



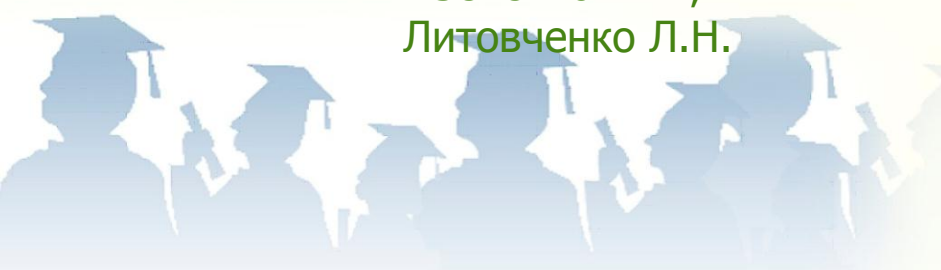
ДОНСКОЙ ГОСУДАРСТВЕННЫЙ ТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ
УПРАВЛЕНИЕ ДИСТАНЦИОННОГО ОБУЧЕНИЯ И ПОВЫШЕНИЯ
КВАЛИФИКАЦИИ

Кафедра «Иностранных языков»

Методические указания
по развитию навыков устной и письменной
речи по дисциплине

«Английский язык»

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Аннотация

Методические указания состоят из 9 разделов. Тексты взяты из оригинальных источников и предназначены для студентов, обучающихся по направлению подготовки 38.03.01 «Экономика», профиль «Экономика предприятий и организаций». Основная цель занятий – развитие навыков чтения, понимания и перевода экономических текстов, а также развитие навыков устной речи и пополнение словарного запаса студентов по экономической тематике.

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UNIT 1. TAXATION

Discuss in pairs:

1. What is a tax?
2. What types of taxes do you know?

Read the text and see if your ideas are right.

Tax is money compulsory levied by the state or local authorities on individuals, property, or businesses. In modern economies taxes are the most important source of government revenues. Taxes can be levied and classified in many ways. In many countries there are three principal types of taxes:

Taxes on income (personal income taxes and corporate income taxes);

Taxes on wealth (property taxes; death and gift taxes);

Taxes on activities (sales and excise taxes; social security taxes).

Because the power to tax is so weighty a matter, economists have developed several broad standards for judging the merits of a tax:

1. Equity. Tax burdens should be distributed justly.
2. Efficiency, Stability, and Growth. A tax should contribute toward improving resource allocation, economic stabilization, and growth in the total output of goods and services.
3. Enforceability. A tax should be adequate for its purpose and acceptable to the public, or else it will be impossible to enforce.

Taxes are considered to have three functions:

(a) fiscal or budgetary, to cover government expenditure, to provide the public authorities with the revenue required for meeting the cost of defence, social services, interest payment on the national debt, municipal services, etc.;

(b) economic, to give effect to economic policy, to promote stable economic growth, to influence the rate of economic growth of the nation;

(c) social, to increase the economic welfare of the community, to lessen inequalities in the distribution of income and wealth.

Businesses and individuals are subject to many forms of taxes. The various forms of business are not taxed equally. The tax situation is simplest for proprietorships and partnerships; corporations or companies are treated differently.

1. Notes to the text:

compulsory – обязательный
 to levy – налагать
 equity – акция
 efficiency – эффективность
 to distribute – распределять
 to improve – улучшать
 enforceability – законная сила
 expenditure – расходы
 welfare – благосостояние
 inequality – неравенство

2. Match the following English expressions to their Russian ones:

- | | |
|---------------------------------|---|
| 1. excise taxes | a. уменьшить неравенства |
| 2. resource allocation | b. самой простой для прав собственности |
| 3. lessen inequalities | c. важный источник |
| 4. simplest for proprietorships | d. распределение ресурса |
| 5. important source | e. Правительственные расходы |
| 6. government expenditure | f. акцизные сборы |

3. Read the text again and answer the questions:

1. What are taxes?
2. What are the main functions of taxation?
3. What types of taxes do you know?
4. What are taxes on income?
5. What are taxes on wealth?
6. What are taxes on activities?
7. What functions of taxes do you know?

