МИНИСТЕРСТВО СЕЛЬСКОГО ХОЗЯЙСТВА
И ПРОДОВОЛЬСТВИЯ РЕСПУБЛИКИ БЕЛАРУСЬ

ГЛАВНОЕ УПРАВЛЕНИЕ ОБРАЗОВАНИЯ, НАУКИ И КАДРОВ

Учреждение образования
«БЕЛОРУССКАЯ ГОСУДАРСТВЕННАЯ
СЕЛЬСКОХОЗЯЙСТВЕННАЯ АКАДЕМИЯ»

Кафедра лингвистических дисциплин

В. В. Фоменко

АНГЛИЙСКИЙ ЯЗЫК

MACRO- AND MICROECONOMICS

Сборник текстов и упражнений
для студентов экономических специальностей УО БГСХА

Горки
БГСХА
2018

УДК 804.0(072)
ББК 81.2Англ
Ф76

*Рекомендовано методической комиссией
факультета международных связей
и довузовской подготовки.
Протокол № 2 от 10 октября 2018 г.*

Автор:
старший преподаватель *В. В. Фоменко*

Рецензент:
кандидат филологических наук, доцент *Н. С. Шатравко*

Фоменко, В. В.

Ф76 Английский язык. Macro- and Microeconomics : сборник текстов и упражнений / В. В. Фоменко. – Горки : БГСХА, 2018. – 59 с.

Приведены тексты экономической тематики для развития навыков поискового и просмотрового чтения. Пособие знакомит студентов с основными экономическими законами и терминологической лексикой, особенностями международной торговли.

Для студентов экономических специальностей УО БГСХА.

УДК 804.0(072)
ББК 81.2Англ

ВВЕДЕНИЕ

Данные методические разработки предназначены для студентов экономического профиля УО БГСХА.

Цель методических разработок – совершенствование навыков изучающего чтения, т. е. подготовка студентов к чтению и пониманию литературы по специальности.

Методические разработки состоят из 12 разделов. Каждый раздел включает текст А для изучающего чтения, предтекстовые и послетекстовые упражнения, а также текст В для пересказа.

Предлагаемые упражнения способствуют быстрому усвоению и активизации лексики. Разработки включают задания на нахождение эквивалентов, подбор синонимов и антонимов, соотнесение слов с определениями, при помощи которых осуществляется контроль понимания прочитанного.

Методические разработки могут быть использованы как для аудиторной, так и для самостоятельной работы студентов.

UNIT 1

WORD-STUDY

Exercise 1. Check the transcription in a dictionary and translate the words listed below.

Nouns: segregation, campus, endowment, investment, border, activity, finance, (in)tangible products.

Verbs: participate, contribute, expand, transfer, earn.

Adjectives: global, foreign, international, local, racial.

Exercise 2. Make nouns from the following verbs according to the model and translate them.

Model: *a) to import – import(er):* to travel, to trade, to finance, to consume.

Model: b) to endow – endow(ment): to retire, to agree, to govern, to employ, to pay, to invest.

Text A

WHAT IS THE WORLD ECONOMY?

In order to understand what the world economy is, you must first understand what an economy is. An economy is all the activity that is related to producing and consuming goods and services in a specific area. For example, the city of Chicago has a unique economy. This economy takes into account all of the goods created in the city. These goods are tangible items such as computer screens that are created in a factory, and they are intangible products such as new software and new websites that are created by individuals and companies in Chicago. The economy also takes into account companies that provide services in Chicago, such as restaurants and city tours. All of the business conducted in the city adds up, and citizens of Chicago find they are either in a good economy or a bad economy. A good economy means that, as a whole, the businesses are making a profit – they are growing and making money. A bad economy means that, generally speaking, companies are not doing well – they are struggling to find customers and cutting wages in response.

The same principle applies to a country. Its economy is good or bad based on the performance of businesses throughout the country.

Each country on earth has an economy and, as you might predict, those businesses and economies interact. The result of that interaction is called the world economy.

In many ways, we are all part of the world economy. When we drink our imported coffee or hot chocolate in the morning, when we use a foreign-made device, or when we travel abroad on holiday, we are participating in the growing world of international trade and finance. And it is not only as a consumer of foreign goods and services that we are part of the world economy.

The money that our pension funds or university endowments earn from global investments may actually be paying for our retirement or a new building on campus. Foreign investment in local real estate and companies can also provide needed jobs for our friends and families. Even the local athlete who has signed a contract to play abroad is part of the expanding global economy. The world economy is made up of all those interactions among people, businesses, and governments that cross international borders. We use the world economy to achieve specific political or ecological objectives when we employ economic sanctions to fight racial segregation or the illegal killing of whales.

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

COMPREHENSION CHECK

Exercise 1. Match Russian and English equivalents.

1. goods	a. капиталовложение
2. to participate	b. цель
3. investment	c. потребитель
4. retirement	d. услуги
5. real estate	e. недвижимость
6. interaction	f. выход на пенсию
7. to contribute	g. участвовать
8. consumer	h. вкладывать
9. objective	i. товары
10. services	j. взаимодействие

Exercise 2. Choose the right translation of the words.

1. Trade a) торговля b) торговец c) торговый оборот
2. Investment a) достаток b) дар c) капиталовложение
3. Goods a) товары b) услуги c) чеки
4. Endowment a) облигация b) вклад c) кредит
5. Customer a) обычай b) таможня c) потребитель

Exercise 3. Choose the correct answer according to the text.

1. What is the global economy made up of?

a) The world economy is made up of goods and services.

b) The world economy is made up of all interactions between people, businesses and governments that cross international borders.

c) The world economy is made up of domestic and international trade.

2. What is the part of the world economy?

a) Everything that crosses international borders.

b) All goods and services at men’s disposal.

c) Each country’s economic activity.

3. What can provide needed jobs for our friends and families?

a) Our own money.

b) Loans from local banks.

c) Foreign investment in local real estate and companies.

4. What does a good economy mean?

a) The companies have a good income.

b) The companies cut salaries.

c) The companies get smaller in size and reduce the amount of the goods they produce.

5. What is the world economy?

a) All of the economic activity within each country and between countries around the world.

b) Only the economic activity of the most powerful and influential countries of the world.

c) Only the economic activity of countries that make a profit around the world.

Exercise 4. True or false?

1. An intangible good is a good that does not have a physical nature. Digital goods such as downloadable music, mobile apps or virtual goods used in virtual economies are all examples of intangible goods.

2. The economy does not depend on the performance of businesses throughout the country, but depends on the international trade.

3. The world economy is made up of the interactions among people, businesses, and governments that cross international borders.

4. The structure of the world economy is never changing.

5. The rapid cross-border economic, social, technological exchange enhanced world interconnections, increasing the process of globalization.

Text B

THE WORLD'S BIGGEST ECONOMIES IN 2018

When it comes to the top 10 national economies around the globe, the order may shift a bit, but the key players usually remain the same, and so does the name at the head of the list. The United States has been the world's biggest economy since 1871. But that top ranking is now under threat from China.

These are the world's biggest economies

Based on data from the International Monetary Fund, 2018

Country	Value (in trillions)
1 United States	20.4
2 China	14
3 Japan	5.1
4 Germany	4.2
5 United Kingdom	2.94
6 France	2.93
7 India	2.85
8 Italy	2.18
9 Brazil	2.14
10 Canada	1.8

The United States has the largest economy in the world at $20.4 trillion, according to data from the International Monetary Fund (IMF), which shows the US economy increased from around $19.4 trillion last year.

China follows and Japan is in the third place. Three European countries take up the next places on the list: Germany, the United Kingdom and France.

Overall, the global economy is worth an estimated $79.98 trillion, meaning the US accounts for more than one-quarter of the world total.

However, its dominance looks to be declining. According to the data from the World Bank, the global economy will expand by $6.5 trillion between 2017 and 2019. America's GDP is expected to account for 17.9 % of this growth. China's, however, is predicted to account for almost double this, at 35.2 %.

China's digital economy is also experiencing a boom period. It will also eclipse the US economy by 2050, according to a report by professional services.

One of the major reasons for the growth of emerging economies is that advanced economies are mature markets that are slowing. Since the 1990s, the economies of advanced countries have experienced far slower growth in comparison to the rapid growth of emerging economies such as India and China. The worldwide financial crisis from 2008 to 2009 fueled the trend of decline among the advanced economies.

UNIT 2

WORD-STUDY

Exercise 1. Check the transcription in a dictionary and translate the words listed below.

Nouns: macroeconomics, microeconomics, revenue, spending, fuel, goal, survey, consumer vehicle, fiscal policy, taxation, employment.

Verbs: supply, influence, promote, keep, regulate.

Adjectives: individual, overheated, major, governmental, fiscal.

Exercise 2. Make a) adverbs from the following adjectives according to the model:

Model: adjective + ly (special- specially); actual, usual, wide, necessary, quick, essential, careful, common.

b) nouns from the following adjectives according to the model:

Model: adjective + ness (complete-completeness); careful, happy, ready, eager, great, useful.

Text A

WHAT IS MACROECONOMICS?

Macroeconomics provides us with a bird's eye view of a country's economic landscape. Instead of looking at the behaviour of individual businesses and consumers – called microeconomics – the goal of macroeconomics is to look at overall economic trends such as employment levels, economic growth, balance of payments, and inflation. The study of the world economy, for example, is essentially a macroeconomic survey.

Just as the speed of an engine is regulated by its supply of fuel, macroeconomics is influenced mainly by monetary policy, which controls a nation's money supply, and fiscal policy, which controls a government's revenue and spending. Control over an economy is essentially in the hands of each country's central banks and government, because they control the money that provides the fuel to keep the economy running.

Monetary policy, the control of a nation's money supply, is managed by each country's central bank. Germany's Bundesbank, Britain's Bank of England, and the Bank of Japan all regulate their money supplies with basically the same goals as the U.S. Federal Reserve: to promote economic growth and keep inflation under control.

