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ДЛЯ ЕКОНОМІСТІВ
Частина II

ENGLISH FOR ECONOMISTS
Part II

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Навчально - методичний посібник «English for Economists» призначений для студентів економічних спеціальностей вищих навчальних закладів, які вивчають англійську мову для професійних цілей.

Основна його мета – забезпечити розуміння та інтерпретування студентами текстів економічного профілю, а також практичне оволодіння лексичними та мовленнєвими моделями, необхідними для вільного спілкування англійською мовою у сфері економіки.

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ПЕРЕДМОВА

В сучасних умовах стрімкого поширення економічних зв’язків та інтеграції у світовий економічний простір України одним з першочергових завдань освіти стає якісна підготовка фахівців, здатних до успішної професійної діяльності в межах світової спільноти. В цьому контексті істотно змінюються вимоги до володіння іноземною мовою фахівцями всіх рівнів, першорядного значення набувають практичні навички, вміння використовувати іноземну мову у своїй професійній діяльності. Знання мови міжнародного спілкування стало важливою частиною кваліфікаційної характеристики економіста, що дозволяє йому якісно виконувати свої функціональні обов'язки, відкриває доступ до бази сучасних наукових даних і забезпечує конкурентоспроможність вітчизняного фахівця на світовому ринку праці.

Пропонований посібник розрахований на студентів економічних спеціальностей вищих навчальних закладів і спрямований на ґрунтовне засвоєння англійської мови професійного спрямування. Він має на меті сприяти опануванню студентами сучасною економічною лексикою, вивченню за допомогою автентичних матеріалів основних економічних понять та концепцій, розумінню принципів функціонування економічних систем і структур. Широке охоплення професійної тематики дозволяє найбільш повно виділити навчальний термінологічний словник, а також скласти уявлення про соціокультурні особливості функціонування економічних систем в різних країнах.

Посібник (частина II) складається з 10 розділів, які охоплюють основні аспекти макроекономіки (Money and Monetary Policy, Banking, Taxation and Fiscal Policy, Inflation, Insurance, Gross Domestic Product) та базові питання світової економіки (Economic Systems, The World Stock Markets, International Trade, The World Economies).

Зміст усіх розділів відповідає теоретичному матеріалу, який студенти вивчають на заняттях із спеціальності. Розділи посібника побудовано таким чином, щоб студент мав змогу зосередитися на різних видах діяльності, таких як читання, мовлення (діалогічного і монологічного), письмо та виконання системи лексичних вправ, які спрямовані на формування базових компетенцій професійної іншомовної комунікації, що забезпечують ефективне усне і письмове спілкування у майбутніх економістів.

Призначено для використання на практичних заняттях з англійської мови в рамках навчальної дисципліни «Іноземна мова професійного спілкування».

CONTENTS

Unit 1. ECONOMIC SYSTEMS

Active Vocabulary

basic economic questions - основні економічні питання
civilized society - цивілізоване суспільство
economic decisions - економічні рішення
trade-off decision - компромісне рішення
item - тут: товар, виріб
custom – звичай
ancestor – предок
to survive – виживати
collapse - обвал, падіння, крах
command economy - командна економіка
fluctuate - коливатися, бути нестійким
fluctuation - коливання, нестійкість
household - домогосподарство
impose - обкладати, накладати
incentive - стимул
involvement - залучення, скрутне становище
market economy - ринкова економіка
mixed economy - змішана економіка
overlap - частково збігатися, частково покривати
own - володіти
owner - власник
ownership - право власності
restriction - обмеження
suppress - стримувати, придушувати, забороняти
traditional economy - традиційна економіка
transition economy - перехідна економіка

1. Read and translate the text:

An economic system is a system of production, resource allocation, and distribution of goods and services within a society or a given geographic area. It includes the combination of the various institutions, agencies, entities, decisionmaking processes, and patterns of consumption that comprise the economic structure of a given community. As such, an economic system is a type of social system.

All economic systems have three basic questions to ask: what to produce, how to produce and in what quantities, and who receives the output of production. The central economic problem is to reconcile the conflict between people's unlimited demands with society's ability to produce goods and services. There are three solutions to this economic problem, namely free markets, central planning and tradition. With respect to this, economic systems can be classed into three main types or a mix of those types. Economies operate: (a) by tradition, (b) by command, and (c) by the market, or (d) represent different ends of the spectrum of mixed economies.

Traditional economy is an economic system using social customs to answer the basic economic questions. Nowadays traditional economies are found primarily in the rural, non-industrial areas of the world. In such areas, there is no national economy. Instead, there are many small segmented economies, each centred around a family or tribal unit. Each unit produces most of its own goods and consumes what it produces. The basis economic questions of "what", "how", and "for whom" are answered directly by the people involved, and the answers are usually based on custom, habit, religion, or law. In traditional cultures, change comes slowly. Wars, climate, and other outside forces can cause traditional economic systems to change. When change does come, it is not always welcomed and may even be opposed.

In a traditional culture economic choices are limited. People do things "the way they are supposed to be done" because in the past the society survived by choosing what is considered to be the best method of performing a task.

In a market system, the law of supply and demand governs the economy. Markets enable mutually beneficial exchange between producers and consumers, and systems that rely on markets to solve the economic problem are called market economies. In a free market economy, resources are allocated through the interaction of free and self-directed market forces. This means that what to produce is determined by consumers, how to produce is determined by producers, and who gets the products depends upon the purchasing power of consumers. Market economies work by allowing the direct interaction of consumers and producers who are pursuing their own self-interest. The pursuit of self-interest is at the heart of free market economics.

A command system is an economic system where economic decisionmaking is centralized and usually in the hands of the state. The government controls the factors of production and makes the decisions about what to produce, how much to produce, and to whom the products ultimately go. In theory, the idea is that all production and distribution is directed towards socially-desirable goals. For example, governments can force citizens to pay taxes and decide how many roads or hospitals are built. Classic examples of command systems include the economy of the old Soviet Union and the current Chinese economy.

Command economies have certain advantages over free market economies, especially in terms of the coordination of scarce resources at times of crisis, such as a war or following a natural disaster. Free markets also fail at times to allocate resources efficiently, so remedies often involve the allocation of resources by government to compensate for these failures.

There is a type of economy involving a combination of market forces and central planning, called mixed economies. Mixed economies may have a distinct private sector, where resources are allocated primarily by market forces, such as the grocery sector of the UK economy. Mixed economies may also have a distinct public sector, where resources are allocated mainly by government, such as defence, police, and fire services. In many sectors, resources are allocated by a combination of markets and planning, such as healthcare and, which have both public and private provision.

In reality, all economies are mixed, though there are wide variations in the amount of mix and the balance between public and private sectors. For example, in Cuba the government allocates the vast majority of resources, while in Europe most economies have an even mix between markets and planning.

Although several countries own most resources, especially land and large basic enterprises like steel plants, hospitals, and electric power plants, markets are allowed to play a role in certain economic activities, such as dining in restaurants, repairing shoes, selling garden produce, etc. Even China, at one time an extreme example of a command economy, has in recent years taken steps toward allowing some markets to operate.

In the 1990s there appeared a new term transition economy to describe the countries of Eastern Europe and the former Soviet Union. Transition economies face the task of moving from a centrally-planned system of resource allocation towards a more market-oriented approach.

Economic systems can be evaluated in terms of how efficient they are in achieving economic objectives.

2. Answer the following questions to the text:

1. What is an economic system?
2. What are the basic economic questions?
3. What is the central economic problem?
4. What defines the type of an economic system?
5. What kind of system is traditional economy? What areas of the world are they primarily found nowadays?
6. What is a market economy based on?
7. What is the main principle of a command economy?
8. What role do markets perform under market economies?
9. What are the typical features of mixed economies?

3. Mark the statements as true (T) or false (F):

1. An economic system cannot be referred to social systems. ___
2. The main economic problem in every society is what should be currently produced? ___
3. There is an unavoidable conflict between people's unlimited demands with society's ability to produce goods and services. ___
4. In a market system, decision-making is centralized and under the responsibility of a government. ___
5. The highest interest rate is the major principle of market system. ___
6. Command economies do not have any advantages over free market economies. ___ In reality, most economies are some mix of public and private sectors. ___
7. Mixed economy is an economic system that relies on a mixture of markets, government commands and tradition. This economic system is used in most countries. ____
8. Mixed economies generally have a higher degree of government intervention. _____

4. Give the English equivalents for:

витрачати гроші;
купувати;
приймати рішення;
чотири основні економічні питання;
спосіб життя суспільства;
політична система;
звички та звичаї;
виробляти;
традиційна культура;
економічний вибір;
планова економіка;
отримувати роботу;
забезпечувати товарами і послугами;
встановлювати ціни;
намічати цілі;
демократичні країни;
важливі галузі виробництва;
система вільного підприємництва;
бажання заробляти гроші;
люди з високим (низьким) рівнем прибутку.

5. ***Match the phrases with the definitions:***

1 resource allocation	a the quantity of goods or services produced in a given time period, by a firm, industry, or country
2 distribution of goods and services	b forces of demand and supply representing the aggregate influence of self-interested buyers and sellers on price and quantity of the goods and services offered in a market
3 output of production	c the assignment of available resources to various uses
4 reconcile the conflict	d the way total output, income, or wealth is distributed among individuals or among the factors of production
5 purchasing power	e the part of national economy providing basic goods or services that are not provided by the private sector
6 market forces	f to find a way in which two situations or beliefs that are opposed to each other can agree and exist together
7 public sector	g a specific result that an economic system aims to achieve within a time frame and with available resources
8 economic objective	h the financial ability to buy products and services

6. ***Complete the sentences with the correct forms of the capitalized words in brackets:***

Modern Market Economies

Almost every economy in the modern world falls somewhere along a continuum running from pure market to fully ___________ (PLAN). Most developed nations are technically mixed economies because they blend free markets with some government ___________ (INTERFERE). However, they are often said to have market economies because they allow market forces to drive the vast majority of activities, ___________ (TYPICAL) engaging in government intervention only to the extent it is needed to provide ___________ (STABLE).

Although the market economy is clearly the popular system of choice, there is ___________ (SIGNIFY) debate regarding the amount of government intervention considered optimal for efficient __________ (ECONOMY) operations. Nations such as Cuba, China and North Korea have been heavily influenced by the Communist theories under Marxism-Leninism, which promote __________ (COORDINATE) economic activity and __________ (centralize) planning to achieve egalitarian and __________ (SHARE) outcomes. Such economies have struggled at times due to corruption, inept __________ (LEADER), limitations to the __________ (APPLY) of these theories and trade sanctions from capitalist nations.

7. Complete the following sentences with the words given below:

prices labour lawful purchase society considers

1. The market is the process by which production and consumption are coordinated through _________.
2. If there is a high demand for a product, resource or skill and a low supply of it, it will demand a high price to __________ it.
3. The market sets the price of goods, services, and __________ .
4. Government regulations and restrictions must work in the interests of __________.
5. In a market system, people can be engaged in any type of __________ economic activity that they want, so long as they can pay for it.
6. A perspective that only __________ the potential damages of regulations to the economy and employment is not complete, and can lead to a distorted view of their implications.

8. Match the two parts (1–6) and (a–f) to make sentences:

1 Market economy is based	a there are always problems with any type of economic system.
2 Companies become creative in	b by a pragmatic division of the means of production between private ownership and public ownership.
3 Although the market economy system sounds ideal,	c to conform to the government's vision.
4 In recent years, many centrally planned economies began	d on supply and demand where the prices of goods and services are determined within a free price system.

5 Command economies can wholly transform societies	e finding new products to sell or manufacture
6 A mixed economy is characterized	f adding aspects of the market economy

9. Translate the following sentences into English:

1. Економісти використовують термін "ринок" в цілому, як будь-яку установу, яка дозволяє нам обмінювати одне на інше.
2. Традиційна економіка - ця економічна система, яка заснована на дотриманні історично сформованих звичаїв, канонів релігії, традицій, які визначають технологію і засоби виробництва, обмін, розподіл і споживання економічних благ.
3. Існують такі країни, де держава бере активну участь в управлінні економікою в умовах ринку, ставлячи перед собою певні цілі розвитку і використовуючи різні методи управління.
4. Змішана економічна система є адекватною формою функціонування сучасних розвинених країн світу і характеризується різноманіт ністю форм власності та рівноправного функціонування різних господарюючих суб'єктів (приватних, колективних, державних).
5. На всіх етапах розвитку суспільства людина перебувала в центрі всіх економічних процесів і явищ.
6. Криза перевиробництва в умовах планової економіки малоймовірна, у той час як більш вірогідним стає дефіцит якісних товарів і послуг.

10.Summarize the information from the text and be ready to speak on Economic Systems. Use the following prompts as a plan:

- The definition of an economic system. Its interaction with a political system.
- Three basic economic questions.
- Basic kinds of economic systems.
- The responsibilities of the state in managing the society.
- The main task of transition economies.
- The type of the economic systems Great Britain / the USA / Ukraine belong to.

