

**МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ  
ФЕДЕРАЦИИ**

**ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО ОБРАЗОВАНИЮ**

**Государственное образовательное учреждение высшего  
профессионального образования “Оренбургский государственный  
университет”**

**Кафедра иностранных языков гуманитарных  
и социально-экономических специальностей**

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## **АНГЛИЙСКИЙ ЯЗЫК**

**МЕТОДИЧЕСКИЕ УКАЗАНИЯ ДЛЯ СТУДЕНТОВ  
СПЕЦИАЛЬНОСТИ "МИРОВАЯ ЭКОНОМИКА" (ВТОРОЙ ЯЗЫК)**

**Рекомендовано к изданию Редакционно-издательским советом  
государственного образовательного учреждения высшего  
профессионального образования “Оренбургский государственный  
университет”**

Оренбург 2005

УДК 802.0 (076.5)

ББК 81.2Англ-923

П 80

Рецензент

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**Прокошева, И.И.**  
П 80 **Английский язык: методические указания для студентов специальности "Мировая экономика" (второй язык) / И.И. Прокошева. - Оренбург: ГОУ ОГУ, 2005.-96с.**

Методические указания предназначены для студентов специальности 080102 "Мировая экономика" (второй язык) для использования на практических занятиях по английскому языку.

Методические указания представляют собой подборку экономических текстов, лексических, грамматических и коммуникативных упражнений. Цель методических указаний - научить студентов читать и понимать англоязычную оригинальную литературу по специальности, дать им базисную экономическую лексику, развивать навыки профессиональной речи.

ББК 81.2Англ-923

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## **Введение**

Данные методические указания предназначены для обучения английскому языку студентов специальности 080102 "Мировая экономика" (второй язык). Они составлены на основе действующей программы по английскому языку для неязыковых специальностей высших учебных заведений.

Цель методических указаний - познакомить студентов с терминологической лексикой и грамматическими явлениями, характерными для литературы по данной специальности, развивать навыки извлечения информации, а также сформировать навыки перевода профессионально-ориентированных текстов.

Методические указания основаны на оригинальных текстах экономического содержания. Текстовый материал является базой для формирования навыков говорения по изученной тематике.

Каждый раздел содержит профессионально-ориентированный текст и ряд упражнений. Тексты имеют разную учебную цель. Активный словарь и система упражнений помогают снять лексические и грамматические трудности.

К методическим указаниям прилагаются глоссарий, дополнительные тексты, которые отражают языковой материал и тематику основных разделов и могут быть использованы для внеаудиторного чтения, а также лексические тесты по экономической терминологии. К тестам даны ключи для самоконтроля.

# 1 Unit 1 Economic Activity

## 1.1 Read and translate the text

### Economic Activity

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

## 1.2 Post-text Exercises

1.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

to earn one's living	- зарабатывать на жизнь
services	- услуги
goods (pl.)	- товар, товары
syn. commodity	
produce (v)	- производить
syn. manufacture	
produce (n)	- продукция, продукт
maize	- кукуруза
provide(v)	- обеспечивать
maintain(v)	- поддерживать, содержать
call(v)	- называть, звать
make up(v)	- составлять
sum-total (n)	- общая сумма
undertake(v)	- предпринять
need(v)	- нуждаться
need (n)	- потребность
money (n)	- деньги

1.2.2 Answer the following questions:

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

1.2.3 Change the underlined nouns into adjectives adding the suffix - al:

Example: education + al - educational

Translate the sentences :

- 1 These goods belong to the nation. They are therefore \_\_\_\_\_ .
- 2 Minerals are a part of nature. They are therefore \_\_\_\_\_ .
- 3 Schools provide education. They are therefore centers of \_\_\_\_\_ activity.
- 4 Shops are places of commerce. They are therefore centers of \_\_\_\_\_ activity.
- 5 He doesn't want anyone else to do this work. He wants to do the work in person. It is his \_\_\_\_\_ concern.

1.2.4 In each of these sentences a word is missing. Provide a word from the list below and translate them:

- 1 Transport systems like railways, buses and planes provide the public with important \_\_\_\_\_ .
- 2 They told him to look at the \_\_\_\_\_ and then do the exercises.
- 3 He decided to \_\_\_\_\_ the work in order to make some \_\_\_\_\_ .
- 4 It was \_\_\_\_\_ for him to go to the city as soon as possible.
- 5 They had enough \_\_\_\_\_ to buy most of the \_\_\_\_\_ they needed.

(Commodities, money, essential, services, example, undertake)

1.2.5 To express future possibilities use the modal verbs MAY or MIGHT. Use MAY for stronger possibilities; MIGHT for weaker possibilities. Translate the final sentences

Example: Perhaps he will come. He may come.

It's just possible that he will buy a car. He MIGHT buy a car.

- 1 Perhaps we shall want some more fruit tomorrow.
- 2 They probably will get the essential commodities soon.
- 3 It's possible that the service will stop next month.
- 4 Perhaps the garage will not sell that car to him.
- 5 The economic system probably belongs to a city, a whole country or the whole world.
- 6 It's possible the car does not belong to those people.
- 7 Perhaps he will provide what; they need when he comes back.

#### 1.2.6 Make the following sentences Passive:

- 1 People produce goods and services.
- 2 Schools, hospitals and shops provide services.
- 3 People undertook the work.
- 4 The garage will help him to maintain his car.
- 5 They bought essential commodities with money.
- 6 A man may buy a car.

#### 1.2.7 Open the brackets and choose the adequate form of the verb

- 1 Goods and services ( provide ) by the people.
- 2 This car ( buy ) for this garage last week.
- 3 The work ( undertake ) to provide what we need for the rest of the year.
- 4 The money (earn) to buy toys for children.

#### 1.2.8 Combine these pairs of sentences using the second sentence as an attribute. Translate the resulting sentences:

Example: The services are useful.

The workers provide the services.

The services which the workers provide are useful.

- 1 The goods are essential.  
They need the goods.
- 2 The schools and hospitals are essential.  
They provide the schools and hospitals.
- 3 The goods are valuable.  
He buys the goods.
- 4 The money buys essential commodities.  
People earn this money.
- 5 The goods and services are very useful.  
People produce these goods and services.

- 6 The work is called economic activity.  
We do this work.
- 7 The work provides them with money.  
People do this work.
- 8 The economic activities make up the economic system.  
People undertake these economic activities.

1.2.9 In the sentences below replace WHICH with THAT ( Mind that while using WHICH you choose from some definite number of alternatives; using THAT you mean "any". ). When you have done this, rewrite all the sentences without either WHICH or THAT. The meaning remains the same but the sentences become less formal. Translate them

- 1 The goods which they wanted were essential minerals.
- 2 The schools and hospitals which they provide are essential.
- 3 The goods which he buys are valuable.
- 4 The money which the people earned bought many commodities.
- 5 The goods and services which people produce are very useful.
- 6 The work which we all do is called economic activity.
- 7 The work which most people do provides them with money.
- 8 The economic activities which people undertake make up the economic system of a town, city, country, or larger area.
- 9 The economic system which people belong to is the sum total of their needs and actions.
- 10 The work which he undertook was useful but non-essential.

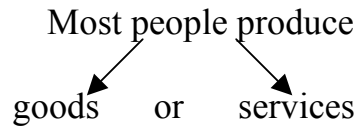
1.2.10 Translate the following sentences. Mind the sentence structure

- 1 The work people do is called economic activity.
- 2 The work people undertake, either provides what they need or provides the money with which they can buy essential commodities.
- 3 Most people hope to earn enough money to buy commodities and services, which provide some particular personal satisfaction.

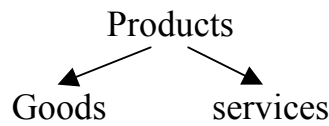
1.2.11 Punctuate the following passage. Provide capital letters, commas, full stops etc. where applicable:

some people provide goods some provide services other people provide both goods and services for example in the same garage a man may buy a car or some service which helps him to maintain his car all economic activities together make up the economic system of a town a city a country or the world such an economic system is the sum total of what people do and what they want.

1.2.12 Most people work in order to earn their living, and they produce goods and services. This fact can be shown as a diagram:

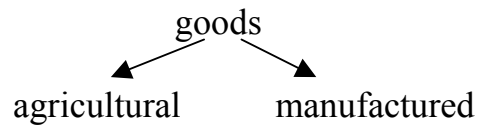


The things which people produce are called their products. So the diagram can be drawn as:



Below are 20 kinds of people. Ten of them produce goods; ten produce services. Make a diagram like this one and list the people under goods and services.

- |                |             |           |                |
|----------------|-------------|-----------|----------------|
| cattle-breeder | coal-miner  | musician  | farmer         |
| pilot          | teacher     | doctor    | banker         |
| shoemaker      | steelworker | nurse     | fruit-grower   |
| horse-breeder  | shopkeeper  | cook      | fisherman      |
| builder        | electrician | policeman | iron-ore miner |



Continue the diagram. Which goods are agricultural and which ones - manufactured?

- |       |        |       |        |         |
|-------|--------|-------|--------|---------|
| paper | cars   | maize | fruit  | radio   |
| milk  | tomato | book  | cotton | clothes |
| bread | desks  | money | toys   | eggs    |

Using these diagrams speak about the process of production of goods and services.

1.2.13 Retell the text in detail



## 2 Unit 2 The Science of Economics

### 2.1 Read and translate the text

#### The Science of Economics

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

### 2.2 Post-text Exercises

2.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

science	- наука.
scientific	- научный.
life	- жизнь.
live (v)	- жить.
lives (n)	- жизни, (v) - живет ( 3 лицо ед. число ).
food	- пища.
clothes	- одежда.
shelter	- кров, жилище.
essential things	- вещи первой необходимости.
material wants	- материальные потребности.
basic needs	- основные потребности.

2.2.2 Answer these questions basing your answers on the text

- 1 What is economics?
- 2 What is it based upon?
- 3 What two things do economists study?
- 4 What do they try to do?
- 5 What do they try to explain?
- 6 What should the methods of the economists be like?

- 7 What three essential things do we need?
- 8 What would happen if we could get these essentials without working?
- 9 What might make life more enjoyable?
- 10 What is economics concerned with?

2.2.3 Say, whether these statements are true or false, and if they are false say why

- 1 Economists study only our individual lives.
- 2 They try to describe the facts and explain how the system works.
- 3 We need only food, shelter and clothes.
- 4 The science of economics is concerned only with our basic needs.

2.2.4 Read and translate the text without a dictionary. Try to memorize it

Economics is a social science studying economy. Like the natural sciences and other social sciences, economics attempts to find laws or principles.

Economics tries to find laws or principles by building models. The predictions of the models form the basis of economic theories. Then the predictions of the models are compared with the facts of the real world.

2.2.5 You have now used three words: "economics", "economic", and "economist". There are also in this set the words "economy", "economical" and "economically". In a diagram we can show them like this:

ECONOM	Y ICS IC IST	AL	LY
--------	-----------------------	----	----

Each word has a different use. Try to put the right word in the blanks in these sentences. When reading mind the stress in the words. Translate the sentences.

- 1 Marx and Keynes are two famous \_\_\_\_\_ .
- 2 These people are studying the science of \_\_\_\_\_ .
- 3 We sometimes call a person's work his \_\_\_\_\_ activity.
- 4 People should be very \_\_\_\_\_ with the money they earn.
- 5 The economic system of a country is usually called the national \_\_\_\_\_ .
- 6 The people in that town live very \_\_\_\_\_ .

## 2.2.6 Study the different meanings of the word "order":

ORDER n.

- 1) way in which things are placed in relation to one another - порядок;
- 2) condition in which everything is carefully arranged - режим.;
- 3) command - приказ;
- 4) request to supply goods - заказ;
- 5) purpose, intention in order to - для того, чтобы. in order that - с целью;
- 6) rank or class of society - орден.

Read the following sentences matching them with the above meanings. Paraphrase or translate them:

- 1 The order of baronets sounds archaic nowadays.
- 2 The device has been operating in the working order since its construction.
- 3 The words in the dictionary are always placed in the alphabetic order.
- 4 The boss said we should obey his orders.
- 5 Economists study our lives in order. to understand the general economic system.
- 6 All the goods on this order. have been packed.

2.2.7 Analyze the following sentences and underline the subject and predicate in each sentence:

- 1 Economists study our everyday life.
- 2 Our lives are affected by the economic system.
- 3 The study of this system describes how it works.
- 4 He lives in a different economic system.
- 5 A man needs food, clothes and shelter.

2.2.8 Underline the subject and predicate in the following sentences. Analyze the form of the verb:

- 1 Economics is based upon the facts of our everyday lives.
- 2 Economists have been studying our everyday lives.
- 3 Economics is concerned with our material needs.
- 4 The lives of the people are affected by the economic system.
- 5 His methods have been objective and scientific.
- 6 He was describing the facts of the economy in which he lived.

2.2.9 Make up sentences of the following nouns and verbs. Use adverbs of time to choose the Voice and Tense forms of the verbs

- 1 Everyday life (study) usually by economists.
- 2 Economic system (describe) already by many economists.
- 3 Economic system of Russia at the turn of the century (describe) in the works of Lenin.
- 4 Both essential and non-essential needs (study) now.
- 5 He (study / economics) for two years now.

2.2.10 Underline subjects and predicates in the following sentences and state the type and structure of the predicates

- 1 He tries to explain the work of this system.
- 2 His methods should be objective and scientific.
- 3 We need food, clothes and shelter.
- 4 You need not analyze all the facts.
- 5 People may want more than their basic needs.
- 6 We have all the essential things.
- 7 We have to study the essential needs of our community.

2.2.11 Combine these pairs of sentences by means of "if" in order to make conditional sentences. Mind that two variants of Conditionals are possible:

- 1 Real Condition - If A happens, B will occur.
- 2 Unreal Condition:
  - a) Refers to Present and Future- If A happened, B would occur,
  - b) Refers to the Past- If A had happened, B would have occurred.

- 1 You want to have a new house. You will have to work hard.
- 2 You all work together on this task. You will complete it more rapidly.
- 3 You buy the essential commodities from this shop. You are called a customer of this shop.
- 4 We have a radio. We can listen to the programmers.
- 5 We have food, shelter, and clothes. We have the basic necessities of life.
- 6 The economic system of a country is strong. People will be able to satisfy all their wants.
- 7 He wants to become an economist. He may study economic books.
- 8 People work. They will earn money.

2.2.12 Punctuate the following passage. Provide full stops and capital letters where necessary

most people must work to earn their living they produce goods and services this is called economic activity all economic activities together make up the economic system this system is very complex economists study the economic system and try to describe and explain it they study the work we do and the needs we have if you wish to learn about the science of economics you must study both books and people

2.2.13 Translate the text without a dictionary in writing

What Is Economics?

Economics was defined by Alfred Marshall, one of the great Victorian economists, as the study of mankind in the everyday business of life. There are other definitions too. But Marshall's definition draws attention to that unique feature of human society: that unlike other animals, man provides for his everyday needs by means of a complex pattern of production, distribution and exchange. This everyday business of providing the means of life is called by the general term "economy". Economics is the study of economies. We must study primitive economies, but it is the advanced economies that interest us most. How do we produce all the things that, we need? How do we distribute the products among the various groups in society? What institutions have we developed to promote economic activity and how does each institution play its part in the complex relationships of everyday life?

2.2.14 Translate the text without a dictionary in writing

The Future of Economics

The Greeks had a word for it. The modern word "economics" has its origin in the Greek word "oikonomos" meaning a housekeeper. The two parts of this word oikos - a house, and nomos - a manager» show what economics is all about. How do we manage our house, what account of our management can we render to our families, to the nation, to our descendants. From Socrates and Aristotle to J.M.Keynes and Prof. J.K.Galbraith is a span of 2250 years. Great changes of taste and fashion have occurred. Socrates rose in the morning and went out into the public square to engage in conversation and discussion. His needs were few. Today we are obsessed with material wants, and struggle to the beach with a car loaded with deck chairs, aqua-lungs and a hundred of other"things- Economics is the study of mankind in the everyday business of providing this enormous variety of goods and services. Economics is a liberal study. Everyone needs to know some economics, for it explains the framework of prosperity and a liberal life is only possible when prosperity exists.

Economics has changed too. The science of econometrics has raised its lovely head. Made possible by the development of the computers it has at least enabled us to test what would happen if we did this, rather than that or the other. We can express policies in mathematical terms, envisage various events mathematically and run them through the computer to envisage every possibility. Those studying economics can take consolation from the fact that whatever happens in other disciplines, art cannot flourish without economics and neither can education or any other socially desirable policies. We still have to create wealth before we can distribute it.

2.2.15 Find the topical sentences of each paragraph of the text "The Future of Economics"

2.2.16 Write a short summary of the text "The Future of Economics"

2.2.17 Read the text about a prominent economist and retell in detail

Adam Smith was a great scientist who made extraordinary contributions in economics.

He was born in 1723 in Kirkcaldy, a small fishing town near Edinburgh, Scotland. His father was a customs officer. He died before his son was born.

At the age of 28 Adam Smith became a Professor of Logics at the University of Glasgow. It was his first academic appointment. Some time later he became a tutor to a wealthy Scottish duke. Then he received a grant of £300 a year. It was a very big sum; 10 times the average income at that time. With the financial security of his grant, Smith devoted 10 years to writing his work which founded economic science. Its full title was «Art Inquiry into the Nature and Causes of the Wealth of Nations». It was published with great success in 1776.

Adam Smith made economics a science. This Scottish economist is often regarded as the founder of political economy too.

