной техники и обеспечивали 90,5 % высокотехнологичного производства. На США и Канаду приходилось 42,8 % всех производимых в мире затрат на исследовательские разработки, в то время как Латинская Америка и Африка, вместе взятые, обеспечивали менее 1 % таковых.

Эти тенденции выражены, прежде всего, в росте собственно технологического могущества постиндустриальных стран. Они проявляются также в их возрастающей инвестиционной привлекательности, обеспечивающей приток иностранных капиталовложений. Отсюда и высокая оценка американских и европейских компаний инвесторами (например, рыночная капитализация компании Microsoft, достигшая в марте 1998 г. почти 300 млрд долл., фактически равна ВВП Индии и лишь незначительно уступает ВВП Австралии и Нидерландов).

Второе направление. Исследователи процессов глобализации отмечают, что на протяжении XX столетия международная торговля по темпам роста уверенно опережала ВВП большинства индустриально развитых стран. Так, с 1870 по 1913 г. объемы экспорта европейских держав увеличились на 43 % больше, чем их ВВП, а в 50–60-е гг. XX в. — уже на 89 %. Суммарный ВВП всех государств мира с 1950 по 1992 г. повысился с 3,8 до 18,9 трлн долл., а объем торговых оборотов — с 0,3 до 3,5 трлн долл.

Однако за этими цифрами из поля зрения нередко ускользает тот факт, что если в 1953 г. индустриально развитые страны направляли в страны того же уровня развития 38 % общего объема своего экспорта, то в 1963 г. — уже 49, в 1973 г. — 54, в 1987 г. (после 15 кризисных лет) — 54,6, а в 1990 г. — 76 %. В результате ко второй половине 1990-х годов сложилась ситуация, когда только 5 % торговых потоков, начинающихся или заканчивающихся на территории одного из 29 государств — членов ОЭСР, выходят вовне этой группировки.

Третье направление связано с новым качеством инвестиционной активности в развитых странах. Рост инвестиционных потоков и их сосредоточение в границах постиндустриального мира сегодня заметны как никогда. Примером тому может служить распределение ин-

вестиций США и в США по отдельным секторам и источникам. Если в 1970 г. в Европу направлялось около $\frac{1}{3}$ всех американских инвестиций, то в настоящее время уже 50 %, тогда как на долю Японии и новых индустриальных государств Азии приходится не более 8, а Мексики — менее 3 %. Инвестиции же в США с 1970 по 1990 г. возросли более чем в 30 раз.

Четвертое направление прослеживается особенно очевидно с конца 1970-х гг., когда формирование постиндустриального мира резко снизило активность вызванной экономическими факторами миграции внутри сообщества развитых государств (так, сегодня в странах ЕС при фактическом отсутствии ограничений на передвижение и работу лишь 2 % граждан находят себе применение вне национальных границ) и в то же время повысило темпы притока легальных и нелегальных иммигрантов из «третьего мира». Если в 1950-е гг. в США 68 % легальных иммигрантов прибывало из Европы или Канады и принадлежали они в основном к среднему классу, то в 80-е более 83 % их числа были азиатского или латиноамериканского происхождения и, как правило, не обладали достаточным образованием.

Эти процессы приводят к тяжелым последствиям для рынка труда США и Европы. Так, в США с 1980 по 1995 г. приток низкоквалифицированных иммигрантов на 20 % уменьшил предложение на рынке труда со стороны лиц, не имеющих законченного школьного образования, и снизил среднюю оплату их труда более чем на 15 %. В ЕС количество иностранных рабочих фактически совпадает с числом безработных. Естественно, напряженность, вызываемая миграционными процессами, усиливается.

Отрицательные последствия такой миграционной экспансии заставляют органы власти развитых держав принимать соответствующие меры. Скорее всего, ближайшие десятилетия станут для США и ЕС периодом жестких ограничений использования иностранной рабочей силы.

I.2. Render the article using the active vocabulary.

J. Translation

Translate the following passage into English using the active vocabulary.

В настоящее время постиндустриальные державы становятся все более автономными от индустриальной части планеты, сокращая свои потребности не только в сырье и материалах, но и в массовых изделиях индустриального производства и сосредоточивая у себя изготовление

наукоемкой продукции и информационных ресурсов. Новые индустриальные страны формируют сегодня не новый центр хозяйственного роста, а в полной мере зависимый «второй эшелон» мировой экономики. Кризис в Юго-Восточной Азии наглядно показал, насколько иллюзорны возможности вхождения этих государств в пределы постиндустриального мира.

Однако даже сейчас большинство западных социологов полагает концепцию глобализации фактически единственной парадигмой исследования. Они считают, что три процесса, определяющие глобализацию хозяйства — отход от государственного регулирования в пользу рыночного механизма, преодоление национальных границ в ходе интеграции отдельных экономик и развитие новых информационных технологий — способны привести к хозяйственному росту и процветанию. На мой взгляд, более очевидным представляется, что первый процесс может в более или менее завершённой форме протекать только в постиндустриальных странах, где для этого сложились все необходимые условия; второй — ставится под сомнение нарастающей отдалённостью развитых стран от развивающихся, а третий — лишь подтверждает абсолютное доминирование постиндустриального мира.

Глобальной экономики сегодня не существует; имеет место хозяйственная система, в которой экономическое и социальное развитие большей части человечества жестко обусловлено прогрессом постиндустриального мира и его способностью влиять на ход событий в остальных регионах планеты. Безусловно, хозяйственные и информационные связи становятся все более интенсивными и разнообразными, но значение их в рамках различных социально-экономических систем остается диаметрально противоположным. Внутри постиндустриального мира глобальные тенденции ведут в конечном счете к сближению уровней развития отдельных стран и жесткому противостоянию их с остальным миром. Во всемирном же масштабе каждое новое проявление «глобализации» оказывается очередной ступенью к формированию однополюсного мира, в котором глобальным значением может обладать только его центр, его постиндустриальная составляющая.

K. Case study

K.1. Below are the quotes dealing with globalization and poverty. They are arranged in order from the most pro-globalization to the most anti-globalization. Read them through and give your point of view.

“Globalization, then, is growth-promoting. Growth, in turn, reduces poverty. ...the liberalization of international transactions is good for freedom and prosperity. The anti-liberal critique is wrong: marginalisation is in large part caused by not enough rather than too much globalization.” — Razeen Sally, London School of Economics.

“Personally, I do not believe that those [poor] people are victims of globalization. Their problem is not that they are included in the global market but, in most cases, that they are excluded from it.” — Kofi Annan.

“There needs to be a better balance between the role of markets and the role of government. Simplistic reforms based on free-market ideology don't work. The way that East Asia managed globalization, which combined an export-orientation with policies aimed at poverty reduction, worked even for the poor people. These countries did liberalize trade, but only as they created jobs.” — Joseph E. Stiglitz, 1991 winner of the Nobel Prize in Economics.

“Obscene patterns of poverty and inequalities amidst ostentatious wealth are thus the very stuff of our global system. They raise basic issues of morality and ethics for the prosperous areas of the world. We need to be asking whether the current inequalities are legitimate and just? Can something be done to achieve some degree of human decency?” — Robert Fatton, Jr., University of Virginia.

K.2. Does globalization bring great opportunity to the world or does it bring deeper poverty?

Unit 12

Economics and Ecology

A. Preliminary discussion

1. What environmental problems can you name?
2. Do you think that environmental problems can be solved economically?
3. Did all the environmental problems result from the economic activity of people?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What four problems concerning environment does the author mention in the text?
2. Why does the author think that these problems can't be solved without global measures?
3. What are these measures?

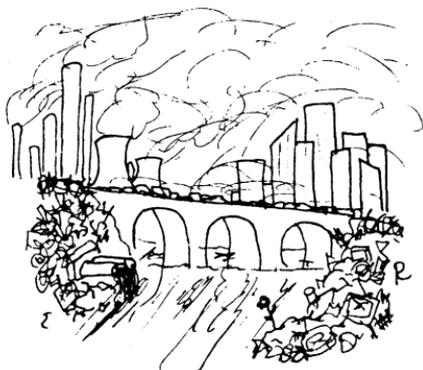
C. Reading

C.1. Read the text and answer the questions.

1. In what way does economic activity influence nature?
2. What examples of the best global policy in the sphere of environmental protection were given in the text?
3. What must be next steps of CITES?

Global Problems Need Global Solutions

Consider a global environmental problem like the depletion of the ozone layer caused by human release of chemicals. As we will see when we look



at this in more detail, many types of activities release these chemicals, and the total of the global release causes the depletion. The harm of ozone depletion has global effects, with some countries more affected than others.

What would each country do if it sets its own policy toward this problem? From the purely national viewpoint, each country would recognize that chemical releases have some ne-

gative effect on its people, and it might use a policy to limit releases if it thought the national harm was large enough. But, for the whole world, total releases would be much too large. Each country would ignore the harm that its own releases did to other countries, so it would not be sufficiently stringent with its own environmental policy.

To get closer to the best global policy, the countries would need to find some way to cooperate. Each would need to tighten its standards compared to what it would do on its own. If each country does this, the whole world is better off. Many, but perhaps not all, of the countries will also be better off. Each country incurs some costs in tightening its standards, but each also derives benefits from the reduction of the environmental damage.

Still, it may be very difficult to reach this global agreement. One problem is that there may be disagreement about the costs of the environmental damage or the costs of tightening standards. Science is unlikely to provide a definitive accounting, and countries differ in their willingness to take environmental risks. Even if this problem is not so large, others are likely to arise. Countries that suffer net losses from tightening may be unwilling to take part, unless they receive some other kind of compensation, given countries that gain from the global agreement have a perverse incentive. A country can gain even more by free-riding. That is, it can gain most of the benefits if other countries abide by the agreement to tighten standards, even if this country does not and it avoids the costs of tightening its own standards.

Because of the problem of free-riding, a global agreement needs some method of enforcement, to get "reluctant" countries to agree in the first place, and to assure that they abide by the agreement after they have it established. There is no global organization that can provide these enforcement services. Countries can establish an enforcement mechanism as part of the global agreement, but it is not clear what it should be. It is generally

not possible to impose fines directly. One possible penalty is some kind of trade sanctions, to reduce the offending country's gains from trade. Such sanctions also have costs for the countries imposing the sanctions, and in any case they often do not work.

This is a sobering analysis. When an environmental problem causes only domestic costs, it is up to the government of the country to address it. When countries have this problem spread transborderly but regionally among a small number of countries, it is more difficult but still may be solvable by negotiations. When the problem is global, a global (or nearly global) multilateral agreement is needed, but negotiating and enforcing this agreement may prove to be very difficult or impossible. Among these problems we can name four problems that are global in nature. We begin with a fairly effective global agreement to use trade policy to prevent the extinction of endangered species. We then can name depletion of ocean fishing stocks, and the lack of any effective solutions to this global inefficiency. Then goes a successful, nearly global agreement to reverse ozone depletion. And we can conclude with the most daunting of global environmental issues, greenhouse gases and global warming.

Here we are going to dwell on the first problem. Extinction of species is a natural process. Still, within the past half century the specific role of human activity in causing extinction has become recognized and controversial. It is reckoned that human activities eliminated only 11 mammal species and 24 birds in the 18th century, then 29 mammals and 61 birds in the 19th century, and 52 mammals and 70 birds from 1900 to 1987. There is a general belief that there is a loss when a species becomes extinct, perhaps because there may be future uses for the species (for instance, as a source of medicinal products). Thus, a global effort to prevent extinction of species can be economically sensible.

Human activities contributing to extinction include destruction of habitat, introduction of predators, and pollution. In addition, excessive hunting and harvesting can also cause extinction. The specificity rule indicates that the best global policy to preserve species would be a policy that promotes the species through such direct means as protected parks and wild areas; ranching, cultivation, and similar management intended to earn profits from the ongoing existence of the species; and zoos to maintain species in captivity. While there is no global agreement to promote these best solutions, there is a global agreement to control the pressure of international demand.

In 1978 some countries signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). With 138 mem-

ber countries by 1997, CITES establishes international cooperation to prevent international trade from endangering the survival of species. An international scientific authority decides which species are endangered. Commercial trade is usually banned for species threatened with extinction — about 900 species, including elephants, gray whales, and sea turtles. To export these products for noncommercial purposes, a nation must obtain an export permit from the central authority, and it must have a copy of an import permit from a suitable buyer in a country that signed CITES. Commercial trade is limited for an additional 29,000 species because tree trade could lead to the threat of extinction.

No species with a trade ban has become extinct. Some, including the rhino and the tiger, continue to decline, but CITES has probably slowed the declines. Generally, CITES seems to be fairly effective.

Much of the conflict over endangered species naturally centers on Africa, with its unique biodiversity and its fragile ecosystems. The biggest fight so far has been over the fate of the African elephant, which is hunted for its ivory tusks.

The human slaughter of elephants accelerated at an alarming rate in the 1970s and 1980s. The problem was most severe in eastern Africa, north of the Zambezi River. The governments of Kenya, Tanzania, and Zambia, while ostensibly committed to protecting elephants, were not preventing killing by poachers. The threat to elephants was weaker in southern Africa, south of the Zambezi, for three reasons: The governments of Zimbabwe, Botswana, and Namibia enforced conservation more aggressively, agriculture was less of a threat to the wild animal population, and some elephants of Botswana and Zimbabwe had tusks of poor commercial quality.

In 1977, the African elephant was placed on the list of species with controlled trade. Public pressure from affluent countries to save the elephants became intense by the late 1980s. In 1989, most of the CITES countries signed a complete ban on exporting or importing ivory. The drastic reduction in demand, especially demand from the affluent countries, caused ivory prices to plummet, from \$ 100 per kilogram to only \$ 3 or \$ 4 per kilogram.

Poaching decreased and elephant populations stabilized or even increased. The bans on trade in African elephants and their ivory appear to be successful. But CITES now must face the challenge of evaluating claims of sustainable use, rather than simply using its precautionary bans.

C.2. Decide whether these statements are True (T) or False (F).

1. The harm of ozone depletion has global effects and every country suffers equally.

2. For the whole world chemical releases cause less harm than for a single country.
3. There is no global organization that can get “reluctant” countries to observe agreements after they are established.
4. Some species with a trade ban have become extinct.
5. The great reduction in demand, especially demand from affluent countries caused decrease of poaching in Africa.

D. Vocabulary

D.1. Read and learn new words.

deplete (*v*) — to lessen greatly in amount, contents, etc. — depletion (*n*)

ozone layer — a layer in the earth’s atmosphere in which ozone is formed, preventing harmful radiation from the sun reaching the earth

stringent (*adj*) — (esp. of rules, limits, etc.) severe; making difficult demands

incur (*v*) — to receive (esp. something unpleasant) as a result of one’s actions; bring upon oneself. E. g.: *to incur costs*

derive (*v*) — to obtain (esp. something non-material.) E. g.: *to derive profits*

net loss — a loss taking account of any exceptional losses

free-riding — getting something for free that another must pay for it

abide by (*phr v*) — to obey exactly or remain faithful to (law, promises, etc.)

greenhouse gases and global warming — gases, esp. carbon dioxide or methane, which is thought to trap heat above the Earth and cause the greenhouse effect; and general increase in world temperature caused by carbon dioxide collecting in space immediately around the Earth

habitat (*n*) — the natural home of a plant or animal

violating the trade bans or controls — disregarding the act forbidding trade with some countries

biodiversity (*n*) — variety of different species

fragile ecosystems — the weak state of the system of all plants, animals, and people in the area together with their surrounding, considered from the point of view of their relationship to each other

poach (*v*) — to catch or shoot (animals, birds, or fish) without permission

D.2. Give English equivalents to the following words and expressions:

- ◆ истощение озонового слоя;
- ◆ хрупкая экосистема;
- ◆ богатые страны;
- ◆ парниковый эффект и глобальное потепление;
- ◆ принудительные меры;
- ◆ браконьерствовать;
- ◆ ареал;
- ◆ якобы, по видимости;
- ◆ биологическая вариативность;
- ◆ нарушать торговые запреты.

D.3. Choose an appropriate word or expression from the box to complete the following sentences.

protected parks and wild areas
pollution
Extinction of species
destruction of habitat
abide by
an alarming rate

costs of tightening standards
chemical releases
in captivity
free-riding

1. From the purely national viewpoint, each country would recognize that ... have some negative effect on its people, and it might use a policy to limit releases if it thought the national harm was large enough.
2. Each would need to tighten its standards compared to what it would do on its own. One problem is that there may be disagreement about the costs of the environmental damage or the
3. Because of the problem of ... , a global agreement needs some method of enforcement, to get "reluctant" countries to agree in the first place, and to assure that they ... the agreement after it is established.
4. ... is a natural process.
5. Human activities contributing to extinction include ... , introduction of predators, and
6. The specificity rule indicates that the best global policy to preserve species would be a policy that promotes the species through such direct means as ...; ranching, cultivation, and similar management intended to earn profits from the ongoing existence of the species; and zoos to maintain species
7. The human slaughter of elephants accelerated at ... in the 1970s and 1980s.

D.4. Give synonyms for the italicized words in each sentence below, or briefly explain their meaning.

1. In 1977, the African elephant *was placed* on the list of species with controlled trade.
2. In 1989, most of the CITES countries signed a complete ban on *exporting or importing* ivory.
3. Much of the conflict over endangered species naturally centers on Africa, with its *unique biodiversity and its fragile ecosystems*.
4. An international *scientific authority* decides which species are endangered.
5. While there is no global agreement to *promote* these best solutions, there is a global agreement to control the pressure of international demand.
6. It is *reckoned* that human activities eliminated only 11 mammal species and 24 birds in the 18th century.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

Causative

§ 1. Formation. The causative is formed with ‘have’ + noun or pronoun object + the past participle of a verb, regular or irregular.

E. g.: *I’ve just had my car repaired.*

§ 2. The use of the causative for things. The causative is similar to the passive. We focus on what is done to something or someone, not on what is someone does.

Active: *I’m servicing my car. Jack is servicing my car.*

Passive: *My car is being serviced* (someone is doing the job for me).

Causative: *I’m having my car serviced* (I’m responsible for causing someone to do the job for me).

Care must be taken with the word order to avoid confusion:

E. g.: *I had built a house* (past perfect).

I had a house built (causative: simple past).

When we use the passive or the causative, we may not know or may not need to name who performs a service for us. However, in contrast to the passive, we use the causative to stress the fact that we are “causing” some-

one else to perform a service for us. We therefore often use it with such verbs as **build, clean, decorate, deliver, develop** (a film), **mend, photocopy, press, print, repair, and service**. We do not normally use the active (I am servicing my car) to mean that someone else is doing something for us. Nor can we say – *I want to cut my hair* – when we mean – *I want to have my hair cut*. Note that ‘**by**’ + **agent** is added only when it is necessary to mention who or what did the action:

We’re having/getting the job done by some local builders. They are much cheaper.

§ 3. The use of the causative for people. The causative with verbs like **coach, instruct, prepare, teach** and **train** can refer to things we cause to be done to other people.

E. g.: **active:** *I’m teaching her English* (i. e., I’m teaching her myself).

Passive: *She’s being taught English* (i. e., I may not know or wish to name the teacher).

Causative: *I’m having her taught English* (i. e., I’m responsible for causing someone to do the job).

F.1. Identify causatives in the text “Global problems need global solutions” and translate the sentences into Russian.

F.2. Complete the following sentences, using the verb given in parenthesis. The first has been done for you.

1. The painting was so original that he decided to *have it framed* (frame).
2. The heel of her shoe came off; she ... (repair).
3. The water tap is dripping; I ... (fix).
4. The house was too old; the Mayor ... (pull down).
5. The tires are worn out; Mr. Ford ... (replace).
6. This skirt is too long now; she ... (shorten).
7. Mr. Scott’s nose was too wide; he ... (operate).
8. The tree branches were too long; the Smiths ... (trim).
9. I went to the hairdresser’s to ... (hair/cut).
10. You should take your car to the mechanic to ... (brakes/repair).
11. For their wedding anniversary, Mary, ...which they ate at a large party (big cake/make).
12. I have to ...otherwise I can’t work on my thesis (computer/repair).
13. “Did John repair your roof?” “No, we ... that he knows” (it/do/builder).
14. We ... and he said it was worth over a thousand dollars (statue/value/art expert).
15. We should ... before the summer begins. It’s looking dirty (pool/clean).