4. Agree or disagree with the following statements:

1. Taxes are considered to have three functions: fiscal or budgetary, social, economic.
2. Taxes are not the most important source of government revenues.
3. The various forms of business are not taxed equally.
4. A tax should contribute toward growth in the total output of goods and services.
5. Businesses and individuals are subject to many forms of taxes.

5. Discuss in pairs:

1. The principal types of taxes.
2. The functions of taxation.
3. Taxes and their essence.

UNIT 2. TRANSACTION

Discuss in pairs:

1. What is a transaction?
2. What types of transactions do you know?

Read the text and see if your ideas are right.

The study of accounting begins with the understanding of the way in which accountants see the business enterprise. Accountants frequently refer to a business organization as an accounting entity or a business entity. A business entity is any business organization such as a hardware store or grocery store that exists as an economic unit. As an economic unit, the business enterprise acquires, organizes and transforms factors of production in its activity of producing goods and services.

The business enterprise is viewed as a system of monetary flow, instead of a system of physical flows. In accounting, business activities are associated with transactions and, indeed, are limited to transactions. Thus, unless there is a transaction there is no observable business activity.

A transaction occurs whenever the firm enters into a legal contract for the acquisition of means of production or the sale of goods and services. Business activities which do not lead to transactions remain unrecognized in accounting. Transactions involving the acquisition of factors of production lead either to an outflow of money immediately or an obligation to pay money at a later date. Transactions by which the firm sells goods or services lead to an inflow of money or the right to receive money at a future date. The accounting interpretation of business activities leads to further analysis of these transactions.

First, transactions between the firm and its markets – both its supply markets and its selling markets – are defined as «external transactions». The totality of «external transactions» forms the subject matter of financial accounting. General purpose of financial statements (reports) is to provide most of the information needed by external users of financial accounting. These financial statements are formal reports providing information on a business entity's financial position (solvency), cash inflows and outflows, and the results of operations (profitability). Financial accounting information is historical in nature, reporting on what has happened in the past.

Hence, the external users rely on relevant and reliable financial statements to make present decisions about future events.

Second, transactions within the firm, consisting of the exchanges which occur between the various departments are defined as «internal transactions». The totality of «internal transactions» forms the subject matter of cost or management or managerial accounting. Managerial accounting information provides special information for the managers of a business entity. The kind of information used by managers may range from very broad, long-range planning data to detailed explanation of why actual costs varied from costs estimates. The purpose of managerial accounting is the generate information that a manager can use to make internal decisions.

1. Notes to the text:

entity – юридическое лицо
 unit – единица
 acquisition – приобретение
 external – внешний
 solvency – платежеспособность
 inflow – приток
 outflow – поток
 profitability – доходность
 hence – следовательно
 to occur – произойти

2. Match the following English expressions to their Russian ones:

- | | |
|--------------------------|-------------------------|
| 1. physical flows | a. внешние сделки |
| 2. legal contract | b. оценки затрат |
| 3. external transactions | c. физические потоки |
| 4. financial statements | d. внутренние решения |
| 5. costs estimates | e. юридический контракт |
| 6. internal | f. финансовые отчеты |

3. Read the text again and answer the questions:

1. What does the study of accounting begin with?
2. What is the business activity associated with in accounting?
3. When does a transaction occur?
4. What business activities are recognized in accounting?
5. How can transactions be classified?
6. What is financial accounting?

7. What is managerial accounting?

4. Agree or disagree with the following statements:

1. A business entity is any business organization that exists as an economic unit.

2. Transactions between the firm and its markets are defined as «internal transactions».

3. Transactions by which the firm sells goods or services lead to an outflow of money immediately or an obligation to pay money at a later date.

4. The external users rely on relevant and reliable financial statements to make present decisions about future events.

5. Special information for the managers of a business entity provides managerial accounting information.

5. Discuss in pairs:

1. Financial accounting.

2. Managerial accounting.

3. Classification of transactions.

UNIT 3. TYPES AND FORMS OF BUSINESS ORGANIZATION

Discuss in pairs:

1. What groups of business entities do you know?
2. What forms of business organization do you know?

Read the text and see if your ideas are right.

A business organization is frequently referred to as a business entity. A business entity is any business organization that exists as an economic unit. Business entities can be grouped according to the type of business activity they perform.