Just as a driver uses the accelerator to speed up or slow down a vehicle, central banks control the economy by increasing or decreasing the money supply. By carefully regulating the supply of money to fuel economic growth, a central bank works to keep the economy from overheating or slowing down too quickly.

Monetary policy is essentially a guessing game. There is not one statistic to tell us how fast an economy is growing, and there is nothing that tells us how quickly the economy will respond to changes that may take months or years to implement. Central banks try to keep one eye on inflation, resulting from an overheated economy, and one eye on unemployment, resulting from economic slowdowns.

The economy at large can also be controlled by regulating fiscal policy, government revenue and spending. Although a country's money supply is controlled by central banks, government spending also influences a country's economic growth. Just as a family's economic health is influenced by a parent's earnings and spending habits, a nation's economic health is influenced by governmental fiscal policies, such as taxation, spending, and government borrowing. For better or for worse, the major economic influences in our daily lives, such as inflation and unemployment, are primarily the result of macroeconomic decisions.

COMPEHENSION CHECK

Exercise 1. Match the antonyms. There are two extra words.

1	2
1. revenue	a. producer
2. consumer	b. poverty
3. activity	c. indifference
4. growth	d. measure
5. change	e. stability
6. wealth	f. value
	g. spending
	h. slowdown

Exercise 2. Complete the sentence giving the explanation to the economic terms.

1) Macroeconomics is …
2) Microeconomics is …
3) Fiscal policy is …
4) Monetary policy is …

Exercise 3. True or false?

1. Macroeconomics controls individual spendings.
2. Control over an economy is in the hands of country's central bank and government.
3. The goals of the central bank are to promote economic growth and keep inflation under control.
4. Central banks control the economy only by increasing the money supply.
5. Monetary policy is a thing you can always rely on.

Exercise 4. Answer the questions.

1. What is the basic difference between microeconomics and macroeconomics?
2. What is the goal of macroeconomics?
3. How does the monetary policy influence on macroeconomics?

4. What is monetary policy managed by in order to control a nation's money supply?

5. Can the major economic influences in our daily lives, such as inflation and unemployment, be primarily the result of macroeconomic decisions?

Text B

HOW IS WEALTH DETERMINED AROUND THE WORLD?

A nation's wealth can be determined by looking at its people. But it is difficult to rely on one statistic. Are the Kuwaitis better off because they earn more money per capita than the Brazilians? Are the French better off if they have more telephones per household than the Canadians? There are many different ways to determine wealth. Economists define wealth as what a person owns, such as stocks and real estate, but many people look first to their level of income to see if they are well off.

Comparing salaries in different countries, however, is like comparing apples and oranges, because the salaries in each country are paid in different currencies. We need to somehow translate what each person earns into a common unit of measure. This is usually done by using exchange rates that tell us the value of one currency calculated in terms of another.

Exchange rates, determined by the foreign exchange markets around the world, reflect the markets' view of each country's economic and political situation. By using exchange rates, a salary in yen in Tokyo can be converted into U.S. dollars to make it comparable to a salary in Los Angeles.

Because the cost of living varies widely from one country to another, however, it is difficult to translate salaries by simple using currency exchange rates. If a Big Mac or an apartment costs three times as much in Tokyo as in Los Angeles or Paris, a higher salary in Japan does not necessarily mean a Japanese worker is better off than an American or French worker.

It is sometimes more valuable to look at what salaries will actually buy in each country. A salary's "purchasing power" tells us how many goods and services it can actually buy. Comparing the cost of a group of goods and services from country to country, therefore, gives us a more reliable exchange rate, called purchasing power parity (PPP). The PPP exchange rate is calculated by looking at the cost of groceries and other items such as vacation trips, automobiles, insurance, and rent in different countries.

By choosing this basket of goods and services and calculating their cost in different countries around the world, we can compare the purchasing power or "real" value of salaries from country to country. Although one country may be richer in terms of the amount of money each citizen owns or earns, what counts in the long run is what each person can do with this wealth.

COMPREHENSION CHECK

Exercise 1. Match the synonyms.

1	2
1. to determine	a. to depend on
2. to calculate	b. to have
3. to rely on	c. to make
4. to own	d. to convert
5. to do	e. to define
6. to transform	f. to count

Exercise 2. Match the equivalents of the given collocations:

a) per capita, to be well off, per household, common unit of measure, currency exchange rate, purchasing power parity, in the long run.

b) в конце концов, на душу населения, быть обеспеченным, общепринятая единица измерения, курс валютного обмена, на одно домовладение, равенство покупательской способности.

Exercise 3. Answer the following questions.

1. How do economists define wealth?
2. What does salary’s purchasing power tell us?
3. How is purchasing power parity (PPP) calculated?
4. What do exchange rates reflect?
5. Why is it difficult to rely on any one statistic in determining a nation’s wealth?
6. How can we compare salaries in different currencies?
7. In what way is it possible to compare the purchasing power or "real" value of salaries from country to country?

UNIT 3

WORD-STUDY

Exercise 1. Check the transcription in a dictionary, read and translate the words listed below.

Nouns: allocation, scarce resources, competitive market, supply, demand, competition, prices.

Verbs: supply, affect, involve.

Exercise 2. Make the words negative by using the prefix dis-.

Model: satisfaction + dis – dissatisfaction

Ability, pleasure, agree, obey, qualify, connect, comfort.

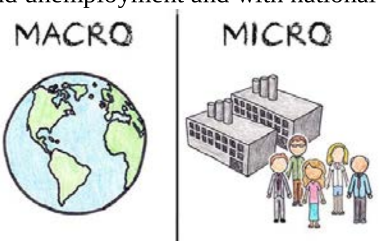
Text A

WHAT IS MICROECONOMICS?

Microeconomics (from Greek prefix *mikro-* meaning "small") is a branch of economics that studies the behavior of individuals and firms in making decisions regarding the allocation of scarce resources and the interactions among these individuals and firms.

One goal of microeconomics is to analyze the market mechanisms that establish relative prices among goods and services and allocate limited resources among alternative uses. Microeconomics shows conditions under which free markets lead to desirable allocations. It also analyzes market failure, where markets fail to produce efficient results.

Microeconomics stands in contrast to macroeconomics, which involves "the total of economic activity, dealing with the issues of growth, inflation, and unemployment and with national policies relating to these issues".



Microeconomics studies the effects of individual human decisions, and how those decisions affect the utilization, consumption, and distribution of scarce resources. Microeconomics explains why and shows how different goods and services have different values, why individuals make the decisions they make, how the single entities of the economy coordinate and cooperate, and forecast the individual actions should the factors of production change. Microeconomics is the study of economic tendencies.

Supply and demand are the fundamental components of microeconomics used in price determination. In perfect competitive market, aspects such as per unit taxes, price controls, and externalities of a particular product do not exist as such demand equals supply, the unit price during production is the market prices, and the economic equilibrium. In the real sense, when there is a shortage of a commodity resulting from a reduction in supply, it will affect the price: when demand increases, prices will increase and consequently when supply increases prices reduce.

Microeconomics	**Macroeconomics**
❖ Studies the decisions made by individual and business concerning the distribution of resources and prices of goods and services	❖ Studies the behavior of not only particular company or industries but the whole economy
❖ Deals with a specific industry or a sector and households in the market	❖ Includes understanding how unemployment, price levels, growth rates affects the economy and the gross National Product
❖ For example, it would study how a company could lower its prices to increase its product demand in the market	❖ For example, it would look at how an increase/decrease in net imports would affect a nation’s capital account

Supply and demand are the fundamental components of microeconomics used in price determination. In perfect competitive market, aspects such as per unit taxes, price controls, and externalities of a particular product do not exist as such demand equals supply, the unit price during production is the market prices, and the economic equilibrium. In the real sense, when there is a shortage of a commodity resulting from a reduction in supply, it will affect the price: when demand increases, prices will increase and consequently when supply increases prices reduce.

Microeconomics does not proffer market ultimatums. Rather, it is a normative science, and one that focuses on explaining what the market should expect when certain conditions or factors change. For example, when the manufacturer raises the price of a commodity, consumers tend to buy less of that commodity. When supply is restricted, prices tend to increase. It helps investors determine risks worth taking and assist in studying and prospect future occurrences. Microeconomics is also relevant in industries looking for an entry, or competition. In the political arena it is used when evaluating the role of political institutions and parties in determining policy outcomes, and in law firms to assess the efficiency of competing regimes, and in public affairs to determine government tax and expenditure policies needed by the economy of a country.

COMPREHENSION CHECK

Exercise 1. Choose the right translation of the words.

1. Allocate resources a) уничтожать ресурсы b) выделять ресурсы c) оборот ресурсов
2. Free market a) бесплатный рынок b) доступный рынок c) свободный рынок
3. Unemployment a) капиталовложение b) безработица c) занятость
4. Tax per unit a) налог за единицу b) вклад в процентахс) кредит
5. Entities of the economy a) экономическое единство b) экономическая политика c) субъекты экономики
6. Commodity a) товар b) общественность c) документация
7. Supply a) обращение b) спрос c) предложение

Exercise 2. Complete the sentences.

1. Microeconomics stands in contrast to macroeconomics, which involves …
2. Microeconomics is a branch of economics that studies …
3. As a normative science, microeconomics focuses on explaining what the market …
4. … are the fundamental components of microeconomics used in price determination.
5. When … is restricted, prices tend to increase.
6. … shows conditions under which free markets lead to desirable allocations.
7. Microeconomics also analyzes market failure, where markets fail to …
8. … explains why and shows how different goods and services have different values, why individuals make the decisions they make, how the single entities of the economy coordinate and cooperate.

9. When there is a shortage of a commodity resulting from a reduction in supply, it will affect …

10. Microeconomics does not ... market ultimatums.

Exercise 3. Answer the questions.

1. What is the origin of the word "microeconomics"?
2. What does microeconomics study?
3. Does microeconomics stand in contrast to macroeconomics?
4. Does microeconomics study economic tendencies?
5. What role do supply and demand play in price determination?
6. Does demand always equal supply?
7. In what way will a shortage of a commodity (resulting from a reduction in supply) affect the price?