16. The local council want all dog owners to ...to reduce the problem of strays (dogs/tag).
17. I broke the heel on my shoe this morning and now I need to ... (it/repair).
18. After the car accident, Cynthia had to ... and looked as she did before (nose/reshape/famous plastic surgeon).

F.3. Rewrite the sentences using have or get. Decide whether or not you want to emphasize who does or did the work.

1. All our export risks are insured.
We _____
2. The garage services my car every 15,000 kilometres.
I _____
3. A specialist agency translates all the company documentation and manuals (two possible answers).
We _____
We _____
4. We've asked the contractors to build a new extension (two possible answers).
We're _____
We're _____
5. The legal department drew up the contract on my instructions (two possible answers).
I _____
I _____

F.4. React to the statements below using the word in brackets, as in the example.

My passport expires soon (Renew).

I need to have it renewed.

1. The printer only works sporadically (*Fix*).
2. Mrs. Baxter is going on a training course (*Replace*).
3. The outside windows are incredibly dirty (*Clean*).
4. I'm not sure the figures are entirely accurate (*Check*).

G. Speak up

G.1. Answer the following questions.

1. How do you think political and economic measures can be combined to handle any environmental problem?
2. Which measure do you think is more efficient?

G.2. Discussion topics.

1. "One of the benefits of free trade is that it corrects the distortion caused by pollution." Do you agree or disagree? Why?
2. Which of the following probably violate the rules of the WTO:
 - a) a country's government places a tax on domestic production to reduce pollution caused by this production;
 - b) a country's government restricts imports of goods produced using production methods that would violate the importing country's environmental protection laws;
 - c) a country's government restricts imports of goods, to reduce pollution caused by consumption of the goods.

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Atmospheric Pressure

"The Economist"

Why Some Environmental Agreements Work and Others Don't

Why did the Montreal Protocol succeed and the Kyoto Protocol fail? Both were environmental treaties negotiated over perceived threats to the atmosphere. In Montreal, the threat came mainly from the harm that chlorofluorocarbons (CFCs) do to the ozone layer; in Kyoto, from gases such as carbon dioxide that many scientists say are changing the climate.

Both treaties thus tried to tackle problems that potentially affect every country, and are caused by activities that occur in every country. Both were negotiated against a background of scientific uncertainty. The science of ozone depletion was uncertain when the Montreal Protocol was negotiated in 1987; the uncertainties surrounding the science of climate change are huge.

However, the Montreal Protocol seems to have been a success. Only a handful of countries have not signed (they include Afghanistan and Iraq, which have had other preoccupations). The build-up of ozone-depleting chemicals in the atmosphere peaked in 1994 and is now falling. The ozone layer is now on track to recover, and the concentration of ozone in the stratosphere should be back to its pre-1980 level by mid-century.

The Kyoto treaty, though consciously modelled on Montreal, has been a shambles. It has been ratified by almost 100 countries — but mainly those

for which the treaty specifies no ceiling on emissions of carbon dioxide. By contrast, the world's biggest emitter of the gas, the United States, has refused to sign – not surprisingly, given that doing so would now require a reduction in emissions of 30–35 % from its business-as-usual level by 2008–2012. No government could have made such a promise. The world output of carbon dioxide shows every sign of busting the Kyoto targets and continuing to do so for some time to come.

What's in It for Us?

A new book by Scott Barrett, professor of environmental economics at Johns Hopkins University, argues that the different fortunes of these two treaties shed light on why some international agreements work and others fail. Such treaties, he argues, work only if they are self-enforcing. Every country wants to avoid paying to protect the environment. But each also recognizes that, if every country took this approach, the overall result would be worse. So each country – in a successful treaty – prefers to bridle its behaviour than to accept the consequences if everyone goes it alone. There are many more environmental treaties than ever before: only four of the 225 currently in force were adopted by 1945. So it is important to make them work.

Because a treaty is made between sovereign nations, it needs to include incentives to persuade countries to alter their behaviour. These take various forms. Mr. Barrett points to one of the oldest environmental agreements, the North Pacific Fur Seal Treaty, as an example of how to get it right. The treaty, among the four main seal-hunting countries, was introduced in 1911 and reversed a rapid decline in the population of fur seals caused by over-hunting. It did so by banning hunting at sea, where they were common property and therefore over-exploited: seals could then be killed only on the territory of individual governments, which acquired an interest in protecting them. That created an overall gain (more seals), which could be distributed to leave all countries better off, and therefore with an incentive to stick to their agreement.

Such successes are hard to replicate. If the gains from co-operation are great, there is a big incentive to be a free rider: to take the gains without paying the cost. But in that situation, with large gains, punishing free riders is harder, because the co-operating countries usually suffer too.

With the Montreal Protocol, as with the fur-seal treaty, participants have largely complied. Why? Partly, because it contained an enforcement mechanism, unlike most environmental treaties. The penalties included trade sanctions against products containing or (more controversially) ma-

de by using CFCs. More important, the costs of implementing the protocol were relatively low and the benefits from complying — such as the avoidance of skin cancers and cataracts — were huge. To secure these benefits, rich countries needed the co-operation of many poorer countries. So the treaty included a fund to help to pay for the cost of switching to CFC-free technologies. Such side-payments help to spread the benefits and reduce the costs.

And Kyoto? Here, argues Mr. Barrett, the balance between costs and benefits is much less promising. Some countries may gain from climate change: agriculture in Canada and Russia (two big producers of fossil fuels) may benefit, even if farming in tropical countries suffers. For the United States, the benefits of reducing carbon-dioxide emissions would be much smaller than the harm done by doubling the concentration of the gas in the atmosphere. The harsh truth, says Mr. Barrett, “is that ozone depletion may be the more serious environmental problem... Ozone depletion kills people. Current studies do not show climate change to be as deadly.” And the costs of climate mitigation are far higher than those of giving up CFCs. “The economics of ozone and climate policy are really very different.”

The alternative, he suggests, might be a technology-based approach, mandating standards that move the world away from dependence on carbon-based fuels. Such a policy would start from asking what kind of behaviour could be enforced, rather than, like Kyoto, incorporating enforcement as an afterthought. Mr. Barrett may be right. But more probably, there can be no workable treaty on climate change, at least with the present state of knowledge. Unless gains are clearly seen to exceed costs, the world will choose to adapt, not agree.

H.2. Answer the following questions.

1. What international environmental agreements are mentioned in the article?
2. According to the author why did the U.S. refuse to sign the Kyoto treaty?
3. What is necessary for an international treaty to be a success?
4. What incentives could persuade a country to observe an international environmental treaty?
5. What is the main difference between these treaties?

H.3. Match up the words and definitions:

- | | |
|---------------|---|
| 1) to bust; | a) something that encourages you to do something; |
| 2) to bridle; | b) to change it to its opposite; |

- | | |
|------------------|---|
| 3) to reverse; | c) to curb, to restrain; |
| 4) incentive; | d) to damage it so badly that it cannot be used; |
| 5) to replicate; | e) to give an official order that something must be done; |
| 6) fossil fuel; | f) to do what you are required to do; |
| 7) to mandate. | g) to do or make again esp. so as to get the same result. |

H.4. Read the article once more, find the sentences containing causative and translate them into Russian.

H.5. Make up the outline of the article and then render it.

I. Reading the Russian newspaper

I.1. Read the article, find key sentences and translate them into English.

Научная картина мира, экономика и экология

Сергей Кара-Мурза

Одним из самых острых проявлений общего кризиса индустриальной цивилизации стало признание природоразрушающего характера созданного этой цивилизацией типа хозяйства — т. н. «рыночной экономики». Генеральный секретарь беспрецедентной Конференции ООН по окружающей среде и развитию в Рио-де-Жанейро Морис Стронг подчеркнул: «западная модель развития более не подходит ни для кого. Единственная возможность решения глобальных проблем сегодняшнего дня — это устойчивое развитие». Незадолго до этого было предложено и понятие: «Устойчивое развитие — это такое развитие, которое удовлетворяет потребности настоящего времени, но не ставит под угрозу способность будущих поколений удовлетворять свои собственные потребности». Это условие накладывает на современную хозяйственную деятельность ограничение, «идущее из будущего». Оно связано, прежде всего, с невозобновляемыми ресурсами — минеральными и экологическими.

На практике как «рыночное» хозяйство в целом, так и его «политбюро» — МВФ и Всемирный банк — продолжали не только использовать, но и всеми средствами распространять использование экологически разрушительной модели. Например, в США при росте ВВП на душу населения, «индекс устойчивого экономического благосостояния» непрерывно снижается. («Индекс устойчивого экономического благосостояния» предложен в 1989 г. Г. Дали и Дж. Коббом.) Предпринятая под давлением экологических движений (и даже Конгресса США) «зеленая маскировка» означала лишь смену фразеологии и создание в МВФ и Всемирном банке «экологических подразделе-

ний», служащих лишь ширмой. Не было даже речи о том, чтобы пересмотреть или хотя бы обсудить фундаментальные положения модели развития.

За «зеленой» ширмой продолжалась та же экономическая политика. Достаточно взглянуть на просочившийся в печать конфиденциальный меморандум главного экономиста Всемирного банка Лоуренса Саммерса: «Строго между нами. Как ты считаешь, не следует ли Всемирному банку усилить поощрение вывоза грязных производств в наиболее бедные страны? Я считаю, что экономическая логика, побуждающая выбрасывать токсичный мусор в страны с низкими доходами, безупречна, так что мы должны ей следовать». Л. Саммерс совершенно правильно и честно сформулировал проблему: поведение хозяйственных агентов диктуется определенной экономической логикой. Поиски злого умысла, моральные обвинения, к которым прибегают «зеленые», просто неуместны, если эта логика принимается в принципе гражданским обществом Запада. Эта логика несовместима с экологическими критериями. Но ведь это ваш выбор, господа.

Принятая многими странами разработанная МВФ программа структурной перестройки, ориентирующая их хозяйство на экспорт и обязывающая стабилизировать финансы и выплачивать долги, привела к «экологическому демпингу» в огромных масштабах. Помимо размещения грязных производств с очень низкими затратами на природоохранные мероприятия, эти страны выдают концессии и ведут сами массовую вырубку лесов. В Гане с 1984 по 1987 г. экспорт ценной древесины (*finewood*) (с помощью кредитов Всемирного банка) возрос втрое и продолжается в таком темпе. Экспортные успехи Чили частично были связаны с массовой вырубкой реликтового леса юга страны и опустошительным выловом рыбы для производства рыбной муки. Инвестиции в освоение Амазонии с участием Всемирного банка составили 10 млрд долл. Масштабы вырубки леса таковы, что только в ходе одного из проектов (*Grande Carajas*) будет очищена территория, равная Франции и Германии, вместе взятым. А около города Мароба строится металлургический комбинат мощностью 35 млн тонн стали в год, который будет работать на древесном угле, полученном при вырубке 3500 кв. км тропического леса в год. Вся продукция будет идти на экспорт и вывозиться по железной дороге в строящийся на расстоянии 900 км порт. Масштабы экологического ущерба от этого проекта не укладываются в привычные понятия.

Второй причиной усиления нагрузки на природу вследствие принятия программы МВФ является быстрое обеднение населения, осо-

бенно в сельской местности. Поставленное на грань биологического выживания, население вынуждено прибегать к сверхэксплуатации природных ресурсов (лесов, водоемов, почв), переходя критические уровни устойчивости экосистем (ecosystem). Даже если будут выполнены наметки самого Всемирного банка, в Черной Африке уровень дохода на душу населения середины 1970-х гг. будет вновь достигнут, в среднем, лишь через 40 лет. Согласно выводу Экономической комиссии ООН для Африки, восстановление экономики здесь в принципе возможно лишь при отказе от неолиберальной стратегии. Даже те страны, в которых наблюдается рост доходов, достигают этого через разрушительную эксплуатацию природы.

Согласно данным Межамериканского банка развития (1993), в 26 странах Латинской Америки при среднем росте экспорта свыше 5 % в год темп роста доходов на душу населения составил 1 %. За последние 30 лет ситуация изменилась лишь в худшую сторону. Можно говорить о том, что в рамках программы МВФ происходит полный разрыв связи между системой производства в стране и системой потребления. В некоторых странах Латинской Америки потребление в среднем падало при росте производства. В целом, хозяйство перестает быть «народным», и само понятие «страны» по сути дела стирается. Она превращается в пространство, на котором действуют «экономические операторы», производящие товары для удовлетворения платежеспособного спроса глобального рынка. Никакой связи с потребностями людей, живущих в данной стране и даже у стен предприятия, это производство не имеет. Устраняются последние следы естественного, натурального хозяйства — экономики (в смысле Аристотеля).

I.2. Render the article using the active vocabulary.

J. Translation

J.1. Translate the following passage into English using the active vocabulary.

Как выживает канадский север

«Эксперт»

Поиск дополнительных источников доходов. Муниципальные власти привлекают компании для проведения тестов в экстремальных арктических условиях. В городе Инувике канадская компания Bombardier тестирует свои снегоходы, а автомобильный концерн DaimlerChrysler — автомобили.

Северный завоз. Мелкий бизнес «скидывается» и организует кооперативы для того, чтобы закупить товары на всю зиму. Снабжением горюче-смазочными материалами занимаются частные нефтяные компании. В Инувике все поставки и торговлю топливом организовала Esso.

«Вынесенные» производства. Даже представители мелкого бизнеса открывают производства в других странах, что является важным дополнением к их «северным» доходам.

Максимальная диверсификация бизнеса. Строительная компания Canadian North Projects летом собирает дома, а зимой — мебель.

Одним из основных принципов канадской системы является дифференциация платежей в зависимости от ряда факторов. В Канаде правительство снимает все налоги и платежи с истощенных месторождений, вследствие чего остаются рентабельными месторождения, дающие по 200–300 литров нефти в сутки. Одновременно идет градуировка налогов по мере эксплуатации месторождения. На начальном этапе освоения налоги очень маленькие, затем по мере роста добычи отчисления государству увеличиваются. При разработке битумов компания первое время вообще ничего не платит государству. Канадская налоговая система учитывает и динамику цен на нефть, что позволяет избежать конфликта между государством и нефтяными компаниями. Стоит цене на нефть упасть ниже контрольной отметки, как нефтяники начинают громко возмущаться и требовать понижения налогов. Неудивительно, что канадская нефтянка процветает: в Калгари, нефтяной столице Канады, в отличие, например, от Торонто трудно встретить потрепанную машину, улицы забиты новинками европейского и американского автопрома.

K. Case study

K.1. Read the article and answer the questions.

The Importance of Error in Ecology

In the face of declining fish stocks, fisheries managers have been forced to take drastic measures to try and prevent total collapse of certain fish populations (Pikitch et al., 1997). Such measures include complete bans on fishing, as was done for the cod fishery in the Grand Banks of Newfoundland, or strict quotas that limit intakes, such as those now imposed on fishing vessels in European Union waters. A challenge of management is to provide a buffer for uncertainties to safeguard the future health of popula-

tions. Up until now, management has typically aimed to maximize the number of fish caught, while allowing little safety margin for error. In a useful commentary, Paul Dayton argues that appropriate application of available statistical techniques could allow such buffering.

The scientific method recognizes two types of error in measurement:

- ◆ type I error – the conclusion that there is an effect when there is none;
- ◆ type II error – when an impact exists but is not detected.

These types of errors can be illustrated by considering a proposal to restrict trawling in some areas of the Gulf of Maine to protect benthic habitat. Trawling for scallops can destroy benthic habitat as the nets scrape along the sea floor. If the proposal is accepted and trawling is banned, when in fact it has no serious impact, a type I error has been committed. If the proposal is rejected and trawling does result in habitat destruction, then a type II error is made. Current management focuses on reducing type I errors because maximizing fish catch is of primary economic importance. However, scientific advice should be explicit about type II errors also, because the environmental consequences from type II errors are much more serious and take longer to recover from. Type I errors usually result in only short-term economic costs. An understanding of the scientific method can clearly aid in the decision-making process.

K.2. There are two possible ways to correct type II errors:

- ◆ prove that environmental degradation has occurred (this assumes that there is no environmental degradation until demonstrated otherwise) before regulating the resource;
- ◆ require the exploiters of public nature resources to prove (switching the burden of proof) that they do not cause damage to the resource.

Why do you think it would be difficult to prove environmental degradation in the fishery industry? Is this also the case for other natural resources?

Do you think that the burden of proof must be put on the exploiters of public nature resources? What are the obstacles to enacting such an approach to resource management?

Unit 13

Russia in the World Economy

A. Preliminary discussion

1. Has the world image of Russia changed since Mr. Putin took his office?
2. What do you think about the latest economic reforms in Russia?
3. Why in your view are the reforms not efficient enough?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text for the following information.

1. What main branches of economy are analyzed in the presentation?
2. How does the author estimate Russia's economy?
3. In what way can the achievement of economic growth be accelerated?
4. Sum up the author's view on Russia's integration into the world economy?

C. Reading

C.1. Read the text and answer the questions.

1. What have the principal changes been in Russia since the start of transition?
2. Do you think that Russia's economic rebound is mainly due to favourable external conditions? Prove your point of view.
3. What can you say about the situation in manufacturing?
4. What does the author mean by 'new' and 'old' economy?

Russia in the World Economy: What Role and What Strategies?

Riccardo Barbieri

This article summarizes a presentation given at the Morgan Stanley Dean Witter & Co Conference “Russia: 2000 and Beyond,” held in Moscow.

Economic growth taking central stage. Russia’s GDP is down to about 60 % of its level at the start of transition. On a per capita basis, it is equivalent to 10 % of the average EU level, or 30 % adjusting for PPP (World Bank data for 1998). Whilst it may be argued that today’s output is of higher quality than at the start of transition, the dramatic fall in the standard of living of Russian households suggests that reducing this gap should be the overriding goal of economic policy. In fact, President Putin recently argued that Russia should aim for real GDP growth of 5–10 % over the coming years. Judged against the dismal performance since the beginning of transition, this looks like a very tall order.

Faster capital accumulation is needed. Some Russian economists have been arguing that industrial production could rise by 25 % simply by using spare capacity. However, part of the Soviet-time capital equipment has become obsolescent and appears to be of little or no economic value at present without significant revamping. Mr. Putin’s ambitious growth targets would thus seem to require a much higher rate of capital accumulation than anything seen in recent decades.

Ongoing recovery due largely to turnaround in external conditions. Russia’s economic recovery since early 1999 has exceeded by far even the most optimistic expectations. The steep devaluation of the rouble and prudent monetary and fiscal policies have played a crucial role. But, the recovery also owes a lot to the turnaround in global conditions: the global economy has recovered more strongly than expected by most forecasters following the Russian crisis in August 1998, and oil prices have more than doubled since the beginning of 1999.

Greater internationalization is called for. Most economists believe that Russia’s recovery would be vulnerable to a drop in energy prices and that it won’t evolve into a proper expansion unless profound economic reforms are implemented. While I agree



on the importance of these reforms, I also believe that Russia cannot achieve its growth targets without increasing its integration into the world economy. A further opening up to trade and investment relations with non-CIS countries should be a key policy goal, especially considering Russia's need for capital and know-how, as well as the trend toward globalization in the world economy. But, what is Russia's current position in the international division of labour? How can it be leveraged given the country's comparative advantages? How should economic policy be oriented in order to achieve these goals?

A declining position in manufacturing. At the end of the 1980s, the USSR was the largest world producer of energy and intermediate manufactures, notably steel. Its foreign trade was mostly concentrated in the Soviet block, although the USSR was expanding its oil and gas exports outside of that area. Today, Russia's share of world output is much lower, especially in manufacturing. In the steel industry, for instance, Russia is only the fourth-largest producing nation after China, Japan and the US.

Russia is largely an energy exporter. An analysis of Russia's foreign trade reveals that, although oil output is down to approximately half of its soviet-time level, Russia is largely an exporter of energy and metals, while it is a heavy importer of foodstuff and machinery. Even what we now call the "old economy" thus sees Russia as a decreasingly competitive player.

Presence in the "new-economy" is marginal. The panel on the "new economy" at our conference in Moscow provided a very encouraging picture of rapidly growing activity and investment in the Internet and e-Commerce. Internet penetration is rising, and there are interesting new ventures, particularly in the B2B sector.