1. Service companies perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.

2. Merchandising companies purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.

3. Manufacturing companies buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses – single proprietorship, a partnership, and a corporation.

A single (sole) proprietorship is business owned by an individual and often managed by that same individual. Single proprietors include physicians, lawyers, electricians, and other people who are 'in business for themselves'. In a single proprietorship, the owner is responsible for all debts of the business. Operating as a proprietorship is the easiest way to get started in a business activity. Other than the possibility of needing a local license, there are not any prerequisites to beginning operations.

A partnership is a business owned by two or more persons associated as partners. Partnerships are created by an agreement. Included in the agreement are such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Accountants, attorneys, and other professionals frequently operate their firms as partnerships.

A corporation is a business owned by a few persons or by thousands of persons. The owners of the corporation are called

shareholders or stockholders. They buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owner are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a board of directors to represent their interests. The board of directors select the president and vice president, who manage the corporation for the stockholders.

1. Notes to the text:

dealership – представительство
 proprietorship – право собственности
 license – лицензия
 prerequisites – предпосылки
 withdrawal – изъятие
 settlement – урегулирование
 attorney – поверенный
 shareholder – акционер
 stockholder – акционер
 to elect – выбирать
 board – правление

2. Match the following English expressions to their Russian ones:

- | | |
|---------------------------|-------------------------------------|
| 1. frequently referred | a. личные активы |
| 2. easiest way | b. совет директоров |
| 3. the personal assets | c. часто упоминается |
| 4. the board of directors | d. единственное право собственности |
| 5. dividing profits | e. самый легкий способ |
| 6. single proprietorship | f. деление прибыли |

3. Read the text again and answer the questions:

1. What is a business entity?
2. What are the principal types of business entities?
3. What are the principal forms of business entities?
4. What is single proprietorship?
5. What is partnership?
6. What is a corporation?

4. Agree or disagree with the following statements:

1. A business entity is special business organization that exists as an economic unit.
2. Service companies perform services for a fee.
3. Merchandising companies buy materials.
4. Accountants, attorneys, and other professionals frequently operate their firms as corporation.
5. The stockholders elect a board of directors to represent their interests.

5. Discuss in pairs:

1. A corporation.
2. Partnership.
3. Single (sole) proprietorship.
4. The types of business entities.

UNIT 4. WHAT IS THE CENTRAL BANK?

Discuss in pairs:

1. What is the central bank?
2. What activities and responsibilities of the central bank do you know?

Read the text and see if your ideas are right.

Every country's central bank watches economic data carefully and adjusts the money supply in an effort to keep the economy headed in the right direction.

Instead of taking deposits and making loans as normal banks do, a central bank controls the economy by increasing or decreasing the country's supply of money. Cranking up the printing presses is not the only way for a central bank to increase the economy's supply of money. In fact, in most modern economies printed notes and coins are only a small percentage—often less than 10 percent—of the money supply. The central bank usually prints only enough currency to satisfy the everyday needs of businesses and consumers.

Since most "money" is actually nothing more than a savings or checking account at a local bank, the most effective way for the central bank to control the economy is to increase or decrease bank lending and bank deposits. When banks have money to lend to their customers, the economy grows. When banks are forced to cut back lending, the economy slows.

Another way of controlling the money supply is to raise or lower interest rates. When the central bank decides that the economy is growing too slowly—or not growing at all—it can reduce the interest rate it charges on the loans to the country's banks. When banks are allowed to get cheaper money at the central bank, they can make cheaper loans to businesses and consumers, providing an important stimulus to economic growth. Alternatively, if the economy shows signs of growing too quickly, the central bank can increase the interest rate on its loans to banks, putting the brakes on economic growth.

Perhaps the most dramatic way of increasing or decreasing the money supply is through open market operations, where the central bank buys or sells large amounts of securities, such as government treasury bonds, in the open market. By buying a large block of bonds, from a bank or a securities house for example, the central bank pumps money into the economy because it uses funds that previously

were not part of the money supply. The money used to buy the bonds then becomes available for banks to lend out to consumers and businesses.