## 3 Unit 3 The Limits of Economic Freedom

### 3.1 Read and translate the text

#### The Limits of Economic Freedom

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

### 3.2 Post-text Exercises

3.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

community (n.)	- общество
set upon /impose limits (v.)	- устанавливать
conform to (v.)	- соответствовать
cause /bring about (v.)	- вызывать, быть причиной
cause (n.)	- причина
require (v.)	- требовать
instability (n.)	- неустойчивость
wage (n.)	- заработная плата (рабочих)
salary (n.)	- заработная плата,
pay (n.)	- оклад служащих оплата труда, выплата
protect (v.)	- защищать
depend (on) (v.)	- зависеть от
adopt (v.)	- принимать
unemployment (n.)	- безработица

benefit (n.)	- выгода
benefit (v.)	- получать льготы, выгоду
make sb. do sth.	- заставлять кого-либо что-то делать
on the one hand.	- с одной стороны
on the other hand	- с другой стороны
policy may be 'biased toward	- политический курс может склоняться в сторону чего-либо

### 3.2.2 Answer the questions basing your answers on the text:

- 1 Under what conditions is a person economically free?
- 2 What is the opposite of "simple"?
- 3 What are all the citizens required to do?
- 4 Why does complete economic freedom of action cause great difficulty?
- 5 Why are the limits on economic freedom necessary?
- 6 What kind of freedom might complete economic freedom create?
- 7 What workers' needs are sometimes the concerns of the law?
- 8 What else might the laws relate to?
- 9 What other important points should be noted about the laws related to economic conditions?

### 3.2.3 Say whether these statements are false or true. Why?

- 1 Economists say that a man is economically free if he can do what he wishes with his own property, time and energy.
- 2 Governments usually require all individuals to conform to the laws which they make.
- 3 Complete economic freedom of action does not create many difficulties.
- 4 If citizens were completely free, some landowners and factory owners might act improperly.
- 5 Complete economic freedom could lead to economic anarchy.
- 6 Anarchy is a satisfactory and desirable thing in any economic system.
- 7 Laws related to economic conditions are sometimes concerned with the health of the employers.
- 8 These laws usually protect the interests of the workers and not the employers.
- 9 Government policy does not depend on the political and economic ideology of the State.
- 10 Some ideologies are biased towards labour and others- towards capital.



3.2.4 Make these adjectives negative by adding prefixes un-, in-:

a) economic, satisfactory, available, important, productive, desirable, stable.

- 1 People do not like working in \_\_\_\_\_ conditions.
- 2 The employers decided to close that factory because it was \_\_\_\_\_.
- 3 Complete economic freedom is an \_\_\_\_\_ situation.
- 4 Compared to need for food, clothes and shelter, some of our wants are \_\_\_\_\_.
- 5 We say that goods are sold at \_\_\_\_\_ prices, when the price is less than the cost of producing them.
- 6 The goods which he wanted were \_\_\_\_\_ at the price which he was willing to pay.

b) secure, organic, expert, dependent, adequate.

- 1 Metals are \_\_\_\_\_ substances.
- 2 Most nations like to be economically \_\_\_\_\_.
- 3 The services which they provided were quite \_\_\_\_\_.
- 4 If an economy becomes unstable, people begin to feel \_\_\_\_\_.
- 5 The men were rather \_\_\_\_\_ at the kind of work they had to do.

3.2.5 Find words in the text The Limits of Economic Freedom, for which these words could be substituted

societies, vary, impose, written agreements, regular pay in old age, unsatisfactory places.

3.2.6 This table shows how nouns are formed around the verb "employ"

prefix	stem	suffix
un-	employ	-ee, -ment, -er

Put each word in its suitable place in the sentences:

- 1 In the 1960s there was a sharp rise of the number of women seeking \_\_\_\_\_.
- 2 To attract the necessary labour, local governments had to offer higher wages than private \_\_\_\_\_.
- 3 The great majority of Danish companies \_\_\_\_\_ fewer than 500 people.
- 4 There are now facilities for training people who have lost their jobs or are threatened with \_\_\_\_\_.

5 The manager is concerned with good relations between \_\_\_\_\_ and \_\_\_\_\_ .  
6 Those \_\_\_\_ were not satisfied with the working conditions.

3.2.7 Retell the Text in detail

## 4 Unit 4 Market and Command Economies

### 4.1 Read and translate the text

#### Market and Command Economies

Economics is a science that analyzes what, how, and for whom society produces. The central economic problem is to reconcile the conflict between people's unlimited demands with society's ability to produce goods and services.

In industrial Western countries markets are to allocate resources. The market is the process by which production and consumption are coordinated through prices.

In a command economy, a central planning office makes decisions on what, how, and for whom to produce. Economy cannot rely entirely on command, but there was extensive planning in many Soviet bloc countries.

A free market economy has no government intervention. Resources are allocated entirely through markets.

Modern economies in the West are mixed and rely mainly on the market but with a large dose of government intervention. The optimal level of government intervention remains a problem which is of interest to economists.

The degree of government restrictions differs greatly between countries that have command economies and countries that have free market economies. In the former, resources are allocated by central government planning. In the latter, there is not any government regulation of the consumption, production, and exchange of goods. Between the two main types lies the mixed economy where market and government are both of importance.

### 4.2 Post-text Exercises

4.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

economics	- 1. экономическая наука; 2. экономика
economic	- 1. экономический; 2. экономически выгодный; рентабельный
economical	- 1. экономный, бережливый; 2. экономичный
economist	- ЭКОНОМИСТ
economize	- ЭКОНОМИТЬ; экономно расходовать или использовать
economy	- хозяйство, экономика
command economy	- централизованно управляемая экономика; нерыночная экономика
free market economy	- свободная рыночная экономика

mixed economy	- смешанная экономика
society	- 1. общество, общественный строй; 2. общество, организация, ассоциация
produce	- производить, вырабатывать
production	- производство
demand	- спрос; требование; запрос; потребность
demand for smth	- спрос на что-л.
to be in high / low demand	- пользоваться большим / небольшим спросом
good	- товар, изделие
service	- услуга
market	- рынок
allocate (smth to / in smth, smb)	- 1. размещать, распределять (что-л. куда-л., кому-л.); 2. ассигновать (что-л. на что-л., кому-л.)
resource(s)	- ресурс(ы), средства
consumption	- потребление
through	- через; посредством; благодаря
price	- цена
at high /low prices	- по высоким/ низким ценам; при высоких/ низких ценах
price for /of a good	- цена товара, цена на товар
plan	- планировать
planning	- планирование
decision	- решение
to make decision	- принимать решение
rely (on smb, smth)	- полагаться (на кого-л. или что-л.)
entirely	- полностью, всецело
government	- правительство
intervention	- вмешательство
government intervention	- государственное вмешательство
level	- уровень
at a certain level	- на определенном уровне
restriction	- ограничение
(the) former	- первый (из двух названных)
(the) latter	- последний (из двух названных); второй
regulation	- регулирование
government regulation	- государственное регулирование
both	- обе; и тот и другой
importance	- важность, значение
to be of importance	- быть важным, иметь (большое) значение

4.2.2 Answer the questions basing your answers on the text:

- 1 What is the central economic problem of a society?
- 2 What is the market?
- 3 What is the function of the market in an industrial country?
- 4 How are decisions made in a command economy?
- 5 In what way does a free market economy differ from a command economy?
- 6 To which type do most economies in the West belong?

4.2.3 Read the following words. Mind the stress

E <u>conomy</u>	E <u>conomics</u>
E <u>conomist</u>	E <u>conomic</u>
To e <u>conomize</u>	E <u>conomical</u>
	E <u>conomically</u>

4.2.4 Change the following phrases using adjectives “economic” or “economical”

- 1 A practical woman.
- 2 Problems of economics.
- 3 A crisis in the field of economy.
- 4 To be careful in the spending of money.
- 5 Reforms in the field of economy.
- 6 A law (закон) regulating the sphere of economics.
- 7 A plan of the industrial development of the country.
- 8 A small car that doesn't use too much fuel.
- 9 Geography that studies the location (размещение) of industries, markets, transport.

4.2.5 Put in the correct word:

Economy	Economics
Economist	Economic
To economize	Economical

- 1 An early definition (определение) of... was "an inquiry (изучение) into the nature and causes of the wealth of nations".
- 2 The national ... is the system of the management and use of resources of a country.
- 3 You can ... if you compare the prices of goods before buying them
- 4 J. M. Keynes was a famous ... .
- 5 Inflation may cause a bad ... state (положение) in a country.
- 6 If you've got a large family, it's more ... to travel by car than by train.

#### 4.2.6 Give the Russian translation for the following

1 Economics is the study of how society decides what, how, and for whom to produce.

2 The central economic problem for society is how to reconcile the conflict between people's limitless demand for goods and services and the resources which can be allocated for the production of these goods and services.

3 The market is the process by which individuals' decisions about consumption of goods, firms' decisions about what and how to produce, the workers' decisions about how much and for whom to work are reconciled by prices.

4 When resources are limited, they are allocated through the political process. In a country like Sweden with a strong government the level of production of social services may be higher than the level of production of goods for individual consumption.

5 The world economy produces mostly for the people living in the industrial countries.

6 In many countries there was a large dose of central regulation and planning.

7 Even the countries with free market economy still have high levels of government activity in the production of public goods and services and the regulation of markets.

8 All-round planning is not an easy task, and there is not any command economy that relies entirely on planning for all resources allocation decisions.

#### 4.2.7 Translate into English

1 Развитые страны достигают экономического успеха через специализацию.

2 В годы войны в стране всегда имеет место регулирование экономики правительством.

3 В экономиках смешанного типа имеются правительственные ограничения того, что производить и как производить.

4 Каждый менеджер принимает решения, как распределить ограниченные ресурсы наилучшим образом.

5 Мы не можем положиться на эти данные при планировании производства на следующий год.

6 При рыночной экономике регулирование производства и потребления осуществляется через цены.

#### 4.2.8 Put the verbs in brackets into the correct form

There (to be) various forms of government restrictions and regulations in economies. For example, Turkey and Norway both (to limit) profits of firms, the latter also (to control) prices and wages; in Bolivia the tin mines (to nationalize); in China communes (to establish); in Cuba the government (to own) many industries and firms; and in Britain eight basic industries (to nationalize).

A free market economy (to be) rare in the world.

The level of economy regulation (to be) different in different countries. In some countries it (to grow) in recent years, in others more freedom (to grant) to firms and individuals. But the general tendency (to be) to keep government regulation at quite a high level.

#### 4.2.9 Put in the missing words and translate the sentences into Russian

both, government, restrictions, the former, the latter, economics, through, t  
produce, services (2), goods (2), regulations, mixed economy

1 Every group of people must solve three main problems: what... and ...to produce, how ... them and for whom to produce them.

2 ... is placed among the social sciences.

3 Markets in which there is no ... intervention are called free markets.

4 Society allocates resources into production ... the price system.

5 There are no government... and ... in a free market economy.

6 ... is an economy in which the government and private sector cooperate in solving economic problems.

7 Government regulations and restrictions must ... work in the interests of society.

8 People produce ... and are produced in factories or on farms,... - at schools, hospitals, shops, banks.

#### 4.2.10 Match the two parts of the sentences

1 America's strong demand for automobiles explains

2 In contrast to market economies, economies with different forms of dictatorial control

3 Big corporations are not allowed to dominate an industry or a market

4 In some industries, such as radio, television, telephone services and some others, competition cannot be relied

5 Resources are the things or services that are used

6 Economics and economists play an

a. may be called command economies.

b. entirely through government regulation.

c. and resources are allocated through goods and services markets.

d. why auto workers have historically been among the highest paid workers in the world.

e. which rely heavily on economic advisers in making the decisions about the future of the country.

i. entirely on to produce results that are

important role at the highest levels of governments

7 Until the middle of the 18th century, industry (in contrast to agriculture and commerce)

8 Under capitalism, economic decision-making is decentralized

good for the society.

g. was of little importance in the economies of Europe and America.

h. to produce goods which can satisfy (удовлетворять) people's demands.

4.2.11 Find the topical sentences of each paragraph of the text Market and Command Economies

4.2.12 Write a short summary of the text Market and Command Economies

4.2.13 Retell the text Market and Command Economies in detail



## 5 Unit 5 Mixed Economies

### 5.1 Read and translate the text

#### Mixed Economies

It has been found necessary in many countries to control or regulate national economic conditions.

Even the most dedicated free enterprise systems, such as the USA, have felt this need. The under-developed countries of the world are usually interested in control and long-term planning. Such countries as India have had a number of plans guided by the Government. India makes a distinction between the public sector of the economy on the one hand and the private sector on the other hand. Such systems with public and private sectors are neither communistic nor capitalistic, but are sometimes called mixed economies. Britain today has elements of a mixed economy. In the public sector of British economic life are the nationalized industries like coal and steel, British Rail and BOAC (British Overseas Airways Corporation).

In the private sector are the majority of the nation's industries, both large and small. The private sector includes giant companies like ICI (Imperial Chemical Industries) and a great number of small family businesses.

In 1962 the British government set up an official body to plan national economic policies. This body is called the National Economic Development council.

The members of this council are representatives of the employers, the employees and other interested people.

### 5.2 Post-text Exercises

5.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

regulate (v)	- регулировать
dedicate (v)	- быть приверженным чему-либо, быть верным
free enterprise	- свободное предпринимательство
long-term planning	- долгосрочное планирование
short-term planning	- планирование на короткий срок
a number of	- ряд
guide (v)	- руководить
guide (n)	- руководитель, руководство
distinction between	- разница между, различие
neither ... nor (conj)	- (союз) ни ... ни
either ... or (conj)	- (союз) либо ... либо

both (numeral pronoun)	- оба
both ... and (conj)	- (союз) как ... так и
mixed economy	- смешанная экономика (с элементами различных - систем)
mix (v)	- смешивать
coal (n)	- уголь
steel (n)	- сталь
majority	- большинство
large (small) industry	- крупная (мелкая) отрасль промышленности
industry	- промышленность
	- отрасль промышленности
include (v)	- включать в себя
giant (adj)	- крупный, гигантский
small family business	- мелкий семейный бизнес, фирма

5.2.2 Answer the questions. You may answer "Yes" or "No". Say, why. Quote from the text in support of your answer:

- 1 Have most countries found economic control necessary?
- 2 Has the USA found the same need? Why is it strange?
- 3 Are the underdeveloped countries Interested in control and planning?
- 4 Has India had a number of national economic plans?
- 5 Is the Indian economy based entirely on private enterprise?-
- 6 Does the Indian economy have two distinct sectors? What are they?
- 7 Is the Indian economy a mixed one? Why?
- 8 Are the British coal and steel industries nationalized?
- 9 Are both BOAC and ICI nationalized industries?
- 10 Was the National Economic Development Council set up by the British government?
- 11 Are both employers and employees represented in the NEDC? Why?

5.2.3 Say whether these statements are false or true. If they are false, say, why:

- 1 Economy in the USA is not completely free market economy.
- 2 Even the countries of free enterprise find it necessary to control economic development.
- 3 Control and long-term planning are of no interest for the countries with mixed economies.
- 4 Britain now has both private and public sectors in its economy.
- 5 The nationalized industries are in the private sector of the economy.
- 6 Giants like ICI and BP (British Petroleum) are publicly owned.
- 7 There are many small family businesses both in the public and private sectors of

British economy.

8 It was the government who set up a body to control and regulate economic policies in Britain.

9 Only employers are represented in the NEDC.

5.2.4 Seven words can be formed from the basic word NATION. This table shows how to do it. Make a list of words and put each word in its suitable place in the sentences

stem	suffix		
	1	2	3
NATION	al	ize	d, ation
		ism	
		ist	ic

1 Great Britain is a homeland of the British \_\_\_\_\_.

2 Most countries have \_\_\_\_\_ banks, such as the Bank of England.

3 The Socialist Party has plans to \_\_\_\_\_ various privately owned industries.

4 British Rail is already a \_\_\_\_\_ industry, because it is publicly owned.

5 The name given to the change from private to public ownership is \_\_\_\_\_.

6 In the last twenty years \_\_\_\_\_ has been a strong political force leading to the formation of many new nations.

7 A person who is interested in the progress and history of his own nation may called \_\_\_\_\_.

8 Many governments have certain policies which are not international but simply \_\_\_\_\_.

5.2.5 There are a number of words derived from the stem POLICY. This is the their list with meanings. Analyze all of them and put the appropriate word in the sentences

Policy: a) a course, a direction of conduct;

b) measures, ways of operating.

Politics - the activities of a body, a party, a firm

Political - having some course or direction of activities

Politician - a person skilled, active in politics

1 The \_\_\_\_\_ of prices is guide by the Ministry of Finance.

2 The government \_\_\_\_\_ is biassed towards both employers and employees.

3 The firm's \_\_\_\_\_ determines its activities on the market.

4 The \_\_\_\_\_ situation in the country is rather complex resulting from a number of economic problems.

5 The NEDS brings together \_\_\_\_\_, trade union leaders, employers and employees.

5.2.6 "Both" has two possible meanings: 1 - two items participating in some joint action; 2 - a part of the conjunction "both ... and". Combine these sentences as shown in the example if it is possible. Mind the two possible meanings of "both"

Example: Economists should use strictly objective methods of analysis. Their methods should be also scientific. - economists should use both strictly objective and scientific methods.

1 The government has up an official committee. It has also set up a group of experts to analyze the facts.

2 This firm provides spare parts for cars. It also provides services in maintaining cars.

3 People do not like working in unsatisfactory conditions. They are also against working in unhealthy conditions.

4 People work to produce goods. Many people produce services.

5 Labour laws are related to conditions of work. Other laws are concerned with contracts between employers and employees.

6 The government policy towards employees depends very much on the political and economic ideology of the country. The same may be said about the government policy towards employers.

5.2.7 Read the text without a dictionary. Entitled the text. Guess the meaning of the underlined words. Answer the questions after the text:

The free market allows individuals to produce goods and services without any government restrictions. The command economy allows little individual economic freedom since (так как) most decisions are made by the government. Between these two extremes lies the mixed economy.

In a mixed economy the government and private sector co-operate in solving economic problems. The government controls production through taxation (налогообложение) and orders for goods and services for the army, the police force, administration and other needs.

In a mixed economy the government may also be a producer of goods. An example of this is the United Kingdom where there are nationalized industries such as railways and coal.

What is the role of governments in mixed economies?

5.2.8 Translate the text with a dictionary

## Mixed Economy

There are three types of management in economies. An economy may be almost totally planned, as it was in the Soviet Union. An economy may be almost totally unplanned, as it is in the USA. Or an economy may be a combination of planning and freedom of operation. Examples of the latter are Japan and South Korea.