"Old economy" industries in need of profound restructuring. While Russia's relative specialization may well remain concentrated on energy and metals, there is a need and scope for a recovery in large-scale manufacturing. I found a recent study by the consulting firm McKinsey particularly enlightening in its microanalysis of selected sectors of the Russian economy. It shows that a significant share of capacity in the steel and oil industries can be revamped, but it also argued that many obsolete plants should be simply shut down.

But, cost competitiveness is a big plus for Russia. According to the McKinsey study, even after revamping, Russian steel plants would be less productive than US plants, let alone state-of-the-art Japanese plants. However, the potential gains from restructuring are substantial. Moreover, Russia can count on much lower input costs than its international competitors.

The labour cost advantage is huge. The rise in world energy prices and the rouble devaluation have made Russia hugely competitive in terms of energy and labour costs, respectively. Labour incomes will have to catch up in the coming years, but the high rate of hidden unemployment suggests that if the labour market becomes reasonably flexible, then Russia's cost advantage could be maintained for a relatively long period of time. We estimate that, in euro terms, Russia's hourly wages are generally less than 10 % of German wages. This is a level that, among the countries surveyed by the US Bureau of Labour Statistics, can only be found in the poorest developing countries.

Human capital should be put to use. Technology is usually applied in order to save labour. But, the production of technology is labour intensive. Low compensation for clerical and skilled labour can be a powerful competitive advantage in an era of increased communications. The same applies for scientists. One of the key findings from our Moscow conference was that a small elite of export-oriented software companies is indeed emerging in Russia. The challenge is now to make this a broader phenomenon. In my view, promoting entrepreneurship, the repatriation of scientists and intellectuals, fair competition and free trade in the technology sector should be among the overriding policy goals of the new Russian government.

Leveraging the energy sector. The industry is burdened by a lack of new field development, low productivity, organizational inefficiencies and administrative and tax constraints. A greater involvement of foreign companies through FDI and production sharing agreements looks like the most promising avenue for a resumption of growth in this key sector. Productivity gains would be substantial. If production resumed rising, it could find export opportunities even under the assumption of an unchanged market share in world exports. Indeed, net world oil imports are expected to rise by 75 % by 2010.

Foreign direct investment would be another important vehicle to achieve faster economic growth. Russia should aim to attract not only capital, but also advanced technology, organizational methods and know-how. On an engineering field trip organized by our colleague Gideon Franklin back in January, we found that most foreign manufacturing multinationals involved in Russia are moving very cautiously, transferring existing old capital equipment from other world locations and mostly investing under joint venture arrangements. In order to induce greater foreign involvement, a more stable macroeconomic environment could be created, as well as a more transparent and secure investment climate.

In sum, we see restructuring existing industries and developing the “new economy” as the priorities. Russian manufacturing plants are generally obsolete, products can be less than appealing and, in some cases, don't have a market in the industrialized countries. However, there is scope for revamping some of the existing capacity, and energy and labour costs are extremely low. Russia could not only satisfy more of its consumption needs, but also become a medium-sized exporter in the global arena.

A viable open economy as the overriding goal of economic policy. The debate on Russia's transition process and on its policy priorities has been going on for years now, but has failed to build a consensus on an overall policy approach. I believe that the international trade and supply-side approach that I have briefly sketched here has the advantage of pointing to priorities and concrete actions for the coming months and years. Once Russia gets on a sustainable growth path, critical issues such as income distribution, welfare, pensions, tax arrears, non payments and so on should become less acute and, to boot, more amenable to genuine reform.

C.2. Decide whether these statements are True (T) or False (F).

1. Russia's GDP is equivalent to the average EU level.
2. Spare capacity is a good help to rise industrial growth in Russia.
3. Russia's economic recovery was beyond the expectations due to the monetary and fiscal policy.
4. The rise in the world energy prices and the rouble devaluation have made Russia less competitive in terms of energy and labour costs.
5. As the production of technology is labour intensive there are no export-oriented software companies in Russia because of the lack of scientists and intellectuals.
6. Only the foreign direct investments can solve many Russian economic problems.

D. Vocabulary

D.1. Learn the following words and make up you own sentences.

tall order — a request or piece of work that is unreasonably difficult to perform

revamp (*v*) — to give a new and better form or structure to something old

obsolete (*adj*) — completely out of date

prudent (*adj*) — thinking carefully before taking actions; careful to avoid risks

state-of-the-art (*adj*) — using the most recent and recently developed methods, materials or knowledge

boot (*n*) — besides; in addition

amenable (*adj*) — able to be tested by; ready to be guided or influenced by

clerical (*adj*) — concerning someone who works in an office

evolve (*v*) — to develop gradually by a long continuous process

D.2. Find an English equivalent from the text to the following:

- ◆ накопление капитала;
- ◆ задолженность по уплате налогов;
- ◆ страны — члены СНГ;
- ◆ резервные мощности;
- ◆ первостепенная задача (цель);
- ◆ воздействовать;
- ◆ возобновление;
- ◆ почасовая заработная плата.

D.3. Match up the words on the left with the definitions on the right.

Use them in your own sentences:

- | | |
|------------------|---|
| 1) induce; | a) (done or happening) between two others; halfway; |
| 2) repatriate; | b) to cause or produce; |
| 3) finding; | c) to bring or send someone back to their own country; |
| 4) in sum; | d) something learnt as the result of an official inquiry; |
| 5) intermediate. | e) in simple words; in a short phrase. |

D.4. Choose an appropriate word or expression from the box to complete the following sentences.

overhauled	outstripping	delay	reiteration	sustained
rebounds	real terms	employees	pegged up	concessions
benefit	eye-catching	tax rates	lobby	slump
downturn	relapse	castigate	decision-making	

1. Some argue that the minutiae of the technical details of reform are simply less ... than the initial sweeping changes.
2. The president administration swiftly ... much of the tax code, simplifying the rules for companies and cutting personal ... to a flat 13 per cent.
3. The president has ... the prime minister for slowing economic growth, diminishing the chances of meeting his target of ... Portugal's GDP by 2015.

4. There is some deceleration ahead of the elections, but the problem is the constant ... of a commitment to reform by the authorities.
5. Another big ... against membership is the bureaucracy itself, addicted to arbitrary
6. Investors have feared that the economy, which early this year appeared to be recovering strongly from last year's ... , may ... back into recession.
7. In 1999–2002 Russia's GDP rose by 25.5 % in ... , a significant contrast to the long ... and stagnation of the previous years.
8. A senior parliamentarian, who considers himself a liberal, nonetheless wants to ... WTO membership, saying that only 7 % of Russian export will ... but that outside competition will devastate much of the economy.
9. The meeting of the working group on Russian membership will show how many ... other countries are ready to make.
10. The recovery is expected to be ... as business investment ... , consumer spending continues at a solid pace.
11. Average pensions have tripled and salaries of low-income government ... were

E. Make a summary of the text

Use the active vocabulary.

F. Grammar notes

Reported Speech

Reported speech is the exact meaning of what someone said but not the exact words. When we quote someone's actual words, we can use reporting verbs. We can report statements, questions, requests, orders, thoughts, etc.

Statements

Here is a list of common reporting verbs.

say	reply	suggest	add	admit	advise
agree	ask	answer	claim	demand	
promise	remind	report	tell	order	insist
persuade	reply	think	mention		

E. g.: *They say that we will receive the confirmation next week.*
She mentioned that the date of the next meeting hasn't been fixed yet.
He promised that the conference would be ready for us when we arrived.

I warned them not to put up their prices by more than the annual rate of inflation.

Reported speech takes two forms:

main clause

They say

main clause

They asked us

subordinate clause

that the meeting will be held next week.

an infinitive with to

to send the reply as soon as possible.

In reported speech, the verb tense of the main clause determines that of the subordinate clause. If the verb of the main clause is in the **Present** or **Future** tense the verb of the subordinate clause is **the same (no changes)**.

E. g.: *"I want to promote you," the director says.* — *The director says that he wants to promote me.*

"We shall send you our confirmation soon," the boss replies. — *The boss replies that they will send their confirmation soon.*

If the verb of the main clause is in the **past** the verb of the subordinate clause **changes according to the rule of sequence of tenses**.

Verb tense in direct speech:

- Present simple;
- Present continuous;
- Present perfect;
- Past simple;
- will, can, or may + verb.

Verb tense in reported speech:

- Past simple;
- Past continuous;
- Past perfect;
- Past perfect;
- would, could, or might + verb.

E. g.: *She said, "We have a deal."* — *She said (that) they had a deal.*

She said, "I have made a deal." — *She said that she had made a deal.*

She said, "I will confirm the deal next week." — *She said that she would confirm the deal the following week.*

In reported speech certain words change as follows depending on the context.

Direct Speech:

- this/these;
- here;
- come;
- tonight, today, this week;
- now;
- now that;
- yesterday;
- last;
- tomorrow;
- next;
- ago.

Reported Speech:

- that/those;
- there;
- go;
- that night, that day;
- then, at that time, at once, immediately;
- since;
- the day before;
- the previous;
- the following day;
- the following;
- before.

The verb tense of direct speech does not change:

- a) when the words spoken state a general truth: e. g., *The teacher explained that it takes Mars 1.88 years to circle the Sun;*
- b) when the words spoken express a habitual action referring to the present: e. g., *He said he always goes to bed early;*
- c) where the words spoken are still true: e. g., *He said Professor Pyke is in Room 110.*

Questions, Requests, Orders or Commands in the Reported Speech

Reported questions. In reported questions we use the affirmative word order and do not use quotation marks or a question mark. We use reported question to ask for information, advice or to report someone else's questions, suggestions, offers or requests.

To report a question we use: a) **ask, want to know, wonder, cannot remember, inquire + wh-word** (who, where, why, what, etc. or how far, how, how long) when the direct question begins with a *wh-word*; b) **ask + if/whether** when the direct question begins with an auxiliary verb (do, have, can, etc.). We must use *whether* not *if*, when we are asking someone to make a choice.

E. g.: *"Do you want to consult anyone?" they asked. — They asked me whether I wanted to consult anyone.*

We must also use '**whether**' when we include the phrase '**or not**'.

E. g.: *"Are you going to tell me the answer or not?" she said. — She asked him whether he was going to tell her the answer or not.*

Tense changes for reported questions in the past are the same as for reported statements.

Reported requests and commands (orders). When we report requests, orders or commands, we use an introductory verb (**advise, ask, beg, offer, order, suggest, tell**, etc) followed by a **to-infinitive**.

E. g.: *"Hand in your reports," he said to us. — He told us to hand in our reports.*

"Can I come in?" he asked. — He asked to come in.

"Please let me take part in the negotiations," he said. — He begged to let him take part in the negotiations.

When we are reporting negative orders, requests, etc. **not** goes before the **to-infinitive**.

E. g.: *"Don't do it, please," she asked him. — She begged him not to do it.*

"Never tell lies," the supervisor said. — The supervisor taught us not to tell lies.

F.1. Report the following conversations.

A. Good morning. Personnel corps.

B. Hello, my name is Neef, Walter Neef. I would like some information on your agency. Can you help me?

A. Yes, certainly. What would you like to know?

B. I'm looking for a non-profit agency. Is this a non-profit agency?

A. No, it isn't; we are a private agency, dealing with technical and high-salaried jobs.

B. Thank you. I'm looking for a secretarial job or any non-skilled position. Can you give me the telephones of the agencies specializing in this field?

A. With pleasure, but the list is very long. You can find the information you need in our leaflet. Our working hours are from 10 to 7 pm.

B. Thank you. Good-bye.

A. Good-bye. Have a nice day.

B. You too.

A. Manpower. What can I do for you?

B. I'd like to talk to the employment counselor about a job. Will the counselor be able to see me today?

A. Hold the line. I'll consult the diary. Yes, Mr. Brown, are you there? Mr. Fraser can see you between 10 and 12. What time would be convenient for you?

B. Let's make it 10:30.

A. All right, Mr. Brown, 10:30 today.

B. Thank you. Good-bye.

A. Good-bye.

F.2. Transform the newspaper report which follows into an interview between a journalist and SEC's chairman.

Asked over lunch with the SEC in September if he **thought** that the new oversight board **should set** new rules on audit quality, or whether the accounting industry **should continue** to write audit standards itself, he **said** that the board **should do** it. He **added** that he **favours** rotating audit firms every five to seven years to stop auditors cosyng up to their clients.

G. Speak up**G.1. Discussion problems.**

Use supplementary vocabulary while speaking on the following problems.

1. Russia has been granted a market-economy status. What image should a country have to gain such recognition?
2. What do you know about the relationship between Russia and EU?

Supplementary vocabulary:

- ◆ to tip the balance in the country's favour;
- ◆ positive economic and political changes;
- ◆ disrupt the world trade;
- ◆ to bring anti-dumping cases against Russian imports;
- ◆ currency convertibility;
- ◆ to have a pure market economy;
- ◆ the extension of government intervention;
- ◆ to do well out of the current system;
- ◆ to fulfill basic democratic norms.

G.2. Read the abstract from the speech of the First Deputy Prime Minister of Russia and Minister of Finance, made at the World Economic Forum in February 2003 and make it as an interview with the western journalist.

The First Deputy Prime Minister of Russia and Minister of Finance outlined the progress Russia has made since the 1998 crisis: economic performance, inflation and productivity in 1999 not only improved substantially but came in better than even the government had expected. Tax rates (e. g., maximum profits tax) had been reduced and tax revenues increased; in fact receipts were above target for the first time. He said Russia fulfilled all agreed fiscal and monetary targets in 1999, and thanked the experts from international financial institutions for their help. The priorities will continue to be on such goals as achieving economic and social predictability, establishing a legal framework for the economy and removing obstacles to competition.

He acknowledged that the structural reforms were still not accomplished. Modern management methods need to be implemented, and energy and raw materials used are high by international standards. But with its well-educated human resources base, Russia could play an important role in the new high-tech economy with sufficient capital and foreign investment.

The State Duma elections showed that democratic institutions are taking hold in Russia and allowing alternative views to be put to debate, and the government resulting from the pending presidential elections could be expected to pursue a new, ambitious reform process.

G.3. Place the given below words and expressions into the appropriate columns, give their Russian equivalents and use them in your own sentences defining the perspectives for the Russian economic growth:

- to bog down the reforms;
- inflation;
- recovery;
- ad hoc taxes;
- growing fiscal deficit;
- rebound;
- to slash red tape;
- to diversify;
- boost;
- to promote innovations;
- to be stunted and distorted deregulation;
- to cut payroll charges;
- to abolish subsidies;
- to squander;
- sustainable growth.

Stimulus for the economic growth	Hurdles for the economic growth

H. Reading the English newspaper

H.1. Read the article and do the exercises.

Russia & the WTO: Crunch Time

Christopher Granville, "The Reuters"

The goal of Russian WTO accession in 2003, previously endorsed by Putin, is looking more ambitious than ever. The autumn negotiating and legislative sessions in Geneva and the Duma will be decisive. With elections in mind, Putin may balk at this fast-track timetable. Protectionist oligarch Oleg Deripaska has caught this change of mood with his call for a much slower track. Russia's fundamental transition prospects and progress will not be undermined simply by the fact of joining the WTO in 2005 rather than in 2003. However, any such delay would entail dangers and disappointments that create a leadership challenge for Putin.

The main incentive for targeting accession at the WTO's next ministerial meeting in Mexico City in autumn 2003 is to ensure that Russia will become a full participant in the current 'Doha Round' of multilateral trade talks. But this timescale always looked highly ambitious, and all the more so after the latest and fruitless Geneva negotiating round in June. For all their sensitivity, the negotiations on Russian import tariff levels and access to its service markets are the least of the problems, since agreements can be quickly struck if there is sufficient political will on both sides. Delays here will tend to be due to negotiating tactics. So there is nothing inherently alarming about the fact that the Russian negotiators showed no signs of movement at the June working party session in Geneva either on reducing protectionist tariffs in key sectors such as autos, aerospace and pharmaceuticals, or on lifting restrictions on foreign entry into the domestic financial services market. But the necessary Russian concessions on some or all of these matters would still mean overcoming some powerful vested interests at home.

Much more difficult even than this will be non-tariff barriers, and the general trade-related regulatory and legislative framework. Here, the key issues are Russia's low regulated energy tariffs seen as blanket industrial subsidies, and agricultural subsidies. On the regulatory front, Russia's trade policy regime still needs clarification on many points even before starting to negotiate commitments on its stability and/or amendment. But it is on the legislative front that the time factor is most acute. The autumn session of the Duma is due to address a whole range of fundamental legislation necessary for WTO accession. Key measures include the Customs Code, the liberalisation of currency controls and, in the area of non-tariff barriers, the law on technical regulation. But these bills will have to compete for parliamentary time in the thick of the annual budget round.

It will be clear from all this that Russia has a mountain to climb if it is to meet the target of WTO accession next year. It could be done. The key to a deal will lie in agreeing 'grace periods' after accession in which import tariffs and service market entry restrictions will be reduced, and domestic energy tariffs raised to acceptable levels. But Russia's entry prospects in 2003 will hinge on the remaining Geneva negotiating rounds, when drafting of the 'working party report' (the basis of the Protocol of Accession) is due to begin, spelling out Russia's commitments. Slow progress this autumn either in Geneva or in the Duma will most likely mean the postponement of Russian WTO membership until the 2005 ministerial meeting.

These stark realities seem to be making an impact. Putin spoke in July of three years as possibly a more realistic timetable, and this was echoed by

the WTO Secretary General, Mike Moore, who had previously been talking up Russia's rapid entry prospects. Although the government, for its part, is ploughing on (it dedicated a special session to the issue on July 25), there is a sense that the political will necessary to make a decisive push on the WTO front this autumn may no longer be there. Given the obvious worries about the effect of WTO membership on employment, Putin's natural caution – reinforced by election considerations – may well prevail. Until now, the main business interest groups have paid lip service to the WTO accession goal as stated by Putin. But given the many and varied protectionist interests, this was bound to change at the first sign of doubt in the Kremlin. So it was not surprising that aluminium and autos tycoon Deripaska broke ranks on August 5 with a call for the postponement of WTO entry until the second half of the decade – though it was surprising to see him breaking Putin's taboo on oligarch involvement in politics by adding an outspoken personal attack on German Gref.

Russia will inevitably join the WTO. But the chances of accession in Mexico City next year now look no better than 50:50. If accession only occurs in Putin's second term, then the slower timetable will not have a fundamental impact on Russia's transition. However, given the importance of WTO-related measures for overall domestic structural reform, any such delay would be at least marginally negative for investor perceptions of country risk. The damage would be minimised if the legislative programme was seen to be progressing steadily. Conversely, the damage will be worse if that programme stalls, if the protectionist lobby appears to be ruling the roost - casting doubt on accession even in 2005 – and, worst of all, if the perception gains ground that oligarchs like Deripaska ultimately dictate policy under Putin as they did under Yeltsin. Putin's leadership will be tested in making the legitimate case for a steadier approach to WTO accession while countering perceptions of stalled reform and renewed “state capture” by oligarchs.

H.2. Match up the words and definitions:

- | | |
|-----------------------|---|
| 1) to endorse; | a) to be in charge of; |
| 2) to balk; | b) to declare that one regards (sth) as important while not treating it as important in fact; |
| 3) to entail; | c) to express approval or support; |
| 4) to talk up; | d) to fail to stay in line; |
| 5) to hinge; | e) a period of time within which (sth) is completed or is expected to be completed; |
| 6) to rule the roost; | f) to be unwilling to do or to agree to (sth) difficult or unpleasant; to stop or intentionally get in the way; |

- 7) to break the ranks; g) to make necessary;
 8) to pay lip services to; h) to stop because there is not enough power or speed to keep going;
 9) to cast doubt on; i) hard, bare, or severe in appearance without any pleasant or decorative addition;
 10) to stall; j) to make someone to question the truth or value of (smth);
 11) to plough on; k) to depend on; have as a necessary condition;
 12) stark realities; l) to praise; to speak directly and frankly;
 13) timescale. m) to force a way, sometimes violently.

H.3. Answer the following questions.

1. Why may the autumn Geneva sessions be decisive for Russia?
2. Is everyone in Duma in favour of WTO accession? Why?
3. What hampers this accession?
4. What are the most difficult concessions for Russia and why?
5. What do you know about this organization?

H.4. Make an outline of the text and render it.