If the central bank allows the economy to expand too rapidly by keeping too much money in circulation, it may cause inflation. If it slows down the economy by removing too much money from circulation, an economic recession could result, bringing unemployment and reduced production. A central serves as a watchdog to supervise the banking system, in most cases acting independently of its government to provide a stabilizing influence on the country's economy.

The activities and responsibilities of central banks vary widely from country to country. For example, Britain's Bank of England is responsible for printing the money as well as supervising the banking system and coordinating monetary policy. In the United States, the duties of the central bank are divided among different agencies: the U.S. Treasury borrows the government's money through Treasury bond and note issues, while the Federal Reserve Board is put in charge of monetary policy and oversees the printing of money at the Bureau of Printing and Engraving.

The French central bank, the Banque de France, prints and issues the money, but the French treasury makes the decisions regarding monetary policy and bank supervision. In Germany, the central bank, called the Bundesbank, is noted for its active policy of strict monetary control, limiting money supply growth in order to control inflation at all costs.

The Bank of Japan, like many of the world's central banks, acts as banker to the government. This activity is a major source of revenue for the bank since fees are charged for issuing the government's checks.

1. Notes to the text:

to adjust – приспособливать, регулировать

supply – поставка

loan – ссуда

coin – монета

currency – валюта

bond – облигация

recession – спад

unemployment – безработица

monetary – денежно-кредитный

revenue – доход

2. Match the following English expressions to their Russian ones:

- | | |
|----------------------------|---------------------------|
| 1. the right direction | a. валютная политика |
| 2. taking deposits | b. правильное направление |
| 3. the government's checks | c. текущий счет |
| 4. monetary policy | d. чеки правительства |
| 5. too slowly | e. брать депозиты |
| 6. checking account | f. слишком медленно |

3. Read the text again and answer the questions:

1. What are the main functions of the central bank?
2. In what way can the central bank control the economy?
3. In what way can the central bank control the money supply?
4. Do the activities and responsibilities of the central bank vary in different countries?

4. Agree or disagree with the following statements:

1. Central banks usually print only enough currency to satisfy the everyday needs of businesses and consumers.
2. Germany, the central bank, called the Banque de France, is noted for its active policy of strict monetary control, limiting money supply growth in order to control inflation at all costs.
3. When banks are allowed to get cheaper money at the central bank, they can make cheaper loans to businesses and consumers.
4. The best way of increasing or decreasing the money supply is through open market operations, where a central bank buys or sells large amounts of securities.
5. If a central bank allows the economy to expand too rapidly by keeping too much money in circulation, it may cause growth of economy.

5. Discuss in pairs:

1. Ways of money controlling by the central bank.
2. The activities and responsibilities of central banks in various countries.

UNIT 5. ORGANIZATIONAL STRUCTURE OF THE FEDERAL RESERVE SYSTEM

Discuss in pairs:

1. What is the Federal Reserve System?
2. What functions of the Federal Reserve System do you know?

Read the text and see if your ideas are right.

No discussion of banks and their regulators would be complete without a discussion of the policy decisions and activities of the Federal Reserve System (the Fed) – the central bank of the United States. All central banks around the world perform similar functions. The central bank of a country: (a) controls the volume of money in circulation, (b) performs the government's banking functions, (c) regulates banks and other financial institutions, and (d) serves as a "banker's bank" – holding deposits from commercial banks and making deposits from commercial banks and making loans to them as needed.

The Federal Reserve's primary job is to carry out monetary policy, which involves making sure that the banking and financial system functions smoothly and that the supply of money and credit from that system contributes to the nation's economic goals. By controlling the growth of money and credit (including the loans and security investments made by banks), the Fed tries to ensure that the economy grows at an adequate rate, unemployment is kept as low as possible, inflation is held down, and the value of the dollar in international markets is protected. The Fed is relatively free to pursue these goals because it does not depend on Congress or the President for funding. Instead, the Fed raises its own funds from sales of its services and from securities trading, and it passes along most of its earnings (after making small additions to capital) to the US Treasury.

