

Составители:  
доц. *Г.А. Вишневская*,  
старш. препод. *И.А. Усманова*,  
старш. препод. *А.А. Оспанова*

Рецензенты:  
доц. *Г.Р. Шагимуратова*,  
доц. *В.Ш. Хасанова*

Рекомендовано к изданию кафедрой иностранных языков КРСУ

**А 64** АНГЛИЙСКИЙ ЯЗЫК: Методическая разработка по внеаудиторному чтению для студентов старших курсов экономического факультета специальности *ФК. 2* часть / Сост. *Г.А. Вишневская, И.А. Усманова, А.А. Оспанова*. – Бишкек: КРСУ, 2010. – 48 с.

Составлена для студентов старших курсов экономического факультета специальности *Финансы и кредит* для ознакомления студентов с терминологией по специальности. В нее включены тексты по специальности и лексико-грамматические упражнения. Методическая разработка может использоваться как для внеаудиторного чтения, так и для аудиторной работы.

© КРСУ, 2010

## Text 1

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

### ACQUISITION OF CAPITAL

All businesses need financial support. The process of acquiring necessary capital is known as financing. A corporation uses two basic types of financing: equity financing and debt financing. Equity financing refers to funds that are invested by owners of the corporation. Debt financing, on the other hand, refers to funds that are borrowed from sources outside the corporation.

Equity financing can be exemplified by the sale of corporate stock – pieces of paper that state that “the holder of this share owns a part of this corporation”. When the corporation makes a profit, its owners share in the benefits by receiving a dividend or by selling their shares for more money than they originally paid. When the corporation loses money, however, the dividends are reduced or eliminated and the share price tends to fall. In the worst case, the corporation goes bankrupt; owing more than it can pay. The shares then became worthless, and the owners lose all the money invested in them.

Often equity financing does not provide the corporation with enough capital and it must turn to debt financing, or borrowing funds. One example of debt financing is the sale of corporate bonds. In this type of agreement, the corporation borrows money from an investor in return for a bond. The bond has a maturity date, a deadline when the corporation must repay all of the money it has borrowed. The corporation must also make periodic interest payments to the bondholder during the time the money is borrowed, if these obligations are not met, the corporation can be forced to sell its assets in order to make payments to the bondholders

Stocks often rise and fall in value rapidly, while bonds tend to be more stable. Bondholders are creditors of a corporation with a guaranteed return on their investment, whereas stockholders are owners, with all the risks and rewards ownership entails.

### Characteristics of Stocks and Bonds

Characteristics	Stocks	Bonds
Type of financial instrument	Equity	Debt
Order of claim	Dividends can be issued only after interest on all debts (including bonds) is fully paid.	Interest must be paid before any dividends on stock are issued.
Legal obligations to holders	Dividends may be varied or omitted at the discretion of the board of directors; no principal or maturity dates are involved.	Interest must be paid regularly to avoid insolvency; principal must be repaid at stated maturity date.
Rights of holders	Voting stockholders can influence management by electing members of the board of directors.	Bondholders have no voice in management as long as they receive interest payments.
Tax status	Dividends are not tax-deductible.	Interest as an expense of doing business is tax-deductible

#### II. Study the following words.

1. to acquire – приобретать
2. equity financing – акционерное финансирование
3. debt financing – долговое финансирование
4. tax-deductible – вычитаемые из налогооблагаемой базы проценты
5. to exemplify – иллюстрировать, приводить пример
6. to entail – вести за собой
7. maturity date – срок платежа (срок погашения)

#### III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. The corporations lose money, however, the dividends are reduced and the share price tends to fall.
2. Financing can be equity financing and debt financing.
3. All business needs financial support which has two basic types of financing.

**2. Answer the following questions.**

1. What does financing mean.
2. Give the definition of equity financing.
3. Give the definition of debt financing?
4. What occurs when the corporation loses money?
5. What is more stable: stocks or bonds? Why?
6. What do you know about characteristics of stocks and bonds?

**3. Understanding the passage.**

**Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.**

**T F**

1. A corporation uses three basic types of financing.
2. Debt financing can be exemplified by the sale of corporate stock.
3. Equity financing doesn't provide the corporation with enough capital and it turns to debt financing.
4. The bond has a deadline when the corporation must also repay all of the money it has borrowed and also it has a maturity date.
5. If all obligations are met, the corporation can be forced to sell its assets.
6. Stockholders aren't creditors of a corporation with a guaranteed return on their investment.
7. Dividends can't be issued after interest on all debts is fully paid.
8. Voting stockholders can influence management.
9. Bondholders have voice in management too, after they receive interest payments.
10. Debt financing is the sale of corporate bonds.