Unit 2. MONEY AND MONETARY POLICY

Active Vocabulary

medium of exchange - засіб міжнародних розрахунків
monetary base - грошова база (частина грошової маси, яка визнається в якості резервів банківської системи)
commodity – товар, продукт
commodity money - товарні гроші
fiat / token money - нерозмінні паперові гроші, грошові знаки
IOU (I owe you) money - гроші, які будуть отримані за незабезпеченого зобов'язанням платежу
store of value - запас вартості
standard of deferred payment - стандарт відстрочки платежу
securities n-цінні папери
government ~ - державні цінні папери
velocity n - швидкість обігу грошей
to affect world prices - впливати на світові ціни
the wild fluctuations of prices - нестримне коливання цін
durability - тривалість терміну і використання
portability – портативність
divisibility - подільність
stability in value - стабільність цінності
acceptability - прийнятність
to maintain purchasing power of money - зберегти купівельну спроможність грошей
monetary policy - валютно-грошова політика
to alter the money supply - міняти запаси грошей
rates of interest - процентні ставки
available tools - доступні інструменти (шляху)
to execute the monetary policy independently - проводити валютно-грошову політику самостійно
treasury bills - казначейські векселі
company bonds - облігації компанії
foreign currency - іноземна валюта
required reserve ratio - коефіцієнт обов’язкового резерву
to achieve a short-term target - досягти короткострокову мету

1. Read and translate the text:

MONEY

Historically, many commodities, ranging from precious metals to cigarettes, have been used as money. In prisoner-of-war camps, cigarettes served as money. In the nineteenth century money was mainly gold and silver coins. These are examples of **commodity money**, ordinary goods with industrial uses (gold) and consumption uses (cigarettes) which also serve as a medium of exchange. In most modern societies, however, commodities are rarely used as money because they are expensive. Instead, they use **fiat money**, that is mainly paper currency issued by governments and deposits in checking accounts that are accepted as a means of payments for goods and services. Fiat money is sometimes called **token money.** By collectively agreeing to use fiat money, society economizes on the scarce resources required to produce money as a medium of exchange. The essential condition for the survival of fiat money is the restriction of the right to supply it. Private production is illegal.

Society enforces the use of fiat money by making it legal tender. The law says it must be accepted as a means of payment.

In modern economies, fiat money is supplemented by **IOU** (I owe you) **money**. IOU money is a medium of exchange based on the debt of a private firm or individual. A bank deposit is IOU money because it is a debt of the bank. When you have a bank deposit the bank owes you money. Bank deposits are a medium of exchange because they are generally accepted as payment.

Although the crucial feature of money is its acceptance as the means of payment or **medium of exchange**, money has three other functions. It serves as **a unit of account,** as **a store of value**, and as **a standard of deferred payment**. We discuss each of the four functions of money in turn.

Money, *the medium of exchange*, is used in one-half of almost all exchanges. Workers exchange labour services for money. People buy or sell goods in exchange for money. Money is the medium through which people exchange goods and services.

To see that society benefits from a medium of exchange, imagine a barter economy. A barter economy has no medium of exchange. Goods are traded directly or swapped for other goods. In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. There has to be a double coincidence of wants.

Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. The use of money – any commodity generally accepted in payment for goods, services, and debts - makes the trading process simpler and more efficient.

The unit of account is the unit in which prices are quoted and accounts are kept. In Britain prices are quoted in pounds sterling; in America in dollars. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well. However there are exceptions. During the rapid German inflation of 1922-23 when prices in marks were changing very quickly, German shopkeepers found it more convenient to use dollars as the unit of account. Prices were quoted in dollars even though payment was made in marks, the German medium of exchange.

Money is a store of value because it can be used to make purchases in the future. To be accepted in exchange, money has to be a store of value. Nobody would accept money as payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest-bearing bank accounts all serve as stores of value. Since money pays no interest and its real purchasing power is eroded by inflation, there are almost certainly better ways to store value.

Finally, *money serves as a standard of deferred payment* or a unit of account over time.

To be used as money, an item must have certain characteristics. The five characteristics of money are *durability, portability, divisibility, stability in value, and acceptability.*

Durability refers to money's ability to be used over and over again. Metals such as gold and silver are ideal because they withstand wear and tear well. In fact, many coins minted in ancient times are still in existence.

Portability. Money's ability to be carried from one place to another and transferred from one person to another is its portability. As a medium of exchange, money must be convenient for people to use.

Divisibility refers to money's ability to be divided into smaller units, which permits buyers and sellers to make transactions of any size.

Stability in value. For money to be useful as a store of value, it must be stable in value. Stability in value encourages saving and maintains money's purchasing power. Most people who save money are confident that it will have approximately the same value when they want to buy something with it as it had when they put it into savings.

Acceptability means that people are willing to accept money in exchange for their goods or services. People accept money because they know they can spend it for other products.

2. Answer the questions:

1. What is money ?

2. What are the main functions of money?
3. What is the difference between commodity and fiat money?
4. What factors may affect world prices, regardless of government actions?
5. Why do people accept money willingly in exchange for their goods and services?
6. What does medium of exchange mean ?
7. Can you explain the meaning of “store of value ”?
8. Which forms of money are the most suitable to be used as money?
9. What is the third function of money ?
10. Dwell upon the five main characteristics of money.

3. Give the Ukrainian equivalents of these word - combinations:

- economic transactions;
- functions of money;
- different types of money;
- direct exchange;
- medium of exchange;
- store of value;
- unit of account;
- purchaser of the good;
- to make decision;
- supply of money;
- to swap for other goods;
- a standard of deferred payment;
- a mutually satisfactory swap.

4. Complete the sentences:

1. Commodity money is…
2. Fiat money is …
3. In modem economies, fiat money is supplemented by …
4. Money is the medium through which…
5. The unit of account is the unit in which…
6. Money is a store of value because…
7. A standard of deferred payment or a unit of account…
8. In a barter economy, the seller and the buyer each must want something…

5. Choose the correct answer:

1. A direct exchange of fish for corn is an example of:
   a. storing value.
   b. a modern exchange method.
   c. barter.

   d. a non - coincidence of wants.
2. Which of the following is a store of value?
   a. Money market mutual fund share.
   b. Repurchase agreement.
   c. All of the above are a store of value.
   d. None of the above are a store of value.
3. Anything can be money if it acts as a:
   a. unit of account.
   b. store of value.
   c. medium of exchange.
   d. all of the above.

6. Say whether the following is true or false:

1. The use of money is as convenient as barter.
2. Efficient barter means that the traders' needs coincide.
3. Precious metals can't be used as money because they are too heavy.
4. Gold can serve the same functions as money.
5. Money eliminates the need for barter.
6. Any item can successfully serve as money.
7. Money is said to be liquid because it is immediately available to spend for goods.

7. Complete the sentences using the following words. Some words you do not need to use:

to eat	***to pay***	***to serve***	***to realize***	***to lose***	***to put***
payment	***service***	***debts***	***currency***	***transaction***	***money***

1) "When it's a question of __________, everybody is of the same religion." Voltaire
2) "If you want to know what a man is really like, take notice of how he acts when he __________ money." New England Proverb
3) "Only when the last tree has died and the last river has been poisoned and the last fish has been caught will we __________ we cannot __________ money." Native American Proverb
4) There are severe penalties for late __________ of taxes.
5) Local banks give better rates for converting your traveler's checks into foreign __________ .
6) The bank charges a fixed rate for each __________ .

8. Match the parts of the sentences:

1 The exchange rate of a currency is fixed against other countries' currencies, for	a any financial instrument that can fulfill the functions of money

instance,	
2 When money is used to intermediate the exchange of goods and services,	b without having to trade or barter for them.
3 In economics, money is a broad term that refers to	c when we use it to save for the future.
4 The money supply is the amount of financial instruments within a specific economy	d one US dollar=260 Japanese yen.
5 Money makes it possible for you to obtain the goods and services you want	e available for purchasing goods or services.
6 Money is a store of value	f it is performing a function as a medium of exchange.

9. Translate the following sentences into English:

1. Гроші мають чотири основні функції: засіб обміну, засіб заощадження, розрахункова одиниця, відстрочений платіж.
2. Гроші не мають вартості самі по собі, але вони служать засобом для обміну товарів.
3. Гроші дозволяють людям визначити вартість товарів і послуг.
4. Позика – це сума грошей, яку людина або фірма бере в борг у банку.
5. Чеки і кредитні картки стають більш популярним засобом платежу, ніж гроші.
6. У деяких країнах іноземна валюта використовується поряд з національною валютою.

1. Read and translate the text:

MONETARY POLICY

Monetary policy is a central government policy with respect to the quantity of money in the economy, the rate of interest and the exchange rate.

Let us consider the demand and supply for money.

Why do people hold (demand) currency and checkable deposits (M1), rather than putting their money to work in stocks, bonds, real estate, or other nonmoney forms of wealth? John Maynard Keynes, in his 1936 work entitled *The General Theory of Employment, Interest, and Money,* gave three important motives for doing so: transactions demand, precautionary demand, and speculative demand.

The *transactions demand for money* is the stock of money people hold to pay everyday predictable expenses. The desire to have "walking around money" to make quick and easy purchases is the principal reason for holding money. Without enough cash, the public must suffer forgone interest.

People have a second motive to hold money, called the *precautionary demand for money*. The precautionary demand for money is the stock of money held to pay unpredictable expenses. This is the "mattress money" people hold to guard against those proverbial rainy days.

The third motive for holding money is the *speculative demand*. The speculative demand for money is the stock of money held to take advantage of expected future changes in the price of bonds, stocks, or other non-money financial assets. It is the so called “betting money.

As the interest rate falls, the opportunity cost of holding money falls, and people increase their speculative balances.

Money supply comes in many forms, including currency, demand deposits, time deposits, and plastic money.

The narrowest commonly used measure of money M1 consists of currency (bills, coins, money orders and travelers checks) and current accounts (AmE - checking accounts).

A broader measure M2 includes M1 plus saving accounts.

When the money supply *increases*, people have more money to spend, and demand for goods and services increases. As demand increases, businesses hire additional workers to increase output. This is an economic growth scenario. But, if output does not keep pace with demand, prices increase. When prices rise continuously, inflation results. This tends to cause problems for people whose incomes do not increase at a rate consistent with inflation.

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

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

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

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

The main instrument used by a central bank to achieve its goals is the interest rate – also known as the discount rate or base rate. This is the rate at which the central bank is ready to lend to commercial banks.

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

Finally, the central bank also requires the commercial banks to hold a percentage of their deposits as reserves. These are called required reserves, and the percentage is known as the required reserve ratio. These reserves are meant to ensure some minimum level of prudence, even if not all commercial banks want to operate as prudently as they should.

Our discussion indicates that the level of cash deposits and commercial banks' reserves held at the central bank plays an important role in transmitting the central bank's monetary policy to the banking sector and the financial markets. The cash in circulation and the reserves of private banks together are called the monetary base. The central bank has a monopoly over money creation, more precisely, over monetary base creation. The power of a central bank rests on its ability to control the monetary base.

2. Answer the following questions:

1. What’s the main reason for having ‘walking around money’?
2. Why do people prefer to invest in stocks and bonds when the interest rate is high?
3. What measures can be taken to regulate the money supply?

4. What are the main instruments of monetary policy?
5. In what way does the rise in interest rate influence the lending provided by commercial banks?
6. Why does central bank require the commercial banks to hold a percentage of their deposits as reserves?
7. What happens if the central bank increases/decreases the required reserve ratio?
8. What is monetary base?
9. What instruments does monetary policy use in order to influence such outcomes as economic growth, inflation and unemployment?

3. Match the Ukrainian word combinations with their English equivalents:

A	B
1) попит на гроші для здійснення угод	a) forgone interest
2) попит на гроші для непередбачених витрат	b) cash receipts from sales
3) спекулятивні попит на гроші	c) transactions demand for money
4) плановані витрати	d) to keep pace with smth
5) упущені відсотки	e) withdrawal penalties
6) несення збитків в результаті відволікання капіталу	f) to increase at a rate consistent with inflation
7) грошові надходження від продажів	g) the speculative demand
8) фінансові активи, що приносять дохід	h) interest-bearing financial assets
9) альтернативні витрати від зберігання грошей	i) predictable expenses
10) взаємні фонди грошового ринку	j) time deposits
11) зростати на рівні, відповідному рівню інфляції	k) the opportunity cost of holding money
12) встигати за чим-небудь	l) the precautionary demand
13) строкові вклади	m) money market mutual funds

4. Match the kind of demand for money in A with the stock of money people hold B and the definitions that follow:

A	B
1) The transactions demand for money	a) “betting money”
2) The precautionary demand for money	b) “walking around money”
3) The speculative demand for money	c) “mattress money”

1. The stock of money people hold to pay unpredictable expenses.
2. The stock of money people hold to take advantage of expected future changes in the price of bonds, stocks, or other non-money financial assets.
3. The stock of money people hold to pay everyday predictable expenses.

5. Choose the correct answer:

1. The stock of money people hold to pay everyday predictable expenses is the:
   a. transactions demand for holding money.
   b. precautionary demand for holding money.
   c. speculative demand for holding money.
   d. store of value demand for holding money.
2. The stock of money people hold to take advantage of expected future changes in the price of bonds, stocks, or other nonmoney financial assets is the:
   a. unit-of-account motive for holding money.
   b. precautionary motive for holding money.
   c. speculative motive for holding money.
   d. transactions motive for holding money.
3. Which of the following statements is true?
   a. The speculative demand for money at possible interest rates gives the demand for money curve its upward slope.
   b. There is an inverse relationship between the quantity of money de-manded and the interest rate.
   c. According to the quantity theory of money, any change in the money supply will have no effect on the price level.
   d. All of the above.

Unit 3. BANKING

Active Vocabulary

account n - рахунок
current (Br) / checking (Am) ~ - поточний / розрахунковий рахунок
deposit (Br) / time (Am) ~ - депозитний / строковий вклад
overdrawn ~ рахунок з негативним балансом
bankruptcy n - банкрутство
blue chip n - блакитна фішка (акції великих, що користуються повагою компаній)
bond n - облігація, цінний папір
borrowing n - позика, кредит
cater v - орієнтуватися, обслуговувати
charge v, n - призначати ціну, відносити на рахунок; плата
cheque (GB) / check (US) n - рахунок
to clear a ~ / syn. to stop a ~ - оплатити рахунок
circulation n - звернення, кругообіг
collateral n - забезпечення кредиту, застави
credit n - кредит, доваір
extension of ~ - надання кредиту
deposit n - внесок, депозит
demand (BrE) / checking (AmE) ~ - вклад до запитання
savings (Br) / time (Am) ~ - терміновий, накопичувальний вклад
deregulation n - децентралізація
intermediary n - посередник
lend v - давати в борг, надавати кредит
loan n - кредит, позика
maturity n - термін платежу, погашення
mortgage n - позика на купівлю житла, іпотека
overdraft n - овердрафт; сума, що видається банком клієнту понад залишок на його поточному рахунку
offset v - відшкодовувати, компенсувати
paid-in-capital - оплачена частина акціонерного капіталу
pledge v - віддавати заставу, закладати
portfolio n - перелік цінних паперів
rate n - ставка, рівень
base / discount ~ - облікова процентна ставка центробанку
interest ~ - процентна ставка
reserve requirements - резервні вимоги

quote v - призначати ціну, котирувати
share n - акція
shift v - переміщувати, переводити
spread n (syn. margin) - спред (різниця між передбачуваними цінами купівлі та продажу)
short notice - короткострокове повідомлення
standing order - постійне доручення
statement n - звіт, баланс
takeover n - поглинання
valuables n pl - цінності, коштовності
underwrite v - гарантувати розміщення, підписувати
withdraw v - відкликати назад, знімати з рахунку
yield n - дохід за цінними паперами з фіксованим відсотком

1. Read and translate the text:

Banks perform two crucial functions. First, they receive funds from depositors and, in return, provide these depositors with a checkable source of funds or with interest payments.