In a planned economy the government decides what goods are to be produced and how they are to be marketed. Governments set all the priorities, and the producers are to follow the directions given to them.

In a partially planned economy such as Japan's, the government often encourages industry and helps it with subsidies. Government also makes investments and regulates trade.

The United States is an example of an unplanned economy. But it has a lot of government intervention in economic activity. As the economy of the United States grew, and as government and its importance increased, the government policy at every level acquired greater importance for the economy.

But the economy of the United States may be called unplanned because the government does not regulate what will be produced and how it will be marketed. These decisions are left to the producers. Even the great amount of government regulation that has emerged since the Great Depression has not turned the economy of the United States into a planned economy.

The name of the American economic system is capitalism. Another name for it is the free market economy.

5.2.9 Find the topical sentences of each paragraph of the previous text

5.2.10 Write a short summary of the text

5.2.11 Retell the text in detail

5.2.12 Compare the text Mixed Economies with the text from the assignment 5.2.8. Make up your own text for retelling

## **6 Unit 6 World Economy**

### **6.1 Read and translate the text**

#### Economic Growth in Industrial Economies

Economic growth usually proceeds slowly. Even the most prosperous economies only grow 2-3 percent year. Nevertheless, economic growth rates work like compound interest - a steady growth rate of 2 percent each year will result in a significantly larger and healthier economy in only ten years.

Economists usually study economic growth over long periods of time. For example, economic historians have discovered that over the last century the average annual growth rate for the Japanese economy is less than two points larger than Great Britain's. This small difference has resulted in Japan's emergence as an international economic powerhouse. Meanwhile, Great Britain has fallen from its position as the world's strongest economy to one that is struggling.

Economic Growth in the United States. The U.S. economy has grown between 25-27 percent in each of the ten year periods from 1947 to 1977, but it grew only 18 percent in the 1977-87 period. Some economists are concerned that this lower rate of growth is a part of a long-term slow down in economic growth that began in the mid-1960s and became worse in the mid-1970s. This is discouraging news because the future of the United States economy depends on its ability to compete and grow.

Economic growth can occur as a result of a growing labor force, additions to the nation's stock of capital equipment, and improved productivity. Today, the United States labor force is not growing as fast as in previous decades because the "baby boom" generation (people born in the years following World War II) have already entered the work force. In addition, the rate women are entering the work force is slowing.

The stock of capital equipment grows when business invests in tools, machinery, buildings and facilities. In the United States investment in capital goods has been a steady 10 percent of GNP for the past three years. But during the same time period, the Japanese have invested over 16-19 percent of their GNP in capital goods. This difference in business investment helps explain why the Japanese economy is growing faster than the U.S. economy.

Investment can be aimed at increasing productive capacity or at research and development (R&D). R&D can be used to develop new products (product innovation) or to develop new processes to cut the cost of production and improve productivity. Both product and process innovation are important.

The U.S. spends twice as much on product innovation than on process innovation. The Japanese do just the opposite. They spend twice as much on process innovation as they do on product innovation. This may be one reason why the Japanese are beating

the U.S. in the ability to develop a better mousetrap and bring that mousetrap to the market faster than we do.

It is important to note that the Japanese and other foreign competitors do not just build a cheaper mousetrap because they have lower labor costs. It is estimated that half of our trade deficit worldwide comes from industries overseas that pay their workers more than the same industries in the U.S. pay their workers. Process innovation leads to reduced manufacturing costs which can be an important reason for increased market share and profits.

Life illustrates how important it is for businesses to continue to invest time, money, and energy into improving products and production processes. The Japanese, in particular, have built their economic success on investment in research and development that leads to higher productivity.

## 6.2 Post-text Exercises

6.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

proceed	- 1) продолжать; 2) возобновлять (дело); 3) приступать, перейти (to - кого-либо); 4) происходить, развиваться, исходить (from); 5) действовать, поступать
prosperous economy	- преуспевающая, процветающая, успешная экономика
compound interest	- (составной, сложный) сложные проценты
economic growth rate	- темп экономического роста
study economic growth over long period	- изучать экономический рост за продолжительный период
average annual growth rate	- среднегодовой темп роста
point	- пункт, момент, вопрос, дело; главное; суть, смысл; точка, место, пункт; момент времени; преимущество; достоинство
emergence	- выход, появление
powerhouse	- электрическая станция; (разг.) энергичный человек
mean while	- темп времени, между тем
to struggle	- делать усилия, стараться, пробиваться
a longterm slow down	- долгосрочное замедление
discouraging news	- обескураживающие новости
compete (v)	- соревноваться, конкурировать
labour force	- рабочая сила
additions	- заполнения, увеличения

the nation's stock	- запас, резерв, фонд, капитал
capital equipment	- основное оборудование
improved productivity	- повышенная производительность
the "baby boom" generation	- поколение периода "роста населения"
decade	- десятилетие
to invest in	- помещать, вкладывать (деньги, капитал), инвестировать
facilities	- 1) удобства, средства обслуживания, возможности и благоприятных условий, льготы; 2) денежные средства; 3) оборудование, устройства, технические средства; 4) предприятие, производственная мощность
tools	- инструменты, станки, средства
GNP - gross national product	- валовый национальный продукт
capital goods	- основные товары
to aim at	- намериваться, стремиться, мощность, прицениваться
productive capacity	- продуктивная, производительная способность
research and development (R&D)	- исследования и опытные разработки
to cut the cost	- сокращать, снижать, уменьшать стоимость, цену, себестоимость (costs) - издержки, расходы
process innovation	- процесс осуществления нововведения
twice	- дважды
to do the opposite	- делать обратные противоположности
to beat sb. in	- победить кого-то в; превосходить; превзойти, затмить кого-то
mousetrap	- мышеловка
competitor	- конкурент, соперник
to estimate	- оценивать, определить
trade deficit	- торговый дефицит
worldwide	- всемирно-известный, мировой
overseas	- за границей
reduced manufacturing costs	- сокращенные расходы на производство
market share	- доля рынка
profit	- прибыль, выгода

6.2.2 Answer the questions basing your answers on the text and do some tasks:



1 What happened to the US producers' share of the domestic market for color televisions between 1970 and 1987?

2 List two general reasons the Japanese economy has been growing at a faster rate than the US economy.

3 How can Japanese growth be explained by their emphasis on "process innovation"?

4 With your partner, write a short essay on question 3.

6.2.3 In groups of four, consider the following questions and then share your thoughts with the entire class

1 Why do countries trade with each other?

2 Why do countries sometimes put up barriers to trade? Can you give specific examples of such barriers?

6.2.4 The italicized words in the sentences below are used in the text. Study the sentences; then identify the word and write your own definition for each word

1 In order to keep a business afloat, good management is necessary.

afloat ( ) \_\_\_\_\_

2 The panel was beset by criticism that it was anti-labor.

beset ( ) \_\_\_\_\_

3 When the manufacturing plant shut down, its 1200 workers faced a calamitous situation.

calamitous ( ) \_\_\_\_\_

4 Environmentalists are confronting those corporations responsible for polluting our air and water.

confront ( ) \_\_\_\_\_

5 If you default on your mortgage, the bank may repossess your home.

default ( ) \_\_\_\_\_

6 Ever since the national currency was devalued, the local people have been having a hard time, but foreign tourists find everything inexpensive.

devalue ( ) \_\_\_\_\_

7 The tax forms have been rewritten to embrace the new tax reforms.

embrace ( ) \_\_\_\_\_

8 Technological innovations have revolutionized business and communications.

innovation ( ) \_\_\_\_\_

9 The skindiver was in great peril when a shark approached.

peril ( ) \_\_\_\_\_

10 She prodded her son to try out for track when he was rejected for football.

prodded ( ) \_\_\_\_\_

11 The living conditions in many cities of the world have gotten worse because of

rampant population growth.

rampant ( ) \_\_\_\_\_

12 The two countries had Failed to reach an agreement on trade, and both initiated retaliatory measures against the other.

retaliatory ( ) \_\_\_\_\_

13 The reporter said his statements were not retractable because he had firm evidence that his facts were correct.

retractable ( ) \_\_\_\_\_

14 Even though a lot of money had been spent in advertising, the sales for the new product were stagnant.

stagnant ( ) \_\_\_\_\_

15 During the Great Depression. Franklin Roosevelt initiated several government projects that would stoke up the economy of the United States.

stoke up ( ) \_\_\_\_\_

6.2.5 Use each of the italicized words in sentences of your own

6.2.6 In groups of four, consider the following questions and then share your thoughts with the entire class

1 What are some of the economic problems faced by the less-developed countries (LDS)? How do they go about solving these problems?

2 What are the advantages and disadvantages of economic growth?

6.2.7 Write a short summary of the text

6.2.8 Retell the text: a) shortly; b) in detail

## 7 Unit 7 International Business

### 7.1 Read the text and be ready to do exercises

#### International Business

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

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

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

### 7.2 Post-text Exercises

7.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

multinational corporation	- международная корпорация
global company	- международная компания
outgrowth	- продукт, результат
statute	- законодательный акт
satellite communication	- спутниковая связь
closing of the gaps	- сближения границ
jet plate	- реактивный самолет
bureaucratic	- бюрократический

7.2.2 Answer the following questions basing your answers on the text:

- 1 What is the origin of the multinational company?
- 2 When did the corporate movement begin?
- 3 Why did it become possible for a company to control enterprises on the other side of the globe?
- 4 How quickly is internationalism growing?
- 5 What can internationalism bring?
- 6 What problems can arise with internationalism?
- 7 What are your own answers and explanations to this problems?

7.1.3 Choose the necessary word and put it in the sentence

- |  |                           |
|--|---------------------------|
| 1. All countries must prepare for possible energy ... in the future and save fuel.                             | 1 internationalized       |
| 2. If you want to form a corporation today you must fulfil ... operations.                                     | 2 statute                 |
| 3. When one deals with the currency of another country, it is necessary to know the current ... exchange rate. | 3 bureaucratic            |
| 4. ... is one factor to influence the growth of international business.  | 4 monetary                |
| 5. Some analysts state that most of the free worlds production will be ... .                                   | 5 crisis                  |
| 6. In 1985 the ... said that cooperatives could be created.  | 6 satellite communication |
| 7. International corporation is very often an ... of old trading companies.                                    | 7 outgrowth               |

### 7.3 Read and translate the dialogue

Nick and Ann are having lunch. Nick is an executive in the international computer company.

Nick: Do you like the idea of taking a month's trip to Europe and the Far East?

Ann: What? You are kidding.

Nick: No. First of all I must say that it's a business trip. The company wants me to visit some of our operations. I should have meetings about the new computer I am developing. They think if we combine expertise we'll advance more quickly.

Ann: Oh, Nick. It's great. Where are we going to?

Nick: To nine countries. We have nine development laboratories. In fact, only now I realize how large the company is, a real global company.

Ann: But the company started here in America.

Nick: Yes. In this sense, we're American. Each company has to be incorporated

somewhere, here or in Japan or Canada or India. But our corporation is a real multinational one.

Ann: What does it mean then?

Nick: Well, we are in 126 countries and we have there 125000 employees. We do our business in 28 languages and more than 32 currencies. Our plants are situated in 13 countries and we have eight development labs.

Ann: Now I see. You are multinational. But such industries as shipbuilding, aircraft, automobiles can't survive without selling abroad.

Nick: Right. By the way, do you know that for the last seven years more than half of the corporation's net income has come from overseas business. We are the part of the world community.

Ann: It's exciting, isn't it?

Nick: Yes, now we really can feel that nations are tied to each other through business operations. This internationalism is our hope for a better world.

Ann: Well it's time to pack.

Nick: Later.

Ann: Nick, can you explain me why do you sell a computer to a company in Canada when the company has a plant in Canada?

Nick: Well, Ann. For example, it's not unusual for a automobile company from Britain to manufacture automobiles in France for sale in Britain with Canadian-made engine, Swiss transmission and German axles. It's international business.

Ann: But it is so complicated to sell the goods to a foreign company with different currencies and all that.

Nick: I can tell you how we do.

Ann: It's very interesting.

Nick: When we deliver the machine to the shipping company, we receive a bill of lading. It's a receipt from the shipping company and it's also the foreign company's claim to the computer when it gets to England.

Ann: And what's then?

Nick: Then we write draft or check which direct the British company to pay a sum in British pounds to a third party in, let's say, 90 days. We call it a "bill of exchange", which includes the rate of exchange at the time and, in addition, the interest. It must be paid in the 90 day extension of credit.

Ann: That is hard time getting the money, isn't it?

Nick: No. We take the draft, the bill of lading and other necessary papers to our New York bank. The draft is sold at discount, it means without interest change, for the face value and get dollars. That's the way.

Ann: Well, but you get your money from the bank. How does the British company pay? Who do they pay?

Nick: It's quite simple, New York bank sends the documents and the draft to its branch in London or to a British bank. The transaction is finished usually by accepting British pounds into a checking account in a London bank.

Ann: It seems rather complicating.

Nick: It only seems so. The US supplied a computer, exported the merchandise and got back a checking account deposit in a London bank, importing claim on British goods and services.

Ann: Could you have dollars instead?

Nick: Sure, but in this case we would have reduced the existing British claim on American goods and services.

Ann: So what?

Nick: If some nations pile up continuing capital surpluses and other continuing deficits the problem can arise in international economics.

Ann: I see that I must study the subject thoroughly before we can continue.

Nick: Yes, may be.

7.3.1 Read the following active vocabulary. Try to memorize all the words and word-groups

expertise	- специальные знания, компетентность
to advance	- продвигаться, двигаться вперед
to sell abroad	- продавать за границу
net income	- чистая прибыль; (амер.) доход, подлежащий обложению налогами
internationalism	- интернационализм
transmission	- пересылка
engine	- мотор
axle	- ось, вал
bill of lading	- квитанция, регистрирующая отгруженный на судно товар
receipt	- квитанция
claim	- требование
draft	- чек, трата
party	- (зд.) юридическая сторона
extension of credit	- продление кредита
face value	- чистая стоимость
branch	- филиал, отделение
to pile up	- накапливать, увеличивать
capital surpluses	- прибавочный капитал

7.3.2 Use the structure of the model to respond the following sentences.

Model: Is it basically a Japanese corporation? (Yes)

It's basically a Japanese corporation, isn't it?

Is the overseas branch open? (No)

The overseas branch isn't open, is it?

- 1 Are many businessmen piling up capital surpluses? (Yes)
- 2 Is USSR the part of the Common Market? (No)
- 3 Is the New York bank accepting Russian roubles? (No)
- 4 Is Britain one of the Common Market countries? (No)
- 5 Is the company starting a branch in China? (Yes)
- 6 Is internationalism a modern trend? (Yes)
- 7 Is the subject clear? (No)

### 7.3.3 Change the sentences according to the model

Model: Why would you sell automobiles to a company in Japan?

(Tell me, please)

Tell me, please, why you would sell automobiles to a company in Japan.

- 1 How does this bank deal with different currencies? (Explain)
- 2 Where will you deliver the computer? (Let me know)
- 3 When did they order the merchandise? (I don't know)
- 4 How did they sell the draft at discount? (It's hard to say)
- 5 How did they get the extension of credit? (Explain)

### 7.3.4 Answer the questions

- 1 Do you have plans for international cooperation for your business?
- 2 What obstacles are there on the way of development of international cooperation in this country?
- 3 What branches of business will develop fast in the sphere of international cooperation?
- 4 Do you think that internationalism will help to solve many social problems?
- 5 What place do you think this country will take in international economy?

### 7.3.5 Translate into English

- 1 Многие международные корпорации возникли в результате объединения известных компаний.
- 2 Спутниковая связь способствует развитию международных корпораций.
- 3 Банк затребовал чеки.
- 4 Компания просит продления кредита.
- 5 Обратитесь за кредитом в наш британский филиал.
- 6 Чистая прибыль от продажи этого товара будет очень высокой.
- 7 Нам необходимо накопить капитал для реконструкции производства.
- 8 Британская сторона отвечает за пересылку.

### 7.3.6 Make up your own dialogue basing on dialogue from the task 7.1

## 8 Unit 8 Globalization

### 8.1 Read the interview with Stephen Haseler, Professor of Government at London Guildhall University. Be ready to do exercises

#### Globalization

Could you tell me about the advantages and disadvantages of globalization?

The great advantage of globalization in my view is that it increases competition. Companies and firms have to be careful and have to order their affairs so that they compete in a global market. But I think that is outweighed by a large number of disadvantages.

The first one is that it does hurt the local government's ability to deal with issues like welfare benefits, wages and taxes mainly because the corporation is able to say to the British Government or the French Government or line American government, 'Look unless you lower your taxes on us, we'll be moving off to South East Asia or Latin America', and so on. And so it takes out of the hands of government the ability to control their own welfare systems and provide a decent infrastructure for their people. Now this is not so bad as long as there is some negotiation between governments and companies. But more and more in recent years, companies have started to rule the roost. The corporation ... some commentator said the oilier day, 'The corporation is the most important institution in our lives.' and I think there's a lot of truth in that. They can now dictate to governments and I want to see some kind of give-and-take between governments and corporations. Now that's the first problem.

The other problem that I see, of course, is one of unemployment in the Western world. As companies want to improve their profitability, they're going to be looking for the low-cost, low-wage centers. And we're just about to see a major change in the global economy, because of the addition of China and India to the global labour market. There are great advantages in this but there's a lot of problems as well because China and India are going to provide a skilled population. Also, they're going to provide fairly good infrastructures for the companies that are going to go out there. So we're going to see a flight of capital from the West which is going to be sudden and dramatic. If this is too sudden and is not managed properly we could find very severe employment problems in the Western world.

So that is, I think, the kind of issue we've got to deal with as this process of globalization gathers pace.