H.5. Choose an appropriate synonym from the box to the italicized words in the following sentences.

arguing	sagging	lodged	shocking	delicate
curbed	flourishing	into debt	spotlights	moaner
extension	worry	veiled	mope	plunge

1. The economy is *flagging*, unemployment is rising and business is being *stifled* by taxes and red tape.
2. The federal budget must be passed, but the government and opposition are *wrangling* over spending cuts and a proposed tax increase.
3. He *highlights* two reforms that were meant to have been wrapped up by the end of last year but which remained *stuck*.
4. His recent efforts have been *stunning*.
5. The biggest and the most *ticklish* issue is the *enlargement* of the EU.
6. The *grumblers* have no alternative to put forward to the president's approach: that if Russia wants economic *prosperity* and respect, the only choice is to join the outside world, not *sulk* in the corner.
7. Economists are not the only ones who *fret* about inflation.
8. The trouble is that economic forecasts are *shrouded* in an even thicker fog than usual.
9. The slowing economy is pushing many state budgets *into the red* as tax revenues *plummet*.

I. Reading the Russian newspaper

I.1. Read the Russian article and render it using the following words and expressions:

- ◆ integration in;
- ◆ disagreement;
- ◆ cumbersome structures;
- ◆ scholastic disputes;
- ◆ pithy;
- ◆ counteraction;
- ◆ speculative discussions;
- ◆ nonproliferation.

Европа нам – второе Отечество

Дмитрий Rogozin, «Независимая газета»

Далеко не случайно президент Владимир Путин во внешнеполитическом разделе своего последнего Послания Федеральному собранию выделил отношения с Европейским союзом в качестве важнейшего элемента российской внешней политики. Более того, широкое сближение и реальная интеграция в Европу однозначно определены в нем как исторический выбор России, причем выбор уже сделанный и последовательно реализуемый. Именно здесь кроется ответ на вездущий в российской интеллектуальной элите схоластический спор относительно того, «к какому берегу нам выгоднее прибиться – к американскому или европейскому?» Умозрительные дискуссии на эту тему стали особенно модными в последнее время на фоне разногласий на тему оптимальных методов разоружения Ирака.

Многие посчитали, что Россия совершила ошибку, открыто поддержав позицию Франции и Германии, так называемой «старой Европы», которая в отличие от США якобы ничего не может дать России. А некоторые эксперты утверждают, что отношения с Евросоюзом, особенно во внешнеполитической и оборонной сфере, вообще не должны быть для России приоритетом, а высвобождающиеся дипломатические ресурсы должны быть переориентированы на США и НАТО. На мой взгляд, это абсолютно ложный и даже опасный выбор. На самом деле вопрос должен быть сформулирован иначе. Нам нет необходимости выбирать между Европой и Америкой. Оба направления взаимодополняемы. Наши отношения с США более содержательны в сфере международной безопасности, но под них по-прежнему не подведен

основательный экономический фундамент, хотя серьезные попытки, особенно в сфере энергетики, сейчас предпринимаются. И наоборот — отношения с Евросоюзом имеют прочную экономическую базу. После расширения ЕС более 50 процентов российского экспорта будет приходиться на страны Евросоюза. Большая часть зарубежных поездок российских граждан и международного телефонного трафика россиян приходится на Европу.

Наша задача состоит не в том, чтобы пытаться играть с Европой против США или с США против Европы, а в том, чтобы укреплять международные позиции России, опираясь на последовательное выстраивание союзнических отношений и с США, и с ЕС. Мы должны стать частью трансатлантической дискуссии, усиливая конструктивные импульсы в политике США и Евросоюза и нейтрализуя возможное негативное воздействие их политики на российские интересы. Наша цель должна состоять в объединении усилий США, ЕС и России для решения сложных международных проблем на приемлемых для РФ условиях.

Глубоко символично, что Санкт-Петербург станет местом почти одновременного проведения саммита Россия — ЕС и российско-американской встречи на высшем уровне. Это хороший повод для того, чтобы приступить к выработке совпадающих подходов по ряду фундаментальных вопросов мировой политики, необходимость решения которых стала очевидной в ходе иракского кризиса. Необходимо повысить эффективность и обеспечить центральную роль Совета Безопасности ООН в принятии решений по согласованным действиям в таких ситуациях.

Очевидно, что применение военной силы должно быть частью имеющегося в распоряжении международного сообщества инструментария для своевременного противодействия этим новым вызовам и угрозам. Не всегда и не везде они могут быть нейтрализованы с помощью дипломатических решений, хотя им, конечно, должно отдаваться предпочтение. Однако для общей устойчивости международных отношений, для того, чтобы мир не скатился на позиции кулачного права, крайне важно обеспечить легитимность применения силы в рамках транспарантных механизмов и процедур принятия решений.

Иногда говорят, что этого невозможно добиться в рамках нынешнего СБ ООН и потребуются, мол, широкомасштабная реформа этой международной организации. Существует также мнение, что центром координации подобных решений необходимо сделать «Большую восьмерку». Но проблема не в институтах — проблема в отсутствии единого

видения новых угроз и в неготовности к компромиссу для выхода на согласованные подходы. Приоритетным сегодня является, например, выработка единого подхода России, ЕС и США к проблеме распространения ОМУ среди нестабильных государств и негосударственных экстремистских групп. Необходимо совместное видение, как укрепить и развить существующие режимы нераспространения ОМУ, включая меры принуждения — в том числе силового, к соблюдению установленных норм нераспространения

Очевидно, что глубокая модернизация многосторонних режимов нераспространения ОМУ, включая режим ДНЯО, давно назрела. Ситуация с Ираком показала, что требуется выработка единого подхода наших стран относительно допустимости превентивного применения силы. Каковы могут быть объективные критерии оценки ситуации, в соответствии с которыми можно было бы говорить о легитимности превентивных силовых действий для нейтрализации угроз терроризма и распространения ОМУ. Единая позиция РФ, Евросоюза и США должна подтверждать необходимость обеспечения широкой международной поддержки такой военной акции, включая принятие специальной резолюции СБ ООН. Россия, ЕС и США должны взять на себя инициативу в постановке данных вопросов в ООН, НАТО и в других многосторонних институтах.

Следует признать справедливость утверждений, что Евросоюз является для России трудным партнером. Список взаимных претензий длинен. Здесь и критика Евросоюзом российских действий в Чечне, причем ЕС был спонсором антироссийской резолюции в Комиссии ООН по правам человека. Это и жесткая позиция Евросоюза по условиям вступления России в ВТО. Это и антидемпинговые процедуры ЕС в отношении ряда российских товаров. Отчасти данные разногласия являются следствием интенсивности и глубины наших отношений. Другая причина кроется в сложности и недостаточной эффективности самих механизмов взаимодействия России с ЕС, а также в громоздкости собственных структур и процедур координации решений Евросоюза, что наверняка усугубится после предстоящего расширения ЕС. Вместе с тем все эти разногласия — еще не повод для того, чтобы повернуться к Европе спиной.

Опыт показывает, что мы с ЕС вполне можем быстро находить конструктивные решения по самым сложным и болезненным проблемам. Еще год назад проблема калининградского транзита представлялась неразрешимой, угрожала пустить наше партнерство под откос. Но после того как этот вопрос был выведен на политический уровень, обе

стороны проявили максимум гибкости и компромисс был найден. К сожалению, мы пока не можем найти полного понимания у некоторых наших европейских партнеров в вопросе разработки новых, более эффективных форматов сотрудничества. Пример Калининграда показывает, что здесь есть что совершенствовать. В своем Послании Федеральному собранию президент Владимир Путин заявил, что интересы России, интересы «Большой Европы» требуют новых качественных шагов навстречу друг другу. Определены долгосрочные цели по выходу на новое качество отношений: обеспечение свободного движения граждан, формирование общего экономического пространства. Это весьма напряженная повестка дня. Выполнить ее непросто, но возможно и необходимо, ибо альтернативы стратегическим партнерским отношениям с Европой у нас нет. Ведь еще великий Федор Достоевский при всем своем решительном антизападничестве признавал: «Нам от Европы никак нельзя отказаться. Европа нам – второе Отечество».

I.2. Questions for discussion.

1. Do you agree with the author of the article that Europe is our second 'Motherland'?
2. In your opinion what is the most reliable partner for Russia – Europe or the USA? Prove your point of view.

J. Case study

J.1. Here is an abstract from the article “Dark Skies to the East” published in “The Economist” on February 21st, 2004. Read the abstract and do the tasks.

Dark Skies to the East

Can Russia, after centuries of autocracy and imperialism, be turned into a sort of nice democratic country that gets along easily with its European neighbours? The answer seems to be: not for a while yet, to judge from a policy paper released by the European Commission, which suggests that relations between the Union and Russia are close to a post-Soviet low.

The Commission calls for “discussing Russian practices that run counter to universal and European values.” It says Russia has problems with democracy, human rights and press freedom. It points to rows over the environment, trade, border regimes and technical co-operation. It says aid to Russia has had “at best mixed” results: and it chides Russia for “assertive” behaviour towards neighbours.

The EU will embrace ten countries in all, seven of which were subjects or satellites of the Soviet Union. As these countries impose tight EU visa rules and close their markets to Russian goods Russia has been jolted into realizing that EU enlargement will effect it much more in practical terms than the eastward advance by the NATO.

So Russia has redirected its diplomatic firepower. It wants to renegotiate its “partnership and co-operation agreement” with the EU. It has put forward a list of 14 big items – from trade concessions to visa-free travel – that it wants brought into the negotiations.

J.2. Write down the Pros and Cons of the joining the EU.

Pros	Cons

J.3. Make an interview of a western journalist with the Russian government official about the perspectives of the “joined Europe.”

J.4. Think of and discuss the mutual claims of Russian and the European Union and their possible relationships.

Unit 14

International Trade

A. Preliminary discussion

1. What are the major Russian exports and imports?
2. Do you think international trade affects consumption possibilities?
3. What is the World Trade Organization (WTO) and how does it help foster multilateral trade?

B. Pre-reading exercises

B.1. Skim the text and give its key idea.

B.2. Scan the text and answer the questions.

1. What is the essence of international specialization?
2. What is a surplus? Give an example.
3. What are visibles and invisibles? Give examples.
4. What is the definition of “import duties”?
5. What is embargo?

C. Reading

C.1. Read the text and answer the questions.

1. Why does the United Kingdom need to sell to other countries?
2. How do we call goods and services sold to other countries? Analyze this process.
3. What differences in language do you know?
4. What company can act like an insurance one and why?
5. Who may provide different goods and services?
6. What for are bonded warehouses used?
7. What are the main features of bonded warehouses?

8. What are the functions of HM Customs and Excise?
9. How are taxes on imports collected in HM Custom and Excise?
10. When can quotas be imposed? Give an example.

International Specialization

Jones Bill

Countries would find it very difficult to produce all the goods and services which they might need and not have to buy any from other countries. It pays countries, therefore, to concentrate on the production of particular goods and services.

As a result of specializing a country produces a surplus, that is, more goods and services than it needs for its own consumption. For example, a country might produce 500,000 cars yet only sells 100,000 of these cars within the country. This leaves a surplus of 400,000 cars. The surplus produced by one country will then need to be exchanged for the goods and services it cannot produce. Thus the 400,000 cars will be sold to other countries and the money received used to buy, for example, the oil that the country needs but cannot produce. Countries, therefore, have to take part in foreign trade which is the buying and selling of goods between countries.

The Importance of International Trade to the United Kingdom

The United Kingdom needs to buy from other countries for several reasons. Some raw materials do not occur in the United Kingdom; for example, the United Kingdom cannot produce large quantities of gold. The country does not have the right climate to grow certain products. For instance it would be difficult to grow oranges here and it is easier to buy them from countries such as Spain. Some goods would be too expensive to produce; for example, the United Kingdom no longer produces motorcycles because it is cheaper for Japan to produce them. International trade gives the people in the United Kingdom the chance to buy a variety of goods and services from all over the world, such as coffee from Brazil and tourist services from Spain.

The United Kingdom needs to sell to other countries so that foreign currency can be earned, to create jobs and to increase the income of workers. Foreign currency can be



earned, for example, from American tourists visiting the country and spending dollars.

These dollars can then be used to buy American films, which can be shown in the United Kingdom. This applies also to other countries and goods. Jobs are created for the people in the United Kingdom. The incomes of workers are increased which results in a higher standard of living because they can afford to buy more goods and services.

Exports and Imports

Goods and services sold to other countries are called exports. By exporting a country gains foreign currency. Goods and services bought from other countries are called imports. By importing a country loses foreign currency. Goods bought from and sold to other countries are called visibles. Thus cars, cocoa and steel are examples of visibles. Services bought from and sold to other countries are called invisibles. Thus banking, insurance and tourism are examples of invisibles.

Difficulties Faced by Exporters

When exporters sell goods to other countries they can come across certain problems.

There are differences in language. Letters, labels and catalogues may have to be translated from, for example, English into German. Currency differences bring exchange rate problems. A UK exporter might sell a machine for \$ 4,500 in the USA. These dollars will then have to be changed into pounds sterling. If the exchange rate is $\pounds 1 = \$ 1.50$ the exporter will receive $\pounds 3000$. When exporters sell goods on credit there is always the danger that customers will not pay what they owe. This is a credit risk. If the foreign firms are far away it becomes more difficult for exporters to decide if they will be paid. Delivery may be difficult. Longer distances are likely to be involved and more than one form of transport may have to be used. There are risks of damage and theft. When goods are being transported over long distances there is more chance that the goods will be damaged or stolen. There are difficulties with standardization of produce. For example, cars exported to the USA are usually left-hand drive. Import controls, for example, taxes on imports, may cause delays. Differences in language and the longer distances involved make it more difficult for exporters to obtain information.

Government Help for Exporters

The United Kingdom government helps exporters in a number of ways.

The Export Credits Guarantee Department (ECGD) is part of the Department of Trade and Industry. It acts like an insurance company by offer-

ring credit insurance. Exporters pay premiums to the ECGD and then will be able to claim compensation if their customers do not pay what they owe.

The British Overseas Trade Board (BOTB) is part of the Department of Trade and Industry. It can give information to exporters about, for example, the types of product wanted in other countries and the forms which have to be completed when selling to those countries.

United Kingdom embassies in foreign countries have commercial staff who can help United Kingdom firms to sell in those countries.

Other Help for Exporters

As well as receiving help from the government United Kingdom firms can also be helped by various trade associations, institutions or societies.

Chambers of commerce are local organizations of firms who may provide different goods and services. Thus the London Chamber of Commerce and Industry is made up of firms involved in banking, engineering, retailing and so on. The link between these firms is that they operate in the London area. If these firms wish to export, the Chamber of Commerce can give them advice and may provide translation services.

Trade associations are national organizations of firms providing similar goods and services. Thus the Society of Motor Manufacturers and Traders is made up of firms who make and sell cars. If one of these firms wants to export, advice can be obtained from the trade association.

The British Standards Institution (BSI) gives information about technical standards in foreign countries. For example, cars exported to Japan may have to have a certain size of headlight.

The clearing banks can help with the exchange of foreign currency and with receiving money from and paying money to other countries.

Bonded Warehouses

Bonded warehouses are used in international trade although they are also used in home trade. Their main features are:

- 1) goods on which taxes have to be paid can be placed in a bonded warehouse;
- 2) at this stage the tax has not been paid;
- 3) while in the bonded warehouse the goods can, for example, be bottled, blended or packed;
- 4) once the tax has been paid the goods can be taken from the bonded warehouse;
- 5) bonded warehouses can be owned by importers, shipping companies, manufacturers, etc.;

- 6) HM Customs and Excise controls bonded warehouses, e. g., it checks that tax has been paid on goods, which leave the warehouse;
- 7) if goods are taken out of the warehouse before the tax has been paid the owner of the warehouse has to pay a large fine to HM Customs and Excise.

HM Customs and Excise

The Customs and Excise carry out a number of tasks in foreign trade. It checks ships, aircraft and vehicles to make sure that goods are not smuggled into the country. Taxes are collected on imports which gives the Government money to spend, and statistics (figures) are obtained which allows the balance of payments to be calculated. It controls bonded warehouses.

Controls on Exports and Imports

Governments can make it more difficult for firms to export and import by using controls. Import duties (or tariffs) are taxes placed on imports to make them more expensive. Quotas can be imposed. If the UK government sets a quota of 10,000 Japanese cars per year then no more than 10,000 Japanese cars could be imported into the UK in that year. An embargo is a complete ban placed on certain goods, e. g., during wartime an embargo would be placed on trade with enemy countries. The UK Government may give subsidies (money) to firms in this country to help sell their goods more cheaply abroad. The firms would then be able to compete more easily with foreign firms.

Governments use such controls for several reasons. A tax on imports raises money and gives a government money to spend. Controls on imports help the balance of payments. If a government can reduce the value of imports then a deficit on the balance of payments may be turned into a surplus. If fewer imports are bought there is more chance of home-produced goods being sold and workers will be needed to make these goods; this gives a boost to employment.

D. Vocabulary

D.1. Read and learn new words.

surplus (*n*) — an amount of something that is more than what is wanted, needed or used

visibles (*n*) — imports and exports of goods

balance (*n*) — accounting the difference between the total amounts of money coming into and going out of an account in a particular period of time

insurance (*n*) — an arrangement in which a company collects premiums from a person or organization and in return agrees to pay them a sum of money if they are involved in an accident, have something stolen, or cause harm or injury to others

clearing bank — a bank which is a member of the clearing-house (an institution where claims by various banks against each other are offset; this greatly reduces the need for transfers of funds between banks)

consumption (*n*) — the amount of goods and services used in a particular period of time

bonded warehouse — *also Customs warehouse*; a warehouse in which imported goods are stored until taxes on them have been paid

tax (*n*) — an amount of money that you must pay to the government on your income, property, goods, etc. that is used to pay for public services

fine (*n*) — money that someone has to pay as a punishment

captive warehouse — wholesaling company stock, servicing only their own firms

D.2. Fill in the prepositions.

1. International specialization pays countries to concentrate ... the production of particular goods and services.
2. The United Kingdom buys ... other countries ... several reasons.
3. The incomes of workers result ... a higher standard of living.
4. The balance of payments ... current account ... a country.
5. Exporters sell goods ... credit.
6. Some banks can help ... the exchange of foreign currency and ... receiving money ... and paying money ... other countries.
7. Tax can be paid ... goods, which leave the warehouse.
8. A deficit ... the balance of payment may be turned ... surplus.
9. An American firm receives interest ... a UK bank.
10. The invisible balance is usually ... surplus.
11. Some countries specialize ... the production of goods.

D.3. Give corresponding words to the following definitions.

1. Due to it countries concentrate on the production of particular goods and services.
2. It is the production of more goods and services than a country needs for its consumption.
3. It is the buying and selling of goods between countries.

4. They are national organizations of firms providing similar goods and services.
5. These establishments can help with the exchange of foreign currency and with receiving and paying money.
6. These organizations can give information to exporters.
7. They can be owned by importers, different companies, etc.
8. They check different vehicles to make sure that goods are not smuggled into the country.
9. It is a complete ban placed on certain goods.
10. They are taxes placed on imports to make them more expensive.
11. The aim of this organization is that taxes should not be placed on goods moving between some countries.

D.4. Find an appropriate word or expression in the list below to complete each sentence.

balance of trade	specializes	transport	banking
embargo	visibles	tax	bonded
services	euro	insurance	yen

1. When a country ... it concentrates on the production of certain goods or services.
2. ... is the name given to the trade in goods.
3. Another name for the visible balance is the
4. Invisibles is the name given to the trade in
5. Two examples of invisibles are ... and
6. The units of currency of West Germany and Japan are the ... and the
7. The ECGD provides ... for exporters.
8. HM Customs and Excise control ... warehouses.
9. A tariff is a ... placed on imports.
10. An ... is a complete ban on imports.

D.5. Translate from Russian into English using the active vocabulary.

1. Страны вынуждены принимать участие в международной торговле, которая заключается в покупке и продаже товаров между странами.
2. Доходы рабочих увеличиваются, что влияет на повышение жизненного уровня.

3. Когда товары перевозятся на большие расстояния, существует риск повреждения или воровства.
4. Клиринговые банки могут помочь в обмене иностранной валюты и получении денег из других стран.
5. Товары, за которые должны быть уплачены налоги, могут храниться на таможенном складе.
6. Если товары забирают со склада до уплаты налога, то владелец склада должен заплатить большой штраф.
7. С импорта взимаются налоги, которые приносят правительству деньги на расходы.
8. Эмбарго — полный запрет, установленный на определенные товары.
9. Если правительство может сократить стоимость импорта, тогда дефицит платежного баланса может быть превращен в излишек.