Second, they use the funds that they receive from depositors to make loans to borrowers; that is they serve as intermediaries in the borrowing and lending process.

When banks receive deposits, they do not keep all of these deposits on hand because they know that depositors will not demand all of these deposits at once. Instead, banks keep only a fraction of the deposits that they receive. The deposits that banks keep on hand are known as the banks' reserves.

When depositors withdraw deposits, they are paid out of the banks' reserves. The reserve requirement is the fraction of deposits set aside for withdrawal purposes. The reserve requirements is determined by the nation"s bank authority, a government agency known as the central bank. The central bank is unique in that it is the only bank that can issue currency. Deposits that banks are not required to set aside as reserves can be lent to borrowers, in the form of loans. Banks earn profits by borrowing funds from depositors at zero or low rates of interest and using these funds to make loans at higher rates of interest.

A central bank fulfils a number of key roles in the economy, acting as a bankers' bank and as a lender of last resort, being responsible for monetary creation, and having overall responsibility for monetary policy. The central bank can use control of interest rates, open market operations and required reserves to influence the monetary base and overall interest rates in the economy. In recent years, the interest rate has been prime instrument. By influencing the amount of real money in the economy, the central bank is able to influence aggregate demand, which in turn will influence prices. Thus the central bank has to balance the need to restrain inflation with the desire to allow economic growth.

Commercial or retail banks are businesses that trade in money. They receive and hold deposits, pay money according to customers' instructions, lend money, offer investment advice, exchange foreign currencies, and so on. They make a profit from the difference (known as a spread or a margin) between the interest rates they pay to lenders or depositors and those they charge to borrowers. Banks also create credit, because the money they lend, from their deposits is generally spent (either on goods or services, or to settle debts), and in this way transferred to another bank account - often by way of a bank transfer or a cheque (check) rather than the use of notes or coins - from where it can be lent to another borrower, and so on. When lending money, bankers have to find a balance between yield and risk, and between liquidity and different maturities.

Investment banks, often called merchant banks in Britain, raise funds for industry on the various financial markets, finance international trade, issue and underwrite securities, deal with takeovers and mergers, and issue government bonds. They also generally offer stock broking and portfolio management services to reach corporate and individual clients. Investment banks in the USA are similar, but they can only act as intermediaries offering advisory services, and do not offer loans themselves. Investment banks make their profits from the fees and commissions they charge for their services.

In the USA, the Glass-Steagall Act of 1934 enforced a strict separation between commercial banks and investment banks or stock broking firms. Yet the distinction between commercial and investment banking has become less clear in recent years. Deregulation in the USA and Britain is leading to the creation of 'financial supermarkets': conglomerates combining the services previously offered by banks, stockbrokers, insurance companies, and so on. In some European countries (notably Germany, Austria and Switzerland) there have always been universal banks combining deposit and loan banking with share and bond dealing and investment services.

A country’s minimum *interest rate* is usually fixed by the central bank. This is the discount rate, at which the central bank makes secured loans to commercial banks. Banks lend to a blue chip borrowers (very safe large companies) at the base rate or the prime rate; all other borrowers pay more, depending on their credit standing (or credit rating, or creditworthiness): the lender’s estimation of their present and future solvency. Borrowers can usually get a lower interest rate if the loan is secured or guaranteed by some kind of asset, known as collateral.

In most financial centers, there are also branches of lots of foreign banks, largely doing Eurocurrency business. *A Eurocurrency* is any currency held outside its country of origin. The first significant Eurocurrency market was for US dollars in Europe, but the name is now used for foreign currencies held anywhere in the world (e.g. yen in the US, euros in Japan). Since the US$ is the world's most important trading currency – and because the US for many years had a huge trade deficit – there is a market of many billions of Eurodollars, including the oil-exporting coutries' 'petrodollars.' Although a central bank can determine the minimum lending rate for its national currency it has no control over foreign currencies. Furthermore, banks are not obliged to deposit any of their Eurocurrency assets at 0% interest with the central bank, which means that they can usually offer better rates to borrowers and depositors than in the home country.

2. Discuss the following questions:

1) How many functions do banks perform ?
2) What do banks do when they receive deposits ?
3) How do you understand the role of the central bank 'to act as a bankers' bank'?
4) For what purposes may the central bank regulate interest rates?
5) How do the commercial banks earn money?
6) What are the main functions of merchant banks in England?
7) What is the difference between an interest rate and a discount rate?
8) How are interest rates determined?
9) Why are there so many dollars deposited outside the USA?
10) Why did American legislation separate commercial and investment banking?

3. The text contains a number of common verb-noun partnerships (*e.g. to lend money, to finance international trade****). Match up the verbs and nouns below to make common collocations. Give their Ukrainian equivalents:***

A	B
1. influence	a. advice
2. restrain	b. bonds
3. exchange	c. business
4. issue	d. currencies
5. make	e. deposits
6. offer	f. funds
7. pay	g. interest
8. raise	h. loans
9. receive	i. profits
10.underwrite	j. security issues
11.charge	k. monetary base
12.do	l. inflation

4. Match the definitions in A with the words from the text in B:

A	B
1) buying and selling government bonds on the open market 2) the currency supplied by the Central bank both to the commercial banks and to private circulation 3) to place money in a bank; or money placed in a bank 4) the money used in countries other than ones own 5) how much money a loan pays, expressed as a percentage 6) available cash, and how easily other assets can be turned into cash 7) the date when a loan becomes repayable 8) to guarantee to buy all the new shares that a company issues, if they cannot be sold to the public 9) when a company combines with another one 10) buying and selling stocks or shares for clients 11) taking care of all a client's investments 12) the ending or relaxing of legal restrictions 13) a group of companies, operating in different fields, that have joined together 14) a company considered to be without risk 15) ability to pay liabilities when they become due 16) anything that acts as a security or a guarantee for a loan 17) any currency held outside its country of origin 18) when a company buys or acquires another one 19) to hold sth back	a) collateral b) to restrain c) deposit d) foreign currencies e) blue chip f) conglomerate g) liquidity h) open market operations i) maturity j) portfolio k) management l) monetary base m) to underwrite n) merge o) takeover p) stock broking q) deregulation r) solvency s) yield t) Eurocurrency

5. Speaking. *Act as a customer who visits a bank and asks a series of questions about the bank services. Use different forms of polite requesting information:*

- *Could you (A)*
- *I'd like you to (A)*
- *I wonder if you could (A)*

- *Could you tell me (I)*
- *I'd like to know (I)*
- *I wonder if you could tell me (I)*
- *Do you think you could (A)*
- *Do you know (I)*
- *I wonder if you could (A)*
- *Do you happen to know (I)*
- *Would you mind (A)*

Model. *The account has been credited with the dividend.*
Can you tell me whether my account has been credited with the dividend?

1) the kinds of current account available;
2) the normal bank charges on overdrawn account;
3) the frequency of sending statements (How often…);
4) interest rate on deposit account;
5) current level of interest they charge on loans;
6) getting an appointment to discuss the cash flow problem with a loan officer;
7) checking whether the cheque paid in last Monday has been cleared.

6. Read the short conversations in a bank. Pay attention to the formula of expressing request. Practice the conversations with your partner:

1. A. I want to change some English money into euro (Ukrainian hryvnyas/ dollars; ..). Can you help me?
   B. Certainly, sir. The exchange rate today is …euros to the pound (Ukrainian hryvnyas to the dollar; ..). How much do you want to exchange?

2. A. I'd like to transfer some money to my account in London, please.
   B. You have an account here, madam? How urgent is it? Would you like us to send it by mail transfer?

3. A. I'd like to know how long it takes for a cheque to clear. I paid the cheque into the account on Friday.
   B. Unless it's a local cheque it will take a full five working days to clear. That means we should be able to treat it as paid by this time next week.

7. Make a dialogue with your partner. Use these phrases in the conversation:

Requests	**Reactions**
a) pay this into my current/deposit account	a) show me your cheque card/passport

b) withdraw from my…
c) cash this cheque/travellers' cheques
d) transfer money to…

b) sign it /initial it
c) put the name of the payee/ the date

8. Work with your partner. Make up a dialogue using different forms of requesting information and the following questions:

Model:
– What is discussed in the dialogue?
– Could you tell me what is discussed in the dialogue.

1. Who owns the bank?
2. How does a bank start?
3. Who chooses the board?
4. What's the board's task?
5. Who hires the employees?
6. What are the bank's main activities?
7. How are the profits distributed?
8. How are the stockholders kept informed?

9. Read and role-play the dialogue:

Application for Credit

Banker: Our discount committee is still discussing your application for credit. I wonder if you'd mind giving us some more information about certain items shown on your balance sheet.
Customer: Not at all.
Banker: Is the mortgage on your fixed assets being amortized?
Customer: Yes. We're making semi-annual payments on this obligation.
Banker: Your balance sheet shows some indebtedness. Are any of your assets pledged as security?
Customer: No. That's just an open note.
Banker: Would your company be willing to pledge part of its current assets as collateral security to our loan?
Customer: We wouldn't object to that. Part of this money will be used to retire present debts and part to expand our operations. Then we can immediately begin to liquidate this new liability.
Banker: I think we'd better prefer that arrangement.

10. Apply to the bank for a loan to support your studies/your trip abroad/renting a flat.

Unit 4. TAXATION AND FISCAL POLICY

Active Vocabulary

taxation - оподаткування
tax payer - платник податків
tax administration / authority - податкова адміністрація
to levy taxes - обкладати і збирати податки
to charge taxes - обкладати, нараховувати податки
tax law / code - податкове законодавство / кодекс
tax return - податкова декларація
tax rate - ставка податку
tax exemption - податкова пільга / звільнення від сплати
tax revenues - державні податків
tax holiday - тимчасове звільнення від сплати податків
tax avoidance / evasion - незаконне ухилення від сплати податки
tax haven - країни з низькими податками
tax reduction - зниження податку
direct / indirect taxes - прямі / непрямі податки
income tax - податок на прибуток / прибутковий податок
sales tax - податок на доходи від продажів
VAT (Value Added Tax) - податок на додану вартість
excise duties - акцизні збори
stamp duties - гербові збори
property tax - податок на нерухоме майно
estate / inheritance tax - податок на спадщину
gift tax - податок на дарування
willful failure to file return - навмисно не подавати декларацію
budget n - бюджет
contractionary fiscal policy - стримуюча фіскальна політика
discretionary fiscal policy - дискреційна фіскальна політика
downturn n (syn. decline) - 1) падіння, спад; занепад; 2) економічний спад
effective demand - платоспроможний попит
eliminate v - усувати, виключати, знищувати, ліквідувати
expansionary fiscal policy-стимулююча фіскальна політика
laissez faire - невтручання
long-term investment - довгострокові інвестиції
maintain v - підтримувати, захищати, відстоювати (закон, теорію, думк уі т. п.)
moderate v - стримувати; послаблювати, пом'якшувати
offset a recession - нейтралізувати; збалансувати спад

propensity n - схильність
soar v – стрімко підвищуватися
shortage n – нестача, дефіцит

1. Read and translate the text:

Taxation is a system of raising money to finance government services activities. Governments at all levels – local, provincial, and national requir eople and business to pay taxes. Governments use the tax revenues to pay the cost of police and fire protection, health programmes, schools, roads,

national defence, and many other public services.

There are as many tax regimes as there are countries in the world, with the rules for individuals and companies tailored to meet local conditions. Taxation is extremely complex.

The money gathered in from taxes is usually a government’s main source of revenue. Money is also raised from the issue of government securities and national saving schemes. In these, the public is lending money to the government.

Sweden, for example, has one of the highest levels of social security, protecting its citizens in many areas of life. At the same time the Swedes have one of the highest standards of living in the world, even though they face one of the heaviest levels of taxation.

Taxation policy may reflect socially desirable and undesirable priorities in society. Interest on savings may be tax-free to encourage thrift. Contributions to charity may also be tax-free while other transfers of capital may be subject to tax imposed on them. Each country has its own priorities .No taxes are popular, but most people acknowledge that they are necessary. By transferring some resources to a central pool, communal projects for the common good, as pursued by a particular government can be paid for. The main kinds of taxes can be divided roughly into four groups: direct taxes on incomes; indirect spending taxes on individuals; taxes on wealth, and company taxes. In more detail these are:

- Income tax (national, federal or local) from earnings, fees, rents, savings, etc.;
- National insurance or social security contributions;
- Taxes on savings and investments;
- Indirect taxes (including sales taxes and VAT);
- Excise duties, which are also indirect but levied in a different way to other indirect taxes;
- Stamp duties;
- Property taxes;
- Capital-gains taxes;
- Wealth taxes;

- Inheritance taxes (which are a form of after-death wealth tax);
- Company taxes (both national and transnational).

Income taxes. Taxes on income from earnings are the most obvious and immediate taxes facing most individuals. In most countries, the tax is progressive. The larger one's earnings, the higher the rate of tax levied.