Text B

BASIC CONCEPTS OF MICROECONOMICS

Microeconomics is the science of how people make decisions at the small scale. It is different from macroeconomics which looks at how the economy works as a whole. In microeconomics, we might look at how a person chooses what to buy at the store or how many things a company will make. Some parts of microeconomics include *Consumer Theory* and *Theory of the Firm*, which study how people and businesses make decisions.

The study of microeconomics involves several key concepts, including (but not limited to):

- Demand, supply and equilibrium: The theory of supply and demand help determine prices in a competitive market. In a perfectly competitive market, it concludes that the price demanded by consumers is the same supplied by producers. That results in economic equilibrium.
- Production theory: This is the study of production – or the process of converting inputs into outputs.
- Costs of production: This theory states that the price of goods or services is determined by the cost of the resources going into making it.
- Labor economics: is the need to understand the functioning and dynamics of the wage labor market. It looks at the suppliers of labor services (or workers), the demand for this service (employers), and tries to understand the pattern of wages, employment and income.

UNIT 4

WORD-STUDY

Exercise 1. Check the transcription in a dictionary, read and translate the words listed below.

Nouns: flow, opportunity, barrier, law, period.

Verbs: consume, involve, exist, erect, damage, retaliate.

Adjectives: domestic, interlinked, diverse, artificial.

Exercise 2. Give the translation and remember the following verbs used with prepositions in post- position.

Pay for, flow in, flow out, substitute for, make up, rely on, convert into, look at, look after, speed up, keep from, refer to, add up.

Text A

WHAT IS INTERNATIONAL TRADE?

Trading globally gives consumers and countries the opportunity to be exposed to new markets and products. Almost every kind of product can be found in the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies, and water. Services are also traded: tourism, banking, consulting, and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

Industrialization, advanced technology, including transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Nations would be limited to the goods and services produced within their own borders without international trade. International trade is, in principle, not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. This is due to the fact that a border typically imposes additional costs such as tariffs, time costs due to border delays, and costs associated with country differences such as language, the legal system, or culture.

Another difference between domestic and international trade is that factors of production such as capital and labor are typically more mobile within a country than across countries. Thus, international trade is mostly restricted to trade in goods and services, and only to a lesser extent to trade in capital, labour, or other factors of production.

The basic idea of international trade and investment is simple: each country produces goods or services that can be either consumed at home or exported to other countries. The main difference between domestic trade and international trade is the use of foreign currencies to pay for the goods and services crossing international borders. Although global trade is often added up in U.S. dollars, the trading itself involves a myriad of currencies. A Japanese device is paid for in euros in Paris, and French designer sunglasses are paid for in U.S. dollars in Seattle. Brazilian coffee, American films and German cars are sold around the world in diverse currencies.

Whenever a country imports or exports goods and services, there is a resulting flow of funds: money returns to the exporting nation, and money flows out of the importing nation. Trade and investment is a two-way street, and with a minimum of trade barriers, international trade and investment usually makes everyone better off.

Some trade barriers will always exist as long as any two countries have different sets of laws. However, when a country decides to protect its economy by erecting artificial trade barriers, the result is often damaging to everyone, including those people the barriers were meant to protect. The Great Depression of the 1930s, for example, spread around the world when the United States decided to erect trade barriers to protect local producers. As other countries retaliated, trade plummeted, jobs were lost, and the world entered into a long period of economic decline.

COMPREHENSION CHECK

Exercise 1. Read and translate the collocations and expressions given below.

1. foreign made
2. international trade and finance
3. global investment
4. earnings and spending habits
5. exchange rate
6. overall economic trends
7. fiscal policy
8. nation's money supply

Exercise 2. Choose the correct word according to the information in the text.

1. The main … between domestic trade and international trade is the use of foreign currencies to pay for the goods and services crossing international borders.

a) idea
b) difference
c) goal

2. In the … global economy, consumers are given the opportunity to buy the best products at the best prices.

a) domestic
b) interlinked
c) foreign

3. Some … barriers will always exist as long as two countries have different sets of laws.

a) trade
b) import
c) export

4. By … markets, a government allows its citizens to produce and export things they are best at.

a) closing up
b) expending
c) opening up

Exercise 3. Join suitable parts of the sentences.

1. Although global trade is often added up in dollars …
2. Whenever a country imports or exports goods and services, …
3. When a country decides to protect its own economy by erecting artificial trade barriers, …
4. Trade and investment …

a. there is a resulting flow of funds.
b. the result is often damaging to everyone.
c. the world enters into a long period of economic decline.
d. the trading itself involves a myriad of currencies.
e. is a two-way street.

Exercise 4. Answer the questions.

1. What is the basic concept of international trade?
2. What opportunities does international trade give consumers?

3. What are the main differences between domestic and international trade?

4. Does international trade system experience any influence from outside?

5. What is the difference between export and import? Give a few examples.

6. What may happen if a country keeps artificial trade barriers for too long?

7. Is it true that while trading globally money returns to the exporting nation, and money flows out of the importing nation?

Text B

INTERNATIONAL TRADE

by Esteban Ortiz-Ospina and Max Roser

International trade has changed our world drastically over the last couple of centuries. From a historical perspective, international trade has grown remarkably in the last couple of centuries. After a long period characterized by persistently low international trade, over the course of the 19th century, technological advances triggered a period of marked growth in world trade (the 'first wave of globalization'). This process of growth stopped, and was eventually reversed in the interwar period; but since the Second World War international trade started growing again, and in the last decades trade expansion has been faster than ever before. Today, the sum of exports and imports across nations is higher than 50 % of global production. At the turn of the 19th century this figure was below 10 %.

In the last couple of decades, transport and communication costs have decreased across the world, and preferential trade agreements have become more and more common, particularly among developing countries. In fact, trade among developing nations, more than tripled in the period 1980–2011.

Free international trade is often seen as desirable because it allows countries to specialize, in order to produce goods that they are relatively efficient at producing, while importing other goods. This is the essence of the comparative advantage argument supporting gains from trade: exchange allows countries to “do what they do best, and import the rest”.

Available empirical evidence shows that while trade does lead to economic growth on the aggregate, it also creates ‘winners and losers’ within countries – so it is important to consider the distributional consequences of trade liberalization.

UNIT 5

WORD-STUDY

Exercise 1. Check the transcription in a dictionary, read and translate the words listed below.

Nouns: inflow, outflow, account, loan, tally, motorcycle, deficit, surpluses.

Verbs: refer, move, merchandize, include.

Adjectives: visible, tangible, obvious, excessive, current.

Exercise 2. Wordbuilding. Translate the words.

employment – unemployment
profitable – unprofitable
include – exclude
import – export
inflow – outflow
increase – decrease
visible – invisible
legal – illegal
regular – irregular
rational – irrational
understand – misunderstand
place – misplace

Text A

WHAT ARE TRADE SURPLUSES AND DEFICITS?

Just like any business, a country has to keep track of its inflow and outflow of goods, services, and payments. At the end of any given period, each country has to look at its "bottom line" and add up its international trade and investments in one way or another.

The narrowest measure of a country's trade, the merchandise trade balance, looks only at "visible" goods such as computers, coffee and motorcycles. Trade in visible goods is commonly referred to as the trade balance even though it includes only those tangible goods that can actually be loaded on a ship, airplane, or whatever other means of transport to move goods from one country to another.

The current account is a better measure of trade, because it includes a country's exports and imports of services, in addition to its visible trade. It may not be obvious, but many countries make a lot of money exporting "invisibles" such as banking, accounting, and tourism. A tourist abroad, for example, "buys" hotel and restaurant services in the same way as a consumer at home would buy an imported appliance.

Movies and banking services have to be paid for just like bags of rice. The current account tells us which countries have been profitable traders, running a current account surplus with money in the bank at the end of the year, and which countries have been unprofitable traders, having imported more than they've exported, running a current account deficit, or spending more than they've earned.

Trade deficits and surpluses are balanced by payments that make up the difference. A country with a current account surplus, for example, can use the extra money to invest abroad, or it can put it in its cookie jar of foreign currency reserves.

A country running a current account deficit has to look abroad for loans or investments, or be forced to dip into its own reserves to pay for its excessive imports. All of these payments and transfers of funds are added up in a country's capital account. The widest measure of a country's trade is called its balance of payments. It includes not only payments abroad, but the goods, services, and all transfers of funds that cross international borders. The balance of payments adds up everything in a country's current account and capital account. Since all the trade in goods and services is "balanced" by the international transfers of funds, the balance of payments should add up to zero at the end of the accounting period. Every banana, every automobile, every investment and payment that crosses a country's borders gets included in this final tally of international trade and investment – the balance of payments.

COMPREHENSION CHECK

Exercise 1. Match the meaning of the terms and the words.

1. Trade 2. Buyer 3. Client 4. Customer 5. Surplus 6. Trademark 7. Goods 8. Shop	a) a quantity or amount left over in excess of what is required. b) the process of buying and selling of goods and services. c) the name or another symbol used by a manufacturer to distinguish his or her products from those of competitors. d) someone who buys something e) someone who uses the services of a professional person or organization. f) a person who buys goods or services. g) articles produced to be sold. h) a place for the sale of goods and services inside.

Exercise 2. Choose the correct term according to definition.

1. It may be either a partnership, association or joint stock.

a) company

b) tax

c) clue

2. The condition of a person who although capable of working, is yet unable to find suitable employment.

a) joy

b) happiness

c) unemployment

3. Money which is earned by working.

a) credit

b) price

c) earnings

4. An institution offering services, such as safekeeping and lending money at interest.

a) institute

b) bank

c) factory

5. The market consisting of the country where a company is based and no other countries.

a) domestic market

b) international market

c) labour market

Exercise 3. Point out English equivalent to the Russian economic term or collocation.

1. inflow of money	a. торговец, получивший прибыль
2. tally of goods	b. заем
3. loan	c. банковский счет
4. currency reserve	d. валютный резерв
5. payment	e. материальные товары
6. bank account	f. группа товаров
7. surplus	g. сверхприбыль
8. profitable trader	h. приток денег
	i. платеж

Exercise 4. Complete the sentences according to the text.