E. Make a summary of the text

Use the active vocabulary.

F. Grammar revision

F.1. Fill in the gaps with the grammar forms given below. Pay attention to the grammar material learned in the previous units.

could help;	is delighted;
coming;	are due to;
to open;	to continue;
to put;	to be treated;
has had to;	have to;
granting;	has been signed;
has been damaged;	may rise;
gruelling;	paving;
to convey;	to join;
increased;	are opposed to;
unexpected.	requiring.

China Drops Trade Barriers

A historic trade deal ... the way for China ... the World Trade Organisation ... by Chinese and American negotiators.

The deal, which will involve major opening of China's markets, will provide a significant boost to China's economic reforms and to the reformist politicians around Prime Minister Zhu Rongji.

It will also strengthen the legitimacy of the world trading system, which ... by disputes between the United States and Europe.

The downside for China is that unemployment ... sharply as its inefficient state industries face ... competition.

"The China-WTO agreement is good for the United States, it's good for China, it's good for the world economy," – US President Clinton said.

"Today, China embraces principles of economic openness, innovation and competition that will bolster China's economic reforms and advance the rule of law," – he added.

The deal clears the way for China to join the World Trade Organisation, subject to the agreement of other members, after 13 years of negotiations. "We are looking forward to the day when China will become a full member of the WTO within this year," – Minister of Foreign Trade and Economic Cooperation Shi Guangsheng said.

US Trade Representative Charlene Barshefsky and Mr. signed the agreement after six days of ... negotiations to open China's relatively closed markets to American products and services.

American businessmen in China hailed the deal.

"... hard for years ... to the two governments how China's WTO accession ... both countries, the American business community here ... it is now at hand and we pledge our full support for the implementation process in ... years," – said Richard Latham, chairman of the American Chamber of Commerce.

Historic Step

The deal makes it likely that China will be a member of the World Trade Organisation in time for the next round of global trade talks which ... start in Seattle at the end of the month.

The US team has been pushing China ... its markets to American products and services, especially in the areas of telecommunications and financial services.

The deal will give foreign firms new access to the fields of insurance, telecommunications and banking, including auto finance.

That should boost foreign investment in China and speed up the process of economic reform.

It will also give China, the world's ninth-largest exporter, non-discriminatory access to markets around the world.

“This is a major step forward in China’s accession to the WTO. I have said many times that we are not a World Trade Organisation until China has joined,” — said Mike Moore, Director-General of the WTO.

Close to Breakdown

Even up to the last minute, it was unclear whether a deal was possible.

It looked as if negotiations had broken down on Friday, when the US delegation left after 80 minutes of meeting.

But on Saturday, Ms. Barshefsky held an ... session with Chinese Prime Minister Zhu Rongji and Foreign Trade Minister Shi Guangsheng.

Washington said that, despite slow progress, both sides had decided ... because of the importance of the issues at stake. In a sign of the importance attached to the deal, key Presidential aide Gene Sperling accompanied the US delegation.

Long Delays

China has been pressing for years to join the WTO, in order to set the seal on its aspirations for economic modernisation, but only recently, when it abandoned its claim ... as a developing country, did negotiations become serious.

A deal was nearly reached when Mr. Zhu visited Washington in April, but President Clinton delayed signing on political grounds.

The bombing of the Chinese embassy in Belgrade by Nato planes prompted China ... the negotiations on hold for several months.

The delay reportedly damaged the political standing of Mr. Zhu, and led to calls from some of his opponents in China for tough new restrictions in some areas of foreign investment.

President Clinton ... overcome protectionist pressures in the United States Congress, and opposition from human rights activists who ... a deal with China.

The Congress will now ... repeal legislation ... a yearly review of progress on human rights before ... trade privileges to China.

F.2. Translate the text from Russian into English paying attention to the grammar material of the previous units.

Международная торговля как фактор глобализации

В. А. Русановский, Т. В. Блинова

Россия готовится стать членом Всемирной торговой организации, которая выполняет важнейшие задачи либерализации мировой торговли. Однако не следует забывать, что процесс присоединения к ВТО

тесно взаимосвязан с внутренними изменениями, формированием новой институциональной, хозяйственной и организационно-правовой среды, направленными, во-первых, на повышение эффективности и конкурентоспособности экономики, во-вторых, на приведение ее в соответствие с международными нормами. Основу структурных изменений может составить стратегия сравнительных преимуществ, когда регионы специализируются на экспорте тех товаров, которые они производят с относительно низкими издержками. При свободном обращении ресурсов отраслевая структура не только определяется сравнительными преимуществами, но и меняется по мере их изменений. В этих условиях структурные сдвиги будут сопровождаться переливом рабочей силы из отраслей и секторов экономики с низкой добавленной стоимости в сектора с высокой добавленной стоимостью.

Известно, что ВТО создает благоприятные условия для торговли современной наукоемкой продукцией, в структуре же российского экспорта пока преобладает продукция сырьевого сектора. Стратегическая ориентация российской экономики на ресурсный сектор и отрасли ТЭК вряд ли обеспечит устойчивый экономический рост в долгосрочной перспективе. Россия была бы крайне заинтересована в расширении экспорта наукоемкой продукции и увеличении экспортной доли перерабатывающих отраслей. Однако западные государства, защищая собственные экономические интересы, отводят для новых стран место дополняющего, а не конкурирующего партнера по интеграции. Кроме того, увеличение экспортной доли перерабатывающих отраслей и особенно наукоемкой продукции требует серьезной структурной перестройки экономики. Сдвиги в производстве экспортных и не экспортных товаров вызовут значительные изменения в отраслевой и секторальной структуре, а процесс адаптации будет сопровождаться краткосрочным снижением занятости и ростом безработицы. В целях минимизации социальных издержек необходима разработка пакета соответствующих мер, стимулирующих перемещение факторов производства из одного сектора экономики в другой. Нужна правительственная программа реальных структурных изменений в российской экономике, где были бы обозначены приоритеты и направленность таких сдвигов на основе стратегии сравнительных преимуществ.

Для России важно не только приобрести новые международные, но и сохранить и внутренние рынки, на которых значительная часть оте-

чественных предприятий проигрывает в открытой конкуренции развитым странам. Приток импортных товаров существенно обострит конкуренцию на внутренних рынках, что в значительной степени затронет интересы таких отраслей промышленности как легкая, пищевая, химическая, фармацевтическая, электронная, автомобилестроение, авиастроение, приборостроение.

В сложном положении может оказаться сектор страхования и финансовых услуг, розничной торговли, мелкий и средний бизнес. В связи с этим необходима система мер, способствующих эффективной адаптации важнейших отраслей и производств, а также мелкого и среднего бизнеса к новым условиям. Необходимо своевременное решение таких проблем, как замена морально устаревшего и физически изношенного оборудования, более полная загрузка производственных мощностей, обновление производства на основе информационных технологий, современных методов организации и профессионального менеджмента.

Значительную часть обсуждаемого с ВТО пакета соглашений составляют переговоры по сельскому хозяйству. Они затрагивают как уровни тарифной защиты, так и вопросы, связанные с государственной поддержкой аграрного сектора в России, включая агрегированную меру поддержки, субсидирование экспорта сельхозпродукции. То есть речь идет о дотациях на продукцию животноводства, растениеводства, компенсациях части затрат на материально-техническое снабжение, льготном кредитовании, ценовой поддержке отечественных товаропроизводителей, льготах на транспортные тарифы и т. д. В соответствии с соглашением ВТО по сельскому хозяйству принимаются обязательства по установлению фиксированного уровня поддержки и его поэтапному сокращению (меры «янтарной корзины»).

Другая группа мер относится к «зеленой корзине» и не связывается обязательствами по сокращению. Она затрагивает расходы, не направленные на поддержание цен отечественных товаропроизводителей и не оказывающие существенного искажающего воздействия на торговлю. В этом случае речь идет о страховании урожаев, компенсации ущерба от стихийных бедствий, содержании стратегических продовольственных запасов, содействии структурной перестройке, программах регионального развития, формировании эффективной инфраструктуры, информационном и консультационном обслуживании, проведении ветеринарных и фитосанитарных мероприятий, обеспечении доступа к рыночной информации, научных исследованиях.

G. Reading the English newspaper

G.1. Pre-reading task.

1. Analyze the prospects for Russian trade.
2. Can you agree with the world economic leaders who consider that they have achieved “an unambiguous sense of commitment” to liberalising international trade?

G.2. Read the article “EU scores in trade war with US” through and give the definitions of the following words and word combinations:

- ◆ a long-running trade dispute;
- ◆ illegal export subsidies;
- ◆ to impose punitive tariffs;
- ◆ to pave;
- ◆ concessions;
- ◆ an uphill struggle;
- ◆ a sharp economic slowdown;
- ◆ the throes of a recession;
- ◆ retaliation;
- ◆ comply with.

EU Scores in Trade War with US

“BBC News”

The United States has suffered a bitter blow in a long-running trade dispute with the European Union, and could now face sanctions worth more than \$ 4 bn.

The World Trade Organisation (WTO) found that massive tax breaks for firms like GE, Boeing and Microsoft amounted to illegal export subsidies.

It was the fourth time in five years that the WTO ruled the tax breaks illegal, and has now paved the way for the EU to impose punitive tariffs on imports from the US.

This is just the latest in a host of transatlantic trade disputes. In previous quarrels — over beef and bananas — the WTO had found in favour of the United States, resulting in sanctions on EU exports.

Mutual Damage

The United States has already offered some concessions in the dispute, but the WTO panel found that Washington “failed fully to implement the recommendations and rulings” made by the trade body.

Robert Zoellick, the US Trade Representative, said the White House was “disappointed” with the outcome.

He said the US government intended to “seek to cooperate with the EU in order to manage and resolve this dispute.”

But he insisted that the US had been right all along.

“We knew it would be an uphill struggle,” he said, “but we believed it was important to make our case for a level playing field on tax rules.”

Any trade war is likely to hit the economies of both sides – with the United States already in the throes of a recession and the European Union suffering a sharp economic slowdown.

Kimberly Pinter of the National Association of Manufacturers in the U.S. said “they [the EU] don’t want to sanction us any more than we want to be sanctioned.”

Any sanctions “would hurt them as much as it would hurt us.”

Clyde Prestowitz, a former US trade negotiator, said the “timing for the Europeans to do something very Draconian isn’t very good.”

Horse Trading

EU officials acknowledge that this could be true. So the EU has stressed that retaliation is not its preferred option. Instead, some sort of ‘horse-trading’ is expected to take place, said observers.

But the EU expects Washington to make the first move. EU Trade Commissioner Pascal Lamy said it was now “up to the US to comply with the WTO’s finding to settle this matter once and for all. As to how, we look forward to rapid US proposals.”

Arbitration

The next step in the dispute is the creation of a WTO arbitration panel. The panel will decide on the amount of sanctions to be imposed on imports from the US. It has 60 days to do the job – from the day the WTO officially adopts the ruling, expected to happen later this month.

In deciding on an amount, the WTO would aim to reflect the damage caused to European firms by the tax breaks in the US. Once an amount is approved by the WTO, the EU could impose the sanctions right away.

Possible Solutions

To avoid sanctions, the US would have to either:

- ◆ change the current tax legislation;
- ◆ compensate the EU by slashing tariffs or take other actions to enable the EU to export more to the US;

- ◆ persuade the EU to delay imposing sanctions and deal with the issue as a part of the next round of WTO trade talks which are due to start this year, and are expected to last until 2005.

The first option is unlikely: The US would be hard-pressed to push through a new tax reform legislation package in time, given that the arbitration panel's final decision is due around Easter.

And with the US recession still showing no sign of easing, the US is increasing its tariff barriers on many products, such as steel, rather than cutting them.

Instead, the US may threaten counter-retaliation.

Different Tax Breaks

The EU may be amenable to some form of compromise, however, since the US is expected to argue that Europe also uses export tax breaks, and that its whole corporate tax structure is unfair to US companies.

Indeed, the WTO panel did itself query whether some EU tax regimes comply with its rules.

Also, the EU has lost other trade disputes with the US recently and could use this latest one to regain lost ground in other areas.

Although the two trade blocs reached agreement on a long-running dispute over imports of bananas from the Caribbean, there are still conflicts over the import of US hormone-treated beef and genetically-modified foods.

Long-Running Conflict

The current conflict arose in 1997 when the EU began objecting to US tax breaks for exporters.

The tax breaks put the exporters at an advantage when competing with European firms, the EU argued.

The WTO agreed in four rulings, but the US appealed on each occasion, while at the same time moving part of the way towards compliance by extending the tax breaks to foreign companies based in the US.

The EU dismissed this as "window dressing," and said the new tax regimes introduced were as bad as the old ones.

In the end, in November 2000, the EU asked the WTO for permission to retaliate.

G.3. Comprehension.

Read the article again more attentively and answer the questions.

- ◆ Why has the United States suffered?
- ◆ What has the WTO found?
- ◆ Why has the WTO paved the way for the European Union?

- ◆ Why did R. Zoellick call the transatlantic trade disputes “an uphill struggle”?
- ◆ Do you agree with the author’s opinion that “any trade war is likely to hit the economies of both sides”?
- ◆ What is a WTO arbitration panel? What for is it necessary?
- ◆ What is the reason of increasing the tariff barriers on many products by the US?
- ◆ Do you think that the EU may be amenable to some forms of compromise?

G.4. Find a word or a phrase in the article with a meaning similar to each of the following.

- ◆ ready to be guided or influenced by;
- ◆ formal or official permission, approval or acceptance;
- ◆ a reduction in taxes that can be had by taking advantage of government rules that may change from time to time;
- ◆ to accept or admit (as); recognise the fact or existence;
- ◆ to get or win back;
- ◆ to try to win something in competition with someone else;
- ◆ the process by which two sides try to reach agreement with each other, eg. about prices, the details of a contract, etc.;
- ◆ to find a satisfactory way of dealing with (a difficulty); settle.

G.5. Render the article after making up your own outline.

H. Reading the Russian article

H.1. Read the Russian article, find key sentences and translate them into English.

Россия втягивается в торговую войну с Европой

Денис Прокопенко, «Политэкономия»

Выбор первой цели для «симметричного удара» может оказаться ошибочным.

Металлургическая продукция является товаром, из-за которого Россия в последнее время оказывается втянутой или сама инициирует торговые войны с другими странами. Ничего удивительного в этом нет: ведь металлы — вторая после нефти статья экспортных доходов нашей страны.

С нефтью проблем нет — развитые страны крайне нуждаются в этом сырье и поэтому только рады, если поставки «черного золота» увели-

чиваются. Цена-то в этом случае снижается. С поставками российской стали проблем гораздо больше. Дело в том, что западные правительства заботятся прежде всего о защите своей металлургической отрасли. Поток дешевой и качественной российской стали на рынки развитых стран приводит к сокращению производства в тех же американских и европейских компаниях.

Поэтому увеличение поставок российской нефти только приветствуется, так как способствует снятию энергетического кризиса в развитых странах, а поставки российской стали вызывают антидемпинговые расследования и ограничения в доступе на мировые рынки. Все это привело к тому, что из-за разного рода ограничений на внешних рынках Россия, по данным премьер-министра Михаила Касьянова, уже потеряла около 2,5 млрд долл.

Главным из этих ограничений является так называемое Всеобъемлющее соглашение по стали между Россией и США, заключенное летом 1999 г., в итоге которого последовала волна подобных мер в отношении нашей продукции по всему остальному миру (Латинская Америка, Индия, Китай и др.). Именно из-за этого соглашения российские металлурги несут миллиардные убытки, так как не могут продавать определенные виды стали в США. Когда-то, до начала антидемпинговых расследований, американский рынок был ключевым для наших промышленников. На него шла львиная доля нашей продукции. Однако после установления барьеров Россия вынуждена была переориентироваться на азиатские рынки — емкие, но дешевые.

Ограничения на европейском рынке начались раньше. В 1997 г. Россия заключила с Евросоюзом соглашение о торговле сталью, по которому мы признавали себя нерыночной страной и квотировали поставки своей продукции на пять лет. Срок этого соглашения истекает, однако европейцы до сих пор не признают Россию страной с рыночным статусом и не намерены смягчать условия. Камень преткновения во взаимоотношениях между российскими и западными металлургами — проблема черного лома. Дело в том, что по просьбе российских металлургов российское правительство ввело пошлину на вывоз черного металла (не менее 15 евро за тонну). Российские металлурги считают, что без этой пошлины весь лом будет вывозиться в Европу, оставляя Россию на голодной пайке. Действительно, главное сырье для европейских металлургов — это черный лом. Его применение позволяет сталеварам Европы экономить собственное сырье и уменьшать вредные выбросы в окружающую среду. Однако в ответ на российские ограничения на вывоз лома Еврокомиссия с 2000 г. приняла решение сократить поставки российской стали на 12 %.

И вот неделю назад, по прошествии более полугода, российское правительство отважилось на объявление торговой войны Европейскому союзу. 25 мая правительственная комиссия по защитным мерам во внешней торговле предложила внести 17-процентную ввозную пошлину на те виды европейской металлопродукции, которые пользуются повышенным спросом в России. К ним относятся прокат из нержавеющей стали, металлоконструкции, некоторые виды труб и т. д. До конца этого года, по словам Германа Грефа, европейцы потеряют на этом около 30 млн долл.

Однако, несмотря на, казалось бы, патриотичность и логичность этого шага, Герману Грефу следовало бы выбрать более адекватного противника в торговой войне в защиту своих металлургов, а именно — Соединенные Штаты.

Во-первых, в США мы несем большие потери от того, что нас не допускают на американский рынок. Бороться за американский рынок для России важнее, чем за европейский. Дело в том, что на рынке США цена тонны стали на 20–30 долл. больше, чем в остальном мире. И с 1999 г., со времени действия соглашения, российские металлурги уже потеряли более 1,5 млрд долл., и эти потери постоянно растут.

Во-вторых, необходимо учитывать и стратегическое влияние этого шага на взаимоотношения нашей страны с остальным миром. Президент России Владимир Путин провозгласил стратегическое сотрудничество с Европой. Главным оппонентом сейчас для нашей страны, очевидно, являются США, где администрация Буша явно не благоволит к нашей стране. Поэтому экономическая ссора с Европой может оказаться гораздо более болезненной, чем оппонирование США.

В-третьих, мотивировка введения пошлины, которая была применена против ЕС, была бы более результативной в отношении Соединенных Штатов. Россия может ввести пошлины на ту же сумму, которую уже потеряли наши металлурги — 1,5 млрд долл.

Москва уже около полутора лет ведет безуспешные переговоры с администрацией США — как клинтоновской, так и бушевской. Подписываются петиции, передаются письма от российского торгового ведомства американскому, а представители США просто хранят молчание или заявляют о том, что им необходимо проконсультироваться со своими металлургами. Фактически они уже около года игнорируют данные российской стороны о том, что российско-американские соглашения по торговле сталью недействительны.

Около месяца назад на совещании у заместителя министра экономического развития и торговли Максима Медведкова металлурги единогласно решили выйти из двустороннего соглашения с США.

Правда, само соглашение давало российским компаниям некоторую гарантию того, что против них не будут возбуждать новых антидемпинговых расследований. Сейчас же, после начала процедуры выхода из соглашения, наверняка против российских металлургов организуют новые расследования. В связи с этим Герману Грефу предстоит подготовиться к полномасштабной торговой войне, в которой российские металлурги и Россия могут потерять миллиарды долларов. Наверняка необходимо просчитать торговый оборот между двумя нашими странами и выявить наиболее уязвимые товары американского экспорта в Россию, чтобы своевременно нанести «симметричный торговый удар».

H.2. Read the Russian article once more and make up an outline of the rendering according to the key sentences using new words and word combinations you've found in the article.

H.3. Render the Russian article.

I. Speak up

I.1. Interview.

Use these questions as a guide to interview your partner. Add questions of your own.

1. Why do developing countries need a new multilateral round?
2. What is the interest of LDCs (least-developed countries) in the WTO?
3. What can companies and civil society do to show to the entire world that trade and sustainable development are not necessarily at odds?
4. If inflation is higher in Russia than in countries with which Russia trades, what will likely happen to Russia's exports and imports? Why?
5. Why did China have the difficulty to enter the WTO?

I.2. Case study.

Read the article and do the exercises.