In recent years governments have tried to simplify income taxes and take the lowest earners out of the tax equation altogether. There has also been a trend away from direct taxes on income (which are unavoidable if one is earning) to indirect taxes, which are generally, though not entirely, optional. All indirect taxes on a particular good or service are levied at one rate, and are never progressive.

Some countries have a global approach to taxation. This means that an individual resident in a particular country pays tax in that country on all his or her income, wherever in the world it arises.

Income tax is not always levied simply at a national level. Local income taxes are favored in many countries. Local services, like national ones, have to be funded. The money may be paid for these by central government from the total tax it raises.

National Insurance Contributions. In addition to income tax, citizens generally pay an additional contribution – which may be the same for everyone, but is more likely to be one related to their income – with a further contribution from the employer. When first began these payments were for specific purposes; for example, to pay basic health care, for allowances from the state in times of need, and as a contribution towards an eventual pension. In other words, it was effectively compulsory insurance levied by governments against possible future deprivation. In general, national insurance contribution or social security payment is simply an additional tax.

Indirect Taxes – Sales and VAT. In recent years there has been a tendency in many countries to move from direct taxes on income to indirect ones on spending. These may be simple sales taxes by which a percentage is added to the final price in the shops, with the revenue raised used by local or central government. Alternatively, they may be Value Added Taxes (VAT), which are now compulsory in all EU countries. VAT is normally administered by Customs and Excise authorities.

VAT, being levied at every stage of manufacture and service, is a rather different concept from sales tax. In other words, a tax is imposed as the value of the product increases at each stage of manufacture.

Excise duties are levied on tobacco and alcohol (including home –as well as foreign-produced beers, wines and spirits) and petrol.Punitive tax rates on imported cars and petrol are common in developing countries, for example, the aim being to discourage private motoring.

Stamp duties are small taxes levied on a variety of legal contracts such as those on share and house purchases.

Property taxes take a wide variety of forms. They may be a tax on the value of any property owned by an individual, though, there often exceptions for the home which is the owner's main residence. Property values may also be taken by the authorities as an indication of the general wealth of the owner.

Inheritance taxes are imposed after death, more commonly called estate duty. Most countries today impose some form of them and have done so for many years.

2. Answer the following questions:

1. Why do we have to pay taxes?
2. What are the most important kinds of taxes?
3. What are direct taxes levied on?
4. What are main types of income taxes?
5. What are income taxes levied on?
6. What are the main types of taxes on transactions?
7. What do excise taxes include?

3. Match the words with the definitions:

1 taxation	**a** the entire amount of income before any deductions are made
2 revenue	**b** a capital tax on property imposed by municipalities; based on the estimated value of the property
3 excise tax	**c** the practice of a government collecting money from its citizens to pay for public services
4 property tax	**d** a tax that is measured by the amount of business done (not on property or income from real estate)
5 direct tax	**e** a personal tax levied on annual income
6 income tax	**f** a tax paid directly by the person or organization on whom it is levied

4. Complete the sentences with the correct forms of the capitalized words in brackets:

The most widely used (1) __________ (PROGRESS) tax structure is the one in which the average tax rate rises with a person's income level. As a result of (2) __________ (PROGRESS) tax and transfer system most is taken from the rich and most is given to the poor.

Rising tax rates (3) __________ (INITIAL) increase tax revenue but (4) __________ (EVENTUAL) result in such large falls in the equilibrium quantity of the taxed commodity or (5) __________ (ACTIVE) that revenue starts to fall again.

High tax rates are said to reduce the incentive to work. If half of all we earn goes to the (6) __________ (GOVERN), we may prefer to work fewer hours a week and spend more time in the garden or watching television.

5. Match the parts of the sentences:

1 Government spending is	a believed to reduce incentives to work since they contribute to income.
2 Social security payments and unemployment benefits are	b those comprise medical services, school, children care, public transport, national defense.
3 Whereas a sales tax is raised only when a final good is sold to the consumer,	c payable to women at the age of 60 and the men at the age of 65.
4 The government in northern Europe often give out free a great share of gross output privately produced as public goods,	d goes to households as employees, owners or renters.
5 A state retirement pension in most European countries is	e the sum of government purchases of goods and services and transfer payments.
6 What is not paid as corporate taxes or saved by firms	f the VAT is raised at different stages of the production process.

6. Complete the sentences using the following words. Some words you do not need to use:

expenditure	*profit*	*taxation*	*employment*	*income*	*services*
prices	*experience*	*institutions*	*employed*	*import*	*export*

1. Most of public expenditure is financed through __________ and government borrowing.
2. In a situation of full employment, the supply of most goods and __________ will be inelastic.
3. In 1986 there was a most sharp fall in world oil __________ .
4. In most European counties and the USA, work __________ is required to receive unemployment benefits.
5. The International Monetary Fund (IMF) is considered to be one of the most influential multinational __________ .

6. As a result of the Industrial Revolution at the end of the 18th century, most workers became __________ in large factories.

7. Translate the following sentences from Ukrainian into English:

1. Частка податків у ціні товару не може залежати від купівельної спроможності населення.
2. Вважається, що додатковий дохід від держави є негативним стимулом для пошуків роботи з більш високою заробітною платою.
3. Незначна частка державних витрат Японії обумовлюється, як відомо, надзвичайно низьким рівнем витрат на національну оборону.
4. Громадські витрати – це, як відомо, ті витрати, котрі фінансуються з оподаткування і державних запозичень.
5. Великий державний сектор, як вважають, робить економіку неефективною, знижуючи кількість товарів і послуг, яка може бути вироблена і в кінцевому підсумку розподілена споживачам.
6. У Великобританії внески до фондів соціального страхування становлять майже третину від загальної суми, що спрямовується на соціальні витрати.

1. Read and translate the text:

FISCAL POLICY

Policy aimed at changing the level of either government spending or taxes to stimulate or slow down the economy is known as fiscal policy. It was invented by the British economist John Maynard Keynes in the 1930s. Keynes believed that increased demand for goods and services should be met by expanded production. However, after a nation's economy reaches full capacity, production cannot expand. If the demand for goods and services increases, prices continue to rise and inflation occurs. In such cases, Keynes recommended a tax increase, which would reduce the demand for goods and services and relieve the pressure on prices.

Keynes maintained that governments should use fiscal policy (tax and spending programs) to stabilize the economy. He said the overall level of economic activity depends on effective demand – that is, total spending by individuals, businesses, and government.

According to Keynes, major depressions, such as the Great Depression of the 1930's, occur as a result of a drop in effective demand. He argued that in periods of depression the government should increase its spending, cut taxes, or do both to stimulate the economy. These steps would result in a government budget deficit (shortage). But Keynes said the actions could lead to higher levels of investment and nongovernment spending and to full employment.

To understand how fiscal policy works, we need to understand three basic concepts. First, the deficit. When government spending is greater than tax revenue, we have a federal budget deficit. The government is paying out more than it's taking in. How does it make up the difference? It borrows. Deficits have been much more common than surpluses. This is not to say that deficits are always bad. Indeed, during recessions, they are just what the economic doctor ordered.

Second, budget surpluses are the exact opposite of deficits. They are prescribed to fight inflation. When the budget is in a surplus position, tax revenue is greater than government spending.

Finally, we have a balanced budget when government expenditures are equal to tax revenue.

Thus, fiscal policy is the manipulation of the government budget deficit or surplus to influence the level of aggregate income (or GDP) in the economy. If aggregate income is too low (actual income is below target income), the appropriate fiscal policy is expansionary fiscal policy: increase the deficit, or reduce a surplus, which means the government spends more or takes in less. If aggregate income is too high (actual income is above target income), the appropriate fiscal policy is contractionary fiscal policy: reduce the deficit, or increase a surplus, which means the government takes in more in taxes or spends less.

Expansionary and contractionary fiscal policies are two basic types of discretionary fiscal policy.

Exhibit 1 lists these types of fiscal policy and the corresponding ways in which the government can pursue each of these options.

Exhibit 1

Discretionary fiscal policy

Expansionary fiscal policy	***Contractionary fiscal policy***
Increase government spending	Decrease government spending
Decrease taxes	Increase taxes
Increase government spending and taxes equally	Decrease government spending and taxes equally

The fundamental purpose of fiscal policy is to eliminate unemployment or inflation. When recession exists, an expansionary fiscal policy is in order. This entails increased government spending or lower taxes, or a combination of the two. In other words, if the budget is balanced at the outset, fiscal policy should move in the direction of a government budget deficit during a recession or depression.

Conversely when demand-pull inflation stalks the land, a restrictive or contractionary fiscal policy is appropriate. A contractionary policy is composed of decreased government spending, or higher taxes, or a combination of these two policies. Fiscal policy should move toward a surplus in the government’s budget when the economy is faced with the problem of controlling inflation.

2. Comment on the following issues:

1. What periods of business activity are mentioned in the text?
2. What happens to an economy during a boom?
3. How can the government influence the demand for goods and services?
4. Who invented fiscal policy? What kind of policy is it?
5. How do contractionary and expansionary fiscal policies differ?
6. What did economists blame Keynesian policies for?

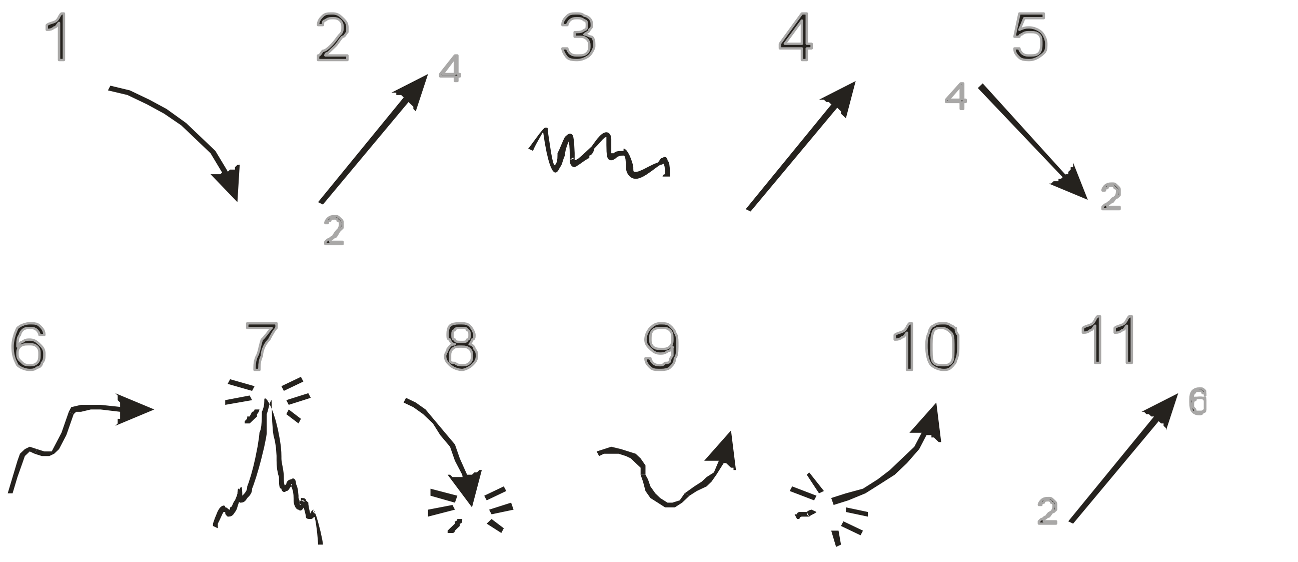
3. Complete each sentence with a suitable preposition:

1) Companies invest ….. new equipment that will increase production.
2) The government can use its spending and taxing programs to reduce the demand ….. goods and services.
3) A tax increase reduces the demand ….. goods and services and relieves the pressure ….. prices.
4) The overall level of economic activity depends ….. effective demand – that is, total spending by individuals, businesses, and government.
5) The government takes ….. more ….. taxes or spends less.
6) The economy is faced ….. the problem ….. controlling inflation.

4. Give definitions of the following terms:

fiscal policy, deficit, surplus, discretionary fiscal policy, govertment spending, inflation, taxation

5. What kind of movement do the verbs below describe? Match them to the symbols. Then compare your answers with a partner. (Use some symbols more than once.)



decline	gain	drop	Increase	rocket	plummet
double	fall	halve	level off	triple	recover
decrease	fluctuate	improve	peak	rise	zoom

6. Match the following Ukrainian common collocations with their English equivalents:

A	B
1) збирати податки	a. fiscal policy
2) дискреційна фіскальна політика	b. aggregate demand
3) сукупний попит	c. take in taxes
4) фіскальна політика	d. discretionary fiscal policy
5) стабілізувати економіку	e. to reduce the demand for goods and services
6) споживчий попит	f. to depend on effective demand
7) ліквідувати безробіття та інфляцію	g. to stabilize the economy
8) скоротити попит на товари та послуги	h. government spending
9) стимулююча фіскальна політика	i. consumer spendings
10) дефіцит федерального бюджету	j. consumer demand
11) залежатиме від платоспроможного балансу	k. expansionary fiscal policy
12) державні витрати	l. to eliminate unemployment or inflation
13) споживчі витрати	m. income tax
14) прибутковий податок	n. federal budget deficit

7. Make the following words negative by using one of the following prefixes:

de- ***dis-*** ***im-*** ***in-*** ***un-***

1) … accelerating
2) … intended
3) …prove
4) …desirable
5) … stable
6) … efficiency
7) …natural
8) …stabilize
9) …effective
10) …perfect
11) …predictable
12) …voluntary

8. Complete the sentences:

1. Sometimes the economy zooms … .
2. But there have also been periods … .
3. Until the 1930's, the government …
4. Policy aimed at … .
5. Keynes maintained that governments … .
6. If aggregate income is too low … .
7. If aggregate income is too high … .
8. Expansionary and concretionary fiscal policies are … .
9. The fundamental purpose of fiscal policy … .
10. A contractionary policy is composed of … .
11. Monetarists question whether … .