1. A country has to keep track of its …

a) inflow and outflow of goods, services, etc.
b) services.
c) bank accounts.
2. The current account is …
a) a balance of visible and invisible goods.
b) a better measure of trade.
c) a “bottom line” of a given period.
3. The current account tells us which countries …
a) buy hotels and restaurant services.
b) have been profitable traders.
c) use transport to move goods from one country to another.
4. Trade deficits and surpluses are balanced by …
a) loans.
b) credit cards.
c) payments that make up the difference.

Text B

INTERNATIONAL INVESTING

Trade Deficits, Surpluses and Their Impact on Investors

BY JUSTIN KUEPPER
March 04, 2018

Economists at the World Trade Organization (“WTO”) estimate that cutting trade barriers in agriculture, manufacturing, and services by just one-third would boost the world economy by $613 billion, while tighter economic integration has made it much more costly for countries to declare war on each other.

The world’s countries can generally be divided into exporting and importing countries, based on their *balance of payments* or net exports. This figure is calculated by adding the total net value of imported and exported goods, foreign interest and money transfers.

These dynamics lead to what is known as trade deficits and surpluses:

• **Trade Deficits** – Trade deficits occur when a country imports more products than it exports. For example, if the U.S. were to import $800 billion worth of goods and export only $200 billion worth of goods, there would be a $600 billion trade deficit.

• **Trade Surplus** – Trade surpluses occur when a country exports more products than it imports. For example, if China were to export $1 trillion worth of goods and import only $200 billion worth of goods, it would have an $800 billion trade surplus.

It's important to keep in mind that trade deficits and surpluses may require some investigation below the surface, too. For example, the Economist points out that the Apple iPad is imported from China and the $275 production cost counts as a trade deficit for the U.S. However, the vast majority of the profits actually flow into Apple Inc., a U.S. company, while the value added from work in China amounts to just $10 of the $275 production cost.

Trade deficits and surpluses have an immediate impact on several important economic indicators, including important things like the gross domestic product ("GDP"). However, these figures must be considered within the context of a country's overall size. For example, the U.S. may have a large trade deficit, but since most of its goods and services are produced and consumed domestically, this trade deficit doesn't have a major impact on its overall GDP.

Trade surpluses can be extremely important to watch in countries that rely on exports to drive economic growth, too. For example, oil exporting countries may rely on trade surpluses to fund public programs or sovereign wealth funds. Decreases in oil prices could lead to narrower trade surpluses and greater difficulties with public finances. And in some cases, these scenarios could lead to higher political risk in the affected regions.

Trade deficits and surpluses play a key role in global markets, particularly in export-driven economies and emerging markets. Investors should be mindful of the risks associated with both persistent trade deficits and narrowing trade surpluses, which can reduce global purchasing power and lead to higher political risks, respectively.

UNIT 6

WORD-STUDY

Exercise 1. Check the translation in a dictionary, read and translate the words listed below.

Geographical names: Peru, New Zealand, Nigeria.

Nouns: Service, clothing, shelter, automobile, manufacture, lifeguard.

Verbs: survive, consume, measure, compare, contribute.

Adjectives: monetary, easy, economic, legal, illegal.

Exercise 2. Read the words and give Russian equivalents to the following nouns:

a) with the suffix *–ance- (-ence-):* abundance, insurance, importance, appearance, difference, influence.

b) with the suffix *-ture- (-sure-):* pleasure, leisure, measure, treasure, future, picture, lecture, mixture.

Text A

WHAT IS GNP?

In every country – from Poland to Peru and from New Zealand to Nigeria – the production of goods and services provides the food, clothing, and shelter that allow its people to survive and prosper.

Some countries produce an abundance of raw materials such as coal and timber while others produce manufactured goods like steel and automobiles. Some countries may concentrate on producing foodstuffs like rice and butter while others produce services – movies, insurance, or banking. Whatever is not consumed in the country itself can be sold to other countries as exports.

The size of a country's economy is determined by the total amount of goods and services that country produces. As more and more goods and services are produced, the economy grows – and the best way to measure this growth is to put a monetary value on everything bought or sold. Although money is not the only measure of an economy's size, it is the easiest way to sum up the value of all the apples and oranges, automobiles and computers, football games and college classes that a country produces in the course of a given year.

The monetary value of all these goods and services can then be added up and compared with that of other countries. Since almost every country uses a different currency, the totals from each country have to be translated – by using currency exchange rates – to compare the size of one country's economy to another. For example, the yen value of the Japanese economy can be converted into U.S. dollars to compare it to the American economy.

The measure of economic activity that includes all the goods and services bought or sold in a country over the course of a year is called gross domestic product (GDP). GDP measures a country's economic activity, just as a speedometer is used to measure the speed of a car. When a country produces more goods and services, its economic activity speeds up. In other words, the GDP increases. A healthy economy grows steadily, over a period of months or years. When growth stops or slows down, the economy is said to be in a "recession."

When the international activities of a country's residents are added to GDP, a wider more global measure of a country's total economic activity is created: gross national product or GNP. Both measures tell more or less the same story – GDP concentrates on the purely "domestic" production of goods and services covering only the economic activity which takes place within the country's borders, while GNP includes net international trade and investment, which includes everything from exports of movies to foreign earnings and travel abroad.

GDP and GNP try to measure every legal good and service that an economy produces. A farmer selling fresh vegetables, an automobile dealer selling user cars, a poet selling a new book, a hairdresser, prize fighter, or lifeguard selling his goods and services all contribute to economic activity, as measured by GDP and GNP. At each stage of production, every time that monetary value is added, a country's GDP and GNP is increased.

Notes:

1. GDP – gross domestic product.
2. GNP – gross national product.

COMPREHENSION CHECK

Exercise 1. Remember the words

Economy 1) экономика страны

Economy of some countries has had a deep crisis over the past years.

2) экономия. One should take care of domestic economy.

Economic – экономический, относящийся к экономике

An economic crisis in Russia.

Economical – экономный

Small cars are more economical to run.

To economise – экономить

We can't economize on healthy food.

Economics – наука и учебный предмет

Economics is a very important subject.

Exercise 2. Match the Russian and English equivalents.

1. to update	a. потреблять
2. to survive	b. связывать
3. to prosper	c. измерять
4. to decline	d. процветать
5. to consume	e. обновлять
6. to link	f. выжить
7. to measure	g. регрессировать
	h. увеличивать

Exercise 3. Match the term and its definition.

1. gross national product is …
2. gross domestic product is …
3. gross national product and gross domestic product are …

a. measure of every legal good and service

b. gross domestic product plus the international activities of a country's residents

c. the measure of economic activity that includes all the goods and services bought and sold in a country over a year.

Exercise 4. Answer the questions.

1. What is the easiest way to sum up the value of all the goods that a country produces in the course of a given year?
2. What is the size of a country's economy determined by?
3. What is GDP?
4. What is GNP?
5. What do GDP and GNP try to measure?
6. What makes a country's GDP increase?

Text B

HOW DO EXCHANGE RATES FUNCTION?

If every country in the world used the same currency, world trade would be made much easier. But this is not the case.

Currencies, like other commodities such as petrol and shirts, have a certain value. The only difference is that each currency's value is stated in terms of other currencies. Euro has a value in U.S. dollars, which have a value in British pounds, which have a value in Japanese yen. These exchange rates change every day and are constantly updated in banks and foreign exchange offices around the world.

The world's foreign exchange markets keep track of the values of all of the major currencies. As some increase in value, others decline. When a Euro goes up in value against the U.S. dollar, the dollar must go down against the Euro. At the same time, it may decline in value against the British pound. Foreign exchange is a constantly changing twenty-four-hour-a-day market with trading going on in hundreds of financial centers around the world, from Singapore to San Francisco and from Oslo to Buenos Aires. These markets are all linked electronically. Banks and "Bureaus de Change" look at this global interbank market to set their daily rates, which are given to foreign travelers when they change their money abroad.

As anyone traveling abroad will notice, the exchange rate is slightly different if the customer is buying or selling any one particular currency. This spread between the "buy" and "sell" rates ensures that banks and exchange bureaus make a small profit every time one currency is changed into another. By exchanging money back and forth times, an indecisive traveler would-end up with nothing, after losing a few percentage points in spreads and commissions on each transaction.

How do the foreign exchange markets decide how much a currency is worth? Just like other markets, the foreign exchange market is subject to the laws of supply and demand. If enough traders want to buy U.S. dollars, its value will go up, i.e., it will take more of other currencies to buy dollars. Foreign exchange prices are influenced by economic and political events and sometimes by the speculation of individual traders.

If interest rates fall in Tokyo, traders may rush to sell yen and buy dollars. If the Swedish economy looks strong, the krona may increase in value. If political turmoil threatens the Swedish economy, the krona may decline in value as investors sell them to buy what they perceive to be more stable currencies.

During periods of economic turmoil, the world often turns to a particular currency as a refuge. When political or social unrest threatens other currencies around the world, traders and investors sometimes rush to buy hard currencies which is expected to preserve its value in times of trouble.

COMPREHENSION CHECK

Exercise 1. Match Russian and English equivalents.

1. commodities 2. origin 3. value 4. background 5. event 6. profit 7. turmoil	a. товары, услуги b. происхождение c. фон d. событие e. цена f. обмен g. прибыль h. бедствие i. подвергать

Exercise 2. Complete the sentences.

1. Currencies, like other commodities such as petrol and shirts, have …
2. Each currency's value is stated in terms of ...
3. When political or social unrest threatens other currencies around the world, traders and investors sometimes rush to buy …
4. The difference between the "buy" and "sell" rates ensures that banks and exchange bureaus make …
5. Foreign exchange takes place in hundreds of financial ...
6. … are influenced by economic and political events and sometimes by the speculation of individual traders.
7. If enough traders want to buy U.S. dollars, its value will …
8. If political turmoil threatens the economy, the currency may …

Exercise 3. True or False?