To carry out these important objectives, the Fed has evolved into a large and complex quasi-governmental bureaucracy with many divisions and responsibilities. The center of authority and decision making within the Federal Reserve System is the Board of Governors in Washington, D.C. By law, this governing body must contain no more than seven persons, each selected by the president of the United States and confirmed by the U.S. Senate for a term not exceeding 14 years. The Board chairman and vice-chairman are appointed by the president from among the seven Board members, each for four-year terms. The Board regulates and supervises the

activities of the 12 district Reserve banks and their branch offices. It also regulates all bank holding companies, all foreign banks with offices in the United States, and the overseas operations of American banks. It sets reserve requirements on deposits held by banks and other depository institutions, approves all changes in the discount rates posted by the 12 Reserve banks, and takes the lead within the System in determining open market policy to affect interest rates and the growth of money and bank credit.

The Federal Reserve Board members make up a majority of the voting members of the Federal Open Market Committee (FOMC). The other voting members are 5 of the 12 Federal Reserve bank presidents, who each serve one year in filling the five official voting seats on the FOMC (except for the president of the New York Federal Reserve Bank, who is a permanent voting member). While the FOMC's specific task is to set policies that guide the conduct of open market operations—the buying and selling of securities by the Federal Reserve banks—this body actually looks at the whole range of Fed policies and actions to influence the economy and banking system.

The Federal Reserve System is divided into 12 districts, with a Reserve bank chartered in each district to supervise and serve member banks. Among the key services offered by the Federal Reserve banks to depository institutions in their district are (1) wire transfers of funds between banks and other depository institutions; (2) safekeeping of securities owned by banks and their customers; (3) issuing new securities from the U.S. Treasury and selected other federal agencies, redeeming maturing securities of these governmental units, and making interest payments to holders of these securities as they come due; (4) making short-term loans to banks and other depository institutions through the "Discount Window" in each Federal Reserve bank; (5) maintaining and dispensing supplies of currency and coin; (6) clearing and collecting checks and other cash items moving between cities; and (7) providing information and special research studies to keep bankers and the public informed about regulatory changes and other developments affecting the welfare of their institutions.

All banks chartered by the Comptroller of the Currency (national banks) and those few state banks willing to conform to the Fed's supervision and regulation are designated member banks. Member institutions must purchase stock (up to a maximum of 6 percent of their paid-in capital and surplus) in the district Reserve bank and submit to comprehensive examinations by Fed staff of their lending

policies, capital, services, and operations. There are few unique privileges stemming from being a member of the Federal Reserve System because Fed services are also available on the same terms to other depository institutions keeping reserve deposits at the Fed. Many bankers believe, however, that belonging to the System carries prestige and the aura of added safety, which helps member banks attract and hold large deposits from corporations and wealthy individuals.

1. Notes to the text:

quasi-governmental – квазиправительственный
 bureaucracy – бюрократия
 requirement – требование
 chairman – председатель
 addition – дополнение
 to redeem – искупать
 comprehensive – всесторонний
 to stem – происходить
 depository – хранилище

2. Match the following English expressions to their Russian ones:

- | | |
|--------------------------|---------------------------|
| 1. the discount rates | a. ключевые услуги |
| 2. lending policies | b. продажа ценных бумаг |
| 3. the key services | c. учетные ставки |
| 4. dispensing supplies | d. экономические цели |
| 5. selling of securities | e. кредитная политика |
| 6. economic goals | f. распределение поставок |

3. Read the text again and answer the questions:

1. What are the functions of the central bank?
2. What is the Federal Reserve System?
3. What are the functions of the Federal Reserve System?
4. What is the structure of the Federal Reserve System?

4. Agree or disagree with the following statements:

1. The central bank of a country performs the government's banking functions.
2. The Fed is depend on Congress or the President for funding.

3. The Board chairman and vice-chairman are appointed by the president from among the eight Board members, each for four-year terms.

4. Among the key services offered by the Federal Reserve banks to depository institutions in their district are maintaining and dispensing supplies of currency and coin.

5. The Federal Reserve Board members make up a minority of the voting members of the Federal Open Market Committee.

5. Discuss in pairs:

1. The functions of the central bank.
2. The functions of the Federal Reserve System.
3. The structure of the Federal Reserve System.

UNIT 6. FINANCIAL MARKETS

Discuss in pairs:

Do you know:

1. What is a financial market?
2. What is the money market created for?

Read the text and see if your ideas are right.