**4. Locating information.**

**Find the passage in the text where the following ideas are expressed. Give the line references.**

- ... 1. A corporation uses equity financing and debt financing.
- ... 2. The corporation's owners share in the benefits if the corporation makes a profit.

- ... 3. The corporation must make interest payments to the bondholder.
- ... 4. The bonds tend to be more stable but stocks often rise and fall in value.
- ... 5. Financing is the process of acquiring necessary capital.
- ... 6. The owners lose all the money invested in the shares.
- ... 7. Stockholders are owners but bondholders are creditors of a corporation.
- ... 8. In the case the corporation goes bankrupt owing more than it can pay.

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

- 1. redemption date
- 2. distinction
- 3. to get
- 4. duty

**Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.**

- 1. liabilities
- 2. solvency
- 3. to return
- 4. disadvantage, harm

**6. Content review.**

**Match the following words in column A with the statement in column B.**

A	B
1. equity	a) an owner of bonds issued by a company, government or person.
2. obligations	b) to bring about or impose by necessity; to have as a necessary consequence
3. exemplify	c) moral or legal responsibility; a duty imposed legally or socially
4. bondholder	d) that portion of a company's net worth belonging to its owners or shareholders
5. entail	e) illustrate by example or serve as an example of.

**7. Translate the sentences from Russian into English.**

1. Дивиденды могут выпускаться только после того, как процент по всем долгам полностью выплачен.
2. Держатели облигаций не имеют никакого голоса в управлении, пока они получают процент с платежа.
3. Финансирование активов относится к капиталу, который инвестируется владельцами корпорации.
4. Акции ничего не стоят, и владельцы теряют все деньги, которые инвестируют в них.
5. Облигации – это вид ценной бумаги, которая заявляет, что «держатель этой доли владеет частью этой корпорации».
6. Если обязательства не выполняются, корпорация может быть вынуждена продать ее активы, чтобы выполнить платежи держателям облигаций.

**8. Retell the text.**

**Text 2**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

**FINANCING A COMPANY**

1. So, when going into business money is one of the most important factors. Without sufficient funds a company cannot begin operations. The money needed to start and continue operating a business is known as capital. A new business needs capital not only for ongoing expenses but also for purchasing necessary assets. These assets – inventories, equipment, buildings, and property – represent an investment of capital in the new business.

2. Capital is also needed for salaries, credit extension to customers, advertising, insurance, and many other day-to-day operations. In addition, financing is essential for growth and expansion of a company. Because of competition in the market, capital needs to be invested in developing new product lines and production techniques and in acquiring assets for future expansion.

How this new company obtains and uses money will, in large measure, determine its success. The process of managing this acquired capital is known as financial management. In general, finance is securing and utilizing capital to start up, operate, and expand a company. In financing business operations and expansion, a business uses both short-term and long-term capital.

3. A company utilizes short-term capital to pay for salaries and office expenses that last a relatively short period of time. On the other hand, a company seeks long-term financing to pay for new assets that are expected to last many years. When a company obtains capital from external sources, the financing can be either on a short-term or a long-term arrangement. Generally, short-term financing must be repaid in less than one year, while long-term financing can be repaid over a longer period of time.

4. Finance involves the securing of funds for all phases of business operations. In attracting and using this capital, the decisions made by managers affect the overall financial success of a company.

## II. Study the following words.

1. fiscal affairs – финансовые дела
2. costs – затраты
3. product line – номенклатура продукции
4. credit extension – продолжение кредита
5. expansion – рост, расширение
6. to acquire – приобретать
7. to utilize – употреблять
8. to secure – обеспечивать, гарантировать

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. Capital is needed for salaries, credit extension to customers, advertising insurance.
2. Finance is securing and utilizing capital to start up, operate, and expand a company.
3. The management is still searching for the capital necessary to purchase equipment.

## 2. Answer the following questions.

1. What does a new business need to start operations?
2. What is capital?
3. Why does a company need capital?
4. Give the definition of finance.
5. What is the difference between short-term and long-term financing?
6. Who makes financial decisions in a company?