1. If every country in the world used the same currency the world trade would be made much easier.
2. Currencies are like other commodities and have a certain value.
3. Exchange rates don’t change every day, they are constant.
4. The world’s foreign exchange markets keep track of all of the major currencies.
5. The exchange rate is the same if the customer is buying or selling particular currency.
6. The difference in each currency’s value is usually stated in other commodities
7. Foreign exchange is a constantly changing twenty-four-hour-a day market.
8. Nowadays modern foreign exchange markets are linked by air-mail.

Exercise 4. Give a summary of the text.

UNIT 7

WORD-STUDY

Exercise 1. Check the translation in a dictionary, read and translate the words listed below.

Nouns: incentives, expansion, commodity, individual, notice, monopoly, consumer, consumption, growth, circulation, deposit, fuel, inflation.

Verbs: encourage, effect, regulate, charge. determine, encourage, stimulate, increase, predict, inflate.

Adjectives: totalitarian, interchangeable, short-term.

Adverbs: therefore, whenever, basically, worldwide, likewise.

Exercise 2. Make different parts of speech from the following words:

a) *Model: (noun+ate)=verb(graduation – gradu(ate);*

stimulation, registration, legislation.

b) *Model: (verb+able)=adjective (predict – predict(ab)le;*

pay, note, eat, refuse, suit, value, change.

c) *adjective + th=noun (wide – width):* young, strong, broad, long.

d) *noun + ic=adjective (economy – economic):* atom, climate, energy.

Exercise 3. ***Match the Russian equivalents to the given collocations***.

a) free-market economy, the cost of money, interest rate, through a variety of economic incentives, the amount of money, available for business expansion, can be affected by.

b) рыночная экономика, стоимость денег, посредством разных экономических воздействий, доступный для расширения бизнеса, процентная ставка, согласуются, могут быть подвергнуты, количество денег.

Text A

INTEREST RATE

Interest rate is the amount charged, expressed as a percentage, by a lender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, known as the annual percentage rate (APR). The assets borrowed could include cash, consumer goods, and large assets such as a vehicle or building.

In terms of borrowed money, the interest rate is typically applied to the principal, which is the amount of money lent. The interest rate is the cost of debt for the borrower and the rate of return for the lender.

Interest rates are applied in numerous situations where lending and borrowing is concerned. Individuals borrow money to purchase homes, fund projects, start businesses, pay college tuition, etc. Businesses take loans to fund capital projects and expand their operations by purchasing fixed and long-term assets such as land, buildings, machinery, trucks, etc. The money that is lent has to be repaid either in lump sum at some pre-determined date or in monthly installments, which is usually the case. The money to be repaid is usually more than the borrowed amount since lenders want to be compensated for their loss of use of the money during the period that the funds are loaned out; the lender could have invested the funds instead of lending them out. With lending a large asset, the lender may have been able to generate income from the asset should they have decided to use it themselves. The difference between the total repayment sum and the original loan is the interest charged. The interest charged is an interest rate that is applied on the principal amount.

In free-market economies, consumers and businesses can do almost anything they want as long as they pay for it. Therefore, by controlling the cost of money, its interest rate central banks are able to influence economic growth.

In a totalitarian country the government can simply tell its citizens what it wants them to do. But in free-market countries, consumers and businesses are encouraged to increase or reduce their economic activity through a variety of economic incentives. By increasing short-term interest rates, for example, a central bank discourages bank lending, reducing the amount of money available for business expansion and consumer spending. Likewise, by lowering these interest rates, a central bank acts to encourage economic activity.

All interest rates are linked, because money, like most commodities, is interchangeable. Banks and individuals will go wherever interest rates are lowest, wherever money is cheapest-so a change in interest rates announced in Washington will affect interest rates in Singapore.

In the global village of the international money markets, interest rates have become the heartbeat of economic activity, regulating economic growth worldwide. A country's consumers and businesses, therefore can be directly affected by central bank decisions made on the other side of the world. Foreign investment money can come flooding in at a moment's notice, or be pulled out just as quickly if one country's interest rates are not kept in line with other countries in the world economy.

COMPREHENSION CHECK

Exercise 1. Choose the best answer according to the text.

1. In free market economies consumers and businesses can do …
a) almost anything they want as long as they pay for it.
b) nothing.
c) everything without payment.
2. Banks often borrow money …
a) from other banks.
b) from the central bank.
c) from the government.
3. All interest rates are linked …
a) because money is interchangeable.
b) because they don't encourage economic activity.
c) because they don't affect anything.

Exercise 2. Match the antonyms.

1. free-market	a. to reduce
2. to increase	b. to discourage
3. to encourage	c. to lend
4. short-term	d. totalitarian market
5. to borrow	e. long-term
6. cheap	f. to grow
7. to low	g. expensive
	h. expansion
	i. to pull out

Exercise 3. Read and translate the collocations below.

1. credit risks
2. additional reward
3. pension fund
4. use of assets
5. smart investor
6. interest rate
7. foreign earnings
8. strong currency
9. foreign investment
10. removing risks

Exercise 4. Which explanation of economic terms is correct?

1. a) A free-market economy is a system of trade when prices are not controlled by the government.

b) A free-market economy is a system of trade when all prices are controlled by the government.

c) A free-market economy is a system when all prices are controlled by consumers.

2. a) International investing is putting money into a business of your country.

b) International investing is providing money for your project by international organizations.

c) International investing is investing money into foreign companies.

3. a) To lend money is to steal money.

b) To lend money is to let someone borrow it on condition to pay back with additional interest.

c) To lend money is to pay back your debt.

Exercise 4. Agree or disagree to the following statements. Begin your sentences with the following phrases: *I think so. Yes, it's really so. I'm afraid, it's wrong. I can't agree.*

1. Every economy in the world is controlled by its supply of money.

2. A modern economy is not based on the use of money.

3. Each country's money supply determines how quickly the economy can grow.

4. If the central bank increases the money supply consumers and businesses have less money to spend on goods and services.

5. Control of the money supply doesn't allow a central bank to reduce inflation.

Text B

WHAT IS MONEY SUPPLY?

Every economy in the world is controlled by its supply of money. A modern economy is based on the use of money. Each country's money supply, therefore, determines how quickly the economy can grow. If the central bank increases the money supply, consumers and businesses have more money to spend on goods and services. A country can encourage economic growth by increasing its money supply, which includes currency in circulation and readily available funds such as bank deposits on which checks can be drawn. This easy-to-access money, often called "highpowered" money, tends to fuel most consumer and business consumption and therefore stimulates most economic growth.

Other measures of a country's money supply include funds that are not so readily available, such as time deposits and other long-term investments. Basically, when businesses and individuals have less money at their disposal, economic activity slows down. Central banks usually limit money supply growth in order to slow down the economy and control inflation.

On the larger scale of a national economy, less money usually leads to an economic slowdown. When less money is available, interest rates tend to increase and the cost of money increases; it becomes more expensive to borrow. If it costs businesses and consumers more to borrow money, they will be less inclined to increase spending. In this way, control of the money supply allows a central bank to reduce inflation. The money supply can also be increased to stimulate economic activity. Increasing the money supply usually results in rapid growth and inflated prices.

UNIT 8

WORD-STUDY

Exercise 1. Check the translation in a dictionary, read and translate the words listed below.

Nouns: lay-off, aircraft, benefit, competition, courtesy, barter, scarcity, purchase.

Verbs: prosper, expose, convince, ease.

Adjectives: idle, efficient, competitive, successful, profitable, temporary, retaliatory.

Exercise 2. ***Match the Russian equivalents to the given collocations***.

a) based on the notion of; with a level playing field; to remove restrictions; in order to; a temporary scarcity; state-supported banks; international tension; to underline measures

b) на равных условиях; снять ограничения; основанный на понятии; временная нехватка; для того чтобы; банки, поддерживаемые государством; предпринять меры; международная напряженность

Text A

HOW IS FOREIGN TRADE ENCOURAGED?

When every country is allowed to do what it does best-letting the French excel in fashion, the Japanese in electronics, and the Americans in aircraft, for example-the world economy prospers. With free trade, whoever produces the best product at the best price can sell these products around the world, benefiting consumers everywhere. By encouraging foreign trade, countries expose their own producers to foreign competition, which can be disastrous for many poorly managed companies. This can lead to short-term layoffs and idle factories. In the long run, however, foreign competition usually forces companies to be more efficient and more competitive, helping the country to become a successful and profitable member of the global economy.

Free trade is based on the notion of open markets. With a level playing field, companies in one country can compete openly with companies in other countries to sell their goods in foreign markets.

When a government wants to encourage a new trading partner, it removes restrictions and barriers to its internal market. This courtesy is provided to countries whose political and economic policies are seen to merit favored status. Countries may also encourage trade by allowing importers and exporters to barter goods.

When a country wants to encourage its own exports, it can provide incentives to make the products more competitive on the world market. Some countries provide loans or grants to foreign buyers of a country's goods and services through state supported export-import banks. These "ex-im" banks provide low-cost loans-called export credits-that help stimulate exports. These loans are sometimes criticized for going too far, encouraging exports at the expense of producers in other countries. At times, countries might want to encourage imports of foreign goods and services to decrease international tensions resulting from trade imbalances. When Germany and Japan were criticized for running large trade surpluses, for example, they undertook measures called "external adjustment" to increase their imports. One way to encourage imports is to increase the value of a country's currency, making foreign goods and services less expensive than locally-made products.

Another way to encourage imports is to give the economy a shot in the arm by lowering interest rates, stimulating purchases at home and abroad. This cheaper money usually means more sales of goods such as televisions and automobiles. In countries such as Germany, where many consumer goods are imported, lowering the interest rates can encourage imports of everything from Vietnamese rice to Canadian sporting goods. Another way to encourage imports would be to reduce cultural barriers that may limit purchases of foreign products.

Notes:

Export Import Banks (Exim Banks) are agencies that ensure the safety and growth of a country's foreign trade. They provide customized financial instruments to safeguard the interests of exporters against default/nonpayment from the importers.