## 8.2 Post-text Exercises

8.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

to order one's affairs	- организовывать свои дела
to compete in a global market	- конкурировать на международном рынке
to be outweighed by	- перевешивается
to deal with	- иметь дело, касаться
issue	- вопрос проблема
to move off to	- отодвигать, переезжать; (ком.) распродаваться,
to take out of the hands	- вынимать, брать, забирать
welfare benefits	- благосостояние, пособие
welfare systems	- система, занимающаяся вопросом быта населения
a decent infrastructure	- подходящая, хорошая инфраструктура
to rule the roost	- командовать, распоряжаться, задавать тон
give-and-take	- взаимная уступка, компромисс; обмен мнениями, любезностями
to be about to do sth.	- собираться что-то делать, быть занятым
to do out	- выйти, выехать; выйти в свет
to manage	- руководить, управлять, уметь обращаться, владеть, справляться
to be managed	- заведовать, стоять во главе, суметь (сделать что-либо)
to gather pace	- набирать скорость, ускорять ход
flight of capital	- отток капитала
profitability	- прибыльность, выгодность

8.2.2 Discuss these questions

- 1 What do you think globalisation means?
- 2 Do you think globalisation is a recent trend?
- 3 What global companies can you think of? What industries are they in?
- 4 Do global companies do more harm than good?

8.2.3 Match the words below with their definitions

- |                     |   |
|---------------------|---|
| 1 infrastructure    | a) important subjects that people discuss                                       |
| 2 issues            | b) money paid by the government to people in need, for example, the unemployed  |
| 3 profitability     | c) basic facilities and services of a country, for example, water, power, roads |
| 4 welfare benefits  | d) a movement of large sums of money out of a country                           |
| 5 flight of capital | e) the ability of a business to make money                                      |

8.2.4 Read the interview again and answer these questions

- 1 Is Stephen Haseler generally in favour of globalization or against it?
- 2 Which of the points below does Stephen Haseler make?

Advantages:

- Globalization increases the power of governments.
- Globalization increases competition among companies.
- Competition between China, India and the West will increase employment everywhere.

Disadvantages:

- Globalization could lead to big employment problems in the West.
- Globalization lowers people's living standards.
- Globalization prevents governments from controlling their welfare systems.
- Globalization creates cross-cultural problems, for example, between India, china and the west.

8.2.5 Complete the text below with these phrases from the interview. Use a dictionary to help you

- 1 give-and-take;
- 2 gather pace;
- 3 rule the roost.

In some countries, international companies ..... and strongly influence governments' action. Stephen Haseler thinks there should be ..... between companies and governments. In the future, the process of globalization will ..... and the power of companies could increase.

8.2.6 Make up a table showing "for and against" globalization

8.2.7 When a company globalizes, it tries to choose the best method to enter its overseas markets. Match the methods below to the definitions. Use a good dictionary, such as the Longman Business English Dictionary, to help you

- |                 |   |
|-----------------|---|
| 1 acquisition   | a) a company partly or wholly owned by a parent company                                     |
| 2 joint venture | b) giving someone the exclusive right to sell products in a certain area                    |
| 3 consortium    | c) selling the right to manufacturer's trademark, usually in a foreign market               |
| 4 franchising   | d) buying or taking over another company  |
| 5 licensing     | e) a person or company who cooperates with a foreign company who wishes to enter the market |
| 6 local partner | f) two or more companies join temporarily to carry out a large project                      |
| 7 subsidiary    | g) a group of companies in similar businesses working together                              |

8.2.8 Complete these sentences with some of the methods listed above

1 Wal-Mart, a US retail chain, entered the Mexican market by setting up a 50-50 ..... with a local Mexican retailer.

2 When the Japanese tyre group Bridgestone entered the US market, it made an ....., buying the local production base of Firestone.

3 If a company wishes to enter the Chinese market, it usually looks for a ..... who will cooperate in setting up a joint venture.

4 If a company is short of capital to expand overseas, it may prefer to have ..... or ..... agreements with local businesses.

8.2.9 Try to explain the following quotation by Percy Barnevik, Swedish business Leader: "We are not a global business. We are a collection of local businesses with intense global coordination." Do you agree? For explanation use the text

In the last thirty years, Philip Condit says, not much has changed. The problem, he says, is not just that employees at Boeing think of other countries as being exotic. They take the same attitude to anywhere in the US outside Seattle, where the company has its headquarters and its most important factories. Boeing staff talk about something as being "in-plant" or "out-plant". In-plant means Seattle. Out-plant means one of the group's other locations, such as Wichita, Kansas.

Condit, who became Boeing's chairman in February, wants to change all that. Over the next 20 years, he wants Boeing to become a global rather than a US company. Boeing employees could be forgiven for thinking that being a Seattle company has served them well enough. Boeing is the world's most successful aircraft maker.

Condit believes, however, that Boeing cannot stand still. There are too many examples in aviation and other sectors of what has happened to companies that have tried to do that.

Last year, in a speech to managers, he described his vision of what the group would look like in 2016, its centenary year. He told them that Boeing would be an aerospace company. It would not repeat earlier mistakes such as attempting to enter the train or boat-building business.

Second, he said, Boeing would be a "global enterprise". This would mean increasing the number of countries of operation. He is impressed, he says, by the way in which oil companies have benefited from losing national images. "BP is probably the most global company in the world. It is interesting to see that in the US its nationality has begun to disappear. Almost everybody in the US says BP and not British Petroleum. It is local kind of company." Royal Dutch/Shell is another group which manages to present itself as a local company in the countries in which it operates.

Would he be happy if 20 years from now people did not think of Boeing as being a US company? "Yes," Condit says, "I believe we are moving towards an era of global markets and global companies."

## **9 Unit 9 The Economic Environment**

### **9.1 Read and translate the text**

#### The Economic Environment

Governments have four main macroeconomic objectives: full employment, stable prices, steady economic growth and a satisfactory balance of payments. All four aspects of the economy have significant implications for business activity.

The economic environment consists of the many factors that influence and are influenced by organizational decisions, such as population, market changes, public pressure, labour market legislation and economic policy. So, the economic environment is one of the external constraints in our decision-making framework.

Not all firms will be affected in the same ways by the factors given. The small local builder will often be powerless to respond to a reduction in the demand for building services as a result of increased local unemployment. In contrast, a public limited company moving to a new area may overcome shortages in the local labour market by paying suitable employees to move with it.

Organizations, especially in business, must identify and understand the nature of the environment in which they operate. Failure to do so will leave the organization uncertain of how to respond to any changes in the environment. In contrast, a clear objective assessment of the organization's relationship with its environment will allow proaction rather than reaction. Clearly, prevention is better than cure. Understanding should also allow prioritization: that is, the identification of those areas which need immediate attention and action.

Each of the environmental factors will exert pressure on the organization. The nature and extent of the pressure will change over time, depending on the response of the organization. Ignoring important changes may severely restrict the attainment of objectives.

One of the central requirements of our decision-making framework is information, including information about the economy in its role as an external constraint. In gaining a better understanding of the way the economy works, the decision-making framework becomes more powerful, and the quality of decisions made should improve accordingly. To provide this understanding, we must start at the beginning.

The function of any economy is to allocate the scarce resources at its disposal between the unlimited and competing wants of its population all the goods and services demanded by individuals, organizations and the government.

### **9.2 Post-text Exercises**

9.2.1 Read the following active vocabulary. Try to memorize all the words and

## word-groups

full employment	- полная занятость
stable prices	- устойчивые цены
steady economic growth	- ровный/ равномерный экономический рост
aspect	- аспект, сторона; взгляд, вид
implication	- значение, подтекст
public pressure	- общественное давление
labour market legislation	- законодательство рынка труда; спрос и предложение
external constraints	- внешние принуждения, стеснение, напряженность, ограничение
framework	- структура, рамки
powerless / powerful	- бессильный / сильный, могучий
to respond to	- реагировать, отзываться
a public limited company	- гос. учреждение
to overcome shortages in	- преодолеть нехватку, недостаток
identify (identification)	- определить, выявлять (выявление)
to operate	- действовать
failure to do (so)	- неудача сделать это
to leave sth/sb uncertain	- оставить в неведении
assessment	- обложение, сумма обложения; оценка, аттестация
proaction / reaction	- являться сторонником «за»
prevention is better than cure	- профилактика лучше, чем лечение
prioritization	- использование преимуществ, приоритет
exert (pressure) on	- оказывать давление, влиять на
nature & extent of the pressure	- природа и степень давления
to some extent	- в некоторой степени
clearly	- ясно, очевидно; несомненно; конечно
severely	- строго, сурово; резко, сильно
accordingly	- соответственно, таким образом, поэтому
restrict	- ограничивать
attainment of	- достижение, приобретение; (pl) знания, навыки
to gain	- достигать
scarce resources	- недостаточный/скудный; дефицитный, редко встречающийся
unlimited wants	- неограниченные, безграничный, беспредельный
competing wants	- конкурировать, состязаться
change over (time)	- меняться (во времени)

allocate

- распределять, размещать, ассигновать

9.2.2 Answer the following questions and be ready to retell the text

- 1 What are four main macroeconomic objectives?
- 2 What factors influence the economic environment?
- 3 What is the economic environment in our decision-making framework?
- 4 What is important for organizations, esp. in business?
- 5 What will allow proaction rather than reaction?
- 6 What exert pressure on the organization?
- 7 What is the central requirement of our decision-making framework?
- 8 What is the function of any economy?

9.2.3 Read and translate this text with a dictionary. Time limit is 40 minutes

9.2.4 Here are some of the challenges facing businesses and business people in the twenty-first century. Match each of the challenges (1-12) with one of the groups (a-l)

- |                 |              |                     |       |
|-----------------|--------------|---------------------|-------|
| 1 Risk          | <u>  i  </u> | 7 Communication     | _____ |
| 2 Growth        | _____        | 8 Organization      | _____ |
| 3 Emotion       | _____        | 9 Environment       | _____ |
| 4 People        | _____        | 10 Capital          | _____ |
| 5 Service       | _____        | 11 Entrepreneurship | _____ |
| 6 Globalization | _____        | 12 Technology       | _____ |

- |                            |                          |                      |
|----------------------------|--------------------------|----------------------|
| a) MBWA                    | suggestion schemes       | company intranet     |
| b) loans                   | savings                  | share issues         |
| c) empathy                 | encouragement            | expression           |
| d) initiative              | non-traditional thinking | commitment           |
| e) retention               | recognition              | reward               |
| f) organic                 | acquisition              | joint venture        |
| g) virtual                 | horizontal               | project-based        |
| h) miniaturization         | networks                 | connectivity         |
| i) financial volatility    | catastrophe              | fraud                |
| j) trade liberalization    | economies of scale       | government relations |
| k) speed of response       | empowerment              | customer orientation |
| l) sustainable development | renewable                | resources regulation |

9.2.5 Read the text and answer the question that follows

Ethical Investment

Sven Nygren is CEO (chief executive officer) of the Scandinavian Investment

Bank.

"Investors are more and more concerned about where their money is invested. We take ethical investment very seriously. We don't invest, for example, in arms companies or tobacco firms. Environmental or green issues are also very important. Recently we were involved in a project to build a large dam in the Asian country of Paradiso. We discovered that large numbers of farming people would be forced to leave the area flooded by the dam, and that the dam would also be environmentally damaging, reducing water supplies to neighboring countries. It was green activists from the environmental organization Green Awareness who told us this. We withdrew from the project and tried to persuade other organizations not to invest in it. We didn't want to damage our reputation for ethical investment."

Why did the Scandinavian Investment Bank withdraw from the project?

Notes:

Code of Ethics

Ethics are moral beliefs about what is right and wrong, and the study of this. Some actions are not criminal, but they are morally wrong: unethical. Areas where choices have to be made about right and wrong behaviour are ethical issues. Some organizations have a code of ethics or code of conduct where they say what their managers' and employees' behaviour should be, to try to prevent them behaving unethically.



## 10 Unit 10 Decision Making

### 10.1 Read and translate the text

#### Decision Making

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

Decision making is the act of selecting a preferred course of action among alternatives. The act of decision making enters into almost all of a manager's activities. Managers must reach decisions about objectives and plans for their organizational units. They must decide how to direct, how to organize, how to control.

Businesses and other organizations survive by making and implementing enough of the right decisions. They fail either because they make the right decisions but are unsuccessful in implementing them or because they make wrong decisions and succeed in implementing them. The success of business and nonprofit organizations depends on their ability to make good decisions and implement their decisions well.

Implementation may involve the manager's competence in working with others. Depending on the particular decision, implementation may range from very simple to impossible. New people, equipment, responsibilities, organization components and communication patterns may be necessary.

Making and implementing decisions are crucial parts of management. Management sciences attempt to improve the decision making process.

### 10.2 Post-text Exercises

10.2.1 Read the following active vocabulary. Try to memorize all the words and word-groups

to involve	- включать, вовлекать
to exist	- существовать
uncertainty	- неуверенность, сомнения, неизвестность, неопределенность
a preferred	- предпочтительный, преимущественный, лучший способ / ход, действия
alternative option	- альтернатива, выбор
manager's activity	- деятельность управляющего, менеджера
to reach decisions	- принять решение
syn. to make / to take	- принять решение
organizational unit	- организующаяся единица

to direct	- руководить
to organize	- организовывать
to control	- контролировать
to implement	- применять
to range	- варьировать
communication patterns	- модели общения; модель, стиль, характер
crucial parts	- решающий, критический

10.2.2 Answer the following questions:

- 1 What does manager's work involve? What is a key management responsibility?
- 2 What is the reason for making a decision?
- 3 What is there in decision making?
- 4 What is decision making?
- 5 Where can we find the act of decision making?
- 6 What must managers do decide?
- 7 How can businesses and other organization or fail?
- 8 What may implementation involve?
- 9 What crucial parts of management?
- 10 What do management sciences attempt?

10.2.3 Make up your own sentences with the expressions:

- to make / take / reach decision(s);
- a preferred course of action;
- manager's activity;
- crucial parts.

10.2.4 Read the following information and try to memorize it

When a complex problem arises, like where to locate a factory or which new products to develop, the manager has to collect facts and weigh up courses of action. He must be systematic dealing with the problem. A useful approach to this sort of decision-making is as follows: the process consists of four phases: 1) defining the problem; 2) analysing and collecting information; 3) working out options and 4) deciding on the best solution.

10.2.5 Dwell upon each point of the process of decision-making. Use your examples

Model: As a first step, the manager must identify and define the problem. And it is important that he does not mistake the symptoms of a problem for the real problem he must solve. Consider the case of ... (department store ...)

The second step is to analyze the problem and decide what additional information is necessary before a decision can be taken. Getting the facts is essential in decision-making.

Once the problem has been defined and the facts collected, the manager should consider the options available for solving it. This is necessary because there are usually several ways of solving a problem. In the case of ... (the department store)

Before making a decision, the manager will carefully assess the option, considering the advantages and disadvantages of each one. Having done this, he will have to take a decision. Perhaps he will compromise, using more than one option.

Thus, (the manager of the department store ...)

## 11 Additional Reading

### 11.1 Economic Activity

11.1.1 Read and translate the text using a dictionary. Make a list of new words and expressions

#### Measuring Economic Activity

There are a large number of statistics produced regularly on the operation of the world's major economies. The UK's economy is no exception in this respect. You will probably have noticed that often the headlines in newspapers or important items on television news programs relate to economic data and the implications for individuals and business. A prime example of this occurs when interest rates are increased: the media responds by highlighting the adverse effects on businesses with debts and householders with mortgages.

Data is provided on a wide range of aspects of the economy's operation.

Statistics are available to show:

- the level of unemployment;
- the level of inflation;
- a country's trade balance with the rest of the world;
- production volumes in key industries and the economy as a whole;
- the level of wages;

- raw material prices, and so forth. The main statistics illustrating the economy's behaviour relate to the level of activity in the economy. That is, they tell us whether the economy is working at full capacity using all or nearly all, available resources of labour, machinery and other factors of production or whether these resources are being under-utilized. The unemployment figures for the economy give an indicator of the level of activity. As the economy moves towards a recession and a lower level of prosperity it is likely that unemployment figures will rise. An alternative measure of the level of activity is national income statistics, which show the value of a nation's output during a year. Economists use the term Gross National Product to describe this data. Changes in the level or trends of such key data have great significance for businesses, as we shall see later.

There are numerous sources of data on the economy of which we can make use. The government publishes much through the Treasury, Department of Trade and Industry, the Bank of England and the Department of Employment. The Central Statistical Office, which was established during the Second World War, publishes about half of the government's economic data.

Much of this is contained in its annual publication, "The Annual Abstract of Statistics". It also publishes the equally valuable "Social Trends" annually. Additionally, private organizations, such as the banks, building societies and

universities, publish figures on various aspects of the economy's performance.

Economic statistics are presented in many forms, the most common being graphs and tables. Although these statistics can be valuable in assisting managers, they should be treated with some caution when predicting the future trend of the economy and thus helping the business to take effective decisions.

11.1.2 Practise control reading of 10 lines of the text

11.1.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.1.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.2 The Science of Economics**

11.2.1 Read and translate the text using a dictionary. Make a list of new words and expressions

What is Economics?

It is difficult to give a full and accurate definition of economics, but it is possible to indicate what problems economists are interested in. They are factors that affect prices of goods and services and also resources necessary to produce them. Economists are also interested in sellers' and buyers' behaviour in the market, in the relationship between "price system" and "market mechanism".

Now economics is more complex. There are three main approaches to economics: microeconomics, macroeconomics, and development economics. There are also several specialized areas of study. Among them are money economics, international economics, labour economics, industrial economics, agricultural economics, growth economics, mathematical economics, etc.

Like many other sciences, economics uses models to understand economic problems. A model often helps an economist to make correct predictions. The economist usually follows several rules when he makes a model of economic behaviour.

First, real life is complex and it is not possible for an economist to include all the details in a model. So, a model is an abstraction from real life. A model usually includes

only essential elements and relationships of a particular economic situation.

Second, if an economist has two different models of one phenomenon, he always chooses the model that predicts the results of a particular phenomenon more accurately.

11.2.2 Practise control reading of 10 lines of the text

11.2.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.2.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

### **11.3 Limits of Economic Freedom**

11.3.1 Read and translate the text using a dictionary. Make a list of new words and expressions

Why are Companies Referred to as Ltd, Inc., GmbH, or S.A.?

The heart of capitalism is private ownership, and a limited liability company allows people to own almost anything - from skyscrapers to television stations -without risking their personal assets should the company go bankrupt.