Unit 5. INSURANCE

Active Vocabulary

untimely - несвоєчасно
insurer - страховик
insured - застрахований
expenditures - витрати
to lessen – зменшити
to pool – об'єднувати
to incur losses – понести втрати
contingency - непередбачений випадок
premium – страховий внесок
assure - запевнити
to diversify - урізноманітнити
life insurance - страхування життя
health insurance – медичне страхування
shipment loss – втрати при доставці
laws of probability - закони ймовірності
an insurance policy - страховий поліс
unforeseen losses - непередбачені втрати
deductible amount - франшизна сума
to defer payment - відкласти оплату
peril - небезпека
hailstorm - град
to provide for reduced coverage - забезпечити зменшення покриття
liability - відповідальність

1. Read and translate the text:

Insurance plays a central role in the functioning of modern economies. Life insurance offers protection against the economic impact of an untimely death; health insurance covers the sometimes extraordinary costs of medical care; and bank deposits are insured by the federal government. In each case a small premium is paid by the insured to receive benefits should an unlikely but high-cost event occur.

The concept of insurance is simple. For a regular payment (a premium), a policy is issued which guarantees to pay compensation in the event of unforeseen loss, damage, or untimely death. Premiums can be very small in comparison with the amount paid out, because the risk of an individual claim is minute when compared with the number of people or organizations paying premiums.

Not all aircrafts crash, not everyone gets robbed, breaks a leg skiing or dies prematurely from disease. There may be many thousands of single policies issued for very few claims.

At the core of the insurance problem lies the concept of risk or the variation in possible outcomes of a situation. The effective response to risk combines two elements: efforts or expenditures to lessen the risk, and the purchase of insurance against the risk that remains. In exchange for a premium, the insurer will pay a claim should a specified contingency, such as death, medical bills, or shipment loss, arise. The insurer is able to offer such protection against financial loss by pooling the risks from a large group of similarly situated individuals. With a large pool, the laws of probability assure that only a tiny fraction of insured shipments is lost, or only a small fraction of the insured population will be hospitalized in a year. If, for example, each of 100,000 individuals independently faces a 1 percent risk in a year, on average 1,000 will have losses. If each of the 100,000 people paid a premium of $1,000, the insurance company would collect a total of $ 100 million, enough to pay $ 100,000 to anyone who had a loss. But what would happen if 1,100 people had losses? The answer, fortunately, is that such an outcome is exceptionally unlikely.

Insurance works through the magic of the Law of Large Numbers. This law assures that when a large number of people face a lowprobability event, the proportion experiencing the event will be close to the expected proportion. For instance, with a pool of 100,000 people who each face a 1 percent risk, the law of large numbers dictates that 1,100 people or more will have losses only one time in 1,000.

In many cases, however, the risks to different individuals are not independent. In a hurricane, airplane crash, or epidemic, many may suffer at the same time. Insurance companies spread such risks not only across individuals but also across good years and bad, building up reserves in the good years to deal with heavier claims in bad ones. For further protection they also diversify across lines, selling health insurance as well as homeowners' insurance, for example.

Main types of insurance:

Life Insurance

Life insurance provides for your family or some other named beneficiaries on your death. Two general types are available: term insurance provides coverage only during the term of the policy and pays off only on the insured's death; whole-life insurance provides savings as well as insurance and can let the insured collect before death.

Health Insurance

Health insurance covers the cost of hospitalization, visits to the doctor's office, and prescription medicines. The most useful policies, provided by many employers, are those that cover 100 percent of the costs of being hospitalized and 80 percent of the charges for medicine and a doctor's services. Usually, the policy will contain a deductible amount; the insurer will not make payments until after the deductible amount has been reached.

Disability Insurance

A disability policy pays a certain percentage of an employee's wages (or a fixed sum) weekly or monthly if the employee becomes unable to work through illness or an accident. Premiums are lower for policies with longer waiting periods before payments must be made: a policy that begins to pay a disabled worker within thirty days might cost twice as much as one that defers payment for six months.

Home Insurance

A homeowner's policy provides insurance for damages or losses due to fire, theft, and other named perils. No policy routinely covers all perils. The homeowner must assess his needs by looking to the likely risks in his area - earthquake, hailstorm, flooding, and so on. Homeowner's policies provide for reduced coverage if the property is not insured for at least 80 percent of its replacement costs.

Automobile Insurance

Automobile insurance is perhaps the most commonly held type of insurance. Automobile policies are required in at least minimum amounts in all countries. The typical automobile policy covers liability for bodily injury and property damage, medical payments, damage to or loss of the car itself, and attorneys' fees in case of a lawsuit.

The insurance industry is easily the largest sector of the retail financial business, though it does not have such a high profile as sectors such as banking and the stock markets. The largest single market is in the USA, but that is mainly domestic, as are those of Japan and Germany, which is Europe's largest market. The United Kingdom follows next in the size of its domestic turnover, but it is London which houses the international centre – Lloyd's.

2. Answer the questions:

1. What sort of protection does life insurance offer?
2. What concept lies at the core of the insurance problem?
3. What will the insurer pay in exchange for a premium, and when?
4. By what means is the insurer able to offer protection against financial loss?
5. How do insurance companies spread risks?
6. What is the main concept of insurance?
7. What are the main types of insurance?
8. What does a homeowner's policy provide insurance for?

3. Agree or disagree with the following statements:

1) Insurance is a contract for reducing losses from accident incurred by an individual party through a distribution of the risk of such losses among a number of parties.
2) Insurance is an arrangement with a company in which you pay them money each year and they pay the costs if anything bad happens to you, such as an illness or an accident.
3) To insure means to sell insurance to protect yourself against something bad happening to you.
4) The insurer is a person who plays a confidence trick on you in order to get your money.
5) The insurer is someone who deceives people to gain money.
6) The insured is a victim of insurance fraud.
7) The insurer takes responsibility for paying the insured some specified amount when the insured incurs losses.
8) The insurer is able to make up losses much more easily than would the uninsured individual.
9) To incur means to put yourself in an unpleasant situation by your own actions.

4. Fill in the gaps with the prepositions:

of	***to***	***of***
of	***of***	***Of***
in	***of***	***out***
from	***of***	***from***
into	***in***	***by***
by	***for***	
of	***out***	

1) Insurers collect an amount …… money, a premium, …….. each person and accumulate a fund, called a pool.
2) Insurers pay losses …… ….. pools.
3) An insurance company works with people who all feel exposed……. the same risk.
4) Giving an individual or company protection …… the effects …….financial loss is the basic principle ……. insurance.
5) They don't want to put the money…… the bank and decide to pay it ……. an insurance company.
6) Most types……insurance are optional but people and companies choose to take it…….

7) Uncertainty is removed……. transferring the financial consequences……..a loss to an insurance company.
8) People and companies can’t prepare …….. all types of risks.
9) Insurers analyse lots …….. similar risks and predict roughly the number …… losses they might have.
10) ……..fact, not all policyholders will actually suffer a loss.
11) Damages or losses can be caused ……..fires, floods or other disasters and accidents.

5. Put the sentences from Task 4 in the logical order.

6. Fill in the gaps with the words from the list. There are some words you don’t need to use:

policyholders; predicted; exactly; protection; exposed; statistical; amount; insurers; opposed; statistics; paid; policymaker; insurance; personal; fund; save; covers; similar; compensation; occur; predict; good; assure; person; suffer; prepare

Insurance 1) _____ risks you can't 2) ______ for, so you don’t have to 3) ______ all your money. But how can 4) _____ provide 5) _____ when so many losses 6) _____ every day? With lots of 7) _____ risks insurers can 8) _____ roughly the number of losses they might have. They won't know 9) ______, but experience and 10) _____ data can give them a pretty 11) ______ idea. In fact, only a small proportion of 12) ______ will actually 13) ______ a loss in any given year.

An 14)______ company offers its 15) ______ by grouping together people who all feel 16) ______ to the same risk. By collecting an 17) ______ of money, a premium, from each 18) _____ , the insurer can accumulate a 19) _____ , called a pool, out of which losses can be 20) ______.

Unit 6. INFLATION

Active Vocabulary

relative price – відносна ціна
to allocate resources - розміщувати / розподіляти ресурси
a huge increase of the national debt - значне підвищення державної заборгованості
boost v - стимулювати, підвищувати
borrow v - позичати
borrower n - боржник, дебітор, позичальник
borrowing n - позика, кредит
capacity n - потужність
productive ~ - виробнича потужність
consumer n - споживач
~ Price index (CPI) - індекс споживчих цін
creditors n - кредитори, кредиторська заборгованість
curve n - крива (лінія)
cutback n - скорочення, зменшення
debt n - борг
bad ~ - безнадійний борг
debtors n - дебітори, дебіторська заборгованість
disinflation n - дисінфляція; уповільнення темпів інфляції
hyperinflation n - гіперінфляція
inflation n - інфляція
cost-push ~ - інфляція, зумовлена зростанням витрат
demand-pull ~ - інфляція, викликана перевищенням попиту над пропозицією
lend v - давати в позики, позичати
lender n - кредитор, позикодавець
~ Of last resort - кредитор останньої інстанції
multiplier n - мультиплікатор, коефіцієнт
recipient n - одержувач
surplus n - надлишок, профіцит

2. Read and translate the text:

Inflation is commonly defined as an increase in some general index of prices, such as the Consumer Price Index or the broad-based Implicit Gross National Product Deflator. Its opposite is *deflation*. In understanding inflation we should recognize the difference between increases in the prices of particular goods or services, which constitute changes in relative prices and do not necessarily represent inflation, and an increase in a general index of prices, which does represent inflation. In a market-oriented economy, at any time some prices are rising and some prices are falling.

These changes in relative prices are the basic mechanism by which resources are allocated; increases in the price of some particular good or service need have no particular inflationary significance for the overall economy. Yet when an average of all prices – expressed in a price index – rises, the economic problem of inflation becomes a matter of concern.

The inflation rate and the price level. The inflation rate is the percentage change in the price level.

The most widely reported measure of inflation is the *consumer price index* (CPI) which measures changes in the average prices of consumer goods and services. The CPI is sometimes called the cost-of-living index. It includes only consumer goods and services in order to determine how rising prices affect the income of consumers. Unlike the GDP chain price index, the CPI does not consider items purchased by businesses, and government.

As the price level rises during an inflation, the same sum of money (a dollar, a ruble) buys fewer goods and services than before. Hence, inflation reduces the money real purchasing power. As the price level falls during deflation, a dollar (a hryvnia) buys more goods and services than before. Hence, deflation increases the money real purchasing power.

Inflation can occur for several reasons, and economists usually distinguish between two basic types of inflation, depending on whether it originates from the buyers' or the sellers' side of the market.

Perhaps the most familiar type of inflation is called **demand-pull inflation**, which is a rise in the general price level resulting from an excess of total spending (demand). Demand-pull inflation occurs when aggregate demand in the economy increases faster than the economy's productive capacity.

If demand exceeds aggregate supply, the average prices of goods and services are pulled up by the “excess” demand. Demand-pull inflation is often expressed as “too much money chasing too few goods.” When sellers are unable to supply all the goods and services buyers demand, sellers respond by raising prices. In short, the general price level in the economy is “pulled up” by the pressure from buyers' total expenditures.

This type of inflation is usually associated with conditions of full employment. If there are unemployed resources available, an increase in demand can be met by bringing these resources into employment. Supply will increase and the increase in demand will have little or no effect on the general price level. If the total demand for goods and services continues to increase, a full employment situation will eventually be reached and no further increases in output is possible (e.g. in the short run). Once the nation's resources are fully employed, an increase in demand must lead to an upward movement of prices. A situation of excess demand may arise when a country is trying to achieve an export surplus, in order, perhaps, to pay off some overseas debts. Exports are inflationary because they generate income at home but reduce home supplies. Demand inflation may develop when, with full employment, a country tries to increase its rate of economic growth.

Another possible cause of inflation under conditions of full employment is an expansion of government spending financed by borrowing from the banking system.

Cost-push inflation is an increase in the general price level resulting from an increase in the cost of production. Most sellers try to push these higher costs on into higher prices even if there is no change in aggregate demand in the economy.

One source of cost-push inflation is supply shocks, such as widespread and severe crop failures, the sharp increases in the price of oil instituted by a cartel, etc. The effect of a supply shock is to raise the level of input prices above the level that firms had expected.

Another possible source of cost-push inflation is the momentum of inflationary expectations generated by previous demand-pull inflation.

The influence of expectations on both demand-pull and cost-push inflation is also an important consideration.

Because money is used as a unit of account and as a medium of exchange in most economies, changes in the purchasing power of money generally have several (sometimes adverse) consequences.

Inflation hurts people living on fixed money incomes and people who have saved fixed amounts of money for specific purposes such as financing their children's education or their own retirement. Inflation hurts people who have loaned out money at a rate of interest that did not include an allowance for an increase in the average price level. So lenders are without protection against a decline in the purchasing power of the loan when it is repaid.

3. Answer the following questions:

1. How is inflation commonly defined?
2. What is the difference between increases in the prices of particular goods and services and a general index of prices?
3. What is the price level and what is it measured by?
4. What relationship exists between the growth of the money supply and changes in the price level?
5. How do they define the inflation rate?
6. What category of people is most heavily hurt by inflation?
7. What measures can be taken to protect lenders from inflation?

8. Consider this statement: "When the price of a good or service rises, the inflation rate rises". Do you agree or disagree? Explain.