US Launches GM*-trade War

Steve Schiffers, "BBC News"

Trade Wars

Under WTO rules, the two parties have 60 days to consult before a trade disputes panel is set up.

* GM – genetically modified.

Ultimately, if the panel rules against the EU, it could impose trade sanctions, giving the US the right to impose retaliatory tariffs on EU goods.

Mr. Zoellick told BBC News Online that the US would be seeking “several hundred million dollars” in damages, but that the importance of the case went far beyond the immediate damage to US agriculture.

Developing countries in Africa, Asia, and Latin America were cutting back on research and production of GM-crops, because they were afraid they could not export them to Europe, he said, hurting poor farmers worldwide.

And to support his point, scientists and farmers from developing countries joined the press conference to argue for the economic benefits of GM-crops.

Mr. Zoellick denied that the US decision to bring the case had anything to do with the WTO’s recent approval of \$4 bn in EU retaliatory sanctions against the US in another case, involving tax breaks for foreign subsidies of US companies.

However, he appeared to concede that the US had delayed bringing the case in the run-up to the Iraq war, when it was trying to gain EU support for a fresh UN resolution.

World Trade Talks

The US move could also increase the difficulties of reaching a deal on agriculture in the Doha round of global trade talks. Those talks appear stalled ahead of a summit in Cancun, Mexico, in the autumn.

The US and the EU are at loggerheads over how to reform agricultural subsidies to benefit developing countries.

Many of the countries joining in the US action are part of the Cairns group of agricultural exporting nations which has been lobbying the WTO to open agricultural markets. A number of them are now seeking separate free trade agreements with the United States.

Washington has brought a complaint against the European Union for refusing to allow the sale of genetically modified (GM) food or crops, escalating trade tensions between the world’s two biggest economic blocs. The United States – and twelve other agricultural exporting nations – want the EU to repeal its five-year moratorium on GM-foods, or face trade sanctions under World Trade Organisation (WTO) rules.

US Trade Representative Robert Zoellick said that the US had run out of patience after years of EU procrastination on the issue. “The EU’s persistent resistance to abiding by its WTO obligations has perpetuated a trade barrier unwarranted by the EC’s own scientific analysis, which impedes

the global use of a technology that could be of great benefit to farmers and consumers around the world,” – he said.

The EU is unlikely to lift the block on GM-food imports, which is widely supported by European consumers, and is also developing tough new labelling regulations which worry US farmers.

EU trade commissioner Pascal Lamy questioned the motives behind the US case, and denied there was a “moratorium” on GM-foods. “The EU regulatory system for GM authorisation is in line with WTO rules: it is clear, transparent and non-discriminatory. There is therefore no issue that the WTO needs to examine,” – he said.

And EU consumer and green lobby groups vowed to oppose the US decision. “If this attempt succeeds, the US will force GM foods onto European markets regardless of the wishes of consumers,” – said Friends of the Earth Policy Director Liana Stupples.

I.3. Sum up the arguments for and against imposing trade sanctions.

I.4. Make up the speeches of: a) US Trade Representative Robert Zoellick; b) EU trade commissioner Pascal Lamy.

I.5. Work in two groups. Group A – representatives of developing countries in Africa, Asia, and Latin America – carries on talks with group B – team of US Trade Representative Robert Zoellick. Discuss the problems of research and production of GM crops.

Appendix A

Tests

Unit 1. Labour Relations

A. Read the article from the CNN Money website and complete the extract with the expressions listed.

called for	officials	walkout	broke off	arbitration
affects	distributed	stoppage	deal	average

Hershey Workers Walk off Job

Nearly 3,000 Hershey Foods Corp. workers walked off the job Friday, saying they were upset with a company offer that would increase their health care costs.

The strike at the company's two plants in Hershey ... (1) about one-fifth of the work force at the nation's largest candy maker, where negotiations between Hershey and the Chocolate Workers Local 464 ... (2) Wednesday. No new talks were scheduled.

The company said a labor ... (3) at the two Hershey production plants would not interrupt service to its customers. Hershey Foods has been building inventory and cash reserves in preparation for a ... (4), analysts said.

Even before the walkout began at 9 a.m., workers began gathering outside the factories and union officials ... (5) signs that read, "Stop the Greed, Share the Wealth."

"The raises they give won't cover the increases in the medical benefits," said Brian Daubert, a production worker at the West Hershey plant.

A ... (6) offered by the company but rejected earlier this month ... (7) worker health insurance payments to increase from 6 percent to 10 percent, then 12 percent over four years.

Workers, who receive an ... (8) hourly wage of about \$ 18, would get raises of around 2.6 percent to 2.8 percent each year for four years.

The company offered to enter into binding ... (9) Wednesday but the union refused, both sides said.

The labor stoppage at Hershey is the fifth in the 97-year-old candy maker's history. The last strike by members of Chocolate Workers Local 464 was a three-week work stoppage in 1980, ... (10) from the union said.

B. After filling in the gaps read the article once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Hershey workers walked off the job because the company wanted to increase their bonus pay.
2. The negotiations between the administration and unions were a failure.
3. The strike would be a hard blow to customers' service.
4. The raises are too low to cover the increases in the medical benefits.
5. Both sides do not mind entering into binding arbitration.

C. Give English equivalents and make up your own sentences:

- ◆ забастовка, не санкционированная профсоюзом;
- ◆ закрытие предпринимателями одного или нескольких предприятий с тем чтобы заставить рабочих и служащих принять навязываемые им решения;
- ◆ предупредительная забастовка;
- ◆ участвовать в сидячей забастовке;
- ◆ естественное сокращение рабочей силы.

D. Translate the following sentences into Russian.

1. Where there was a closed shop agreement an employer could not hire non-union workers.
2. We feel that salaries should at least keep pace with inflation.
3. With collective bargaining the unions negotiate on behalf of groups of workers, not individuals.
4. If they work to rule the job might not be completed on time.
5. Union members were asked not to cross the picket line.

E. Render the extract from the article using the active vocabulary.

По данным профсоюза, на начало забастовки в ней участвовало 50 000 рабочих на 20 предприятиях. Глава профсоюза IG Metall Клаус Цвикель первоначально хотел добиться повышения заработной платы для всех 3,6 млн рабочих немецкой металлургической и электронной промышленности на 6,5 %. В последний момент профсоюз дал по-

нять, что готов к заключению соглашения, в котором перед запятой будет стоять четверка. До сих пор работодатели предлагали 3,3 %.

Во вторник забастовка в Баден-Вюртемберге продолжится. Профсоюз хочет включить в борьбу такие предприятия, как Varta, Bosch-Siemens, Alstom, АВВ и Alcan. Распространение забастовочного движения на Берлин и Бранденбург не должно произойти до начала будущей недели.

В понедельник не наблюдалось никаких симптомов скорого окончания забастовки, хотя Цвикель и подтвердил, что он готов к переговорам. Тем не менее, Ханс Вернер Буш, генеральный директор объединенного союза работодателей-металлургов, скептически относится к возможности достижения соглашения на новом раунде переговоров.

Unit 2. Production and Costs

A. Read the article from the CNN Money website and complete it with the expressions listed.

delivery	evaluation	safeguards	pursue
include	awardedbe	worth	suppliers
net loss	bolsters	edged out	bulk

Boeing Wins \$ 4.5 b Sale

Seoul, South Korea (Reuters) — South Korea ... (1) a \$ 4.5 billion deal for 40 fighter jets to Boeing Friday, opting to stay with US military ... (2) despite a strong challenge from European rivals.

The latest version of Boeing's F-15 beat the Rafale from Dassault Aviation SA, though the French firm said it would ... (3) an injunction filed earlier this month seeking to overturn the decision.

"We considered security, foreign policy and economic factors in making the decision," the Ministry of National Defence said.

The deal comes on the heels of a disappointing \$ 1.25 billion first-quarter ... (4) for the world's largest planemaker and ... (5) F-15 production jobs in St Louis, Mo., which analysts said were in doubt without it.

It ... (6) a production line that had just 10 US orders lined up and none after 2004.

Seoul also chose US manufacturing titan General Electric to supply engines for the F-15K, marking a first in the F-15's 28-year history. The engine deal is expected to ... (7) \$ 350 million.

GE ... (8) United Technologies unit Pratt & Whitney, which had supplied engines for every F-15 ever sold.

The ministry narrowed a four-way race to two finalists last month and in a final round of ... (9) Seoul's close defense and trade relations with Washington proved decisive.

The US has 37,000 troops stationed in South Korea and the ... (10) of aircraft and weapons systems used are from US manufacturers.

The deal is expected to ... (11) almost \$ 3 billion in jobs and technology for South Korea, which hopes to develop its own fighter by 2015.

Seoul is expected to take ... (12) of its F-15K fighters between 2005 and 2009.

European rivals had hoped to unseat US makers in supplying South Korea. Dassault is still hunting for its first export order for the Rafale.

B. After filling in the gaps read the article once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Though the challenge from the US rivals was strong South Korea preferred European military suppliers.
2. The French firm gave up and didn't try to overturn the decision.
3. Without the deal F-15 production jobs in St Louis could have been lost.
4. A production line will have orders only after 2004.
5. Seoul has close defense and trade relations with Washington.
6. European rivals still hope to supply South Korea.

C. Give English equivalents and make up your own sentences:

- ◆ избыточная мощность;
- ◆ заключение субдоговора на выполнение работ с внешними фирмами;
- ◆ материально-производственные запасы;
- ◆ незавершенное производство;
- ◆ период освоения новой продукции.

D. Translate the following sentences into Russian.

1. Mr. Shilling contends that in its quest to get "lean and mean," US industry has exchanged variable costs for fixed costs.
2. Many of the blue-collar workers who used to make things have been replaced by more productive machines, usually financed by debt.
3. But while blue-collar workers could be laid off when recession occurred, machines can't be fired, and interest payments don't go away.
4. Firms locate their production and other operations internationally for reasons that are more complex than the simple minimization of direct costs.

5. Mainly because of higher indirect costs, a German manufacturing worker costs almost twice as much per hour as a British one.

E. Render the extract from the article using the active vocabulary.

Wella специализируется на трех видах продукции: средствах по уходу за волосами, предназначенные для парикмахерских, на долю которых приходится почти половина оборота; продукции для розничной торговли и относительно новом деле — косметических средствах и парфюмерии. В прошлом году объем продаж Wella составил 254 млн евро, — больше, чем когда-либо за всю ее историю.

К новым достижениям концерна относятся приобретение американской торговой фирмы Graham Webb, специализирующейся на средствах по уходу за волосами, и американского же предприятия Johnson Products, оптового продавца «этнических косметических средств по уходу за волосами» для афроамериканцев.

Эти приобретения способствовали увеличению оборота больше, чем на одну треть, — в целом доходы возросли приблизительно на 13 % и достигли 3,2 млрд евро.

При этом прирост во всех трех сферах был примерно одинаков — правда, несколько выделилась самая новая и поэтому меньшая сфера — «косметика и ароматы». Этому способствовало появление новых ароматов, в частности, Montblanc и Dunhill.

Unit 3. Urgent Problems of Marketing

A. Read the extract from the CNN Money website and complete it with the expressions listed.

net pricing	retail sales	planszero-interest	production
target	outpacing	cautious note	sales pace
fleet	cash or reduced	salesdemandincentives	

GM Leads Strong April Sales

New York (CNN/Money) — General Motors Corp. posted a 13 percent increase in US sales in April, easily ... (1) competitors' results as consumer demand for autos stayed strong.

Chrysler Group posted a 3 percent gain in US sales, while Ford Motor Co. said weak ... (2) dragged overall U.S. sales down 7.4 percent, although its ... (3) to consumers were about equal to year-earlier levels.

While final figures from all automakers are not yet in, GM estimated that total industry sales would be up about 2.5 percent in the month, gi-

ving the industry an annual ... (4) of between 17.5 million to 18 million vehicles in April, far stronger than originally estimated, putting the industry on pace for one of the best US sales years in its history.

GM announced it would raise its ... (5) for the second quarter due to continued strong consumer ... (6) and the moderate recovery in purchases by car rental companies. The company said it now ... (7) to build 1.53 million vehicles, up slightly from its earlier guidance of greater than 1.5 million vehicles, and up 12 percent from the 1.36 million vehicles it built in the year-earlier period.

The only ... (8) from GM is that pricing remains very competitive. The company issued new guidance saying that ... (9), which reflects the sales price less the cost of marketing and ... (10), will be off between 1.4 and 1.6 percent in the second quarter compared to a year ago.

GM has been a leader in most incentives for the last eight months, sparking a round of ... (11) financing incentives that kept demand for vehicles strong even in the wake of the Sept. 11 terrorist attack. GM announced a new incentive program late Tuesday that included ... (12) interest rates but did not offer the zero-interest option.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. GM outpaced its competitors because consumer demand for autos went up.
2. Approximate total industry sales would be about 2.5 percent in the month.
3. GM decided to leave its production target without changes.
4. The fact that pricing remains very competitive concerns GM.
5. Cash or reduced interest rates kept demand for vehicles strong.

C. Give English equivalents and make up your own sentences:

- ◆ товар, продаваемый по сниженной цене для привлечения покупателей;
- ◆ продукт, пользующийся спросом;
- ◆ осведомленность о торговой марке;
- ◆ рынок товаров массового производства;
- ◆ «макулатурная» почта (реклама и т. п.).

D. Translate the following sentences into Russian.

1. Year-to-date fleet sales are off 25 percent at GM due to the strong drop in demand from car rental companies in the first quarter.

2. GM was mostly lifted by a 24 percent gain in sales of light trucks.
3. “Underlying demand remains very strong,” said Paul Ballew, GM’s executive director for market and industry analysis.
4. The marketing director’s brief was to increase coverage by at least 10 percent.
5. The product has lost market share and is a likely candidate for deletion.

E. Render the extract from the article using the active vocabulary.

Не так уж требовали потребители, чтобы им сделали новую «Колу», но именно ее они получают во вторник, когда компания PepsiCo сообщит о новом варианте знаменитого напитка. Речь идет не о «Новой Пепси», а о расширении ассортимента, в том числе, возможно, новом запахе и даже новом цвете.

Pepsi сообщит свои новости за день до того, как Coca-Cola представит новую Vanilla Coke — утром в Vanilla Bean Cafe города Пофрет, Коннектикут, и вечером — в одном клубе Мапхэттена.

Гиганты прохладительных напитков отчаянно стремятся вытеснить с полок магазинов новые имена. В 2001 г. объемы продаж безалкогольных напитков выросли всего на 0,6 %. Объемы продаж ведущих брендов — Coca-Cola Classic и Pepsi-Cola — снизились. Компании ищут возможности для роста.

Обе фирмы разработали успешные стратегии продажи напитков и соков, но их последние инициативы, а также такие нововведения, как лимонные колы, появившиеся в прошлом году, показывают, что они не намерены сдать без борьбы свою главную нишу — газированные воды.

Unit 4. Economic Development and Cultural Diversities

A. Read this extract from the article from The UN Chronicle and complete it with the expressions listed.

involvement	disoriented	challenge	encountered
integration	vulnerable	tolerance	clash
implemented	identity	interdependence	crafting
inspiration	in the wake of	priority	

Diversity, Human Rights and Peace (Culture Watch)

Anita Inder Singh

If globalization is a fact of life, so is human diversity. The management of national, cultural and religious diversity is a high ... (1) for the United

Nations and national policy makers in the twenty-first century. As more and more people are brought together; voluntarily and involuntarily, by the ... (2) of markets ... (3) globalization and the continual advances in telecommunications and transportation, many individuals ... (4) confusion and conflict in adjusting to a multicultural experience that is new for them. Whether people are enriched or ... (5) by their contacts with the “multiculturalism of globalization” depends to a considerable extent on how their fears are addressed, what is done to make them feel less ... (6) to forces over which they have little or no control. Inspired by the UN Charter – or perhaps the ... (7) behind it – human rights are of significance in helping the international community deal with the dilemmas arising from a real or imagined ... (8) of cultures and protecting “the dignity and worth of the human person.”

In practice, this means the ... (9) of policies that will help individuals face the radical economic and social changes that at times seem to threaten their very ... (10). Most problems cannot be solved entirely at the national, regional or global level; the age of globalization is simultaneously an age of ... (11). No “political command” can ensure that decisions at any level will be ... (12) by administrative fiat. Leaders must motivate ordinary people to participate in plans “to promote social progress and better standards of life in larger freedom, to practise ... (13) and live together in peace with one another as good neighbours, and to unite ... to maintain international peace and security.” This is a major ... (14) to international policy makers. A concomitant challenge is how to give individuals a sense of ... (15) in shaping and controlling the course of events that affect their lives, through democratic – or good – governance, by promoting the rule of law, an independent judiciary, free and fair periodic elections, political and intellectual pluralism, and respect for human and minority rights. States are a long-term fixture, and human rights are about protecting the individuals who make up States.

B. After filling in the gaps read the article once more and decide which of the statements are True and which are False and write T for True and F for False.

1. The management of national, cultural and religious diversity is a significant issue only for the United Nations in the twenty-first century.
2. Everyone experienced confusion and conflict while trying to adjust to a multicultural environment.
3. People feel less vulnerable when they have control over different forces.
4. Human rights are of no importance in protecting a human person.

5. People's identity is threatened by radical economic and social changes.
6. The major challenge to international policy makers is to motivate people to maintain international peace and security.

C. Give English equivalents and make up your own sentences:

- ◆ спрос;
- ◆ спад;
- ◆ резкое падение;
- ◆ застой;
- ◆ крах;
- ◆ депрессия.

D. Translate the following sentences into Russian.

1. There's considerable doubt the reports will clarify whether the economy is strengthening or weakening.
2. The recession is deepening rather than bottoming out, according to a survey of business expectations by Dun and Bradstreet.
3. New York's stock market has risen by 19% from its mid-January low thanks to hopes of economic recovery in America. Many economists reckon that America's recession, which began last summer, has now reached its trough; they predict that the economy will soon pick up.
4. Bond prices typically begin to rally about 12 months before the trough of the business cycle, just ahead of the peak in interest rates. Six months later (six months before the economic turn-up begins), equity prices start to take off.
5. Talbot insists he will wait for the economy to turn up and for trading conditions to improve before he sells, which means some time next year.
6. "All the elements are in place to take advantage of an upswing in the market when it takes place — we don't know when that will be," he said.

E. Render the extract from the article using the active vocabulary.

В 1990-е годы Брюссель отвернулся от России и сосредоточил основное внимание на развитии отношений с ближайшими соседями ЕС.

Тем не менее, сейчас ЕС начал уделять России более пристальное внимание. Однако большая часть диалога касается вопросов внешней политики и безопасности, где Брюссель по-прежнему относительно слаб, а не таких ключевых для интеграции проблем, как унификация законодательств и промышленных стандартов. Инициативы, подобные плану Проди — об интеграции российских энергетических ресурсов в Европу — пока очень расплывчаты.

Диалог между ЕС и Россией, хотя и желанный, скорее представляет бюрократическое мероприятие, чем движущую силу на пути к дальнейшей интеграции. И если обе стороны не предпримут конкретных шагов, чтобы изменить подобное положение, то скоро наступит разочарование. Россия начнет искать себе других союзников, а европейцы вновь вернутся к традиционным разговорам об огромных размерах России или культурных различиях. Исторический шанс может быть вновь упущен.

Unit 5. Business Ethics

A. Read the extract from the article from the CNN Money website and complete it with the expressions listed.

figure out	special	ethics policies	
operate	presentation	support	exceed
small-business	owners	value	effort
business contacts		gift	consulting

Choosing Business Gifts

Making a good impression at the holidays with your best customers.

New York — Wondering what type of holiday gifts to give your ... (1)? Take a tip from the experts: If you can't give an absolutely perfect present, don't give one at all.

... (2) don't have to spend a lot of money when they want to remember the customers who have given them significant business throughout the year. A sincere ... (3) and a tasteful ... (4) will make a more lasting impression.

"The person should feel that you really ... (5) their business," said Gudrun Bellerjeau, of Pleasant Valley Exquisitum in Knox, NY. You want to give something that says, "You are ... (6). I appreciate your business, your effort, your ... (7)."

Before you ... (8) what gift to get a business contact, find out if you're allowed to give a gift at all.

"Lots of companies (and most government agencies) have ... (9) which may allow or disallow the giving or receiving of gifts," said Ellie Kittle, president of Regalo, a corporate ... (10) company in Menands, NY. "Don't put your client in a funny position of having to give your gift back."