An individual, like Henry Ford, might want to begin a small enterprise and personally retain total responsibility and liability, but once it starts to grow, a partnership or a «company» - such as Ford Motor Company - would need to be formed. The key factor in owning any company is the guarantee called limited liability: the owners of a company never have to pay more than they invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills.

The worst that can happen to investors in a limited liability company is losing their initial investment if the company fails. By limiting the downside risk for shareholders, companies are able to attract equity investors and raise large amounts of funds called equity capital through sales of shares rather than by borrowing money at potentially high interest rate.

The names of companies around the world reflect this guarantee of limited liability. The abbreviations «GmbH» in Germany, «Inc.» in the United States, or «Ltd.»

in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The «S.A.» in French- and Spanish-speaking countries also refers to limited liability by defining shareholders as «anonymous». Since the identity of shareholders can be kept secret, the creditors of a bankrupt company have no right to pursue them for the company's unpaid debts.

Many countries make a clear distinction between public and private companies, with separate designation, such as AG and GmbH in Germany, or Pic and Ltd. in Britain. Generally, «public» companies are those large enough to have their shares traded on stock exchanges, while smaller unquoted companies are said to be «private», even though their shares can be held by the public at large. In some countries, a large company is said to be privately owned if its shares are not available to the general public. In the United States, where little distinction is made between public and private companies, most companies simply bear the title «Incorporated».

11.3.2 Practise control reading of 10 lines of the text

11.3.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.3.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.4 Market and Command Economies**

11.4.1 Read and translate the text using a dictionary. Make a list of new words and expressions

### **Economic Systems**

Economic system is a model of production, ownership and allocation of economic resources that are decided and organized by society. There are two main types of modern economic system, the private — or free-enterprise economy and the centrally controlled and planned economy. Neither of these is to be found in practice in its pure form. In reality, all economic systems contain varying degrees of both systems.

## Private-enterprise System

The basis of the private-enterprise system is the belief that when each member is allowed to pursue his rational self-interest — the maximum common good will be attained. In effect, the greatest common good is simply a sum of its constituent parts, and anything that interferes with the pursuit of individual rational self-interest will reduce that sum. Market is the mechanism that assures that the pursuit of myriad private goals will produce public good. Market sets prices for both the factors of production - land, labour, and capital — and the products of industry. With the factors of production in private hands, the proportions in which these factors are combined to produce different goods and services are determined through the price mechanism. If something is supplied in quantities greater than are required, the price will fall or production will be reduced, or both results will occur. If there is unsatisfied demand for any product, the price will rise and, with profits in prospect, production will be stimulated.

The developed economies of Western Europe, North America, and Japan are described as private-enterprise systems, while those few countries that are still communist have centrally planned and controlled economies. (Developing countries have no established pattern.) Most developed free-enterprise countries, however, recognize the criticisms of the pure market economy and accept the need for a degree of state involvement. In many of these countries there is a degree of state ownership of economic enterprises, mainly in public utilities and some basic industries. In addition, all governments take an active hand in influencing the nature and tempo of economic growth by controlling such key economic variables as the money supply, interest rates, and government expenditure and borrowing. In most cases, government action in these areas reflects a judgment relating to political, social, or economic objectives, but it is radically different from the prescriptions of the central-planning doctrine in stemming from the belief that freedom of enterprise is the most efficient way of maximizing economic growth. Although the extent of state involvement varies from country to country and may change with successive governments, Western countries agree that private enterprise is to be preferred on both philosophical and practical grounds.

## The Central-planning System

The central-planning system is public ownership of the means of production and the central determination and control of what is produced. In this way, inequalities of wealth and income are to be reduced or eliminated and economic activities organized according to agreed-upon social and political objectives. The arguments in favour of central-planning system are based on the observations that the private-enterprise system accepts patterns of unequal wealth and income distribution and that, moreover, because of technological and other developments, some producers attain a size and importance that destroy the competitive conditions required for the operation of the market mechanism.



Centrally controlled economies begin with the assumption that state determination of economic goals and detailed state control of economic activities are desirable as matters of principle. In centrally controlled economies, state ownership of the means of production is the rule. Resources are allocated to investment, and the output of goods and services is decided and organized in accordance with a detailed economic plan that attempts to ensure, by administrative direction rather than incentive, that all parts of the economy and every enterprise perform according to a complex set of officially determined interlocking objectives. In practice, this has proved to be impossible. Despite a vast planning and controlling bureaucracy, the fulfillment of each of thousands of objectives cannot be guaranteed, yet such is the rigidity of the system that failure in one aspect will compromise the integrity of the entire plan. Yugoslavia, Hungary, and China were among the communist countries that experimented with limited degrees of individual enterprise and decision making to overcome the inflexibility of the system without compromising state control over the basic aims of economic development. The eastern European nations retreated from the rigid controls of central planning and adopted the economic model that had been pioneered by Hungary in the late 1960s. In subsequent years the eastern European countries came to rely more and more on private enterprise and the price mechanisms of the free market. New governments in Russia and other former Soviet republics then began to make the difficult transition to an economic system based largely on private ownership and market price mechanisms. Now the world has only a few nations still relying on strict central planning and complete state ownership of the means of production.

11.4.2 Practise control reading of 10 lines of the text

11.4.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.4.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.5 Mixed Economy**

11.5.1 Read and translate the text using a dictionary. Make a list of new words and expressions

## Mixed Economy

There are three types of management in economies. An economy may be almost totally planned, as it was in the Soviet Union. An economy may be almost totally unplanned, as it is in the USA. Or an economy may be a combination of planning and freedom of operation. Examples of the latter are Japan and South Korea.

In a planned economy the government decides what goods are to be produced and how they are to be marketed. Governments set all the priorities, and the producers are to follow the directions given to them.

In a partially planned economy such as Japan's, the government often "encourages" industry and helps it with subsidies. Government also makes investments and regulates trade.

The United States is an example of an unplanned economy. But it has a lot of government intervention in economic activity. As the economy of the United States grew, and as government and its importance increased, the government policy at every level acquired greater importance for the economy. But the economy of the United States may be called unplanned because the government does not regulate what will be produced and how it will be marketed. These decisions are left to the producers. Even the great amount of government regulation that has emerged since the Great Depression has not turned the economy of the United States into a planned economy.

The name of the American economic system is capitalism. Another name for it is the free market economy.

11.5.2 Practise control reading of 10 lines of the text

11.5.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.5.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## 11.6 World Economics

11.6.1 Read and translate the text using a dictionary. Make a list of new words and expressions

## What is the World Economy?

In many ways, we are all part of the world economy. When we drink our imported coffee or hot chocolate in the morning, when we use a foreign-made videocassette recorder, or when we travel abroad on holiday, we are participating in the growing world of international trade and finance.

And it is not only as a consumer of foreign goods and services that we are part of the world economy. The money that our pension funds or university endowments earn from global investments may actually be paying for our retirement or a new building on campus. Foreign investment in local real estate and companies can also provide needed jobs for our friends and families. Even the local athlete who has signed a contract to play abroad is part of the expanding global economy.

The world economy is made up of all those interactions among people, businesses, and governments that cross international borders, even the illegal ones. If we buy drugs - or if we join the fight against drugs by helping Bolivian farmers substitute food crops for coca - we become part of the world economy. We also use the world economy to achieve specific political or ecological objective when we employ economic sanctions to fight racial segregation or the illegal killing of whales.

Basically, whatever crosses an international border - whether goods, services, or transfers of funds - is part of the world economy. Food imports, automobile exports, investments abroad, even the trade in services such as movies or tourism contribute to each country's international economic activity.

### 11.6.2 Practise control reading of 10 lines of the text

### 11.6.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.6.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.7 International Business**

11.7.1 Read and translate the text using a dictionary. Make a list of new words and expressions

## International Business Operations

International business operations, by their very nature, are complex, risky and require special understanding. Foreign business operations are more complex because the host country's economy may be different from the domestic economy.

One of the most common forms of international business is to import and export merchandise. Importing is particularly prevalent in the retailing industry. Big companies have legions of buyers who scour the world, looking for merchandise to import. Smaller companies also handle imported goods, although they may purchase them through wholesalers in their country rather than directly abroad.

The low-risk approach to international marketing is exporting. Manufacturers often enter foreign markets by exporting. This enables them to test a market with small shipments before investing in expanded production capabilities or foreign manufacturing facilities.

Two basic approaches can be taken to exporting. Indirect exporting is handled by intermediaries such as buying and exporting agents who buy the products directly from their own name. Indirect exporters typically have no contact with customers in their foreign markets. Direct exporting is handled directly by manufacturers and requires a great commitment of both managerial and financial resources. One of the least risky way to export indirectly is through an export trading company, which buys everything from manufactured goods to raw materials and then resells these products in foreign markets. The manufacturer receives a guaranteed price, and the trading company assumes all the risk.

Companies that want to export their products may do so directly by calling on potential customers overseas, or they may rely on intermediaries in their country or abroad. Working through someone with connections in the target country is particularly attractive to smaller companies and to those with little experience in international business. But many countries now have foreign trade offices that help importers and exporters interested in doing business within their borders.

11.7.2 Practise control reading of 10 lines of the text

11.7.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.7.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## 11.8 Globalization of World Economy

11.8.1 Read and translate the text using a dictionary. Make a list of new words and expressions

### Globalization of World Economy

Globalization is understood as increasing internationalization of ideas, science, communication and technology that must be distinguished from economic globalization. The latter means the process of integration of markets, great changes in trade and finance and the establishment of the global economy.

The main aim of economic globalization is to change the world into one dynamic market which has uniform characteristics in different countries. Globalization should lead to a free mobility of capital as well as to privatization of the economy and a sharp reduction in government budgets. Besides, globalization means wide advertising of new consumer products all over the world, low taxes for producers both domestic and foreign and similar life-styles for people of different nationalities.

First steps towards globalization in Europe were made by the establishment of the Common Market in 1993 and the introduction of the "euro" as the new single currency for Europe on January 1, 1999. Since that time the euro has been used in foreign trade transactions by the countries which joined the euro-zone. Euro banknotes were introduced in circulation in 12 member-countries of the European Union on January 1, 2002.

Some countries of Central and Eastern Europe have recently joined the European Union, such as Lithuania and Poland while others are planning to do it in the near future. However, in order to transform the former planned economies into really mixed economies countries of Eastern Europe must increase sharply the levels of productivity and competitiveness of their economies. Special adjustments should be made in agriculture, tax system and in the system of social security.

Economists think that the single currency will increase trade integration as well as labour mobility in the euro-zone. The introduction of the new currency and participation of different countries in integrated European financial markets should reduce any risks in business transactions and lead to more efficient European finance, promote European political as well as economic integration.

Globalization at a business level means that a company has decided to participate in the global economy and it is going to establish its subsidiaries in foreign markets. However, a company will have to adjust its products or services to the consumers' requirements in a foreign country. Nowadays any company may do e-business using the Internet services. In order to attract consumers it is important to advertise new goods and services both in national and international markets. Advertising of popular goods and services is often done in such international languages as English, German, French, and Spanish.

11.8.2 Practise control reading of 10 lines of the text

11.8.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.8.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.9 Economic Environment**

11.9.1 Read and translate the text using a dictionary. Make a list of new words and expressions

### The Economic Environment

The economy comprises millions of people and thousands of firms as well as the government and local authorities, all taking decisions about prices and wages, what to buy, sell, produce, export, import and many other matters. All these organizations and the decisions they take play a prominent part in shaping the business environment in which firms exist and operate.

The economy is complicated and difficult to control and predict, but it is certainly important to all businesses. You should be aware that there are times when businesses and individuals have plenty of funds to spend and there are times when they have to cut back on their spending. This can have enormous implications for business as a whole.

When the economy is enjoying a boom, firms experience high sales and general prosperity. At such times, unemployment is low and many firms will be investing funds to enable them to produce more. They do this because consumers have plenty of money to spend and firms expect high sales. It naturally follows that the state of the economy is a major factor in the success of firms.

However, during periods when people have less to spend many firms face hard times as their sales fall. Thus, the economic environment alters as the economy moves into a recession. At that time, total spending declines as income falls and unemployment rises. Consumers will purchase cheaper items and cut expenditure on luxury items such as televisions and cars.

Changes in the state of the economy affect all types of business, though the extent to which they are affected varies. In the recession of the early 1990s the high street

banks suffered badly. Profits declined and, in some cases, losses were incurred. This was because fewer people borrowed money from banks, thus denying them the opportunity to earn interest on loans, and a rising proportion of those who did borrow defaulted on repayment. These so-called "bad debts" cut profit margins substantially. Various forecasters reckoned that the National Westminster Bank's losses in the case of Robert Maxwell's collapsing business empire amounted to over £ 100 million.

No individual firm has the ability to control this aspect of its environment. Rather, it is the outcome of the actions of all the groups who make up society as well as being influenced by the actions of foreigners with whom the nation has dealings.

11.9.2 Practise control reading of 10 lines of the text

11.9.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.9.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling

## **11.10 Financial Management**

11.10.1 Read and translate the text using a dictionary. Make a list of new words and expressions

### Financial Management

In the past, financial management was not a major concern for a business. A company used to establish relations with a local bank. The bank handled the financing and the company took care of producing and selling.

Today only a few firms operate in this way. Usually businesses have their own financial managers who work with the banks. They negotiate terms of financial transactions, compare rates among competing financial institutions. Financial management begins with the creation of a financial plan. The plan includes timing and amount of funds and the inflow and outflow of money.

The financial manager develops and controls the financial plan. He also forecasts the economic conditions, the company's revenues, expenses and profits.

The financial manager's job starts and ends with the company's objectives. He

reviews them and determines the funding they require. The financial manager compares the expenses involved to the expected revenues. It helps him to predict cash flow. The available cash consists of beginning cash plus customer payments and funds from financing.

The financial manager plans a strategy to make the ending cash positive. If cash outflow exceeds cash inflow the company will run out of cash. The solution is to reduce outflows. The financial manager can trim expenses or ask the customers to pay faster.

The financial manager also chooses financing techniques. One of them is short-term financing. Another is long term financing.

11.10.2 Practise control reading of 10 lines of the text

11.10.3 Retell the text in short using the patterns:

- "The subject of the text is ...";
- "What the author has in view is ...";
- "It should be borne in mind that ...";
- "The author comments on ...";
- "The text deals with ...";
- "The main idea of the text is ...".

11.10.4 Retell the text in detail. Use your logical plan, questions and the list of words while retelling



## 12 Test Your Professional English

### 12.1 Explanatory Notes:

A

Products

A product can be:

- something natural;
- something made to be sold;
- a service.

Produce refers to agricultural products such as crops of fruit. For example, you can buy fresh produce at a farmers' market something that is made is produced or manufactured. A country or company that produced something is a producer of it. A company that manufactures something is a maker or manufacturer of manufactured goods.

12.1.1 Complete this table with words from A

Verb	Noun: person/organization	Noun: process	Noun: thing
Make	maker	-	-
		manufacturing	
Produce: non-food		production	
Produce: food		production	

### 12.2 Products and Brands

A

Word Combinations with "Product"

<b>product</b>	{	<b>catalogue (BrE)</b>	
		<b>catalog (AmE)</b>	
		<b>mix</b>	a company's products, as a group
		<b>portfolio</b>	
		<b>line</b>	a company's products of a particular type
		<b>range</b>	
		<b>lifecycle</b>	the stages in the life of a product, and the number of people who buy it at each stage.
<b>positioning</b>	how a company would like a product to be seen in relation to its other products, or to competing products		
<b>placement</b>	when a company pays for its products to be seen in films and TV programmes		

## B

Goods can refer to the materials and components used to make products, or the products that are made.

Here are some examples of these different types of goods:

- consumer goods that last long time, such as cars and washing machines, are consumer durables.
- consumer goods such as food products that sell quickly are fast-moving consumer goods, or FMCG.

12.2.1 Match the sentence beginnings (1-7) with the correct endings (a-g). The sentences all contain expressions from A

1 Banks are adding new types of a accounts	a) product life cycles are so short that product launches are very frequent.
2 Apple is going to simplify its product line	b) its product positioning in relation to Psion's existing hardware products.
3 Consumers have mixed feelings about supermarkets	c) it changed its product range towards more expensive cars.
4 When BMW bought Rover,	d) of cigarettes in movies.
5 The new law will ban product placement	e) extending their product portfolio into financial services.
6 Following the launch of the Series 5 laptop, consumers were slow to understand	f) and deliver fewer but more competitive models.
7 With this of equipment in the US,	g) to their product mix.

12.2.2 Look at the words in B. Which applies to each of these products?

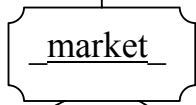
- 1 microwave ovens;
- 2 cotton;
- 3 cars;
- 4 hamburgers;
- 5 soap powder.

## 12.3 Basic Business Words

12.3.1 Write one word in each mind map. Choose from the words and phrases in the box

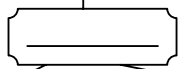
Business	customer	executive	financial	management
market	price	products	profit	staff

1 enter a new ~



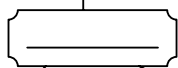
a ~ study      a crowded ~

2 a high ~



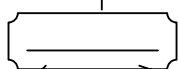
a bargain ~      a competitive ~

3 gross ~



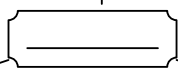
~ after tax      a net ~

4 top-quality ~



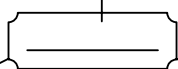
best-selling ~      a wide range of ~

5 a potential ~



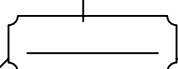
a ~ complaint      an unhappy ~

6 ~ support



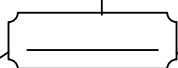
~ report      ~ asset

7 well trained ~

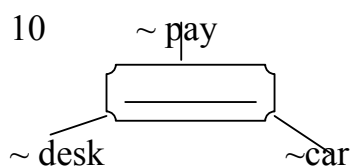
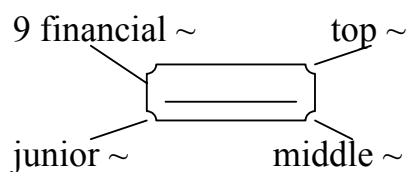


recruit more ~      polite and friendly ~

8 ~ opportunities



start a ~      a successful



## 12.4 The Economy

12.4.1 Match what people are saying about the economy (1-14) with what the experts say (a-n)

1 Things seem to be getting a bit better at last - better than last year at any rate.	<u>  e  </u>
2 At least prices aren't going up as quickly as they used to.	—
3 But things are still far too expensive.	—
4 The problem nowadays is that no one can get a job.	—
5 The only new factories round here belong to foreigners.	—
6 The government just won't put any money into business.	—
7 And even if you do manage to get a job, it's not in a factory.	—
8 It's more likely to be serving hamburgers in some fast-food place.	—
9 And either way, the union can't do anything for you.	—
10 No one's got the qualifications for the jobs you see advertised in the papers.	—
11 There's no tourism because it's so expensive for people to come here from abroad.	—
12 I reckon we've got less in the bank than we had a couple of years ago.	—
13 And now they say we're going to have to start paying to go into hospital.	—
14 I wouldn't mind a bit taken off my pay it meant a bit more for schools and hospitals.	—

- a) The service sector is getting bigger.
- b) The cost of living is high.
- c) Unemployment is high.
- d) People are worried about the future of the welfare state.
- e) There are signs that the recession is ending and that economic recovery is on the way.