Financial markets provide a forum in which suppliers of funds and demanders of loans and investments can transact business directly. Whereas the loans and investments of institutions are made without the direct knowledge of the suppliers of funds (savers), suppliers in the financial markets know where their funds are being lent or invested. The two key financial markets are the money market and the capital market. Transactions in short-term debt instruments, or marketable securities, take place in the money market. Long-term securities (bonds and stocks) are traded in the capital market.

The money market is created by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less. The money market exists because certain individuals, businesses, governments and financial institutions have temporarily idle funds that they wish to put in some type of liquid assets or short-term, interest-earning instruments. At the same time, other individuals, businesses, governments and financial institutions find themselves in need of seasonal or temporary financing. The money market thus brings together these suppliers and demanders of short-term liquid funds.

The capital market is a financial relationship created by a number of institutions and arrangements that allows the suppliers and demanders of long-term funds -- funds with maturities of more than one year -- to make transactions. The backbone of the capital market is formed by the various securities exchanges that provide a forum for debt and equity transactions. Major securities traded in the capital market include bonds and both common and preferred stock.

All securities, whether in the money or capital markets, are initially issued in the primary market. This is the only market in which the corporate or government issuer is directly involved in the transaction and receives direct benefit from the issue -- that is, the company actually receives the proceeds from the sale of securities. Once the security begins to trade among individuals, businesses, government or financial institutions, savers and investors, they become part of the

secondary market. The primary market is the one in which «new» securities are sold; the secondary market can be viewed as an «issued» or «preowned» securities market.

During the last two decades the Euromarket – which provides for borrowing and lending currencies outside their country of origin – has grown quite rapidly. The Euromarket provides multinational companies with an «external» opportunity to borrow or lend funds with the additional feature of less government regulation.

1. Notes to the text:

supplier – поставщик
 to transact – проводить
 maturity – зрелость
 asset – актив
 demander – податель заявки
 backbone – основа
 benefit – выгода
 initially – первоначально
 to borrow – заимствовать

2. Match the following English expressions to their Russian ones:

- | | |
|---------------------------|----------------------------------|
| 1. transact business | a. финансовые отношения |
| 2. financial relationship | b. долгосрочный капитал |
| 3. direct benefit | c. заключить сделку |
| 4. provides for borrowing | d. рынок ценных бумаг |
| 5. long-term funds | e. прямая выгода |
| 6. securities market | f. предусматривает заимствования |

3. Read the text again and answer the questions:

1. What is financial market?
2. What are two keys of financial markets?
3. What is Euromarket?

4. Agree or disagree with the following statements:

1. The primary market is the one in which «new» securities are sold.
2. The money market exists because certain individuals, businesses, governments and financial institutions have constant idle funds.

3. Long-term securities (bonds and stocks) are traded in the capital market.

4. The backbone of the money market is formed by the various securities exchanges that provide a forum for debt and equity transactions.

5. All securities, whether in the money or capital markets, are initially issued in the secondary market.

5. Discuss in pairs:

1. Financial market.
2. Two keys of financial markets.
3. The Euromarket.

UNIT 7. INFLATION

Discuss in pairs:

1. What is inflation?
2. What is deflation?

Read the text and see if your ideas are right.

Everyone is familiar with the way prices of goods and services behave in the marketplace. They usually go up. The phenomenon of rising prices is called inflation. Since the economy includes multitudes of prices, and all do not rise or fall at the same time, it is convenient to use the concept of an average price and describe inflation as a continuing rise in the level of the average price, or the general price level.

The inflation rate is the rate of change (or the percentage change) in the general price level over a specified time period, usually a year. An increase in the inflation rate means that prices are rising at a faster rate. A decrease in the inflation rate means that prices in general are not rising as quickly as before; it does not mean that prices are falling. The term disinflation is often used to describe a declining inflation rate. If prices in general do not change, a situation of zero inflation exists.

Rapidly rising prices may lead to a situation called hyperinflation. Many countries have experienced hyperinflation, some very recently, with inflation rates reaching hundreds of percentage points in a matter of months.

The phenomenon of falling prices is known as deflation. It is the opposite of inflation.