3. Match the Ukrainian word-combinations with their English equivalents:

A	B
1. стабільність цін	a. a general price level
2. рух вгору і вниз	b. a price stability
3. індекс споживчих цін	c. a price index
4. реальна купівельна спроможність грошей	d. a consumer price index
5. інфляційна надбавка	e. inflation premiums
6. зниження купівельної спроможності	f. a decline in the purchasing power
7. очікувати інфляцію	g. the upward and downward movement
8. загальний ціновий рівень	h. money real purchasing power
9. індекс цін	i. to anticipate inflation
10. несприятливий ефект	j. adverse effect
11. інфляція, викликана перевищенням попиту над пропозицією (інфляція попиту)	k. an excess of total spending (demand)
12. інфляція, зумовлена зростанням витрат (інфляція витрат)	l. total expenditures
13. надлишок сукупних витрат (попиту)	m. the general price level
14. інфляційні очікування	n. an expansion of government spending
15. зростання цін	o. supply shocks
16. сукупні витрати	p. a rise in prices
17. шоки пропозиції	q. demand-pull inflation
18. розширення витрат уряду	r. cost-push inflation
19. загальний рівень цін	s. inflationary expectations
20. надлишковий попит	t. excess demand

4. Using a dictionary, add as many words as possible into the table and suggest some common word partnerships with them:

Noun	**Adjective/Adverb**	**Verb**
	persistently	
	purchasing	
allowance		

recipient		
		determine
		measure
		reduce
		anticipate
		negotiate
		vary

5. Match the words in A with their definitions in B:

A

1) inflation
2) deflation
3) disinflation
4) hyperinflation
5) exchange
6) level
7) price
8) boundary
9) premium
10) borrower
11) lender
12) consequence
13) allowance
14) base year

B

a) usual or normal position
b) the amount of money etc. asked or given for something
c) amount of sth, esp. money allowed or given regularly
d) reaction or an instance of giving one thing or person of the same type or of equal value in return for another
e) a person taking or receiving (something) with the understanding that he will return it
f) person making a loan
g) a logical result or conclusion
h) a rise in prices and wages caused by an increase in the money supply and demand for goods and resulting in a fall in the value of money
i) a reward or prize, an amount paid in addition to the regular change
j) a limit or a border
k) a situation in which very large and rapid price rises occur
l) a reduction in the rate of inflation.
m)the reduction of the amount of money being used in a country, in order to lower prices or keep them steady
n) a year chosen as a reference point

6. Complete the sentences with the correct forms of the capitalized words in brackets:

Inflation is a steady rise in the average price and wage level. The rise in wages being high enough to raise costs of (1) ___________ (PRODUCE), prices grow further resulting in a higher price of inflation and, finally, in an inflationary spiral. Periods when inflation rates are very large are referred to as hyperinflation.

The causes of inflation are rather complicated, and there are a number of theories explaining them. Monetarists, such as Milton Friedman, say that inflation is caused by too rapid increase in money supply and the (2) __________ (CORRESPOND) excess demand for goods. Therefore, monetarists consider due (3) __________ (GOVERN) control of money supply to be able to restrict inflation rates. They also believe the high rate of (4) __________ (EMPLOY) to be likely to restrain claims for higher wages. People having jobs accept the wages they are being paid, the inflationary spiral being kept under control. This situation also accounts for rather slow increase in aggregate demand.

On the other hand, Keynesians, that is, (5) __________ (ECONOMY) following the theory of John M. Keynes, suppose inflation to be due to processes occurring in money circulation. They say that low inflation andunemployment rates can be ensured by adopting a tight incomes policy.

Incomes policies, though, monetarists argue, may temporarily speed up the (6) __________ (TRANSIT) to a lower inflation rate but they are unlikely to succeed in the long run.

7. Chose the correct answer:

1. Inflation is:
   a. an increase in the general price level.
   b. not a concern during war.
   c. a result of high unemployment.
   d. an increase in the relative price level.

2. Inflation is measured by an increase in:
   a. homes, autos and basic resources.
   b. prices of all products in the economy.
   c. the consumer price index.
   d. none of the above.

3. The consumer price index (CPI):
   a. adjusts for changes in product quality.
   b. includes separate market baskets of goods and services for both base and current years.
   c. includes only goods and services bought by the typical consumer.
   d. uses current year quantities of goods and services.

4. Deflation is a (an)
   a. increase in most prices.
   b. decrease in the general price level.

c. situation that has never occurred in U.S. history.
d. decrease in the inflation rate.

5. Suppose a typical automobile tire cost $50 in the base year and had a useful life of 40,000 miles. Ten years later, the typical automobile tire cost $75 and had a useful life of 75,000 miles. If no adjustment is made for mileage, the CPI would:

a. underestimate inflation between the two years.
b. overestimate inflation between the two years.
c. accurately measure inflation between the two years.
d. not measure inflation in this case.

6. Demand-pull inflation is caused by:

a. monopoly power;
b. energy cost increases;
c. tax increases;
d. full employment.

7. Demand-pull inflation occurs:

a. when ‘too much money is chasing too many goods’;
b. during a recession;
c. rising production costs;
d. none of the above.

8. Cost-push inflation is due to:

a. excess total spending;
b. too much money chasing too few goods;
c. resource cost increases;
d. the economy operating at full employment.

8. Translate the following sentences from Ukrainian into English:

1. Інфляція – це підвищення рівня цін і зарплат.
2. Багато вчених намагалися визначити причини інфляції.
3. Монетаристи вважали, що інфляція викликається занадто швидким підвищенням грошової маси і відповідним зростанням попиту на товари.
4. Деякі економісти вважають, що жорстка політика доходів є гарним, але тимчасовим способом утримання інфляції під контролем.
5. При плановій економіці зростання цін стримувалося прямим урядовим регулюванням.
6. Завдання уряду – стримати зростання темпів інфляції.

Unit 7. GROSS DOMESTIC PRODUCT

Active Vocabulary

adjust n - регулювати, налагоджувати
depreciation n - 1. знецінення; 2. зношування, амортизація
domestic adj - вітчизняний, внутрішній
ensure v - гарантувати, забезпечувати
estimate v - оцінювати
expenditure n - витрати, витрата
to undertake ~ - нести витрати
gross domestic product - валовий внутрішній продукт
gross national product - валовий національний продукт
income n - дохід, прибуток
personal ~ - особистий дохід
national ~ - національний дохід
disposable personal ~ - дохід, що залишається після сплати податків, готівковий дохід
intermediate adj - проміжний
intervene v - втручатися
inventory n - матеріально-виробничі запаси
measure v - вимірювати
revenue n - дохід, надходження від продажів
spending n - витрати
transaction n - угода
transfer n - переказ (грошових сум)
value n - ціна, вартість
market ~ - ринкова вартість
well-being n - добробут, матеріальне благополуччя; процвітання
standard of ~ - рівень добробуту
tangible – матеріальний, реальний
intangible – нематеріальний
base year - базовий рік
statistical discrepancy - статистична невідповідність

1. Read and translate the text:

The total amount of goods and services produced, or the total amount of income earned, or the total amount of expenditure undertaken, all tell us something about the overall performance of the economy in providing resources for the members of the society. If we could measure these totals, we could examine whether the resources available to the residents of a country were changing through time, or try to compare the country's situation with that in other nations. Of course, there is such a measure. It is called GDP and it is a key way in which we try to monitor the performance of an economy.

Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time. Let's consider each phrase in this definition with some care.

"GDP is a Market Value ..." GDP adds together many different kinds of products into a single measure of the value of economic activity. To do this, it uses market prices. Because market prices measure the amount people are willing to pay for different goods, they reflect the value of those goods. If the price of an apple is twice the price of an orange, then an apple contributes twice as much to GDP as does an orange.

"Of All . . ." It includes all items produced in the economy and sold legally in markets. GDP measures the market value of all the goods. GDP also includes the market value of the housing services provided by the economy's stock of housing. For rental housing, this value is easy to calculate – the rent equals both the tenant's expenditure and the landlord's income. Yet many people own the place where they live and, therefore, do not pay rent. The government includes this owner-occupied housing in GDP by estimating its rental value. That is, GDP is based on the assumption that the owner, in effect, pays rent to himself, so the rent is included both in his expenditure and in his income.

There are some products, however, that GDP excludes because measuring them is so difficult. GDP excludes items produced and sold illicitly, such as illegal drugs. It also excludes most items that are produced and consumed at home and, therefore, never enter the marketplace. Vegetables you buy at the grocery store are part of GDP; vegetables you grow in your garden are not.

"Final. . ." GDP includes only the value of final goods. The reason is that the value of intermediate goods is already included in the prices of the final goods. Adding the market value of the paper to the market value of the card would be double counting. That is, it would (incorrectly) count the paper twice.

An important exception to this principle arises when an intermediate good is produced and, rather than being used, is added to a firm's inventory of goods to be used or sold at a later date. In this case, the intermediate good is taken to be "final" for the moment and its value as inventory investment is added to GDP. When the inventory of the intermediate good is later used or sold, the firm's inventory investment is negative, and GDP for the later period is reduced accordingly.

*"Goods and Services . . ."*GDP includes both tangible goods (food, clothing, cars) and intangible services (haircuts, housecleaning, doctor visits). When you buy a

CD by your favorite singing group, you are buying a good, and the purchase price is part of GDP. When you pay to hear a concert by the same group, you are buying a service, and the ticket price is also part of GDP.

*"Produced . . ."*GDP includes goods and services currently produced. It does not include transactions involving items produced in the past. When General Motors produces and sells a new car, the value of the car is included in GDP. When one person sells a used car to another person, the value of the used car is not included in GDP.

*"Within a Country . . ."*GDP measures the value of production within the geographic confines of a country. When a Canadian citizen works temporarily in the United States, his production is part of U.S. GDP. When an American citizen owns a factory in Haiti, the production at his factory is not part of U.S. GDP. (It is part of Haiti's GDP.) Thus, items are included in a nation's GDP if they are produced domestically, regardless of the nationality of the producer.

". . . In a Given Period of Time." GDP measures the value of production that takes place within a specific interval of time. Usually that interval is a year or a quarter (three months). GDP measures the economy's flow of income and expenditure during that interval.

Economists distinguish between nominal GDP and real GDP. Nominal GDP is the value of all final goods based on the prices existing during the time period of production. Real GDP is the value of all final goods produced during a given time period based on the prices existing in a selected base year. In other words, the prices in the base year provide the basis for comparing quantities in different years.

Other Measures of Income

Gross national product (GNP) is the total income earned by a nation's permanent residents (called *nationals).* It differs from GDP by including income that our citizens earn abroad and excluding income that foreigners earn here. For example, when a Canadian citizen works temporarily in the United States, his production is part of U.S. GDP, but it is not part of U.S. GNP. (It is part of Canada's GNP.) For most countries, including the United States, domestic residents are responsible for most domestic production, so GDP and GNP are quite close.

Net national product (NNP) is the total income of a nation's residents (GNP) minus losses from depreciation. *Depreciation* is the wear and tear on the economy's stock of equipment and structures, such as trucks rusting and lightbulbs burning out. In the national income accounts prepared by the Department of Commerce, depreciation is called the “consumption of fixed capital”.

National income is the total income earned by a nation's residents in the production of goods and services. It differs from net national product by excluding indirect business taxes (such as sales taxes) and including business subsidies. NNP and national income also differ because of a “statistical discrepancy” that arises from problems in data collection.

2. Answer the questions:

1. How can Gross Domestic Product be defined?
2. Does GDP include the value of intermediate good?
3. What are the tangible goods and intangible services that GDP includes?
4. Does GDP include transactions involving items produced in the past?
5. Are items produced abroad by subsidiaries included in a nation’s GDP?
6. How do real and nominal GDP differ?
7. What are other measures of income?

3. Match the words from A with their synonyms from B:

A	B
1) adjust	a) inside a particular country
2) value	b) coming between two things in time
3) consume	c) cost
4) transaction	d) consumption
5) intermediate	e) adapt
6) domestic	f) interfere
7) expenditure	g) use up
8) intervene	h) apiece of business done

4. Match the words in column A with their English equivalents in column B:

A	B
1) надання неринкових послуг	a) to produce output
2) випускати продукцію	b) items produced and sold illicitly
3) загальний обсяг понесених витрат	c) total amount of the expenditure undertaken
4) товари, вироблені і продавані незаконно	d) the provision of non-market services
5) проміжний продукт	e) intermediate good
6) кінцевий продукт	f) produced domestically
7) матеріальні товари	g) intangible services
8) рух коштів між рахунками	h) tangible goods
9) нематеріальні послуги	i) final goods
10) вироблений всередині країни	j) funds transfer

5. Based on your understanding of the text, are the following TRUE or FALSE?

1. Gross domestic product is the market value of all intermediate and final goods and serviced produced within a country in a given period of time.
2. Market prices measure the amount people are willing to pay the different goods and reflect the value of those goods.
3. GDP includes all items produced in the economy and sold both legally and illegally in the markets.
4. GDP does not include the market value of the housing services.
5. GDP excludes most items that are produced and consumed at home.
6. The value of intermediate goods is not included into the value of the final goods.
7. GDP excludes intangible services.
8. GDP is the market value of all final goods and services produced by nation's residents no matter where they are located.
9. GDP measures the value of production that takes place within a specific integral of a time, which is usually a month.

6. Match the words from A with their definitions from B.

A	B
1. GDP	a. the amount of sth product
2. Gross National Product	b. the market value of all final goods and services produced in a nation during the period of time
3. final goods	c. the market value of all final goods and services produced by a nations residents no matter where they are located;
4. net domestic product	d. finished goods or services produced for the ultimate user;
5. output	e. the gross domestic product minus depreciation of capital work out in producing output.
	f. altering sth by a small amount so that it will fit properly or be right for use
6. expenditure	g. an amount of money spent

7. inventory
8. adjustment
9. transfer

h. stocks of raw materials and finished goods
i. the action of transferring sth/sb

7. Summarize the information of the text to be ready to speak on Gross Domestic Product. Use the following prompts as a plan.

- Give the definition of GDP and explain it.
- Dwell on the components of GDP.
- Speak on other measures of income in short.