- f) Public investment is weak.
- g) The currency is strong.
- h) The public would accept higher taxation in return for improved public services.
- i) The manufacturing base is smaller.
- j) The rate of inflation is going down.
- k) Inward investment is stable.
- l) There is a serious skills shortage.
- m) Organized labour is weak.
- n) Personal savings are low.

## 12.5 Work and Jobs

A

What do you do?

To find out what someone's job is you say "What do you do?" Here, Kerstin talks about her job: "I work for a large European car maker. I work on car design. In fact, I run the design department and I manage a team of designers: 20 people work under me. It's very interesting. One of my main responsibilities is to make sure that new model designs are finished on time. I'm also in charge of design budgets.

I deal with a lot of different people in the company. I'm responsible for co-ordination between design and production: I work with managers at our manufacturing plants."

B

Word Combinations with "Work"

If you work or have work, you have a job. But you don't say that someone has ~~a work~~. Work is also the place where you do your job.

Here are some phrases with "work":

- Hi, I'm Frank. I work in a bank in New York City. I leave for work at 7.30 every morning  
 - I go to work by train and subway.  
 - I get to / arrive at work at about nine.  
 - I'm usually at work till six.  
 - Luckily, I don't get ill very much so I'm not often off work.

The economy is growing fast and more people are in work than ever before. The percentage of people out of work has fallen to its lowest level for 30 years.

12.5.1 Pierre is talking about his work. Correct what he says

I work for a French supermarket company. (1) I work *about* the development of

new supermarkets. (2) in fact, I *running* the development department and (3) I *am manage* for a team looking at the possibilities in different countries. It's very interesting. (4) One of my *main* is to make sure that new supermarkets open on time. (5) I'm also *charged with* financial reporting. (6) I deal *at* a lot of different organizations in my work. (7) I'm *responsible* of planning projects from start to finish. (8) I work closely *near* our foreign partners, and so I travel a lot.

### 12.5.2 Complete the text with one of the prepositions from B

Rebecca lives in London and works in public relations. She leaves home for work at 7.30 am. She drives (1) ..... work. The traffic is often bad and she worries about getting (2) ..... work late, but she usually arrives (3) ..... work at around nine. She finishes work quite late, at about eight. "Luckily, I'm never ill," she says. "I could never take the time (4) ..... work." She loves what she does and is glad to be (5) ..... work. Some of her friends are not lucky: they are (6) ..... work.

## 12.6 Organizations

A

Business and Businesses

Business is the activity of producing, buying and selling goods and services. A business, company, firm or more formally, a concern, sells goods or services. Large companies considered together are referred to as big business.

A company may be called an enterprise, especially to emphasize its risk-taking nature.

Business vary in size, from the self-employed person working alone, through the small or medium enterprise (SME) to the large multinational with activities in several countries.

A large company, especially in the US, is a corporation. The adjective, corporate, its often used in these combinations:

- corporate culture;
- corporate ladder;
- corporate headquarters;
- corporate logo;
- corporate image;
- corporate profits.

B  
Commerce

Commerce is used to refer to business:

- in relation to other fields: "literature, politics and commerce";
- in relation to government departments that deal with business: the US Department of Commerce;
- in the names of organizations which help business: chambers of commerce;
- on the Internet: electronic commerce or e-commerce.

The adjective commercial describes money-making business activities:

- commercial airline;
- commercial disaster;
- commercial artist;
- commercial land;
- commercial television.

C  
Enterprise

In 1970s Britain, there were state-owned or government-owned companies in many different industries such as car manufacturing and air travel. Some industries had been nationalized and were entirely state-owned, such as coal, electricity and telephone services. In the 1980s, the government believed that nationalized companies were bureaucratic and inefficient, and many of them were privatized and sold to investors.

Enterprise is used in a positive way to talk about business, emphasizing the use of money to take risks.

D  
Word Combinations with "Enterprise"

free private	}	enterprise	business activity owned by individuals, rather than the state
-----------------	---	------------	---

enterprise	{	culture	an atmosphere which encourages people to make money through their own activities and not rely on the government
		economy	an economy where there is an enterprise culture
		zone	part of a country where business is encouraged because there are fewer laws, lower taxes, etc.

### 12.6.1 Correct the mistakes using words and expressions from A

1 Before we employ people, we like to put them in job situations to see how they do the work and fit into the corporate ladder.

2 The company has built a grand corporate logo as a permanent symbol of its power.

3 Our stylish new corporate culture shows our wish to be seen as a more international airline.

4 The economy is growing and corporate headquarters are rising.

5 The rules were introduced to protect women working in factories, but today they make it harder for women to climb the corporate image.

6 Companies hit by computer crime are not talking about it because they fear the publicity will harm their corporate profits.

12.6.2 Someone is talking about the word combinations in B. Which are they referring to each time?

1 It carries passengers and goods, it's not military.

2 It's going to be used for offices and factories, not houses.

3 It receives no money from the state to make its programmes.

4 He does advertisements: you can't find his work in art galleries.

5 It was an artistic success, but unfortunately it lost a lot of money.

### 12.6.3 Use expressions from D to complete this text

Margaret Thatcher often talked about the benefits of (1) ..... or (2) ..... She said that her achievement was to establish an (3) ..... in Britain, an economy where people were encouraged to start their own companies and where it was acceptable to get rich through business: an (4) .....

In some areas, the government reduced number of laws and regulations to encourage businesses to move there. Businesses were encouraged to set up in the London Docklands, for example. The Docklands were an (5) .....

## 12.7 Buyers, Sellers and the Market

A

The Market

The market, the free market and market economy describe an economic system where prices, jobs, wages, etc. are not controlled by the government, but depend on what people want to buy and how they are willing to pay.



B  
Word Combinations with "Market"

Market	{	<b>forces</b>	the way a market economy makes sellers produce
		<b>pressures</b>	what people want, at prices they are willing to pay
		<b>place</b>	producers and buyers in a particular market economy, and the way they behave
		<b>prices</b>	prices that people are willing to pay, rather than ones fixed by a government
		<b>reforms</b>	changes a government makes to an economy, so that it becomes more like a market economy

12.7.1 Complete the TV reporter's commentary with expressions from A and B

In China, all economic activity used to be controlled by the state. Prices were fixed by the government, not by buyers and sellers in the market (1) ..... . But in the last 20 years there has been a series of market of market (2) ..... that have allowed people to go into business and start their own companies. Market (3) ..... are determined by what buyers are willing to pay, rather than by the state. There are still state-owned companies that lose a lot of money. Until recently, they have been protected from market (4) ....., but market (5) ..... will eventually mean that they close down. Of course, the market (6) ..... has its losers: those without work, and victims of crime, which used to be very rare.

**12.8 Marketing and Market Orientation**

A  
Marketing

Marketing is the process of planning, designing, pricing, promoting and distributing ideas, goods and services, in order to satisfy customer needs, so as to make a profit.

Companies point out how the special characteristics or features of their products and services possess particular benefits that satisfy the needs of the people who buy them.

Non-profit organizations have other, social, goals, such as persuading people not to smoke, or to give money to people in poor countries, but these organizations also use the techniques of marketing.

In some places, even organizations such as government departments are starting to talk about, or at least think about their activities in terms of the marketing concept.

## B

The Four Ps are

**product:** deciding what to sell

**price:** deciding what prices to charge

**place:** deciding how it will be distributed and where people will buy it

**promotion:** deciding how the product will be supported with advertising, special activities, etc.

A fifth P which is sometimes added is packaging: all the materials used to protect and present a product before it is sold.

The four Ps are a useful summary of the marketing mix, the activities that you have to combine successfully in order to sell. The next four units look at these activities in detail.

To market a product is to make a plan based on this combination and put it into action. A marketer or marketeer is someone who works in this area.

(Marketer can also be used to describe an organization that sells particular goods or services.)

## C

Market Orientation

Marketers often talk about market orientation: the fact that everything they do is designed to meet the needs of the market. They may describe themselves as market-driven, market-led or market-oriented.

12.8.1 Look at A and B. Read the article and answer the questions

*Most people and many managers do not understand the role of marketing in modern business.*

Marketing is two things. First, it is a strategy and set of techniques to sell an organization's products or services. This involves choosing target customers and designing a persuasive marketing mix to get them to buy. The mix may include a range of brands, tempting prices, convenient sales outlets and a battery of advertising and promotions. This concept of marketing as selling and persuasions is by far the most popular idea among both managers and the public.

The second, and by far more important concept of marketing, focuses on improving the reality of what is on offer. It is based on understanding customers' needs and developing new solutions which are better than those currently available. Doing this is not a marketing department problem, but one which involves the whole organization.

For example, for Rover to beat Mercedes for the consumer's choice involves engineering new models, developing lean manufacturing processes, and restructuring its dealer network.

Creating company-wide focus on the customers requires the continual acquisition of effective as a business function. As the chief executive of Hewlett Packard put it: "Marketing is too important to leave to the marketing department." Such companies understand that everybody's task is marketing. This concept of marketing offering real customer value is what business is all about.

- 1 Which of the four Ps are mentioned here?
- 2 Does the author think the four Ps are a complete definition of marketing?
- 3 Does the author think that marketing is only for marketers?

12.8.2 Match the sentence beginnings (1-5) with the correct endings (a-e). The sentences all contain expressions from C

- 1 Farms are now more market-oriented
  - 2 Since the 1980s, Britain has had a much more market-led
  - 3 Many market-led growth businesses,
  - 4 Lack of investment and market orientation
  - 5 American TV is a market-driven industry,
- a) such as Microsoft and Sony, are in several markets at once.
  - b) and the audience decides the direction it takes.
  - c) led to falling sales and profits.
  - d) and less dependent on government money.
  - e) approach to economics.

## 12.9 Business and the Economy

12.9.1 Match the statements about the imaginary country of Zakaria (1-10) with their (similar) meanings (a-j)

1 There are 20 million people in Zakaria who want to work. One million do not have jobs.	<u>d</u>
2 Some industries are privately owned and some are state-owned.	___
3 Last year the size of the economy was \$ 100 billion. This year it is \$ 101 billion.	___
4 Prices are much higher this year than last year.	___
5 Banking, insurance and tourism, etc., are important to the country's economy.	___
6 But the production of cars, machine tools, white goods, etc., is still the most important part of the economy.	___
7 At the moment, the economic situation is bad. There is a danger that the economy will get smaller, not bigger this year.	___
8 Most working people have to pay about a third of their income to the government.	___

9 Today you can buy 10 Zaks for one US dollar. Last year it was the same.	—
10 Two million workers are members of labour organizations.	—

- a) The EXCHANGE RATE is stable.
- b) The standard RATE OF INCOME TAX is 30%.
- c) The MANUFACTURING SECTOR is larger than the service sector.
- d) The UNEMPLOYMENT RATE is 5 %.
- e) People are afraid of a RECESSION.
- f) The GROWTH RATE was 1%.
- g) The economy has a large SERVICE SECTOR.
- h) TRADE UNION MEMBERSHIP is about 10% of the whole workforce.
- i) Zakaria has MIXED ECONOMY.
- j) The RATE OF INFLATION is high.

### 12.10 Markets and Competitors

A

#### Companies and Markets

You can talk about the people or organizations who buy particular goods or services as the market for them, as in the "car market", "the market for financial services", etc. Buyers and sellers of particular goods or services in a place, or those that might buy them, form a market.

If a company:

<b>Enters Penetrates</b>	}	it starts selling there for the first time.
<b>Abandons gets out of leaves</b>		it stops selling there.
<b>Dominates</b>	}	<b>a market</b> it is the most important company selling there.
<b>Corners Monopolizes</b>		it is the only company selling there.
<b>Drives another Company out of</b>		it makes the other company leave the market, perhaps because it can no longer compete.

## B

### More Word Combinations with "Market"

"Market" is often used in these combinations:

<b>Market</b>	<b>growth</b>	In the late 1990s, Internet use was doubling every 100 days. Market growth was incredible.
	<b>segment</b>	Women are a particularly interesting target for the Volvo V70. They are an important market segment for Volvo.
	<b>segmentation</b>	The Softco software company divides the software market into large companies, small companies, home office users, and leisure users. This is its market segmentation.
	<b>share</b>	Among UK supermarkets, Tesco sells more than any of the other chains. It has the highest market share.
	<b>leader</b>	Tesco is the market leader among UK supermarkets as it sells more than any of the other chains.

## C

### Competitors and Competition

Companies or products in the same market are competitors or rivals. Competitors compete with each other to sell more, be more successful, etc.

The most important companies in a particular market are often referred to as key players.

Competition describes the activity of trying to sell more and be more successful. When competition is strong, you can say that it is intense, stiff, fierce or tough. If not, it may be described as low-key.

The competition refers to all the products, businesses, etc. competing in a particular situation, seen as a group.

12.10.1 Use the correct form of the words in brackets to complete the sentences.

1 European films do not export well: European movies barely ..... (abandon/corner/penetrate) the US market.

2 In the 1970s, Kodak ..... (corner/enter/leave) the instant photography market, until then ..... (abandon/dominate/penetrate) by Polaroid.

3 The Hunt brothers tried to fix silver prices and to ..... (corner/enter/leave) the silver market, ..... (enter/drive out/monopolize) all competitors.

4 In the 1940s, MGM ..... (abandon/get out of/monopolize) the market on film musicals. But by the late 1950s, Warner Bros had also started buying film rights to musicals.

12.10.2 Replace the underlined expressions with expressions from B. You may need to add a verb in the correct form

I'm Kalil and I'm marketing manager for Crazy Cola in a country called Newmarket. In this market, we (1) sell more than any other cola. In fact, we (2) have 55 per cent of the market. (3) Sales are increasing at seven to eight per cent per year. There are two main (4) groups of users: those who drink it in cafés, bars and restaurants, and those who buy it to drink at home. Of course, many users belong to both groups, but this is our (5) way of dividing our consumers.

12.10.3 Read this description of a language training market. Answer the questions:

In Paris, 500 organizations offer language training to companies. However, 90 per cent of sales are made by the top five language training organizations. The market is not growing in size overall. Organization A has 35 per cent of the market, and faces stiff competition from B, which has about 25 per cent of the market, and from C, D and E, who each have 10 per cent, but who are trying to grow by charging less for their courses.

- 1 How many competitors are there in this market?
- 2 Is competition in the market strong?
- 3 Who is the market leader?
- 4 Who are the two key players?
- 5 Who mainly makes up the competition, from the market leader's point of view?
- 6 If one competitor increases its market share, can the others keep market share at the same level?