COMPREHENSION CHECK

Exercise 1. Match the synonyms.

1. to allow	a. to disclose
2. to excel	b. to take part in a race
3. to prosper	c. to do better than others
4. to expose	d. to permit
5. to compete	e. to succeed
6. to force	f. to cause
7. to benefit	g. to profit
	h. to encourage
	i. to manage

Exercise 2. Complete the sentences.

1. When every country is allowed to do what it does best, the world economy …

2. By encouraging foreign trade, countries … their own producers to foreign competition.

3. Interest rates have … the heartbeat of economic activity

4. In the long term foreign competition usually …companies to be more efficient and more competitive.

5. Another way to encourage import is …

6. One of the ways to encourage imports is to …

7. … are sometimes criticized for going too far, encouraging exports at the expense of producers in other countries.

Exercise 3. Choose the correct term according to its definition.

1. Foreign markets where companies in one country can compete openly with companies in other countries are called …

a) international markets

b) open markets

c) internal markets

2. Export-import banks provide low-cost loans, called … that help stimulate exports.

a. export credits
b. credits
c. import credits
3. Products made by the companies in their own country are called …
a. imported goods
b. locally made products
c. barter goods

Exercise 4. Answer the questions.
1. What are the benefits of encouraging foreign trade for countries?
2. Why does foreign competition force companies to be more efficient and more competitive?
3. What is free trade based on?
4. In what way do countries encourage foreign trade?
5. What is the main duty of "ex-im" banks?
6. What are the possible ways of encouraging imports?

Text B

HOW IS GOLD USED AS AN INTERNATIONAL INVESTMENT?

Gold is bought and sold around the world in almost every market and currency imaginable: with Egyptian pounds in a Cairo souk, or with dollars on the sophisticated commodity exchanges of Hong Kong or Chicago. Although some gold trading is based on commercial transactions, such as an Amsterdam jeweler buying gold for inventory, most gold is purchased as an investment.

Gold investors range from powerful central banks who use gold to shore up their currencies to individuals who buy gold hoping that it will hold its value in inflationary times. Gold's role has changed over the years. Before banks and securities houses became part of the electronically interconnected global economy, gold served as a "liquid" investment that could be exchanged anywhere in the world at any given time.

Now gold is perceived mostly as a "hedge" – providing a stable refuge for investors in highly inflationary times when financial instruments such as stocks or bonds tend to lose their value. When inflation is brought under control, however, gold tends to lose its luster because, unlike most other investments, there is not interest paid on gold. The only possible profit is its rise in value, called capital gain.

There are several ways of investing in gold, including buying shares in gold mining companies or gold mutual funds. Instead of buying “spot” gold for immediate delivery, however, investors can also make an agreement to buy gold at a future date. These are called futures contracts because they are based on periodic delivery dates in the future, usually every three months. Tailor-made futures contracts, with flexible dates to fit the needs of buyers and sellers, are called forward contracts.

Spot and the futures prices, like a child riding piggyback, tend to move in the same directions, rising and falling with other precious metals in the market. If gold’s spot price increases, its futures price usually rises by the same amount. In general, the prices of precious metals such as gold, silver, and platinum tend to rise and fall together.

Notes:

mutual funds – взаимные фонды;

futures contract – сделка на срок, фьючерсный контракт.

COMPREHENSION CHECK

Exercise 1. Read and translate collocation listed below.

Immediate delivery, at a future date, flexible dates, spot prices, rise in value, gold mining companies, commercial transactions, precious metals, security houses.

Exercise 2. Match English and Russian equivalents.

1. global economy 2. mutual funds 3. inventory 4. “spot” purchases 5. commodity 6. custodian bank 7. commercial transaction 8. to shore up currency 9. inflationary times 10.futures contract	1. коммерческая сделка 2. поддержать валюту 3. инфляционный период 4. запас, портфель ценных бумаг 5. глобальная экономика 6. взаимные фонды 7. товар, предмет широкого потребления 8. банк, управляющий чужими капиталами 9. фьючерсный контракт 10. немедленно оплачиваемые покупки 11. дата поставки 12. драгоценный металл 13. гибкие даты

Exercise 3. Read and translate the definitions of the words.

1. Auction is a public sale at which articles are sold to the highest bidder.
2. Bargain is an agreement establishing what each party will give, receive, or perform in a transaction.
3. Bear is a person who sells shares in anticipation of falling prices to make a profit on repurchase.
4. Bonus is something given, paid or received above what is due or expected by employees.
5. Bull is speculator who buys in anticipation of rising prices in order to make a profit on resale.
6. Commodity is something that can be bought or sold, especially basic food products or fuel.
7. Dividend is a portion of a company's profits paid to its shareholders.
8. Fine is an amount of money that you have to pay because you have broken the law.

Exercise 4. Complete the sentences according to the text.

1. Most gold is purchased as… .
2. Powerful central banks use gold to… .
3. There are several ways of investing in gold… .
4. Instead of buying "spot" gold for immediate delivery investors can also make an …
5. Tailor-made futures contracts, with flexible dates to fit the needs of buyers and sellers, are called …
6. When inflation is brought under control gold tends to lose its luster because …
7. Gold investors range from …

Exercise 5. True or false?

1. Nowadays gold serves as a "liquid" investment that can be exchanged anywhere.
2. Futures contracts are based on periodic delivery dates in the future.
3. Spot and futures prices tend to move in the same directions, rising and falling with other precious metals in the market.
4. The prices of precious metals such as gold, silver and platinum tend to rise and fall together.
5. There is a high interest rate paid on gold.
6. The futures contracts are agreements for the future.
7. In ancient times gold was a very popular means of payment and investment.

UNIT 9

WORD-STUDY

Exercise 1. Check the translation in a dictionary, read and translate the words listed below.

Nouns: quota, subsidy, desire, restriction, quantity, sacrifice, apartheid.

Verbs: suffer, impose, feud, include.

Adjectives: inefficient, expensive, competitive, dubious, responsible, temporary.

Adverbs: artificially, rarely, temporarily, widely, unilaterally.

Exercise 2. Make up different parts of speech using the prefixes, translate them:

en-: courage, title, close, circle, code.

dis-: mantle, courage, like, count, agree, ability, advantage.

Exercise 3. **Match the Russian equivalents to the given English collocations**.

a) to bring about; in the long run; trade restrictions; to impose quota; goods and services; poorly made; to make the sacrifice; to be of dubious economic value; to be responsible for

b) в конечном результате; вызвать; ввести квоту; плохо сделанные; торговые ограничения; товары и услуги; принести в жертву; быть ответственным за; иметь сомнительную экономическую ценность.

Text A

INTERNATIONAL TRADING

Like most wars, a trade war may bring about desired economic or political changes, but in the long run almost everyone suffers, including those whom trade war was meant to help.

An inefficient car maker, for example, may ask for limits on foreign imports, hoping to keep its prices high without improving the quality of its product. In the end, however, other countries may retaliate with trade restrictions of their own.

Consumers and businesses in both countries are then forced to buy poorly made and expensive domestic products. Trade restrictions might protect a few jobs in inefficient industries, but the whole economy often suffers by becoming less competitive on the international markets.

The most common tools for limiting imports or foreign goods and services are quotas, tariffs, and subsidies. When a country imposes a quota, it limits the quantity of certain foreign products that can be imported. A tariff is a tax placed on goods entering a country, raising the price of imported goods. A government can also use the taxpayers' money to provide a subsidy to local producers, making the price or local goods artificially lower than imported goods.

Trade barriers, like walls between feuding neighbors, are usually imposed unilaterally by one country acting on its own to limit the amount of foreign products available to local consumers. These barriers are often designed to temporarily protect local producers from foreign competition and allow them time to improve productivity. The problem is that local producers rarely make the sacrifices to improve their product, or lower their prices as long as they are protected from foreign competition by trade barriers.

Although trade restrictions are of dubious economic value, they have been shown to be effective in bringing about political or social change. The refusal of countries to trade and do business with South Africa for example, was widely seen to be responsible for the decision to dismantle the system of apartheid. Trade blockades can be useful in forcing countries to change policies that violate human rights or international treaties, but only as long as a sufficient number of countries join in the blockade to make it effective.

COMPREHENSION CHECK

Exercise 1. Match the synonyms.

1. to retaliate 2. to consume 3. to restrict 4. to desire 5. to raise 6. to design 7. to improve	a. to do something harmful b. to limit c. to use d. to increase e. to make better f. to return g. to want h. to project i. to sell

Exercise 2. Find definitions of the following terms in the text:

a. quotas
b. tarrifs
c. subsidies.

Exercise 3. True or False?

1. A trade war may bring not only desired economic or political changes but also sufferings to those whom trade war was meant to help.

2. Consumers and businesses are forced to buy poorly made and expensive domestic products.

3. Trade restrictions may protect a few jobs in inefficient industries.

4. The whole economy suffers by becoming less competitive on the international markets.

5. Trade barriers are always effective.

6. A quota is a tax placed on goods entering a country, raising the price of imported goods.

7. When a country imposes a subsidy, it limits the quantity of certain foreign products that can be imported.

Exercise 4. Answer the questions.

1. Enumerate the most common tools for limiting imports or foreign goods and services.

2. What is a quota? Give an example.

3. What is a tariff? Give an example.

4. What is a subsidy? Give an example.

5. Do trade restrictions protect jobs positions in inefficient industries?

6. Are local producers willing to make the sacrifices to improve their product and lower their prices?

7. What possible consequences do trade barriers bring about?

Text B

WHAT IS TRADE PROTECTIONISM?

Trade protectionism is a controversial tactic among policymakers and economists in enhancing a nation's economic well-being. Trade protectionism has been used with the intent of helping a nation recover from an economic downturn. However, in many instances the opposite effect occurred in which not just one but many nations suffered economic setbacks such as a recession or even a depression.