Economies have also experienced a situation known as stagflation. This occurs when a high rate of inflation is accompanied by a high level of unemployment. This presents a dilemma for policy makers, as attempts to cure one problem invariably make the other one worse. The cherished goal of every country has been to keep both problems under control to avoid the heavy costs they inflict on people.

Inflation and the purchasing power of money are inversely related. Inflation causes the purchasing power of money to fall. The purchasing power of money (also known as the value of money) is the amount of goods and services that one unit of money can buy. When prices rise, the same goods cost more in terms of dollars, and the dollar's value in terms of those goods falls.

Inflation is commonly measured with the aid of a price index. A price index is a statistical device to measure price changes between a base period and a subsequent period. Economists use many different

price indices. The consumer price index (CPI) is the most popular index for tracking inflation in the United States. The CPI measures the average change in the prices paid by urban consumers for a fixed basket of goods and services. The statistics for this index are compiled by the Bureau of Labor Statistics of the U.S. Department of Labor, which publishes them monthly.

1. Notes to the text:

- attempt – попытка
- invariably – неизменно
- to inflict – причинять
- subsequent – последующий
- indices – индексы

2. Match the following English expressions to their Russian ones:

- | | |
|-----------------------|--------------------------------------|
| 1. rising prices | a. рост инфляции |
| 2. convenient to use | b. обратно пропорционально связанный |
| 3. the inflation rate | c. потребительская корзина |
| 4. inversely related | d. удобно использовать |
| 5. commonly measured | e. обычно измеряется |
| 6. basket of goods | f. повышающиеся цены |

3. Read the text again and answer the questions:

1. What is inflation?
2. What is inflation rate?
3. What is hyperinflation?
4. What is stagflation?
5. What is purchasing power of money?
6. What is price index?

4. Agree or disagree with the following statements:

1. An increase in the inflation rate means that prices to decrease at a faster rate.
2. The phenomenon of falling prices is known as hyperinflation.
3. The term disinflation is often used to describe a declining inflation rate.
4. Inflation and the purchasing power of money are directly proportionally related.
5. Economists use are not a lot of different price indices.

5. Discuss in pairs:

1. Inflation.
2. Deflation.
3. Differences between Inflation and Deflation.

UNIT 8. THE ECONOMIC SYSTEM

Discuss in pairs:

1. What is economic system?
2. What functions of economic system do you know?

Read the text and see if your ideas are right.

There are many forms of economic order, ranging from the mixed private enterprise system to partially or completely controlled economies. Regardless of their form, however, economic system is the system that a society uses for allocation and distribution of scarce resources. Private enterprise means that decisions about what and how much to produce are left to the discretion of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency. There is, of course, no economy today that is completely free of governmental influence, nor is this condition necessarily undesirable. There are many beneficial services and protections available from government. The question then is a matter of degree. Irrespective of the form of economic order, it performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of resource allocation. In a private enterprise this function is basically performed by the price mechanism. This simply means that demand for and supply of goods and services interact to set their market price. In the case of regulated utilities, there are governmental agencies such as public service commission's that determine the rates that may be charged by utility companies. These rates are set at the level that will allow a fair return on investments made by the companies. This form of regulated monopoly is considered, on balance, preferable to unchecked competition. This is true because of efficiency reasons. In taking actions in the area of employment, government is attempting to control the economy in such a fashion as to help the business community operate at the level of production that will yield full employment.

Without a system of distribution economy simply could not exist. A major part of this distribution system is credit. Economy flourishes on credit or extended methods of payment. Such a system literally affects every link in the distribution chain from the supplier of raw materials to the ultimate consumer. Without this vital financing

function being performed, the economy would doubtless be forced to a lower order of production.

Economic goals for a nation include price stability, full employment, economic growth, and equitable distribution of income. Price stability contributes to the efficient allocation of resources and facilitates long-term planning. Full employment means that jobs are available for those seeking work. Higher standards of living require increased output per person (economic growth per capita). An equitable distribution of income means that the fruits of the economy are divided in a way that seems fair to the majority of the people. With the long-run trend toward a more sophisticated, highly integrated economic system, it is becoming increasingly important for an individual decision maker to be aware of the macroeconomic environment.