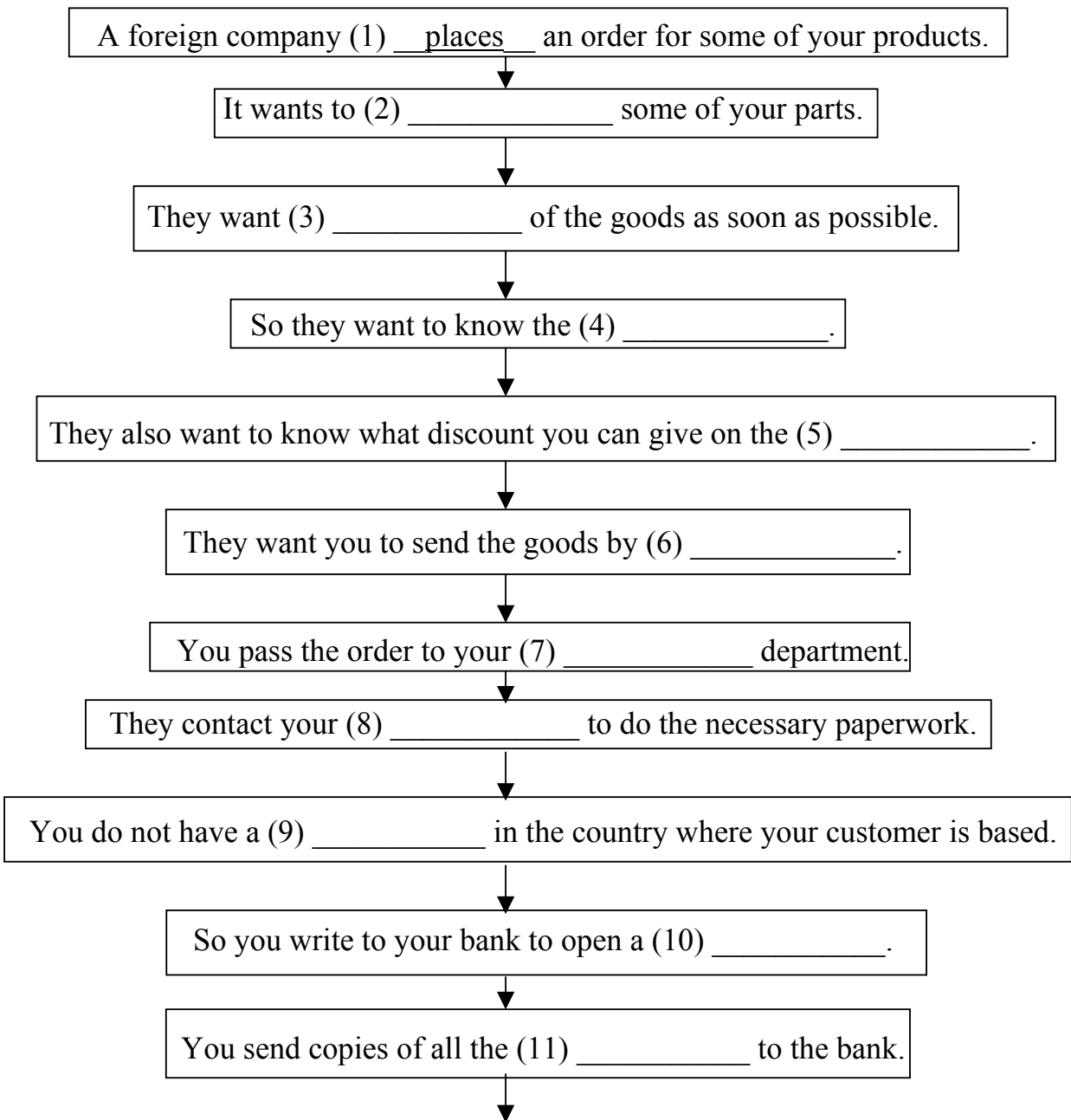
### 12.11 Indicators

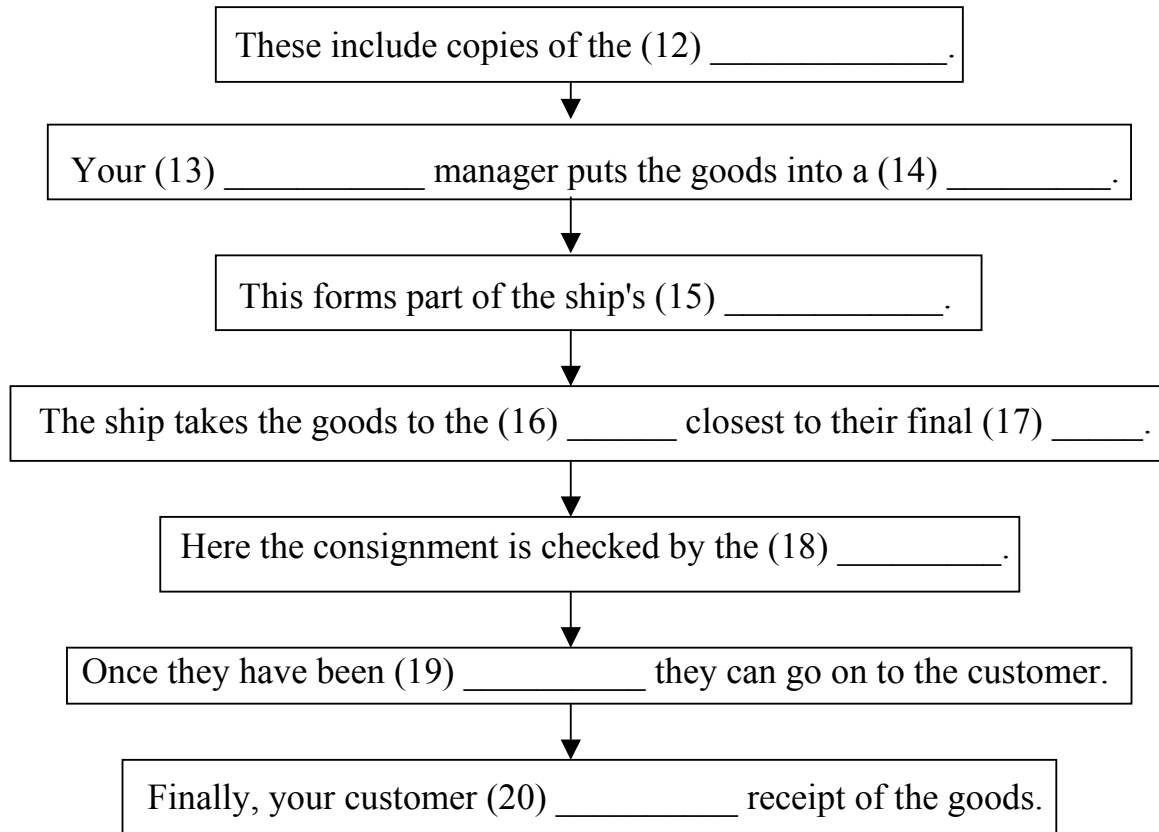
A  
Trade

The balance of payments is the difference between the money coming into a country and that going out. The trade balance is the difference between payments for imports (goods and services from abroad) and payments for exports (products and services sold abroad). When a country exports more than in imports, it has a trade surplus. When the opposite is the case, it has a trade deficit. The amount of this surplus or deficit is the trade gap.

12.11.1 Your company makes spare parts for industrial machines, which you sell abroad. Use the words in the box to complete the description of how you get the goods to your foreign customers

acknowledges	bills of lading	cargo	cleared	consignment
container	customs authorities	delivery	delivery date	
destination	distributor	export	forwarding agent	import
letter of credit	places	port of arrival	sea freight	
	shipping documents	warehouse		





## 12.12 Mergers, Takeovers and Sell-offs

### A Stakes and Joint Ventures

<b>a stake</b> <b>an interest</b> <b>a holding</b>	} <b>in a company</b>	} the shares that one investor has in a company
<b>a majority</b>	} <b>stake interest holding</b>	} when more than 50 per cent of the shares of a company are owned by one investor, giving them control over how is run
<b>a minority</b>	} <b>stake interest holding</b>	} when an investor owns less than 50 per cent of the shares of a company

Two companies may work together in a particular area by forming an alliance or joint venture; they may remain separate companies, or form a new company in which they both have a stake.



## B

### Mergers and Takeovers

- General Oil and PP have announced they are to merge. It will be the biggest ever merger in the oil industry.

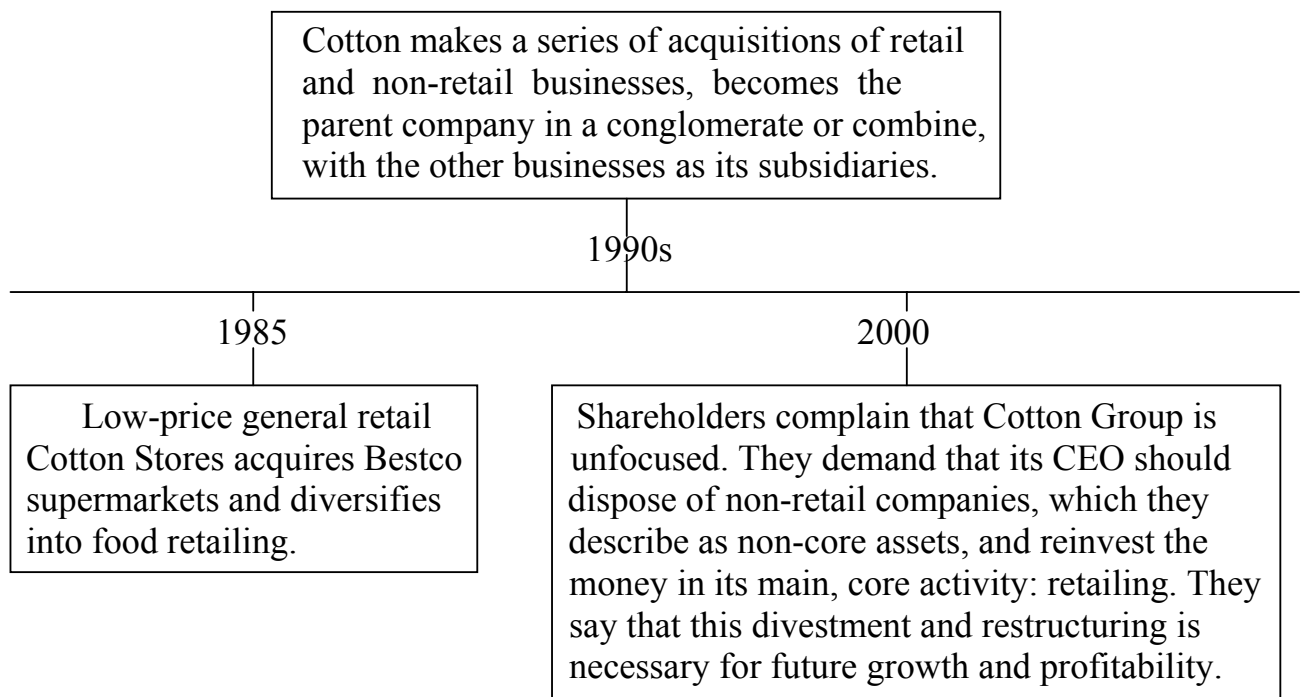
- Blighty Telecom is to split into two, and demerge its fixed-line and mobile businesses as part of on-going restructuring. The aim of the demerge is to cut debt by £10 billion.

Ciments de France, the French building group, is to acquire Red Square Industries of the UK for 3,1 billion euros. This is a friendly bid, as RSI are likely to welcome it and agree to it. But the takeover comes only a year after RSI rejected a hostile bid, an unwanted one.

- Abbot Bank is doing badly, and may become the victim of a predator. There were rumours of a possible takeover by Bullion, but it says it won't play the white knight for Abbot by coming to its defence. This leaves Abbot exposed to acquisition, and it may be prey to a big international bank. Abbot does have a poison pill however, in the form of a special class of shares that will be very expensive for a predator to buy.

## C

### Conglomerates



12.12.1 Match the sentence beginnings (1-5) with the correct endings (a-e). The sentences all contain expressions from A and B

- 1 The Canadian government decided to sell 45 per cent
- 2 UK Gold is a successful satellite channel

3 Russian's second biggest airline is trying to buy a stake

4 China signed an agreement to develop a regional jet, setting up a joint

5 Mr Sugar's majority holding in Amstrad

a) made him the UK's 15<sup>th</sup> richest person.

b) of the state airline to the public, and keep a 55 per cent majority stake.

c) in which the BBC has a minority interest.

d) in its US counterpart so they can work out a marketing alliance.

e) venture company in which it will have a 46 per cent stake, Airbus 39 per cent, and Singapore Technologies 15 per cent.

12.12.2 Which expressions in B do the underlined words in these headlines refer to?

1 ABC INVITE APPROACHES. The financially troubled ABC company has in effect put itself up for sale ...

2 BREAKING UP IS HARD TO DO. Unhappy investors in W H Smith have been asking its managers to break up the retail group ...

3 CLYDE REJECTS "INADEQUATE" OFFER BY GULF BY CANADA. Clyde Petroleum's board yesterday asked shareholders to reject what it called a "wholly inadequate" offer ...

4 EAGLES SWOOP ON SHARKS. Eagles, which owns Sheffield Eagles Rugby team, has bought a 40 per cent stake in Sheffield Sharks basketball club ...

5 GLOBAL STORES ON THE LOOK-OUT. Following its acquisition of seven retailers in Europe in the last five years, GS is on the hunt for ...

6 REED ELSEVIER IN £20 MILLION LINK-UP WITH WOLTERS KLUWER. Reed UK is set to become part of an international group with headquarters in the Netherlands.

12.12.3 Use expressions from C to complete what this journalist says about conglomerates

A company that has (1) d..... may decide to limit its activities by selling those (2) s..... that do not fit with its overall strategy. The board of the (3) p..... c..... may talk about (4) d..... and (5) r....., and getting out particular businesses. In this case, the group (6) d..... o..... its (7) n..... - c..... a..... and uses the money to invest in and concentrate on its (8) c..... activities.

### 12.13 Globalization

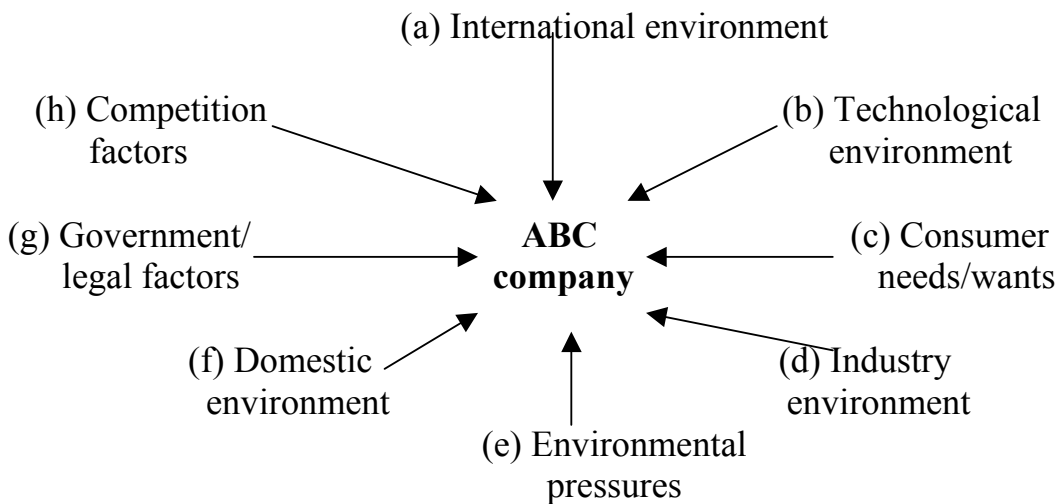
A definition of globalization: "A condition marked by decreasing geographical constraints affecting trade, communication, security, aid, investment, industrial and commercial ownership, wealth generation and environmental awareness."

12.13.1 Which words from the definition above do you associate with each of the factors below?

- 1 multinational corporations trade, industrial and commercial ownership, investment, wealth generation.
- 2 Internet \_\_\_\_\_.
- 3 air transportation \_\_\_\_\_.
- 4 defence and military alliances \_\_\_\_\_.
- 5 loans to developing countries \_\_\_\_\_.
- 6 global warming \_\_\_\_\_.
- 7 transnational companies \_\_\_\_\_.
- 8 WTO \_\_\_\_\_.
- 9 NATO \_\_\_\_\_.
- 10 NAFTA \_\_\_\_\_.
- 11 UN \_\_\_\_\_.
- 12 tourism \_\_\_\_\_.
- 13 information technology \_\_\_\_\_.
- 14 share ownership \_\_\_\_\_.
- 15 global capitalism \_\_\_\_\_.
- 16 franchise operations \_\_\_\_\_.
- 17 AIDS \_\_\_\_\_.
- 18 population growth \_\_\_\_\_.
- 19 Microsoft \_\_\_\_\_.
- 20 US Supreme Court \_\_\_\_\_.

**12.14 The External Environment**

Businesses and organizations have to adapt and respond to pressures from the external environment. The diagram shows eight kinds of pressure that impact on businesses. Match each one to an example (1-8) below



- 1 Other businesses offer similar or better products or services. h
- 2 Globalization offers opportunities to export more goods or services.
- 3 The target market changes because of demographic factors.
- 4 New laws affect product design.
- 5 Products become out-of-date due to new inventions.
- 6 Production costs increase because of difficulties in getting raw materials from ecologically sensitive areas, e.g. rain forests.
- 7 Changes in fashions among target markets.
- 8 The product is new and specialized and the market is growing.

### 12.15 Time and Time Management

A

#### Timeframes and Schedules

"Time is money," says the famous phrase. The timescale or timeframe is the overall period during which something should happen or be completed. The lead time is the period of time it takes to prepare and complete or deliver something.

The times or dates when things should happen is a schedule or timetable. If work is completed at the planned time, it is on schedule; completion before the planned time is ahead of schedule and later is behind schedule. If it happens later than planned it is delayed; there is a delay. If you then try to go faster, you try to make up time. But things always take longer than planned.

A period when a machine or computer cannot be used because it is not working is downtime.

B

#### Projects and Project Management

A project is a carefully planned piece of work to produce something new. Look at this Gantt chart for building a new supermarket.

	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
stages	Prepare site	+	+	+								
	Build walls			+	+	+						
phases	Build roof						+	+	+			
	Fitting out											
steps	Finish site								+	+	+	
	Recruit employees								+	+	+	
tasks	Opening											+

These stages overlap: the second one starts before the first finishes.

These stages are simultaneous; they run in parallel. They happen at the same time.

Project management is the managing of these stages. Big projects often include bonus payments for completion early or on time, and penalties for late completion.

## C Time Tips

Lucy Speed runs seminars on how to manage time:

Everyone complains that they never have enough time. Lots of employees do my time management courses, to learn how to organize their time. Here are some ideas:

- Use a diary (BrE) or calendar (AmE) to plan your day and week. Personal organizers (small pocket-size computers) are good for this.

- Plan your day in advance. Make a realistic plan (not just a list) of the things you have to do, in order of importance: prioritize them. Work on things that have the highest priority first.

- Avoid interruptions and distractions, which stop you doing what you had planned.

- Do jobs to a realistic level of quality in the time available, and to a level that is really necessary. Don't aim for perfectionism when there is no need for it. Try to balance time, cost and quality.

12.15.1 This is what actually happened in the building of the supermarket described in B. Use appropriate forms of expressions from A and B to complete the text

	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
Prepare site	+	+	+	+	+	+	+										
Build walls								+	+	+							
Build roof											+	+					
Fitting out												+	+	+	+	+	
Finish site													+	+	+		
Recruit employees															+	+	+
Opening																	+

The overall (1) ..... was originally 12 months, but the project took 17 months. It started on (2) ..... In June, but site preparation took (3) ..... because of very bad weather in the autumn. Site preparation and building the walls should have (4) ....., but the walls were started in January. We were able to (5) ..... a bit of time on the roof: it took two months instead of three, but we were still behind (6) ..... The next (7) ..... was fitting out the supermarket, but there was an electricians' strike, so there were (8) ..... here too. The store opened in October, but now there's a lot of (9) ....., when the

computers don't work.

12.15.2 Harry is a magazine journalist. Give him advice based on the ideas in C. The first one has been done for you

1 Harry started the day by making a list of all the things he had to do.

*You should make a realistic plan and prioritize the things you have to do, not just make a list.*

2 He started an article, but after five minutes a colleague asked him for help. Harry helped him for half an hour and then they chatted about last night's television.