Trade protectionism is defined as a nation, or sometimes a group of nations creating trade barriers with the specific goal of protecting its economy from the possible perils of international trading. This is the opposite of free trade in which a government allows its citizenry to purchase goods and services from other countries or to sell their goods and services to other markets without any governmental restrictions, interference, or hindrances. The objective of trade protectionism is to protect a nation's vital economic interests such as its key industries, commodities, and employment of workers. Free trade, however, encourages a higher level of domestic consumption of goods and a more efficient use of resources, whether natural, human, or economic.

There are various methods of trade protectionism whose goal is to protect a nation's economic well-being. These include:

Tariffs which are a tax on imports from other countries and foreign markets. Here, the government imposing the tariff is looking to restrict imports of foreign goods and services, protect its own industries and companies manufacturing such items and raise tax revenues.

Quotas are a direct restriction on the number of certain goods, products, and commodities that may be permitted to be imported into a nation.

Subsidies are government payments to domestic producers. This can come in the form of cash payments, low-to-no interest loans, tax breaks, and government ownership of common stock in domestic companies. Subsidies help domestic producers by having extra cash available for production of goods.

While some economists and policymakers feel that trade protectionism will help a nation's economy, many others feel the damage could be severe.

UNIT 10

WORD-STUDY

Exercise 1. Check the transcription in a dictionary, read and translate the words listed below.

Nouns: liability, skyscraper, assets, bankrupt, enterprise, key, guarantee, equity, fund, firm, identity.

Adjectives: initial, anonymous, public, private.

Verbs: own, require, pursue.

Adverbs: enough, though, almost.

Exercise 2. Wordbuilding.

Model: a) suffix -ship: *relation – relationship – взаимоотношения*

Friend, member, partner, owner.

Model: a) suffix -hood: man – manhood - мужественность;

Child, brother, mother, like.

Model: probable – probability
Responsible, possible, available, transportable, capable, able.

Text A

COMPANIES

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

A Limited Liability Company, also known as an LLC, is a type of business structure that combines traits of both a sole-proprietorship and a corporation. An LLC is eligible for the pass-through taxation feature of a partnership or sole proprietorship, while at the same time limiting the liability of the owners, similar to a corporation.

As the LLC is not considered a separate entity, the company does not pay taxes or take on losses. Instead, this is done by the owners as they have to report the business profits, or losses, on their personal income tax returns. However, just like corporations, members of an LLC are protected from personal liabilities, thus the name Limited Liability.

The key factor in owning any company is the guarantee called *limited liability:* the owners of a company never have to pay more than they have invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills.

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

The names of companies around the world reflect this guarantee or limited liability. The abbreviations "GmbH" in Germany, "Inc" in the United States, or "Ltd." in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The "S.A." in French- and Spanish-speaking countries also refers to limited liability by defining shareholders as "anonymous." Since the identity of shareholders can be kept secret, the creditors or a bankrupt company have no right to pursue them for the company's unpaid debts.

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

Notes:

Equity investment – “портфельные инвестиции”, инвестиции в акционерный капитал.

COMPREHENSION CHECK

Exercise 1. Match the synonyms.

1. affect	a. have
2. end up	b. influence
3. start	c. invest
4. indicate	d. finish
5. own	e. begin
	f. land
	g. pay

Exercise 2. Which of two parallel sentences are true?

1. a) The heart of capitalism is private ownership.
b) The heart of capitalism is public ownership.

2. a) The owners of a company never have to pay more than they have invested in it.
b) Sometimes, the owners of a company have to pay more than they have invested in it.

3. a) Companies are able to raise a large amount of funds through sale of shares.
b) Companies prefer to raise a large amount of funds through borrowing money at high interest rates.

4. a) The creditors of a bankrupt company have right to pursue shareholders for the companies unpaid debts.
b) The creditors of a bankrupt company have no right to pursue share holders for the company’s unpaid debts.

Exercise 3. What attributes are not suitable to the given terms?

1. investment – high-risk, initial, responsible, foreign, heavy, unpaid, small, profitable.

2. deficit – trade, political, financial, profitable, food, budget.

3. security – guaranteed, economic, independent, public, high, financial, available, national.

Exercise 4. Answer the questions.

1. What is A Limited Liability Company? What opportunities does it give to the owner?

2. Does the company pay taxes or take losses?

3. Are the members of an LLC protected from personal liabilities?

4. What does *limited liability* mean?

5. If a company goes bankrupt are the owners required to pay its unpaid bills?

6. What is the worst that can happen to investors in a limited liability company if the company rails?

7. If a limited liability company fails, are its investors arrested?

8. Do the names of companies around the world reflect the guarantee of limited liability?

9. What title do most American companies bear?

Text B

ADVANTAGES OF AN LLC

✓ The members of an LLC have protection against liability. They cannot be held liable for company losses, or debts and business credit, and their personal assets (such as a house or car) cannot be recovered by the debtors.

✓ LLCs have the freedom of selecting any form of profit distribution, which does not have to be in the ratio of the ownership between different members.

✓ LLCs do not have a legal requirement to conduct formal meetings, maintain minutes of the meeting, or record resolutions.

✓ Benefits similar to a corporation are available without going through any incorporation formalities.

✓ Pass-through taxation principles apply and the company itself is not taxed unless it opts for being treated as a regular corporation. All business profits, losses, and expenses are accounted for by its individual members. Members have to show the earnings in their individual tax returns and accordingly pay taxes. This allows the avoidance of double taxation by way of corporate tax payment along with the individual income tax.

DISADVANTAGES OF AN LLC

While the advantages largely benefit most small businesses, certain aspects of an LLC can prove to be disadvantageous. This is especially true for larger organizations. Some of the disadvantages of an LLC are:

✓ LLCs have a limited life and are usually dissolved when a member dies, or if the company faces bankruptcy.

✓ LLCs cannot go public, as there are no shares or shareholdings.

✓ Even though the paperwork and the complexities associated with LLCs are significantly less than those required for forming a corporation, its formation is still substantially more complex than a partnership or sole-proprietorship.

UNIT 11

WORD STUDY

Exercise 1. Check the transcription in a dictionary, read and translate the words listed below.

Nouns: south, overview, maintenance, depreciation, nightmare, advantage, uncertainty, organization, fund.

Adjectives: multinational, proverbial, nonprofit.

Verbs: incur, deduct, delay, measure.

Exercise 2. Pay attention to the negative prefix “non-”. Translate the sentences:

- He will refuse your cigarette, he is a nonsmoker.
- Some countries declared their nonalliance to the pact.
- Nonconformists don’t follow ways of living accepted by most people.
- Sunday is a nonworking day.
- Nonliquid goods are produced here.
- Nonpayment of taxes is punished by the law.
- There are public nonprofit organizations such as World Wildlife Fund.

Text A

WHAT IS A PROFIT AND LOSS STATEMENT?

Any enterprise from a major multinational corporation to a coconut juice stand in the South Pacific needs a summary of everything the company has earned and spent over a given period of time. This overview of a company's day-to-day activities is called an income statement or a *profit and loss statement (P&L).*

A company making and selling coconut juice on a South Pacific beach would start its P&L with a summary of all revenues from selling its product. To determine its profit, the company needs to subtract its expenses from its revenues. First, it would subtract the costs incurred in producing the juice, called "cost of goods sold."

Expenses such as salaries or maintenance of assets would also have to be accounted for. Other expenses, such as interest on loans, would then have to be deducted. Finally, *depreciation,* the decline in value of fixed assets, such as machinery and tools, would have to be deducted from earnings. Depreciation causes numerous accounting nightmares because there is no way to determine how much a fixed asset really declines in value overtime.

Many companies take advantage of this uncertainty to show as much "loss" as possible as soon as possible, reducing earnings in order to pay less tax in the early years of the asset's life. By delaying tax payments, companies can earn valuable interest on their retained earnings.

Once all expenses have been deducted from the revenues, a company can see its total profit or loss. This is the proverbial bottom line. It tells us how much the company's assets and liabilities changed over the course of the year.

Another tool for understanding a company's activity is to look at its *cash flow.* This measures the actual flow of funds – real money-flowing into and out of a company during a given period of time. A company's cash flow, or "cash summary," factors out all of the accounting tricks and looks at what a company really earned.

Even though it does not tell us the company's "profit", cash flow sometimes gives a clearer picture of a company's true earnings, because it excludes accounting tools such as depreciation. Cash flows and profit and loss statements are essential (or understanding the revenues, expenses, and profits of any organization, including nonprofit organizations such as the

World Wildlife Fund or the United Nations. Even if profits are not distributed to shareholders, any organization needs a P&L to account for its activities to see whether it is being efficiently and honestly run.

Notes:

Depreciation – a reduction in the value of an asset over time, due in particular to wear and tear.

COMPREHENSION CHECK

Exercise 1. Choose the right translation of the terms.

1. retained earnings
a) полученная прибыль
b) распределенная прибыль
c) нераспределенная прибыль
2. profit and loss statement
a) отчет о доходах
b) отчет о результатах хозяйственной деятельности
c) утверждение доходов и расходов
3. cash flow
a) появление реальных денег
b) денежный отток
c) движение денежных масс
4. cash summary
a) сводка о наличности
b) суммы наличных денег
c) кассовый аппарат
5. depreciation
a) депрессия
b) амортизация
c) выплата
6. asset
a) имущество, актив
b) прибыль
c) ущерб

Exercise 2. Match the synonyms.

1. enterprise	a. instrument
2. overview	b. percent
3. revenue	c. statement
4. machinery	d. income
5. salary	e. expense
6. interest	f. survey
7. tool	g. earnings
	h. activity
	i. mechanisms
	j. company

Exercise 3. True or false?

1) Profit and loss statement is the overview of a company’s day-to-day activities.

2) The profit of a company includes its expenses and revenues.

3) There are many ways to determine the depreciation of a company’s fixed assets.

4) The decline in value of fixed assets is called depreciation.

5) Analysis of company’s cash flow helps to understand its activity.

6) The United Nations is not nonprofit organization.

7) Such fixed assets as machinery and tools don’t change their value over the time.