Federal employees ... (11) under a policy that says the sum of all gifts received in one year cannot ... (12) \$ 25. That includes meals, drinks or other gratuities that could be misconstrued as a kickback.

Private companies that once gave generously to clients at Christmas time have scaled back in recent years, and have adopted the government guidelines for themselves.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. You can make a present even if you don't know your business contacts preferences.
2. It is important to spend a great amount of money to show your respect to your customers.
3. You can make a more lasting impression without an expensive gift.
4. Your business contacts are allowed to accept valuable gifts.
5. A gift exceeding \$ 25 can be considered as a bribe.

C. Give Russian equivalents and make up your own sentences:

- ◆ expression of appreciation;
- ◆ subtle and appropriate;
- ◆ business-to-business giving;
- ◆ prioritize;
- ◆ lasting appeal.

D. Translate the following sentences into Russian.

1. "We do customized greeting cards for our clients, but we don't give a lot of gifts." If the agency does give a gift, "it would not exceed \$ 25."
2. Jeff Corcoran, who runs Applied Success Retail Consultants in Ballston Lake, NY, acknowledges that it's a more stringent corporate environment today. The generous year-end bounties that were part of his father's business era have no place in his own.
3. Corcoran says he doesn't give his clients gifts, "because I'm a consultant, and that would be considered a conflict of interest."
4. Even the merchant operating on a shoestring can keep an attractive plate of holiday cookies on the counter for walk-in customers. It doesn't cost much, and you'll leave your customers with a good taste in their mouths – literally.
5. "We give out a lot of product samples and brushes around the holidays," said Mary Lusio of Amelia's Hair Designs in El Centro, CA. Free samples normally distributed year-round can take on a holiday theme simply by being displayed in a more decorative, festive container.

E. Render the extract from the article using the active vocabulary.

Вчерашняя встреча главы российской нефтяной компании «ЮКОС» Михаила Ходорковского и председателя совета директоров «Квэрнер» Харальда Арнквэрна в Осло прошла в обстановке враждебности, напомнившей о временах Холодной войны.

Когда «ЮКОС» был просто одним из крупных клиентов «Квэрнер», отношения компаний были здоровыми. Купив 22 % акций этой англо-норвежской инженерной группы, переживающей сейчас сложные времена, «ЮКОС» заставил Норвегию сомневаться в чистоте намерений России. В норвежской прессе появилось по этому поводу множество публикаций агрессивного характера.

Те, кто впервые узнал о «ЮКОСе», были неприятно удивлены, обнаружив в его прошлом наличие большого числа «скелетов в шкафах», а это присуще многим российским компаниям, возникшим в девяностых годах или пережившим то тревожное десятилетие. Но те, кто наблюдает за эволюцией российской экономики, видят и положительные тенденции, не дающие пока возможности делать окончательные выводы.

За последние два года «ЮКОС» превратился из корпорации-парии в любимчика местного инвестиционного сообщества.

Unit 6. Accounting

A. Read this article from the CNN Money website and complete it with the words listed.

stocked	liability	niche	matters	related
assessment	outpaces	protection	succumbed	
loss	restate	methodology		

Kmart May Restate Results

New York (CNN/Money) — Kmart Corp. is delaying filing its financial report for the fiscal year that ended in January, and it warned Wednesday it may ... (1) results.

The Troy, Mich.-based discount retailer, which filed for bankruptcy ... (2) in January, said the delay in filing its 10-K annual report with the Securities and Exchange Commission will give its new management team time to complete an ... (3) of the company's accounting policies and methods.

Kmart said it may restate results for last year due to a possible change in accounting ... (4) as well as a previously announced investigation concerning various accounting ... (5).

The restated results could include a ... (6) “significantly higher” than the \$244 million loss it reported for the fiscal year ended Jan. 31, the company said.

Kmart spokesman Jack Ferry said the accounting issues are ... (7) to an internal and SEC investigation into vendor contracts and general ... (8) reserves.

Kmart, which was the nation’s No. 3 retailer in terms of sales last year, ... (9) to competition from Wal-Mart, the world’s biggest company, and Target Corp., another discount chain.

Sloppy, poorly ... (10) stores, many of which were in need of renovation, drove consumers to other retailers, particularly Wal-Mart, which far ... (11) the industry in everyday low prices, and Target, which grabbed a slightly more upscale ... (12) with its high fashions at low prices, analysts have said.

Many on Wall Street blamed Kmart’s ultimate fall in part on Chuck Conaway, the former CEO hired two years ago to turn the chain around and who tried going head-to-head with Wal-Mart on price, something no retailer has been able to do.

B. After filling in the gaps read the article once more and decide which of the statements are True and which are False and write T for True and F for False.

1. The Troy delayed filing its annual report because it was not satisfied with the assessment of its accountants.
2. Kmart decided to change its accounting methodology.
3. The loss in the restated results for last year will be much higher.
4. Vendor contracts and general liability reserves are being investigated at the moment.
5. Kmart won the competition with Wal-Mart.

C. Give English equivalents and make up your own sentences:

- ◆ дебиторская задолженность, не оплаченная в срок;
- ◆ списывать полностью;
- ◆ счет прибылей и убытков;
- ◆ отчет о доходах;
- ◆ итоговая строка счета прибылей и убытков в годовом отчете.

D. Translate the following sentences into Russian.

1. We send a reminder to customers who haven’t settled their accounts.
2. The company has a weekly payroll of about \$100,000.
3. Buying that machinery has seriously depleted our reserves.

4. The rent for the office is already 3 months overdue.
5. Such items as buildings and machinery are known as fixed assets.

E. Render the extract from the article using the active vocabulary.

Продолжавшаяся четыре месяца аудиторская проверка показала, что активы «Газпрома» действительно уходили на сторону, но при этом, по данным московской инвестиционной компании «Объединенная Финансовая Группа», не было нарушено никаких законов. Среди клиентов ОФГ есть акционеры «Газпрома», представленные в совете директоров.

«Подтвердились многие подозрения акционеров», — заявил Борис Федоров, представитель интересов миноритарных акционеров в совете директоров, отметив, что «это не является стопроцентной открытой борьбой, когда все нарушения немедленно исправляются».

«Хотя некоторые улучшения произойдут, нам придется проводить анализ конкретных действий на долгосрочный период», — сказал Федоров.

Аудиторы сказали, что им не была предоставлена информация, дающая возможность ответить на главный вопрос: получают ли руководители выгоду за счет активов «Итеры».

Часть ущерба, выявленного в ходе проверки, можно возместить. В отчете говорится, каким образом «Газпром» может вернуть себе контроль над сибирской газодобывающей компанией «Пургаз», проданной по дешевке «Итере» в 1999 г.

Unit 7. Banking

A. Read the article from the CNN Money website and complete it with the expressions listed.

operating income	diluted	issuer	improvements
environment	net income	edged up	credit costs
deterioration	assets	shares	lift

Bank One Tops 1Q Target

Credit card business helps ... (1) profits at No. 6 U.S. bank; second-half improvement seen.

New York (CNN/Money) — Bank One Corp. posted improved first-quarter results Tuesday that were slightly better than Wall Street expectations, and the bank said it is beginning to see ... (2) in business conditions that could help results in the second half of the year. The No. 6 banking

company in terms of ... (3) posted earnings of \$ 787 million, or 67 cents a ... (4) share. That's 1 cent a share better than the consensus forecast of analysts surveyed by First Call and up from ... (5) of \$ 679 million, or 58 cents a diluted share, a year earlier. ... (6) from commercial banking fell 27 percent to \$ 143 million, but retail banking income, its largest contributor, ... (7) 1 percent to \$ 343 million while credit card income climbed 61 percent to \$ 239 million. Bank One is the largest ... (8) of Visa credit cards. "While the credit ... (9) remains challenging, we are beginning to see a slowing of ... (10) in parts of our business," CEO James Dimon said. "Although this is not expected to improve ... (11) in the near term, it could lead to improvement in the latter part of the year." ... (12) of Bank One lost 77 cents to \$ 41.21 Monday.

B. After filling in the gaps read the article once more and decide which of the statements are True and which are False and write T for true and F for False.

1. Credit card business is profitable for Bank One.
2. Wall Street expected worse first-quarter results.
3. The consensus forecast of analysts was 68 cents a diluted share.
4. Credit card income was higher than operating income from commercial banking.
5. Credit costs can be improved in the near term.

C. Give English equivalents and make up your own sentences:

- ◆ застрахованные банковские депозиты;
- ◆ тратта, выставленная одним банком на другой;
- ◆ неуплаченный, просроченный;
- ◆ бланк, заполняемый при взносе суммы на текущий счет;
- ◆ постоянное поручение.

D. Translate the following sentences into Russian.

1. The Central Bank chairman, speaking before the Senate Banking Committee, objected to last year's recommendation by the Federal Deposit Insurance Corp. (FDIC) that the \$ 100,000 limit on guarantees for bank deposits be raised.
2. "In [the Fed's] judgment, neither financial stability, nor depositors, nor depositories are being disadvantaged by the current ceiling," Greenspan said in his prepared testimony.
3. Earlier this month, the House Financial Services Committee overwhelmingly approved a proposal to raise the limit to \$130,000 for most individual accounts.

4. While acknowledging that the deposit insurance system needs reform and agreeing with other FDIC recommendations, Greenspan took Bush's side, saying raising the ceiling would "reduce the incentive for market discipline, without providing any real evident public benefits."
5. A rash of bank failures in the United States during the Great Depression led to the institution of federal deposit insurance in 1934.

E. Render the extract from the article using the active vocabulary.

Владимир Рашевский стал новым председателем правления МДМ-Банка, пользующегося за рубежом репутацией надежного российского банковского учреждения. Это деловой банк занимается, в основном, торговлей иностранной валютой. Он управляет авуарами в размере 1,5 млрд долларов, а чистая прибыль банка за прошлый год составила 120 млн долларов. Владимир Рашевский, находившийся в Женеве проездом, дал интервью корреспонденту газеты *Le Temps*.

— Вы рисуете очень суровую картину банковского сектора в России: засилье государственных банков, плохое управление предприятиями... Чего следует ждать в будущем?

— Текущий момент, действительно, не слишком благоприятный, но благодаря реформам ситуация должна улучшиться через два или три года. До 2004 г. все банки должны перейти на международные стандарты системы учета. Мы применяем нормы учета IAS с 1994 г. Другой момент: будет увеличен размер минимального обязательного капитала, необходимого для открытия банка. Это приведет к значительному сокращению числа банков. Еще несколько лет назад их насчитывалось более 5000. Сейчас уже не больше 1700 банков. И я думаю, что через пять лет останется 300 или 500 банков.

Unit 8. Financial Markets and Investments

A. Read the extract from the article from the CNN Money website and complete it with the expressions listed.

curb	highs	spurred	flat equity	market
soared	import	tariffs	pickup	jump
regained	rallied	fueled	slow-growth	

Steel's Red-Hot Resurgence

Steel stocks have ... (1) as the economy rebounds and the tariffs take hold, but can they go higher?

New York (CNN/Money) — Steel stocks have ... (2) some luster in recent months as the economic rebound has spurred demand for steel and investors have bet the ... (3) that took effect Friday would help the industry.

The question for investors now is, do the stocks have much room to rise further or is the party over for this typically ... (4) sector?

“We think some of these stocks are attractive. Steel prices are rising and a number of these stocks have made a strong move in a ... (5), but some of them are starting to look a little pricey,” said Wayne Atwell, analyst with Morgan Stanley.

The rally in steel stocks in part reflects an increase in the price of steel, due to the ... (6) in the economy even before the tariffs took hold. The stocks of major U.S. producers of hot-rolled sheets of steel, used for car and appliance manufacturing, have ... (7) from their post Sept. 11 lows.

In January, hot-rolled sheet cost about \$ 210 a ton, but now prices are reaching \$ 330-to-\$ 350 a ton, near the ... (8) hit in late 1997 and into 1998, according to Mark Parr, industry analyst with McDonald Investments.

A combination of strong car sales ... (9) by incentives from auto companies, reduced supply due to mills going dark, and talk of the coming tariffs ... (10) the recent price increase, Parr added.

“In advance of the tariffs, the mills were in the market indicating [the tariffs] were coming and encouraging buyers to get orders in,” he said. “The tariffs were higher than some investors expected and reinforced the price ... (11).”

The Bush administration announced the tariffs last month, saying the duties ranging from 8 to 30 percent would help ... (12) cheaper steel from flooding the US market, allowing a key domestic industry time to get back on its feet.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Demand for steel has increased due to the economic recovery.
2. Investors are sure that stocks have much room to rise further.
3. Steel stocks depend on the increase in the price of steel.
4. In 1997 the price of hot-rolled sheet was \$ 210 a ton.
5. The Bush administration hoped that the tariffs would prevent the flooding of the US market with expensive steel.

C. Give English equivalents and makeup your own sentences:

- ◆ наиболее популярные акции, имеющие высокий курс;
- ◆ размещение акций;
- ◆ переходить в другие руки;

- ◆ рынок с понижательной тенденцией;
- ◆ повышение цен/курсов на рынке.

D. Translate the following sentences into Russian.

1. The staggering number of steel companies seeking bankruptcy protection since 1997 is a sign of the industry's plight in recent years.
2. The stocks of all three companies are currently trading under a dollar.
3. Reflecting improved prospects for some of the companies, Morgan Stanley upgraded US Steel recently to an "overweight" position from "equal-weight" due to "tightness in the market and our expectation for higher prices."
4. The 2003 price-to-earnings ratios for the large steel companies, except Steel Dynamics, are at a premium to the ratios following the last steel high in late 1997.
5. Since steel is a slow-growth industry, steel stocks typically trade at a discount to the S&P 500, which is trading at about 23 times earnings for 2003, according to First Call.

E. Render the extract from the article using the active vocabulary.

По данным Института международного финансирования, этого влиятельного клуба ведущих мировых финансовых учреждений, в 2001 г. портфельные капиталы уходили из развивающихся экономик. Это вряд ли может стать благоприятным фоном для конференции ООН по финансированию развития, которая пройдет в этом месяце в мексиканском Монтеррее. Что можно сделать для того, чтобы направить капиталы обратно так, чтобы это служило интересам как инвесторов развитого мира, так и развивающихся экономик?

Айра Миллстейн, опытный юрист, возглавляющий консультационную группу Мирового банка по частному сектору, считает, что любое решение должно принимать во внимание очевидный факт — капитал склонен перетекать в те государства и те компании, которые демонстрируют ответственное отношение к проблемам корпоративного управления. После 1997–1998 гг. его призыв находит все больше и больше внимательных слушателей.

Однако недавнее решение калифорнийского пенсионного фонда Calpers, который решил продать все свои тайландские, филиппинские, малазийские, индонезийские акции в связи с проблемами корпоративного управления, в том числе низкими стандартами на рынке труда и отсутствием гражданских свобод, заставило развивающийся мир задуматься о том, как именно он должен себя вести. Можно ли это назвать социально ответственным выбором инвестиций? Или это пример

того, что некоторые эксперты в области корпоративного управления называют «немым капиталом»?

Unit 9. The Role of Government

A. Read the extract from the article from the CNN Money website and complete it with the expressions listed.

compensate	stress	pointed	out	disagreement
worsened	storm	regarded	difficulties	recession
further	addressed	shutdown		

Airline Relief Debated

While seeking cooperation, European officials also want end to subsidization.

New York (CNN/Money) – Officials from the global airline industry talked Sunday at the World Economic Forum about ways to help it recover from a “perfect storm” of terror attacks and financial ... (1). And while they agreed that global coordination was necessary to solve the industry’s problems, there was ... (2) about the role governments should play.

“The air transport industry is in sort of a perfect ... (3), in which a series of events have coincided – many of which we’ve seen once or twice before, but never all at once – and it has put tremendous ... (4) on the system,” said Dan Lewis, president of management consulting firm Booz Allen Hamilton Inc.’s worldwide commercial business.

Beginning in late 2000, the industry suffered first from high oil prices, then from a US ... (5), which led to a global recession, which was ... (6) by the Sept. 11 terror attacks. The attacks themselves led to a ... (7) of US air traffic for four days, followed by increased security costs and a dramatic reduction in traffic.

Even before Sept. 11, Lewis ... (8), the industry had serious infrastructure problems that will also have to be ... (9) eventually.

“It cannot be that alliances which are necessary for this industry and for customers worldwide will be ... (10) from a different point of view here in the United States by the Department of Transportation than they are by our European Commission,” Weber said.

While the officials also agreed that the US government was correct to ... (11) US airlines for losses they suffered immediately after Sept. 11, there was disagreement about the ... (12) role of governments in helping the airlines, both in the United States and the rest of the world.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. The officials from the global airline industry agreed that governments should play a more active role.
2. The system is under tremendous stress due to the coincidence of a series of events.
3. Global recession led to a US recession.
4. Alliances that are necessary for this industry should be regarded differently in the US and Europe.
5. The officials approved the fact that the US government had paid US airlines for losses after September 11.

C. Give Russian equivalents and make up your own sentences:

- ◆ family-friendly employment practices;
- ◆ halt arms exports;
- ◆ under scrutiny;
- ◆ overall competitiveness strategy;
- ◆ create flexible career structures and opportunities.

D. Translate the following sentences into Russian.

1. It is rather important that this industry get back to a level of profitability that can sustain it.
2. The officials were in lockstep that a “harmonized” effort is necessary to fix the airline industry’s problems, including standardized security procedures and a more cooperative approach to competition issues.
3. The European officials were adamant that subsidies for ailing airlines be eliminated.
4. Some American companies are benefiting from government assistance and unfairly competing with European companies for trans-Atlantic routes.
5. Whenever you have a system that doesn’t produce a reliable process, it behooves governments to intervene.

E. Render the extract from the article using the active vocabulary.

Что касается внутренней политики, президент наконец-то отказался от своей точки зрения, что правительству не следует вмешиваться в бизнес, заявив, что контроль над финансовой отчетностью корпораций будет только ужесточаться. Буш не сказал слово «Энрон» прямо, но выразил резкое недовольство тем, что ложные финансовые заявления компании нанесли ущерб людям.

«Я прошу Конгресс ввести в действие новые механизмы защиты пенсионных планов, — сказал Буш под аплодисменты. — Сотрудники, работавшие так упорно и копившие деньги всю жизнь, не должны рисковать потерять все в том случае, если рухнет их компания».

Буш сделал обещание в духе Клинтона — использовать властные полномочия правительства для создания рабочих мест и защиты людей, не имеющих медицинской страховки. Это — резкая перемена по сравнению с его инаугурационной речью, когда он сказал американцам, что «ваши действия не менее важны, чем любые действия правительства».

Unit 10. Monetary and Fiscal Policy

A. Read the extract from the article from the CNN Money website and complete it with the expressions listed.

growth levels	effort	catch up	reversal
end product	synchronized	lift	structural
brainstorming	disagreement	fiscal and monetary	
stim	ulus	coordination	reforms

A Patchwork Recovery

WEF panels say US economy looks set to recover, but ... (1) needed in Europe, Japan.

New York (CNN/Money) — Most participants at the World Economic Forum's annual meeting here believe the global economy will eventually recover, but many think it will be a patchwork recovery, unlike the ... (2) recession of 2001.

... (3) sessions and workshops Thursday and Friday produced a general consensus that US policy makers, particularly the Federal Reserve, had responded appropriately to last year's recession. The world's other large economies, however, need to ... (4).

Most participants thought the U.S. economy is set for a recovery, though there was some ... (5) about the size and strength of that recovery. Many expect a weak, slow recovery in the United States, and some even expect another ... (6) before sustainable growth returns. CEOs in the United States are among those most pessimistic, according to US Treasury Secretary Paul O'Neill, who spoke at a brainstorming session Thursday.

O'Neill pointed to strong productivity growth as contributing to strong economic growth in the United States and the world. Other economists

believe aggressive ... (7), combined with low oil prices, will boost the US economy.

There was disagreement about whether or not a coordinated policy ... (8), similar to the one that came immediately after the Sept. 11 terrorist attack, was necessary to ... (9) the global economy. But there was a consensus that Europe needs structural reforms before it can reach sustainable ... (10) and that Japan needs serious reforms before it can even stop its recession.