Unit 8. THE WORLD STOCK MARKETS

Active Vocabulary

institutional investor - інституційний інвестор
share holder - власник акцій
the ultimate owner - кінцевий власник
intermediary - посередник
the jobber - працівник
percentage of the equity - відсоток власного капіталу
to gain a quotation - отримати котирування
to participate indirectly in stock markets - опосередковано брати участь в фондових біржах
to offer a share in profits - пропонувати частку прибутку
to put up part of the money - вносити частину необхідної суми грошей
to cover any losses - покривати будь-які втрати
to apply certain criteria - застосовувати певні критерії
to operate under certain specific rules - функціонувати за особливими правилами
to result in highly efficient trading - бути результатом високоефективних торгів
to negotiate and collect commissions - обговорювати і отримувати комісійні
to be temporarily suspended - бути тимчасово припиненим
to become interlinked - ставати взаємопов'язаним
to buy and sell securities - купувати і продавати цінні папери
long-term needs - довгострокові потреби
to avoid high brokerage fees - уникати високих комісійних
to hang on smth - дотримуватися, слідувати чомусь
to earn money over the long run - заробляти гроші протягом тривалого часу
to predict stock prices - передбачати біржові ціни
random prices - хаотичні, випадкові ціни

1. Read and translate the text:

After banking and insurance, the financial sector with which the general public is most familiar is the stock market. But even in the most developed industrial countries only a relatively small proportion of the population invests personally and directly in the industrial, commercial and financial enterprises which play an important part in everyday life. Most people, however, participate indirectly in stock markets through the large corporations, the so-called ‘institutional investors’, who run insurance companies, pension funds and other financial operations. Stock markets are the same as any other market: what are bought and sold in them are parts of companies or shares, as they eventually came to be called.

The world's stock markets today have highly regulated structures. They operate under specific, and sometimes very different rules as to the kinds of companies that can be traded, what criteria must apply before a quotation is granted, how new companies are introduced to the market, and what information must regularly be made available to those who invest in a company – share holders.

Each stock market has its own particular rules: some markets are very risky and unregulated or 'speculative' (Hong Kong is the leading example), others quiet and controlled, with activity dominated by financial institutions rather than individuals. The major markets which balance controls and opportunities are the New York Stock Exchange commonly called Wall Street and the London Stock Exchange.

Stock markets are true markets in the sense that anyone is free to deal in them but a fundamental difference with, say, a fruit and vegetable market is that shares can be both bought and sold (traded) and the dealer (the market trader) does not deal directly with the ultimate owner or seller of the shares but through an intermediary called a broker. Now technology creates new trading systems where brokers can keep in touch with one another by computer.

Today the jobber has been replaced by the broker/dealer who transacts business via a computer terminal with other brokers or dealers . It was and is their roles that result in highly efficient trading and keen prices.

Two prices are quoted : the higher is the buying price; the lower, the selling. The difference or the profit for the dealer, who also collects a commission from the investor on both purchases and sales.

Today, business is broken down into several markets. **The 'main board'** will quote the prices of shares in those companies which are major concerns. They have stringent requirements for a quotation – a proved profits and dividend record, a certain minimum market capitalization and percentage of the equity brought into the open market, etc.

Then there are **secondary markets**, where the rules for gaining a quotation are rather less strict. The companies listed are often smaller and do not meet the requirements for a main board listing.

There exists in many markets what is called **the 'grey market'.** This is strictly unofficial. New shares coming to the market may be 'traded' before their actual date of entry. Delivery takes place after quotation starts. Sometimes shares which have been temporarily suspended from official dealings may, in fact, have a price in the grey market.

As technology has developed, the financial markets are gradually becoming interlinked, though they continue principally to serve their domestic economies.

The major functions of the Stock Exchange, in general, are:

It provides a market where investors can buy and sell securities;

It helps to ensure that the price of a deal is fair;

The companies and others who wish to raise capital can easily do so at the ready secondary markets;

The investors short-term savings are prone to meet long term needs for finance from companies, the government and other organizations.

Let's describe the way how to make money in the Stock Market. Investors buy stock for one simple reason: to make money. The surest way to earn money from investing is to create as diverse a portfolio as possible and hang on to it for a long time. To succeed at making money investors need good sources of information.

Much information is supplied by stockbrokers. They study market reports and get information on the forecasted financial performance of companies. Brokers usually recommend opportunities or provide special services such as newsletters: For this brokers charge additional fees.

Sometimes investors prefer to avoid high brokerage fees. They implement their own investment strategy. Serious investors subscribe to investment newsletters and carefully study the stock market.

A simpler investment strategy is to choose some reliable blue chip stocks and stick to them. This strategy is safe and can earn money over the long run.

Within the general trend in a stock market the prices of individual shares fluctuate constantly, depending on supply and demand. When there is strong demand, dealers may be prepared to raise the price they pay for a share because they can sell on at a better price. This could happen when a company announces better- than-expected profit figures and raises its dividend to investors. There are general conditions which can stimulate or depress share prices. If the economy of a country is in a healthy state, share prices may rise without any particular good news to push them up. The government may issue figures showing that output is rising and dealers may them take the view that this will show up in company profits in the future.

The generic term for the wide variety of stocks and shares offered by stock markets today is «securities». They represent what is known as the capital in a company. Investors are the owners of the capital and of the company. The term «stock» or «share» are interchangeable. Today, technological development has meant has there is an increasing trend towards «scrip less» trading which simply means that the shareholder does not receive a paper share certificate at all: ownership is simply recorded on a register.

2. Answer the following questions:

1. Why do we say so that most people participate indirectly in stock markets?
2. Who are called «institutional» investors?
3. What is usually done in order to bring in enough profit to cover any losses?

4. How are the world's stock markets regulated today?
5. Does each stock market have its own particular rules?
6. What is the main division of stock markets?
7. What is the "grey market"?

3. Give English equivalents of the following:

- фінансовий посередник
- фондова біржа
- давати позику
- боргове зобов'язання
- щорічні виплати відсотків
- позичати гроші
- акціонерний капітал
- бути поширеним
- ринок акцій
- контролювати компанію

4. Fill in the blanks with appropriate words:

a) *to borrow* *b) keep control* *c) dividends* *d) corporation*

e) financial intermediaries *f) demand and supply* *g) ownership shares*

1. Stock markets are one of the institutions that serve as ... .
2. A ... tends to be the largest type of enterprise.
3. The corporation may choose to retain earnings or pay them out to shareholders as ... .
4. In the bond market people buy and sell ... .
5. A bond is issued when an institution wants ... money.
6. The advantage of borrowing funds is that we can ... of the company.
7. Stock prices depend upon ... in financial markets.

5. In the following conversation between two work colleagues, Peter explains to Juan how the stock market works and the meaning of some different words and terms used when talking about it.

From the context, try to guess what the meaning of the words/phrases in ***bold*** *are.*

Juan:'I'm thinking about investing my money in the stock market and buying some shares. The problem is that I have no idea about it. For example, what's the difference between **stocks** and shares?'

Peter:'Basically, they are the same thing. They mean the ownership of part of a company. In Britain, we normally say shares, but in North America they use both.'

Juan:'Can I buy shares for any company in the world on the stock market?'

Peter:'No, you can only buy stocks and shares on the stock market for **public limited companies** (called 'public corporations' in America). These are generally big companies which allow anybody to buy shares in them. In fact, only companies which are public limited companies are on the stock market. The majority of companies in the world are **private limited companies** (called 'private corporations' in America), which don't sell their shares on the stock market.'

Juan:'So, how do I buy stocks or shares in these public limited companies? Can I do it myself by calling the companies?'

Peter:'No, you don't have the permission to buy shares yourself, you have to get a **stockbroker** to buy or sell shares for you. A stockbroker is licenced/registered to **trade** stocks and shares (which means to buy or sell stocks and shares) on stock exchanges. So you have to set up an account with a stockbroker.'

Juan:'Ok. So what's the difference between a **stock exchange** and the stock market?'

Peter:'The stock market means anywhere where stocks and shares are traded, but a stock exchange means an actual location/organisation where they are traded. For example, the actual place/organisation in London where stocks and shares are traded for some companies is called the London Stock Exchange. In New York, you have the New York Stock Exchange and the Nasdaq Stock Exchange. All three stock exchanges are part of the stock market.'

Juan:'So why does New York have two stock exchanges?'

Peter:'There are actually more in New York. Each stock exchange has different companies **listed** on them. So, if you want to buy shares in Google your stockbroker has to use the Nasdaq Stock Exchange, because that's where Google is listed and their shares are traded. But if you want to buy shares in Ford, your stockbroker has to use the New York Stock Exchange, because that's the stock exchange where Ford is listed.'

Juan:'More complicated than I thought. I would like get a good **return** from the shares, I want to make a lot of money. Do you have any recommendations on what company's shares I should buy?'

Peter:'I don't know. You should get advice from a stockbroker or look at how a company's shares are performing. Check to see if the share value has increased or decreased. When you own shares in a company you will become a **shareholder** which means you are a part owner of the company and can vote on who manages or directs the company.

You will also receive a **dividend** on each share you own, which is an extra payment. If the company is making a profit they normally give some of this profit to their shareholders as a dividend. So your return with be a combination of the dividend and the increase or decrease in the share price.'

Juan:'But can I get a higher return on my money if I put my money in the bank from the interest than from the dividend in stocks and shares.'

Peter:'It's safer to put your money in a bank, but you may make more money with stocks and shares. If you want to see how much money you earn on each dollar or pound you have invested, you have to look at the **yield**. For example, if a banks pays you an interest rate of 2%, you earn 2% on every $1 and this 2% is called the yield.

For dividends you have to divide the yearly dividend per share by the amount you paid for the share. So, if a share cost you $2.50 and the yearly dividend is 15 cents, you divide 15 by 250. So the yield for the share is 6%. So this shows you would make a higher return on your money from investing in this company's shares than by putting your money in the the bank.'

6. Below is a definition of each of the words in bold from the above text. Choose the correct word/phrase:

1. The name of a person who has/owns shares in a company, is ______________________
2. A type of company where its shares are not sold on the stock market, are called ______________
3. The name for the money that a company pays to its shareholders, is called the _______________
4. The actual place where the shares of a company are bought and sold, is called a ______________
5. A different name for 'shares' that is commonly used in America, is ____________________
6. A type of company where its shares are sold on the stock market, are called ________________
7. A verb that means 'to buy' and 'to sell' that is used in the stock market, is __________________
8. A different way to say 'profit' when talking about investing your money, is _________________

9. A way to say that a company 'is on' a stock exchange, is ________________
10. The name of the person who buys and sells shares for a client/customer, is ________________
11. When you want to compare shares in companies to find out which will make the most money for you, you don't look at the dividend, but at the _________________

Unit 9. INTERNATIONAL TRADE

Active Vocabulary

absolute advantage - абсолютна перевага
comparative advantage - порівняльна перевага
customs duty - мито
embargo n - юридична заборона торговельної діяльності
export n - експорт
protectionism n - протекціонізм (політика держав спрямована на захист національної економіки від іноземної конкуренції)
restriction n - обмеження
specialization n - спеціалізація
tariff n – тариф, мито, розцінка
to retaliate - відплатити тім же
opportunity cost - альтернативна вартість
to discourage trade - стримувати торгівлю
to impose – накладати (штраф)

1. Read and translate the text:

Since ancient times people have strived to expand their trading as far as technology allowed.

Today, container ships laden with cars and machines and Boeing 747s shuttled with fresh fruit, fresh New Zealand lamb, and French cheeses ply the sea and air routes, carrying billions of dollars worth of goods and services. Trade in goods such as food, raw materials, and manufactured goods is known as *visible exports* and *visible imports.* Trade in services such as banking, insurance, and tourism is known as *invisible exports* or *invisible imports.* So why do people go to great lengths to trade with those in other nations?

International trade is a form of *specialization***.** Sri Lanka specializes in tea because it has an appropriate climate and soil, and skilled growers and packers. The principle is just the same as individual specialization: Jill specializes in math teaching because she is good at math and at dealing with people. Jack specializes in dentistry because he understands the biology and is deft with his hands. Of course, it is important for both that there is demand for what they are offering.

Economic theory distinguishes between *absolute advantage* and *comparative advantage*.

Absolute advantage is the ability of a country to produce a good using fewer resources than another country**.**

Comparative advantage is a bit harder to understand, but more important for trade**.** *The principle of comparative advantage* is a central concept in international trade theory which holds that a country or a region should specialize in the production and export of those goods and services that it can produce relatively more efficiently than other goods and services, and import those goods and services in which it has a comparative disadvantage.

Comparative advantage is the ability of a country to produce a good at a lower opportunity cost than another country.Comparative advantage refers to the *relative opportunity costs* between countries of producing the same goods. World output and consumption are maximised when each country specialises in producing and trading goods for which it has a comparative advantage.

The majority of economists believe that international trade should be based on comparative advantage and free trade. *Free trade* is a system which allows certain countries to buy and sell goods from each other without any financial restrictions. In practice, despite the advice of economists, every nation protects its own domestic producers to some degree from foreign competition. Behind these barriers to trade are people whose jobs and income are threatened, so they clamour to the government for protectionism. *Protectionism* is the government’s use of embargoes, tariffs, quotas, and other restrictions to protect domestic producers from foreign competition.

Embargoes are the strongest limit on trade. *An embargo* is a law that bars trade with another country. For example, the United States and other nations in the world imposed an arms embargo on Iraq in response to Iraq’s invasion of Kuwait in 1990.

Tariffs are the most popular and visible measures used. *A tariff* is a tax on an import. Tariffs are also called customs duties. Historically, these provided revenue to governments when taxes were not easily collected from other sources. Modern tariffs are usually imposed for a different reason: to shut out (or add to the price of) certain imports in order to protect home producers from foreign competition. An obvious example is the protectionist policy used by European Union for many agricultural products. The current US tariff code specifies tariffs on nearly 70 percent of U.S. imports. A tariff can be based on weight, volume, or number of units.