8) Cash flow is the flow of investors into and out of the company.

Text B

MEASUREMENT OF SUCCESS

The profit & loss statement is considered one of the most important documents for keeping an eye on the financial health of a business. An essential objective of a business is to make a profit. The P&L statement shows the extent to which it has been successful in achieving this objective.

The profit and loss statement is a financial statement that summarizes the revenues, costs and expenses incurred during a specified period, usually a fiscal quarter or year. These records provide information about a company's ability or inability to generate profit by increasing revenue, reducing costs or both.

The P&L statement is one of three financial statements every public company issues quarterly and annually, along with **the balance sheet** and **the cash-flow statement**. The income statement, like the cash flow statement, shows changes in accounts over a set period. The balance sheet, on the other hand, is a snapshot, showing what the company owns and owes at a single moment. It is important to compare the income statement with the cash flow statement.

Typically, a profit & loss statement is created at the end of accounting periods - for example, at the end of each quarter. This allows a business to stay on top of their financial situation and make adjustments for the coming quarter. Profit and loss statements are important because many companies are required by law or association membership to complete them. Aside from this, a profit and loss statement will help the company to understand their net income, which may be helpful in decision-making processes. For example, a business owner may consider whether his or her company is bringing in enough of a profit to justify renovating their building or expand or grow in other ways.

Notes

Balance sheet (балансовый отчет, баланс) – a statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.

Cash-flow statement *(*отчет о движении денежных средств*)* – a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources, as well as all cash outflows that pay for business activities and investments during a given period.

UNIT 12

WORD-STUDY

Exercise 1. Read and translate the collocations below.

In reference to, unlike a stock, to reflect the market, low rate of interest, to sell at a discount, a higher return, interest-bearing investments, around the world.

Exercise 2. Remember the meaning of the terms that you'll find in the text.

A bond is a fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Owners of bonds are debt holders, or creditors, of the issuer.

Redemption is the act or process of redeeming, of paying off a loan.

Maturity is the date on which a bill of exchange, promissory note or loan becomes due for payment or repayment.

Securities are stocks, shares and bonds which are bought as investments.

Exercise 3. Make words with these prefixes according to the model.
“over-” (too much, more) and “under-” (too little, below)

Model: to estimate – to overestimate ;to estimate – to underestimate

with prefix “over-”: time, coat, to work, to sleep;

with prefix “under-”: ground, wear, to value, to pay, to line.

b) Translate the collocations below:

overpopulated cities; 5 minutes of overtime; to underestimate the talent; to overwork every day; an underground passage; to put on an overcoat.

Text A

WHAT IS A BOND?

Unlike a stock, which represents the risk and rewards of ownership in a company, a bond is simply a loan agreement that says: “I, the borrowers, agree to pay to you, the bondholder, a certain amount of money at a certain time in the future.”

Although almost anyone can issue a bond, large institution such as government and corporation are the most common borrowers in the international bond markets. Instead of relying on any one bank to lend them money, they issue bonds to raise large sums of funds, often in global issue of securities that are sold to banks and other investors around the world.

A bond is basically a piece of paper giving the holder the right to receive a specific amount of money at a specific time. The borrowers, or issuer, of a bond has two obligations. First, the issuer has to pay back the original amount borrowed, called the principal. Second, the borrower needs to pay interest periodically, to reward those who buy the bond as an investment. These interest payments are also called coupons in reference to the little pieces of paper attached to bonds before the electronic markets made such paper transactions unnecessary.

In order to determine the value of a bond, it is necessary to calculate the interest paid over the bond's life and compare this with other interest-bearing investments in the international marketplace.

Bond prices are constantly raised and lowered to reflect the market. Essentially, bonds often interest rates. A bond paying a relatively low rate of interest, therefore, will be sold at a discount when higher-interest bonds are issued. A low-coupon bond, for example, may have to be sold for 95 percent of its face value, or redemption value, in order to make it attractive enough to compete with other bonds. In paying less for a bond, the buyer receives a higher return, or yield, on the amount invested.

Like a playground seesaw, when one goes up, the other goes down. Likewise, when interest rates fall, the prices of existing bonds rise. In a period of declining interest rates, a relatively high-coupon bond would see its price increase, until its yield is same as other bonds in the market with similar maturity and similar risk. A bond's price may even rise above face value, to 105 percent for example, to make its yield competitive with other bonds in the market.

The interest rate and price of a bond are also determined by its risk – the likelihood of the investment being repaid. The riskier the bond, the higher the interest a potential borrower will have to pay to attract investors. Bonds, especially government bonds, are seen to be a relatively safe investment. In the case of a bankrupt company running out of money to pay bondholders and stockholders, the bondholders get paid first. A government, in a worst-case scenario, can always pay off bonds issued in the national currency by simply printing more money.

Bond prices are adjusted constantly, allowing them to complete with other investments in the global economy, always reflecting the current political, monetary, and economic environment.

Notes:

Bond trading – торговля облигациями

COMPREHENSION CHECK

Exercise 1. Match Russian and English equivalents.

1	2
1. redemption 2. to compete with 3. return 4. rate of interest 5. maturity 6. face value 7. holder 8. to reflect 9. lender 10. to attach	a. срок выплаты долгового обязательства b. держатель (акций) c. отражать d. погашение e. кредитор f. процентная ставка g. прибыль h. соперничать с i. номинальная стоимость j. прикреплять k. отрывать l. покупатель

Exercise 2. Match the antonyms.

1	2
1. loss 2. global 3. valuable 4. static 5. inflation 6. payee	a. payer b. gain c. dynamic d. worthless e. deflation f. local

Exercise 3. Complete the sentences giving the explanation of the following economic terms.

1. A bond is basically ….
2. The bondholder is a … .
3. The nominal value of a bond is … .
4. The redemption value of a bond is … .
5. Maturity is a … .
6. Debt is ...
7. Payee is …

Exercise 4. Answer the questions according to the text.

1. What institutions are the most common borrowers in the international bond markets?

2. What right does a bond give to the holder?
3. What obligations does the borrower have?
4. When do the prices of existing bonds rise?
5. What is the principal?
6. What bonds are a relatively safe investment?
7. What do constantly adjusted bond prices reflect?

Text B

HOW ARE BONDS TRADED?

Bonds are traded around the world twenty-four hours a day, usually in trading rooms of banks and securities houses that are connected by an elaborate system of electronic communications equipment. The largest international capital markets are based in London, New York, and Tokyo, but bonds are traded in almost every financial center in the world, from Paris to Bangkok, from Abu Dhabi to Vancouver.

Since it is difficult for bonds investors to find individual buyers and sellers, they usually go to professional "market-makers" who buy and sell their bonds for them.

Although some bond trading takes place on public trading floors like stock exchange, most of the world's fixed-income securities, or bonds, are traded by banks and securities houses acting as market-makers on behalf of their clients.

Bond markets are just like any others competitive market in that trades make money by buying for less and selling for more. To buy or sell a bond, an investor goes to a trader who makes a "market" with two prices: a "bid" price and an "offer" price. A trader makes money by buying bonds at the lower bid price and by selling them at the higher offer price. The difference between the two prices is called the spread.

Bond traders are forced by the market to keep their prices and spread competitive. Some markets are so competitive that the bid and offer prices are quoted in fractions of a percent, sometimes given as 1/32nds.

Bonds are usually traded with prices based on a percentage of their original face value. When the piece of a thousand-dollar bond rises by 16/32, or one half of one percent, its value rises by five dollars. Since the original value of the bond and its interest rates do not change, adjusting the bond's price gives it a new yield. Bond yield calculations are so complex that most traders use calculators to determine which prices bring a bond's interest rate in line with the changing market.

In the international capital markets, some bonds, such as U. S. Treasury bonds, serve as bellwether indicators of the market as a whole. Because of the enormous amount of U. S. Treasury debt issued, international investors prefer to use this market for a large part of their trading and investing. U. S. government securities are said to be the most liquid bonds in the world because then can be traded internationally in large quantities at almost any given time.

БИБЛИОГРАФИЧЕСКИЙ СПИСОК

1. Маркушевская, Л. П. English for economists / Л. П. Маркушевская. – СПб.: СПб ГУ ИТМО, 2006. – 153 с.

2. Randy Charles Epping A Beginner’s Guide To the World Economy. Seventy one Basic Economic Concepts That Will Change the Way You See the World. Vintage Books A Division of Random House, INC: New York, 2004.

3. Lawrence D. Brennan Effective Business writing and Speaking, Littlefield, Adams CO. INC., 2000.

СОДЕРЖАНИЕ

Введение…………………………………………………………………………	3
Unit 1……………………………………………………………………………	4
Unit 2……………………………………………………………………………	8
Unit 3……………………………………………………………………………	13
Unit 4……………………………………………………………………………	17
Unit 5……………………………………………………………………………	21
Unit 6……………………………………………………………………………	25
Unit 7……………………………………………………………………………	31
Unit 8……………………………………………………………………………	35
Unit 9……………………………………………………………………………	41
Unit 10…………………………………………………………………………	44
Unit 11………………………………………………………………………........	48
Unit 12………………………………………………………………………........	52
Библиографический список……………………………………………….	58

Учебное издание

Фоменко Виктория Васильевна

АНГЛИЙСКИЙ ЯЗЫК

MACRO- AND MICROECONOMICS

Сборник текстов и упражнений

Редактор *М. Н. Гаврилова*
Технический редактор *Н. Л. Якубовская*

Подписано в печать 27.11.2018. Формат 60×84 $^{1}/_{16}$. Бумага офсетная.
Ризография. Гарнитура «Таймс». Усл. печ. л. 3,49. Уч.-изд. л. 2,64.
Тираж 50 экз. Заказ .

УО «Белорусская государственная сельскохозяйственная академия».
Свидетельство о ГРИИРПИ № 1/52 от 09.10.2013.
Ул. Мичурина, 13, 213407, г. Горки.

Отпечатано в УО «Белорусская государственная сельскохозяйственная академия».
Ул. Мичурина, 5, 213407, г. Горки.