1. Notes to the text:

regardless – независимо
 scarce – недостаточный
 undesirable – нежелательный
 irrespective – безотносительный
 flourish – расцвет
 equitable – равноправный
 sophisticated – сложный
 increasingly – все более и более

2. Match the following English expressions to their Russian ones:

- | | |
|-----------------------------|------------------------------|
| 1. Scarce resources | a. расширенные методы |
| 2. Governmental influence | b. просто означает |
| 3. Economic order | c. правительственное влияние |
| 4. Simply means | d. правительство пытается |
| 5. Government is attempting | e. недостаточные ресурсы |
| 6. Extended methods | f. экономический строй |

3. Read the text again and answer the questions:

1. What is economic system?
2. What are three main concepts of economic system?
3. What functions does economic order perform?
4. What do economic goals for a nation usually include?

4. Agree or disagree with the following statements:

1. A major part of distribution system is credit.
2. Economic goals do not include equitable distributions of income.
3. In controlled economies decisions about what and how much to produce are left to the discretion of owners and managers.
4. Price stability facilitates long-term planning.
5. Government to control the economy in such a fashion that yield to the partial employment.

5. Discuss in pairs:

1. Forms of economic order.
2. The functions of economic order.
3. Economic goals.

UNIT 9. PROLOGUE TO ECONOMICS

Discuss in pairs:

1. What is macroeconomics?
2. What is microeconomics?

Read the text and see if your ideas are right.

There is almost universal agreement that economics are becoming more complex every year and that an understanding of how an economy works is more important than ever before. For someone who is just beginning to study economics, the task indeed appears to be a difficult one. Economics is the study of the way in which mankind organizes itself to solve the basic problem of scarcity. All societies have more wants than resources, so that a system must be devised to allocate these resources between competing ends. In a very real sense, the complexity of the economy makes it difficult to decide exactly where to start. Simultaneously, production is taking place, goods and services are being allocated, and a great number of market participants are being motivated by a diverse set of goals. In addition, there is the complex financial system in which individuals, firms, and governments borrow and lend funds.

Economics is divided into two major branches: macroeconomics and microeconomics. Macroeconomics is the study of behavior of the economy as a whole with emphasis on the factors that determine growth and fluctuations in output, employment, and the level of prices. Macroeconomics studies broad economic events that are largely beyond the control of individual decision makers and yet affect nearly all firms, households, and other institutions in the economy. Specialists in macroeconomics are particularly interested in understanding those factors that determine inflation, unemployment, and growth in the production of goods and services. Such an understanding is necessary in order to develop policies that encourage production and employment while controlling inflation.

The other major branch of economics is microeconomics. Microeconomics is the study of behavior of individual units within the economy. The division of economics has resulted from the growing complexity and sophistication of economic research.

These two approaches and the topics they include are in fact interdependent. Individuals and firms make their decisions in the context of the economic environment, which has an impact on the constraints the decision makers face as well as their expectations

about the future. At the same time, when taken as a whole, their decisions determine the condition of the overall economy. A good understanding of economic events and an ability to forecast them require knowledge of both individual decision making and the way in which individuals react to changes in the economic environment.

1. Notes to the text:

- indeed – действительно
- mankind – человечество
- simultaneously – одновременно
- emphasis – акцент
- fluctuation – колебание
- overall – повсюду
- ability – способность
- to react – реагировать

2. Match the following English expressions to their Russian ones:

- | | |
|---------------------------|-----------------------------|
| 1. set of goals | a. способность предсказать |
| 2. particular interest | b. экономическая обстановка |
| 3. an ability to forecast | c. главные ветви |
| 4. problem of scarcity | d. проблема дефицита |
| 5. economic environment | e. набор целей |
| 6. major branches | f. особенный интерес |

3. Read the text again and answer the questions:

1. Economics is becoming more complex every year. Why?
2. What is the main division of economics?
3. What is macroeconomics responsible for?
4. What does microeconomics deal with?

4. Agree or disagree with the following statements:

1. Economics is divided into three major branches.
2. Macroeconomics studies broad economic events.
3. Macroeconomics is the study of behavior of individual units within the economy.
4. Economies are becoming easier every year.
5. All societies want more resources.

5. Discuss in pairs:

1. Macroeconomics. What does it deal with?
2. Microeconomics. What does it deal with?

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