"I do think there is a need for ... (11) of economic policy, but this doesn't mean that everybody has to do the same thing, and there has to be a recognition that if the individual houses are not in order, the ... (12) cannot be a good one," French finance minister Laurent Fabius said in a workshop Friday.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. European and Japanese economies are ready for recovering.
2. Many participants consider that global economy recovery won't be simultaneous and uniform.
3. The actions of the Federal Reserve were generally approved at brainstorming sessions.
4. Some economists believe that aggressive fiscal and monetary stimulus is everything that is needed for the boost of the economy.
5. Coordinated policy effort is necessary to lift the global economy.

C. Give Russian equivalents and make up your own sentences:

- ◆ non-transparent business practices;
- ◆ corporate accounting;
- ◆ access to world markets;
- ◆ recurring theme;
- ◆ to level the playing field for developing countries.

D. Translate the following sentences into Russian.

1. Though the United States apparently has its house more in order than Europe's or Japan's and is widely acknowledged as the locomotive pulling the rest of the world behind it, it should not be complacent.
2. In fact, there are some similarities between the problems that have befallen Enron, Global Crossing and other US companies and the problems underlying the Asian financial crisis of 1997–1998.

3. "There was a very strong moralistic streak from the advanced countries, and the United States in particular," Krugman recalled of the debate surrounding the Asian crisis.
4. Horst Kohler, managing director of the International Monetary Fund, also drew applause when he called for an end to agricultural subsidies in the United States and Europe that hurt developing countries.
5. "I hope this Doha process is not a process where the two elephants, Europe and the United States, make a deal, and in the end, the developing world is left out," he said.

E. Render the extract from the article using the active vocabulary.

За последние два года действия правительства президента Владимира Путина, агрессивно проводившего реформы во многих областях, в том числе налоговую, земельную, пенсионную, судебную и трудовую, превзошли даже самые оптимистичные ожидания. Самым слабым звеном в цепи реформ оставался банковский сектор. Без радикальных изменений, которые бы трансформировали систему приоритетов в этой сфере экономики, российский банковский сектор будет создавать угрозу стабильному долгосрочному экономическому росту. На прошлой неделе Путин отправил в отставку главу Центрального банка России, что является благоприятным сигналом.

Замена Виктора Геращенко, работавшего главой Центрального банка с советских времен, на Сергея Игнатьева, первого заместителя министра финансов, свидетельствует о том, что банковская реформа не снята с повестки дня. Вчера новое назначение одобрила Госдума. Однако это лишь начало.

Бюрократический корпус ЦБ России, один из самых раздутых аппаратов среди центральных банков мира — это 86 000 человек. Если этим людям дать возможность, они будут продолжать в советском стиле предпочитать форму содержанию. Геращенко испытывал извращенное чувство гордости, игнорируя регулирование банковского сектора (в 2000 г. он как-то раз даже гордо заявил, что не читал правительственную программу реформ, которая имеет отношение к банковскому сектору). Настроения среди бюрократов ЦБ не сулят ничего хорошего реформе банковского сектора.

Unit 11. Globalization

A. Read the extract from the article from the CNN Money website and complete it with the expressions listed.

marred predict policies	heading off simmering taking hold	surged retaliation clamp down	pickup continuing macroeconomic
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G7 Sees Global Recovery

World finance leaders ... (1) economic growth, but say risks from oil markets remain.

Washington (Reuters) — Finance chiefs from the world's wealthy nations agreed on Saturday that a global economic recovery is ... (2) as they unveiled a plan for ... (3) debt crises like the one crippling Argentina.

In a closing statement stressing determination to ... (4) on groups that fund attacks such as those that leveled the World Trade Center and damaged the Pentagon, Group of Seven finance chiefs vowed to do whatever is necessary to sustain a ... (5) in activity in the face of risks like costlier energy.

But the unity they strove to present was ... (6) over the course of the meeting by public displeasure from European officials over hefty US steel duties. Europe has put the wheels in motion for ... (7) against some US goods.

"Economic recovery from the slowdown is under way, supported by appropriate and proactive ... (8) that were in part a response to the tragic events of Sept. 11, but downside risks remain, including those arising from oil markets," the one-page communiqué said.

World oil prices have ... (9) in recent months, largely because of the turmoil in the Middle East. A ... (10) rise could send costs and prices higher in the industrial economies of the G7 — the United States, Britain, Canada, France, Germany, Italy and Japan.

European officials still were ... (11) after the meeting about trade issues, specifically US steel import tariffs.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Finance chiefs try to do everything to prevent debt crises.
2. G7 is determined to fight against international terrorisms.
3. European officials take measures against some US goods.
4. Oil markets do not pose a threat to the world economic recovery.
5. Events in the Middle East caused a decrease in world oil prices.

C. Give Russian equivalents and make your own sentences:

- ◆ press the point;
- ◆ investment-grade sovereign debt;

- ◆ deficit on current account;
- ◆ swift and unsettling swings;
- ◆ severe burden.

D. Translate the following sentences into Russian.

1. As officials mulled the economic future, tens of thousands of protesters marched peacefully through nearby streets, raising their voices against everything from globalization to Israeli military actions in the West Bank.
2. The G7 ministers said that, in the future, agreements by emerging market countries to borrow money should include debt restructuring provisions that will clarify what happens if payment problems arise.
3. This represented at least a partial victory for US officials who have been pushing for a “market-based approach” to handle economic difficulties more smoothly in future than has been the case with Argentina.
4. US Treasury Secretary Paul O’Neill, host of the G7 ministers’ meeting, said that Argentina is “still a key concern” and urged authorities to work with the IMF to craft a comprehensive and workable reform plan.
5. There are clearly positive signs of an economic recovery in the United States, but the imbalances in its current account are worrying, and they should be addressed soon.

E. Render the extract from the article using the active vocabulary.

То, что события 11 сентября положили начало новому этапу в международных отношениях, не было неожиданностью. Это произошло внезапно. Скорее, теракты заставили даже романтиков столкнуться с проявлениями жестокости, которые уже стали новой реальностью.

Появление супертехнологий, позволяющих небольшим группам наносить такой ущерб, который в прошлом мог быть исключительно делом рук национальных армий, усугубило процесс глобализации, устраняющей барьеры на пути осуществления международных сделок. Все это в конце прошлого века определило уровень глобальной зависимости государств друг от друга.

90-е годы двадцатого века были годами потерянных возможностей. Празднуя победу в холодной войне, Запад замкнулся в себе. Россия пережила несколько кризисов, пытаясь трансформироваться в демократическое общество. Расширение НАТО стало ответом на обеспокоенность некоторых центральноевропейских стран по поводу своей безопасности, однако оно привело к ухудшению отношений с Россией и никак не способствовало предотвращению новых угроз, которые

начали появляться на горизонте. Индия и Пакистан открыто провели испытания ядерного оружия и провозгласили себя ядерными державами. Десятки стран занимались разработкой биологического оружия, ракет и даже ядерного оружия. Сочетание невнимательности, традиционного мышления и неадекватной реакции лишило мир зрелой способности контролировать развитие событий, подрывая тем самым мировой порядок и ослабляя действия международных договоров и деятельность международных организаций, в том числе ООН.

Unit 12. Economics and Ecology

A. Read the extract from the article from the CNN Money website and complete the extract with the expressions listed.

trash costs	garbage	consulting	firm	track
analyzing	waste	removal	expenses	consumer
advocacy	recycled	trash	output	business
environmental	protection	combines	environment	

Turning Trash into Cash

Young entrepreneur studies garbage in successful consulting ... (1).

New York — Elana Amsterdam, a 29-year-old New Yorker who studied European history at Columbia University, spends her days ... (2) trash.

Her lifelong interest in the ... (3) inspired her to found Ecosav, a ... (4) that produced \$ 700,000 in revenues last year.

“We work with companies to reduce their ... (5),” said Amsterdam, the company’s president, on CNNfn’s “Business Unusual.”

With clients such as Williams-Sonoma Inc., Barneys New York, Polo Ralph Lauren, and the “21” Club, Ecosav helps companies cut their ... (6) by 50 to 70 percent.

“This is a great business for me because it ... (7) two interests I have — the economy and ecology,” she said.

Amsterdam starts by studying a company’s ... (8). Then she sifts out items that can be ... (9), such as newspapers, cardboard and white office paper.

“Companies typically don’t closely ... (10) what they’re throwing away,” Amsterdam said.

Amsterdam was tending bar after graduating from college in 1989 when she first got the idea for the company. She noticed that the trash she brought outside each night was filled with recyclable bottles.

Later, she lobbied for ... (11) and ... (12) for the New York Public Interest Research Group and interned at the New York City Department of Sanitation.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Elana Amsterdam's job is a trash analyst.
2. She founded Ecosav because she has been interested in the environment for last five years.
3. Her aim is to help companies spend more on their waste removal.
4. Elana studied economics and ecology at New York university.
5. The idea for the company struck her when she worked in a bar.

C. Give Russian equivalents and make up your own sentences:

- ◆ endangered species;
- ◆ socio-economic pressures;
- ◆ brink of extinction;
- ◆ conservation programmes;
- ◆ habitat.

D. Translate the following sentences into Russian.

1. After stints at the Environmental Defense Fund and a waste management consulting firm, she founded Ecosav in 1993.
2. She acknowledges her background might not fit her profession. But she said it's helped her in the business because she breaks the mold.
3. Her clients initially came to her because of the perception that the industry was dominated by the Mafia. But the New York City Trade Waste Commission has cleaned up the industry, she said.
4. Today, clients need her help to sift through all of the options and competitors in the market.
5. That allows her clients to focus on their own businesses instead of worrying about their garbage.

E. Render the extract from the article using the active vocabulary.

Избрание индийского инженера Раджендры Пашаури руководителем группы экспертов ООН по вопросам глобального потепления вызвало беспокойство в кругах защитников окружающей среды. В WWF (World Wide Found of Nature) полагают, что в отстранении от этой должности американского ученого Ричарда Ватсона, известного своей прямолинейностью, немалую роль сыграли интересы «нефтяных и газовых компаний».

Впервые решение о назначении председателя Межправительственной группы экспертов по проблемам изменения климата было поддержано не всеми участниками голосования. В WWF опасаются «политизации» этого органа, решающего, прежде всего, научные задачи: объединение усилий ученых всего мира и ознакомление международной политической общественности с результатами проводящихся исследований. Кроме того, существуют опасения, что Межправительственная группа под давлением энергетических лобби будет готовить «приглаженные» доклады. Эти опасения подкрепляются тем, что Раджендра Пашаури, помимо всего прочего, возглавляет комитет в нефтяной компании Indian Oil Corporation Ltd.

«Раджендра Пашаури является также директором Tata Energy Research Institute, известного своими экологическими исследованиями, — говорит Хосе Ромеро, глава швейцарской делегации в Межправительственной группе экспертов. — Роберт Ватсон был прекрасным руководителем Межправительственной группы, благодаря своим личным качествам и прекрасному знанию досье. Раджендра Пашаури привнесет новые положительные черты в руководство группой».

Unit 13. Russia in the World Economy

A. Read the extract from the article from the BBC News Online and complete the extract with the expressions listed.

to some extent	former	economic	growth
small export controls	revenues	renowned	out of reach
adopted	prospects	governance	
investors experiencing			

Russian Guru Upbeat on Economy

There is no wonder that Russia's officials and bankers are upbeat on ... (1) for the country's economy.

Russia is in many ways ... (2) its best post-communist years.

... (3) is being fuelled by high oil and gas prices, political stability, devalued currency, and structural reforms ... (4) in the last two years.

Even Boris Fedorov, Russia's ... (5) finance and tax minister, who is also a non-executive director of Gazprom and a ... (6) skeptic, said things, while far from perfect, are getting better.

The fortunes of Gazprom, the world's largest gas production company, are ... (7) an acid test for those of the country's economy itself.

More than one fifth of Russia's ... (8) come from gas.

The government ... (9) 38 % of Gazprom, but until recently was unable to force the company to pay taxes.

... (10) were all-but neglected and mismanagement of the company was shocking even by Russian standards.

Under the old management, millions of dollars went missing and the ... (11) was widely seen as lax.

"The company was ... (12) of the law, which is not the case now," Mr. Fedorov told BBC News Online.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. Russia's officials are very pessimistic on the prospects for the country's economy.
2. Russia is returning to its best communist years.
3. High oil and gas prices are one of the reasons for economic growth.
4. Boris Fedorov said that things are almost perfect.
5. The main Russian export product is gas.

C. Give Russian equivalents and make up your own sentences:

- ◆ inspection team;
- ◆ "comprehensive health check-up";
- ◆ rampant money laundering;
- ◆ handle economic shocks;
- ◆ plunge into chaos.

D. Translate the following sentences into Russian.

1. He has headed efforts by a new team to clean up Gazprom's murky books and banish remnants of the old management that were "milking the company."
2. He urged the company to get rid of non-gas businesses accumulated in the past.
3. Mr. Fedorov proposed that Gazprom should sell-off its media assets and avoid the involvement in politics which characterized its past.
4. Certainly some foreign investors have accused PricewaterhouseCoopers of hiding Gazprom's financial wrongdoings in attempt to keep the contract.
5. Indeed, Russia is not longer an "insider's market," he said, comparing today's country to that of the days when the government would sell

off profitable state enterprises for a fraction of their value, in return for financial support in presidential elections.

E. Render the extract from the article using the active vocabulary.

В завершившемся году темпы роста на российском фондовом рынке оказались самыми высокими в мире. За год индекс РТС вырос на 60 %. Экономический рост превысил 5 %. Вчера, реагируя на оптимизм на рынке, “Standard and Poor’s” повысил долгосрочный местный и внешний валютный кредитные рейтинги с В до В+ и пересмотрел прогноз со стабильного до позитивного. Новые рейтинги по-прежнему указывают инвесторам на то, что российские долги высокорискованны и спекулятивны, но они отражают общее ощущение – в России началось новое время.

Однако президент Владимир Путин был прав, выказав сдержанность в своем новогоднем обращении. Он сказал, что темпы экономического роста были хорошими, но теперь задача состоит в том, чтобы повысить уровень жизни россиян, которые в своем большинстве весьма бедны. Макроэкономическая ситуация успешно стабилизирована, Россия, переходя от плановой экономики к рыночной, переживает фазу структурных реформ. А это, как показывает опыт Азии и Латинской Америки, – сложный этап.

Unit 14. International Trade

A. Read the extract from the article from the CNN Money website and complete the extract with the expressions listed.

countervailing	duties	assessed	take effect	dumping
penalty	commerce	increase	subsidizing	
discretion	ruling	imports	dumped	market value

Bush Imposes Canadian Lumber Tariffs

Monterrey, Mexico (CNN) – The Bush administration Friday slapped average tariffs of 29 percent on Canadian softwood lumber ... (1) in a bid to protect US lumber jobs from subsidized Canadian imports.

Mary Crawford, chief spokesman for the ... (2) Department, told CNN the tariffs are due to ... (3) in mid-May, following a formal US International Trade Commission determination that Canadian softwood lumber imports are unfairly subsidized. The trade commission issued a preliminary ... (4) against Canada in May of 2001.

The tariffs, known as ... (5), will average 19.34 percent. These are to punish Canada for unfairly ... (6) its softwood lumber industry. A separate ... (7) of 9.6 percent will be applied to punish Canada for selling its softwood lumber at prices Crawford described as “below fair ... (8).” Together, the penalties will average 29 percent, Crawford said.

The United States imported \$ 5.6 billion in softwood lumber from Canada in 2001, according to the Commerce Department. The new duties could significantly ... (9) the prices U.S. consumers pay for homes, flooring, outdoor decks, and other products made with Canadian softwood.

Crawford said the duties are ... (10) based on a “scientific formula” and that the Commerce Department had “no ... (11)” once it was determined Canadian imports were illegally subsidized and being ... (12) on the U.S. market.

B. After filling in the gaps read the extract once more and decide which of the statements are True and which are False and write T for True and F for False.

1. The Bush administration imposed tariffs to protect Canadian lumber jobs.
2. The tariffs will come into force in mid-May.
3. The penalties will be applied to Canada for using high prices.
4. The consumers will have to pay less for the products made with Canadian softwood.
5. The Commerce Department had no choice because Canadian imports were illegally subsidized.

C. Give Russian equivalents and make up your own sentences:

- ◆ to shield producers;
- ◆ preliminary ruling;
- ◆ anti-dumping penalties;
- ◆ trigger;
- ◆ formal petition.

D. Translate the following sentences into Russian.

1. The duties were imposed under World Trade Organization procedures and arose after the ITC concluded that subsidized European steel resulted in lost jobs and profits for US steel makers.
2. The steel and lumber moves have prompted some US trading partners to question the Bush administration’s commitment to free trade, but a senior administration official said support for free trade policies can

only be sustained in Congress if the White House enforces existing agreements.

3. The duties will remain until the United States and Canada negotiate a new trade pact on softwood lumber.
4. US and Canadian negotiators here and in Washington sought to resolve the dispute up until the deadline.
5. The preliminary tariffs have already had a noticeable effect on softwood imports.

E. Render the extract from the article using the active vocabulary.

Вчера министр иностранных дел Великобритании Джек Стро заявил в палате общин, что правительство пересматривает свое отношение к поставкам оружия Израилю; это произошло после того, как выяснилось, что на оккупированные территории были введены танки с британскими комплектующими. Он повторил правительственную точку зрения о том, что Израиль должен вывести свои войска с палестинских территорий.

По словам Стро, заявки на экспорт в Израиль товаров, требующих лицензии, по-прежнему будут последовательно рассматриваться, однако теперь никто не будет брать в расчет заверения Израиля, что техника британского производства не будет использоваться на оккупированных территориях.

В прошлом месяце британскому правительству стало известно, что танки «Центурион» (Израиль приобрел их у Великобритании в период между 1958 и 1970 годами, а затем на их основе создал бронетранспортеры) были использованы на оккупированных территориях. И это несмотря на предоставленные Израилем в ноябре 2000 года письменные заверения в том, что военная техника британского производства на палестинских территориях не используется. Великобритания экспортирует военную технику на том условии, что она не должна использоваться для агрессии или внутренних репрессий.

Appendix B

List of websites

Economics and Ecology:

<http://biodiversityeconomics.org/trade>
www.ag.uiuc.edu/~vista/html
www.ecnc.nl/doc/ecnc
www.weedbonn.org/info/about_e.htm

Monetary and Fiscal Policy:

www.worldbank.org
www.ecb.int
www.bankofengland.co.uk
www.federalreserve.gov

Economic Development and Cultural Diversity:

www.gardenswartzrowe.com
www.sagepub.co.uk
www.diversityhotwire.com

Business Ethics:

www.business-ethics.org
www.ethics.ubc.ca
www.condor.depaul.edu/ethics

International Trade:

www.ita.doc.gov
www.intracen.org
www.census.gov/gov/foreign-trade/www/
www.uscit.gov

Globalization:

www.globalisation.gov.uk
www.globalresearch.ca
www.ifg.org

Labour Relations:

www3.gov.ab.ca.alrb
www.lra.org.uk
www.labour.gov.sk.ca/relations/
www.nlrb.gov/
www.nilrr.org/

Production and Costs:

[www.swcollege.com/bef/econ-news/_/
econ_news_production_costs.html](http://www.swcollege.com/bef/econ-news/_/econ_news_production_costs.html)
www.ic.gv.ca/scdt/bizinvest
anrcatalog.ucdavis.edu/

Accounting:

www.wiley.com/cda/product/
[www.nationalysts.com/who_we_are/
marketing_problems_solving_expert.htm](http://www.nationalysts.com/who_we_are/marketing_problems_solving_expert.htm)
www.esomar.nl/directory/
www.gao.gov
accounting.rutgers.edu/raw/
www.accounting.com
www.accountingweb.co.uk

Banking:

www.array.dev.com/commerce/JIBC/
patriot.net/~bernkopf/
www.thebankingchannel.com
www.banking.state.pa.us

Financial Markets and Investments:

www.siliconaley.com
www.sreorge.com.au/code/institution/
www.wall-street.com
www.fmcenter.org/fmc-superpage.asp

The Role of Government:

www.rppi.org
www.researchmatters.harvard.edu/
www.acs.org
www7.nationalacademies.org

Russia in the World Economy:

www.cia.gov/cia/publications/factbook/geos/rs.html
www.mtholyoke.edu/acad/intel/globecon.htm
english.pravda.ru/world
www.vedomosti.ru

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12. You are talking to me // New Straits Times (Malaysia), 2003. – April 9.
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