3 He started on his article again, but he heard police cars outside and went to the window to look.

4 He wanted to make the article look good, so he spend a lot of time abjusting the spacing of the lines, changing the text, etc. even though an editor would do this later.

5 At 6 pm he realised he hadn't started on the other article he had to write, but he went home. On the train, he realized he had arranged to have lunch with an important contact, but had forgotten.

6 Harry decided he needed some training to help him change his behaviour.

## Keys

12.1.1 - manufacture, manufacturer, manufacturing, manufactured goods  
produce: non-food, producer, production, product  
produce: food, producer, production, produce

12.2.1

1-g, 2-f, 3-e, 4-c, 5-d, 6-b, 7-a

12.2.2

1 - consumer durables

2 - raw materials

3 - consumer durables

4 - fast-moving consumer goods

5 - fast-moving consumer goods

12.3.1

1 - market

2 - price

3 - profit

4 - products

5 - customer

6 - financial

7 - staff

8 - business

9 - management

10 - executive

12.4.1

1-e, 2-j, 3-b, 4-c, 5-k, 6-f, 7-i, 8-a, 9-m, 10-l, 11-g, 12-n, 13-d, 14-h

12.5.1 - I work for a French supermarket company. I work on the development of new supermarkets. In fact, I run the development department and I manage a team looking at the possibilities in different countries. It's very interesting. One of my main responsibilities is to make sure that new supermarkets open on time. I'm also in charge of financial reporting.

I deal with a lot of different organizations in my work. I'm responsible for planning projects from start to finish. I work closely with our foreign partners, so I travel a lot.

12.5.2

1 - to, 2 - to, 3 - at, 4 - off, 5 - in, 6 - out of

### 12.6.1

1 Before we employ people, we like to put them in job situations to see how they do the work and fit into the corporate culture.

2 The company has built a grand corporate headquarters as a permanent symbol of its power.

3 Our stylish new corporate logo shows our wish to be seen as a more international airline.

4 The economy is growing and corporate profits are rising.

5 The rules were introduced to protect women working in factories, but today they make it harder for women to climb the corporate ladder.

6 Companies hit by computer crime are not talking about it because they fear the publicity will harm their corporate image.

### 12.6.2

1 - commercial airline

2 - commercial land

3 - commercial television

4 - commercial artist

5 - commercial disaster

### 12.6.3

1 - free enterprise

2 - private enterprise

3 - enterprise economy

3 - corporation

4 - enterprise culture

5 - enterprise zone

### 12.7.1

1 - place

2 - reforms

3 - prices

4 - pressures

5 - forces

6 - economy

### 12.8.1

1 - product, price, place, promotion

2 - no

3 - no



## 12.8.2

1-d, 2-e, 3-a, 4-c, 5-d

## 12.9.1

1-d, 2-i, 3-f, 4-j, 5-g, 6-c, 7-e, 8-b, 9-a, 10-h

## 12.10.1

1 - penetrate  
2 - entered, dominated  
3 - corner, driving out  
4 - monopolized

## 12.10.2

1 - are the market leader  
2 - have a 55 per cent market share  
3 - Market growth is  
4 - market segments  
5 - market segmentation

## 12.10.3

1 - 500  
2 - yes  
3 - A  
4 - A and B  
5 - B, C, D and E  
6 - no

## 12.11.1

1 - places  
2 - import  
3 - delivery  
4 - delivery date  
5 - consignment  
6 - sea freight  
7 - export  
8 - forwarding agent  
9 - distributor  
10 - letter of credit  
11 - shipping documents  
12 - bills of lading  
13 - warehouse  
14 - container

- 15 - cargo
- 16 - port of arrival
- 17 - destination
- 18 - customs authorities
- 19 - cleared
- 20 - acknowledges

#### 12.12.1

- 1-b, 2-c, 3-d, 4-e, 5-a

#### 12.12.2

- 1 - bids
- 2 - restructuring
- 3 - hostile bid
- 4 - predators, prey
- 5 - GS wants to make acquisitions
- 6 - merger

#### 12.12.3

- 1 - diversified
- 2 - subsidiaries
- 3 - parent company
- 4 - divestment
- 5 - restructuring
- 6 - disposes of
- 7 - non-core assets
- 8 - core activities

#### 12.13.1

- 1 - multinational corporations > trade, industrial and commercial ownership, wealth generation, investment.
- 2 - Internet > communication, trade
- 3 - air transportation > communication, trade
- 4 - defence and military alliances > security
- 5 - loans to developing countries > aid, trade, investment
- 6 - global warming > environmental awareness, trade, wealth generation
- 7- transnational companies > industrial and commercial ownership, trade, investment
- 8 - WTO > trade, industrial and commercial ownership, wealth generation, investment
- 9 - NATO > security
- 10 - NAFTA > trade, industrial and commercial ownership, wealth generation,

investment

11UN > everything

12 tourism > communication, trade, wealth generation

13 information technology > communication, trade, investment, industrial and commercial ownership, wealth generation

14 share ownership > trade, investment, industrial and commercial ownership, wealth generation

15 global capitalism > trade, wealth generation, investment, industrial and commercial ownership

16 franchise operations > trade, investment, industrial and commercial ownership, wealth generation

17 AIDS > environmental awareness

18 population growth > environmental awareness, aid

19 Microsoft > trade, communication, industrial and commercial ownership, wealth generation

20 US Supreme Court > trade, communication, industrial and commercial ownership, wealth generation

12.14.1

1-h, 2-a, 3-f, 4-g, 5-b, 6-e, 7-c, 8-d

12.15.1

1 - lead time

2 - time

3 - longer than planned

4 - overlapped

5 - make up

6 - schedule

7 - stage/phase/step/task

8 - delays

9 - downtime

12.15.2

2 - You should avoid interruptions.

3 - You should avoid distractions.

4 - You shouldn't aim for perfectionism when it's not necessary.

5 - You should plan your day in advance.

6 - You should go on a time management course.

## Glossary

**Aggregate demand** The total of all planned expenditures for the entire economy.

**Aggregate supply** The total of all planned production for the economy.

**Balance of payments** A system of accounts that measures transactions of goods, services, income, and financial assets between domestic households, businesses, and governments and residents of the rest of the world during a specific time period.

**Balance of trade** The difference between exports and imports of goods.

**Barter** The direct exchange of goods and services for other goods and services without the use of money.

**Bilateral monopoly** A market structure consisting of a monopolist and a monopsonist.

**Black market** A market in which goods are traded at prices above their legal maximum prices or in which illegal goods are sold.

**Business fluctuations** The ups and downs in overall business activity, as evidenced by changes in national income, employment, and the price level.

**Capital goods** Producer durables; nonconsumable goods that firms use to make other goods.

**Capital loss** The negative difference between the purchase price and the sale price of an asset.

**Central bank** A banker's bank, usually an official institution that also serves as a country's treasury's bank. Central banks normally regulate commercial banks.

**Collective decision making** How voters, politicians, and other interested parties act and how these actions influence nonmarket decisions.

**Comparative advantage** The ability to produce a good or service at a lower opportunity cost than other producers.

**Consumption** The use of goods and services for personal satisfaction. Can also be viewed as spending on new goods and services out of a household's current income. Whatever is not consumed is saved. Consumption includes such things as buying food and going to a concert.

**Consumption goods** Goods bought by households to use up, such as food and movies.

**Contraction** A business fluctuation during which the pace of national economic activity is slowing down.

**Corporation** A legal entity that may conduct business in its own name just as an individual does; the owners of a corporation, called shareholders, own shares of the firm's profits and enjoy the protection of limited liability.

**Dead capital** Any capital resource that lacks clear title of ownership.

**Decreasing-cost industry** An industry in which an increase in output leads to a reduction in long-run per-unit costs, such that the long-run industry supply curve slopes downward.

**Deflation** The situation in which the average of all prices of goods and services in

an economy is falling.

**Demand** A schedule of how much of a good or service people will purchase at any price during a specified time period, other things being constant.

**Depression** An extremely severe recession.

**Deregulation** The elimination or phasing out of regulations on economic activity.

**Development economics** The study of factors that contribute to the economic development of a country.

**Direct marketing** Advertising targeted at specific consumers, typically in the form of postal mailings, telephone calls, or e-mail messages.

**Discount rate** The interest rate that the Federal Reserve charges for reserves that it lends to depository institutions. It is sometimes referred to as the rediscount rate or, in Canada and England, as the bank rate.

**Discounting** The method by which the present value of a future sum or a future stream of sums is obtained.

**Distribution of income** The way income is allocated among the population.

**Dividends** Portion of a corporation's profits paid to its owners (shareholders).

**Economic freedom** The rights to own private property and to exchange goods, services, and financial assets with minimal government interference.

**Economic goods** Goods that are scarce, for which the quantity demanded exceeds the quantity supplied at a zero price.

**Economic growth** Increases in per capita real GDP measured by its rate of change per year.

**Economic profits** Total revenues minus total opportunity costs of all inputs used, or the total of all implicit and explicit costs.

**Economic rent** A payment for the use of any resource over and above its opportunity cost.

**Economics** The study of how people allocate their limited resources to satisfy their unlimited wants.

**Efficiency** The case in which a given level of inputs is used to produce the maximum output possible. Alternatively, the situation in which a given output is produced at minimum cost.

**Entrepreneurship** The factor of production involving human resources that perform the functions of raising capital, organizing, managing, assembling other factors of production, and making basic business policy decisions. The entrepreneur is a risk taker.

**Equilibrium** The situation when quantity supplied equals quantity demanded at a particular price.

**Expansion** A business fluctuation in which overall business activity is rising at a more rapid rate than previously or at a more rapid rate than the overall historical trend for the nation.

**Federal funds market** A private market (made up mostly of banks) in which banks can borrow reserves from other banks that want to lend them. Federal funds are

usually lent for overnight use.

**Financial capital** Funds used to purchase physical capital goods such as buildings and equipment.

**Firm** A business organization that employs resources to produce goods or services for profit. A firm normally owns and operates at least one "plant" in order to produce.

**Fiscal policy** The discretionary changing of government expenditures or taxes to achieve national economic goals, such as high employment with price stability.

**Foreign exchange market** A market in which households, firms, and governments buy and sell national currencies.

**Foreign exchange rate** The price of one currency in terms of another.

**General Agreement on Tariffs and Trade (GATT)** An international agreement established in 1947 to further world trade by reducing barriers and tariffs. GATT was replaced by the World Trade Organization in 1995.

**Goods** All things from which individuals derive satisfaction or happiness.

**Government budget constraint** The limit on government spending and transfers imposed by the fact that every dollar the government spends, transfers, or uses to repay borrowed funds must ultimately be provided by the taxes it collects.

**Gross domestic income (GDI) The Gross domestic product (GDP)** The total market value of all final goods and services produced by factors of production located within a nation's borders.

**Gross private domestic investment** The creation of capital goods, such as factories and machines, that can yield production and hence consumption in the future. Also included in this definition are changes in business inventories and repairs made to machines or buildings.

**Human capital** The accumulated training and education of workers.

**Import quota** A physical supply restriction on imports of a particular good, such as sugar. Foreign exporters are unable to sell in the United States more than the quantity specified in the import quota.

**Inflation** The situation in which the average of all prices of goods and services in an economy is rising.

**Innovation** Transforming an invention into something that is useful to humans.

**Interest** The payment for current rather than future command over resources; the cost of obtaining credit. Also, the return paid to owners of capital.

**International financial crisis** The rapid withdrawal of foreign investments and loans from a nation.

**International financial diversification** Financing investment projects in more than one country.

**International Monetary Fund** An agency founded to administer an international foreign exchange system and to lend to member countries that had balance of payments problems. The IMF now functions as a lender of last resort for national governments, and aims to promote world economic growth through more financial stability.

**Investment** Any use of today's resources to expand tomorrow's production or consumption. Can also be viewed as spending by businesses on things such as machines and buildings, which can be used to produce goods and services in the future. The investment part of total output is the portion that will be used in the process of producing goods in the future.

**Labor productivity** Total real domestic output (real GDP) divided by the number of workers (output per worker).

**Land** The natural resources that are available from nature. Land as a resource includes location, original fertility and mineral deposits, topography, climate, water, and vegetation.

**Law of demand** The observation that there is a negative, or inverse, relationship between the price of any good or service and the quantity demanded, holding other factors constant.

**Law of supply** The observation that the higher the price of a good, the more of that good sellers will make available over a specified time period, other things being equal.

**Liabilities** Amounts owed; the legal claims against a business or household by nonowners.

**Liquidity** The degree to which an asset can be acquired or disposed of without much danger of any intervening loss in nominal value and with small transaction costs. Money is the most liquid asset.

**Macroeconomics** The study of the behavior of the economy as a whole, including such economywide phenomena as changes in unemployment, the general price level, and national income.

**Market** All of the arrangements that individuals have for exchanging with one another. Thus, for example, we can speak of the labor market, the automobile market, and the credit market.

**Market demand** The demand of all consumers in the marketplace for a particular good or service. The summation at each price of the quantity demanded by each individual.

**Market failure** A situation in which an unrestrained market operation leads to either too few or too many resources going to a specific economic activity.

**Microeconomics** The study of decision making undertaken by individuals (or households) and by firms.

**Models, or theories** Simplified representations of the real world used as the basis for predictions or explanations.

**Money** Any medium that is universally accepted in an economy both by sellers of goods and services as payment for those goods and services and by creditors as payment for debts.

**Money market mutual funds** Funds of investment companies that obtain money from the public that is held in common and used to acquire short-maturity credit instruments, such as certificates of deposit and securities sold by the U.S. government.

**Monopolist** The single supplier of a good or service for which there is no close

substitute. The monopolist therefore constitutes its entire industry.

**Monopolistic competition** A market situation in which a large number of firms produce similar but not identical products. Entry into the industry is relatively easy.

**Monopoltaation** The possession of monopoly power in the relevant market and the willful acquisition or maintenance of that power, as distinguished from growth or development as a consequence of a superior product, business acumen, or historical accident,

**Monopoly** A firm that has control over the price of a good. In the extreme case, a monopoly is the only seller of a good or service.

**Monopsonist** The only buyer in a market.

**National income (NI)** The total of all factor payments to resource owners. It can be obtained by subtracting indirect business taxes from NDP.

**Natural monopoly** A monopoly that arises from the peculiar production characteristics in an industry. It usually arises when there are large economies of scale relative to the industry's demand such that one firm can produce at a lower average cost than can be achieved by multiple firms.

**New growth theory** A theory of economic growth that examines the factors that determine why technology, research, innovation, and the like are undertaken and how they interact.

**Normal goods** Goods for which demand rises as income rises. Most goods are normal goods.

**Normative economics** Analysis in-volving value judgments about economic policies; relates to whether things are good or bad. A statement of what ought to be.

**Oligopoly** A market situation in which there are very few sellers. Each seller knows that the other sellers will react to its changes in prices and quantities.

**Open economy effect** One of the reasons that the aggregate demand curve slopes downward; Higher price levels result in foreign residents desiring to buy fewer U.S.-made goods, while U.S. residents now desire more foreign-made goods, thereby reducing net exports. This is equivalent to a reduction in the amount of real goods and services purchased in the United States.

**Open market operations** The purchase and sale of existing U.S. government securities (such as bonds) in the open private market by the Federal Reserve System.

**Partnership** A business owned by two or more joint owners, or partners, who share the responsibilities and the profits of the firm and are individually liable for all the debts of the partnership.

**Personal income (PI)** The amount of income that households actually receive before they pay personal income taxes.

**Physical capital** All manufactured resources, including buildings, equipment, machines, and improvements to land that is used for production.

**Positive economics** Analysis that is strictly limited to making either purely descriptive statements or scientific predictions; for example, "If A, then B." A statement of what is.



**Positive market feedback** A tendency for a good or service to come into favor with additional consumers because other consumers have chosen to buy the item.

**Price system** An economic system in which relative prices are constantly changing to reflect changes in supply and demand for different commodities. The prices of those commodities are signals to everyone within the system as to what is relatively scarce and what is relatively abundant.

**Stock** The quantity of something, measured at a given point in time— for example, an inventory of goods or a bank account. Stocks are defined independently of time, although they are assessed at a point in time.

**Strategy** Any rule that is used to make a choice, such as "Always pick heads."

**Supply** A schedule showing the relationship between price and quantity supplied for a specified period of time, other things being equal.

**Supply-side economics** The notion that creating incentives for individuals and firms to increase productivity will cause the aggregate supply curve to shift outward.

**Surplus** A situation in which quantity supplied is greater than quantity demanded at a price above the market clearing price.

**Tariffs** Taxes on imported goods.

**Technology** Society's pool of applied knowledge concerning how goods and services can be produced.

**Terms of exchange** The terms under which trading takes place, Usually, the terms of exchange are equal to the price at which a good is traded.

**The Fed** The Federal Reserve System; the central bank of the United States.

**Theory of contestable markets** A hypothesis concerning pricing behavior that holds that even though there are only a few firms in an industry, they are forced to price their products more or less competitively because of the ease of entry by outsiders. The key aspect of a contestable market is relatively costless entry into and exit from the industry.

**Theory of public choice** The study of collective decision making.

**Unemployment** The total number of adults (aged 16 years or older) who are willing and able to work and who are actively looking for work but have not found a job.

**Universal banking** An environment in which banks face few or no restrictions on their powers to offer a full range of financial services and to own shares of stock in corporations.

**Util** A representative unit by which utility is measured.

**Utility** The want-satisfying power of a good or service.

**Value added** The dollar value of an industry's sales minus the value of intermediate goods (for example, raw materials and parts) used in production.

**Wants** What people would buy if their incomes were unlimited.

**Wealth** The stock of assets owned by a person, household, firm, or nation. For a household, wealth can consist of a house, cars, personal belongings, stocks, bonds, bank accounts, and cash.

**World Bank** A multinational agency that specializes in making loans to about 100 developing nations in an effort to promote their long-term development and growth.

**World index fund** A portfolio of bonds issued in various nations whose yields generally move in offsetting directions, thereby reducing the overall risk of losses.

**World Trade Organization (WTO)** The successor organization to GATT that handles trade disputes among its member nations.

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