Another way to limit foreign competition is to impose *a quota*. *A quota* is a limit on the quantity of a good that may be imported in a given time period. For example, the United States might allow 10 million tons of sugar to be imported over a one-year period. Once this quantity is reached, no more sugar can be imported for the year. Quotas can limit imports from all foreign suppliers or from specific countries. Like all barriers to trade, quotas invite other nations to retaliate with more measures to restrict trade. With tariffs, it is impossible to know the quantity that will be imported, because prices might be elastic. With quotas, governments can set a limit to imports. Yet unlike tariffs, quotas provide no revenue for the government.

2. Give the answers to the following questions:

1. What is the basis for trade between nations? Why does international trade bring gains to all countries?
2. What's the difference between absolute advantage and comparative advantage? Which of them is more important for international trade? Why?
3. What encourages governments to impose tariffs and quotas?
4. What's the difference between embargoes, tariffs and quotas? Which of them provides revenue for the government? In what way?
5. What are the ways of liberalizing international trade?

3. Match the words in column A with their synonyms in column B:

A	B
1. tariff	a. benefit/profit
2. embargo	b. prohibition/interdiction
3. restriction	c. limitation/restraint
4. advantage	d. complete/total
5. quota	e. relative
6. absolute	f. a fixed amount
7. comparative	g. rate

4. Match the following common collocations with their Ukrainian equivalents:

1) to exceed one's quota	a) призначати тарифні ставки
2) under embargo	b) порівняльна перевага
3) absolute advantage	c) абсолютна перевага
4) comparative advantage	d) митний збір
5) to remove an embargo	e) складати квоту
6) customs duty	f) перевершувати квоту
7) to impose, levy a tariff	g) вводити, накладати обмеження
8) to fill/fulfill/ meet a quota	h) знімати заборону
9) to impose, place, put restrictions on	i) під забороною

5. Match each headword on the left with a set of examples on the right:

1) imports	a) taxes, tariffs, quotas on imported goods
2) free trade	b) wheat, oil, being brought into the country
3) domestic market	c) no restrictions on imports
4) exports	d) rice, wool being sent abroad
5) open market	e) customers in the same country
6) protectionism	f) products available to anyone willing to buy

6. Complete the following sentences, use the prompts below:

1. ________________ means that each nation specializes in a product for which its opportunity cost is lower in terms of the production of another product and then nations trade.
2. ________________ benefits a nation as a whole but individuals may lose jobs and incomes from the competition from foreign goods and services.
3. A government's use of embargoes, tariffs, quotas, and other methods to protect particular domestic industries by imposing barriers that reduce imports is called ___________.
4. A (an) ________________ prohibits the import or export of particular goods and a (an) __________________ discourages imports by making them more expensive. These trade barriers often result primarily from domestic groups that exert political pressure to gain from these barriers.
5. The _________________ is a summary bookkeeping record of all the international transactions a country makes during a year. It is divided into different accounts including the current account, the capital account and the statistical discrepancy.
6. The __________________ measures only goods (not services) that a nation exports and imports. It is the most widely reported and largest part of the current account.
7. A (an) _________________ is the price of one nation's currency in terms of another nation's currency. The intersection of the supply and demand curves for dollars determines the number of units of a foreign currency per dollar.
8. A __________________ is a limit on the quantity of a good that may be imported in a given time period.

***Words for reference**: comparative advantage; free trade; protectionism; embargo; tariff; balance of payments; balance of trade; exchange rate; quota.*

7. Based on your understanding of the text, are the following TRUE or FALSE? Explain why.

1. International trade is a form of specialization.
2. Comparative advantage is the ability of a country to produce a good using fewer resources than another country.
3. Protectionism is the government's use of embargoes, tariffs, quotas, and other restrictions to protect domestic producers from foreign competition.
4. Tariffs are the strongest limit on trade.
5. Embargoes are the most popular and visible measures used to discourage trade.
6. Tariffs provide no revenue for the government.

8. Write questions, relating to the text, to which these could be the answers:

1. People have strived to expand their trading as far as technology allowed.
2. A form of *specialization*
3. The ability of a country to produce a good using fewer resources than another country.
4. The ability of a country to produce a good at a lower opportunity cost than another country.
5. Tariffs are.
6. Unlike quotas they produce revenue.

Unit 10. THE WORLD ECONOMIES

Active Vocabulary

alleviate v - послаблювати, пом'якшувати
coherent policy - послідовна, узгоджена політика
devaluation n - знецінення, девальвація
developing countries - країни, що розвиваються
dislocation n - порушення, розлад
economy in transition – перехідна економіка
European Union (EU) - Європейський Союз
export-oriented - орієнтоване на експорт
global adj - глобальний, всесвітній, світовий
~ Market - світовий ринок
~ Economy - світова економіка
Group of Seven G-7 - Велика сімка
Group of Eight G-8 - Велика вісімка
industrialized or developed nations - промислово розвинені країни
instability n - нестабільність, нестійкість
International Monetary Fund (IMF) - міжнародний валютний фонд
to languish - томитися
least developed countries (LDC) - найменш розвинені країни
to neglect - нехтувати
newly industrialized countries (NIC) - нові промислово розвинені країни
non-government organization (NGO) - неурядові організації
pollution - забруднення
sustainable growth - стійке зростання
transformation n - трансформація, перетворення
vigorous - енергійний

1. Read and translate the text:

Economists classify the world's economies as: industrial or **developed nations** (IN); **newly industrialized nations** (NIC); **economies in transition** and **developing nations** (including **least developed nations (LDC)**). Each of these types of countries has fairly specific characteristics, and economic issues.

Industrialized nations: Growing and Growing Old

An industrialized economy has a large base of productive capital, sophisticated banking systems and financial markets, a variety of industries producing a broad range of products, and vigorous and varied international trade. Industrialized nations also have well-established systems of government and law, and provide educational opportunities for their people.

Here are many different factors (economic or otherwise) that contribute to and measure how developed an economy is. Some of them are:

- The production level of a country
- The consumption level of a country
- The quantity and quality of natural resources
- The quantity and quality of public infrastructure
- The education of the general public
- The level of income of average citizens
- The incidence of poverty
- The birth rate.

Less than 20% of the world's population live in industrial nations, and they account for about 70% of world output. The countries in the Group of Seven (G-7) have the most industrialized economies. The G-7 are the United States, Canada, Japan, Germany, France, the United Kingdom, and Italy. The G-8 includes G-7 plus Russia, which may best be described as an economy in transition.

The entire EU – which also includes Austria, Belgium, Denmark, Finland, Greece, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, new EU member States, such as Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and some European nations outside the EU, such as Iceland, Norway, Switzerland, are also industrialized. So are Australia and New Zealand.

But there is an income inequality, which creates some of the questions these countries face. The term sustainable growth refers to economic growth based on renewable resources and minimal environmental degradation.

Newly Industrialized Nations: Getting Going

Newly industrialized nations (NICs) have a rapidly growing base of productive capital and rising incomes. Most of these nations have sound governments and banking and financial systems, although they may occasionally be subject to financial or political dislocation. For instance, Brazil is weighed down with international debt and must work hard to control inflation. Pakistan may face political instability and a shaky relationship with neighbouring India.

Newly industrialized nations include Hong Kong, Singapore, Taiwan, and South Korea (which are known as Asia's "Four Tigers"), Pakistan, Malaysia, Indonesia, Thailand, Mexico, Brazil, Chile, Venezuela, Israel, South Africa.

Less than 5 percent of the world's population lives in NICs, and they earn less than 5 percent of the world's income.

The Four Tigers followed a strategy of export-oriented industrialization in which they moved from the status of developing country to that of NIC in the 1970s and 1980s. These nations ambitiously took Japan as a role model, but concentrated on light manufacturing. The World Bank and the International Monetary Fund have held up the Tigers as models for other developing and underdeveloped nations. However, export-oriented growth isn't possible for every nation, especially when other nations, including China and some industrialized nations, still engage in protectionism.

NICs face a variety of problems, depending on their specific situations. One common issue is financing growth. A number of newly industrialized countries need more sophisticated banking and financial systems, and more stable governments.

Economies in transition

A **transition economy** is an **economy** which is changing from a centrally planned **economy** to a market **economy**. These countries - which include China, Mongolia, Vietnam, former republics of the Soviet Union, and the countries of Central and Eastern Europe - contain about one-third of the world's population. (Source: World Bank). Transition economies undergo a set of structural transformations intended to develop market-based institutions.

The race to transform centrally planned economies into market economies has led, ten years later, to one group of countries approaching the finish line, others languishing at various points along the track, and a few barely off the starting blocks. Some Central and Eastern European economies (CEE) are knocking on the doors of the European Union but in many economies in the Commonwealth of Independent States (CIS), including Russia, there has been uneven progress and prospects remain murky.

South-Eastern Europe (CEE): *Albania, Bosnia and Herzegovina, Montenegro, Serbia, the former Yugoslav Republic of Macedonia.*

Commonwealth of Independent States (CIS): *Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.*

Transition economies in Asia: *Cambodia, China, Laos, Vietnam.*

The main ingredients of the transition process are:

- *Liberalization*: the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies.
- *Macroeconomic stabilization*: this process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments.
- *Restructuring and privatization*: the processes of creating a viable financial sector and reforming the enterprises in these economies to render them

capable of producing goods that could be sold in free markets and of transferring their ownership into private hands.

- *Legal and institutional reforms*: these are needed to redefine the role of the state in these economies, establish the rule of law, and introduce appropriate competition policies.

Developing Nations

A developing country is a country with a less developed industrial base and a low Human Development Index (HDI) relative to other countries. However, this definition is not universally agreed upon. Developing nations range from the poorest in the world to those that have begun to build an industrial base, but have yet to achieve stable growth in production and income. A number of these nations have large, growing urban populations and serious difficulties with unemployment, crime, and poverty in the cities.

There is also no clear agreement on which countries fit this category. Least developed countries (LDCs), landlocked developing countries and small island developing states are all sub-groupings of developing countries..

Developing countries tend to have some characteristics in common often due to their histories or geographies. For example, with regards to health risks, they commonly have: low levels of access to safe drinking water, sanitation and hygiene; energy poverty; high levels of pollution (e.g. air pollution, indoor air pollution, water pollution); high proportion of people with tropical and infectious diseases (neglected tropical diseases); a high number of road traffic accidents; and generally poor infrastructure. Often, there is also widespread poverty, high crime rates, low education levels, inadequate access to family planning services, many informal settlements, corruption at all government levels, and political instability.

Least developed countries can be distinguished from developing countries, "less developed countries", "lesser developed countries", or other terms for countries in the so-called “Third World”. As of December 2020, 46 countries are classified as LDC, among them 33 countries in Africa, 9 countries in Asia, 3 countries in Oceania and Haiti in Central America.

2. Find in the text the answers to the following questions:

1. What countries are considered as industrialized countries?
2. What are problems facing the developed countries?
3. What countries are called Asian Tigers?
4. Why Asian Tigers succeeded in their economic development?
5. What is a transition economy?
6. What are the main ingredients of the transition process?
7. How can you characterize the problems of developing countries?

3. Use the following words to complete the sentences below:

to develop, development, developed, developing

1. The ____________ countries are mainly agricultural primary producers whose economy is based on relatively primitive farming methods.
2. Such countries rely heavily on the export earning from the sale of their primary products to the ___________ countries.
3. It is usually advantageous for countries __________ their own manufacturing industries.
4. Many countries aim at __________, but few are successful.

4. Match the following common collocations with their Ukrainian equivalents:

A	B
1. промислово розвинені країни	a. stem from economics
2. нові промишленно розвинені країни	b. industrialized or developed countries
3. країни, що розвиваються	c. newly developed countries
4. складна банківська система	d. developing countries
5. виникати з економіки	e. vigorous trade
6. енергійна торгівля	f. G-7
7. велика сімка	g. account for
8. Всесвітній банк	h. to be weighted down with
9. Міжнародний валютний фонд	i. the Organization for Economic Cooperation and Development (OECD)
10. перехідна економіка	j. world output
11. світове виробництво	k. transition economy
12. складати	l. cope with
13. справлятися	m. sophisticated banking system
14. бути обтяженим	n. International Monetary Fund (IMF)
15. Організація з економічного співробітництва та розвитку	o. the World Bank (WB)

5. There is a logical connection among three of the four words (or word combinations) in each of the following groups. Which is the odd one out, and why?

1. global economy - international trade - multinational corporations - fiscal policy;
2. the UK - the USA – Germany - Pakistan;
3. Hong Kong – Singapore – Taiwan – Chile;

4. low income – poverty - unemployment – broad range of products;
5. productive capital – sophisticated banking system - vigorous international trade - political dislocation.

6. Complete the following sentences, use the prompts below:

1. Economists classify the world's economies as ___________, _________, _________ nations and __________.
2. The term ___________refers to economic growth based on renewable resources and minimal environmental degradation.
3. An __________has a large base of productive capital, sophisticated banking systems and financial markets, a variety of industries producing a broad range of products, and vigorous and varied international trade.
4. Newly industrialized nations (NICs) have a rapidly growing base of productive capital and ___________.
5. A number of developing nations have large, growing urban populations and serious difficulties with________, _________ and _________.

Words for reference: industrialized, newly developed, developing and economies in transition; sustainable growth; industrialized economy; rising incomes; unemployment, crime, and poverty in the cities.

7. Based on your understanding of the text, are the following TRUE or FALSE? Explain why.

1) Industrialized nations also have well-established systems of government and law, and provide educational opportunities for their people.
2) Greece may best be described as an economy in transition.
3) EU includes only countries of Europe.
4) The term sustainable growth refers to political growth based on renewable resources and average environmental degradation.
5) Newly industrialized nations (NICs) have a slowly growing base of productive capital and rising incomes. Most of these nations have poor governments and primitive banking and financial systems
6) Brazil is weighed down with international debt and must work hard to control inflation.
7) Developing nations range from the poorest in the world to those that have begun to build an industrial base.

8. Speak on:

1. Classification of the nations according to the development of their economy.
2. International trade as a form of specialization.
3. Main features of industrialized countries.
4. Sectors of the economy the NIC need to develop.
5. Primary issues of concern in the countries with transition economies.
6. Main problems that developing countries face.

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