### 3. Understanding the passage.

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

T F

- 1. A company can begin operations without sufficient funds.
- 2. Financial management is the process of managing by acquired capital.
- 3. Short-term financing must be repaid in less than one year, but long-term financing can be repaid over a longer period of time.
- 4. Essential for growth and investment of a company is financing.
- 5. A company uses short-term capital to pay for salaries and office expenses.
- 6. Finance is securing and utilizing capital to start up, operate, and expand a company.
- 7. The process of managing this acquired capital is known as investment.
- 8. Finance involves the securing of funds for all phases of business operations.
- 9. A new business doesn't need capital for ongoing expenses.
- 10. Assets represent an investment of capital in the new business.

### 4. Locating information.

Find the passage in the text where the following ideas are expressed. Give the line references.

- ... 1. Financing is essential for growth of a company.
- ... 2. The decisions made by managers affect the overall financial success of a company.
- ... 3. A business is known as capital.
- ... 4. The success of the company will be determined by that it obtains and uses money.
- ... 5. A company tries to find long-term financing to pay for new assets that are expected to last many years.
- ... 6. Capital needs to be invested in developing new product lines and production techniques.
- ... 7. A new business needs capital for purchasing necessary assets.
- ... 8. The securing of funds for all phases of business operations is involved by finance.

5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.

- 1. to try to find

2. to get use to
3. purchase
4. ownership

Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.

1. long-term;
2. construction;
3. failure.

**6. Content review.**

Match the following words in column A with the statement in column B.

A	B
1. fund	a) placing of money so that it will increase in value
2. limited	b) development in size and importance
3. financing	c) money for a specific purpose
4. investment	d) acquiring necessary capital.
5. expansion	e) restricted, small in amount.
6. source	f) anything owned by a person or a company.
7. property	g) place from which something is obtained.

**7. Translate the sentences from Russian into English.**

1. То, как это новая компания получает и использует деньги, будет в большей мере определять её успех.
2. Существует несколько источников получения стартового капитала.
3. Краткосрочное финансирование используется на выплату зарплаты и содержание офиса.
4. Успех предприятия во многом зависит от того, насколько успешно оно управляет свободными финансами.
5. Если вы собираетесь создать собственное малое предприятие, вам нужен капитал.
6. Финансирование необходимо также при расширении деятельности предприятия.

**8. Retell the text using the following phrases.**

1. The source of information is...;
2. The main idea of the article is...;
3. The fact that ... is stressed.

**Text 3**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

**INFLATIONARY DISTORTIONS  
IN SAVING AND INVESTMENT**

Erratic inflation is particularly troublesome for long-term contracts. It increases the risk involved in estimating the returns on investment projects by making it difficult to anticipate future input and output prices. This may lead to distortions in decisions to save and invest and cause investment to be reduced below the efficient level.

Let's first look at how inflation can reduce investment by increasing the cost of acquiring new plant and equipment. Capital consumption allowances (depreciation) represent a cost of production that can be deducted from business income before taxes are computed. The sum of capital consumption allowances deducted over the life of an asset equals its purchase price. The *real value* of capital consumption allowances falls as a result of inflation. This means the tax deduction that business firms get for purchasing capital. The higher the rate of inflation, the less will be the gain in after-tax profits for businesses from purchasing investment goods. Inflation therefore reduces the incentives of businesses to make investments and could adversely affect the economy's growth rate.

Now let's look at how inflation can reduce the supply of saving to fund investment. Remember that inflation erodes the value of bank deposits and other assets that are fixed in monetary value, such as funds. If inflation soars, savers may liquidate their financial assets and purchase land or antiques and other collectibles because when inflation soars, the prices of land and collectibles are also likely to soar. This makes less funds available for productive investments such as new factories that ensure future increases in labor productivity and employment opportunities for workers.

Inflation not only distorts current choices but also can decrease confidence in the nation's financial markets, thereby adversely affecting future opportunities as the amount of saving channeled into productive investment is reduced. A nation's real GDP growth rate can be adversely affected if inflation reduces business investment.

## II. Study the following words.

1. erratic inflation – непостоянная инфляция
2. to anticipate – ожидать, предугадать
3. distortion – искажение
4. allowance – пособие
5. the real value – реальная ценность
6. collectibles – предметы коллекционирования

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. Capital consumption allowances represent a cost of production that can be deducted from business income before taxes are computed.
2. Inflation is steady and predictable, many people correctly anticipate its effects on the purchasing power of the dollar.
3. Inflation reduces the supply of saving to fund investment.

### 2. Answer the following questions.

1. What falls as a result of inflation?
2. Can inflation decrease confidence in the nation's financial markets?
3. How can inflation reduce investment?
4. What may lead to distortions in decisions to save and invest?
5. Why will the gain be in after-tax profits for businesses less?

### 3. Understanding the passage.

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

T F

1. A nation's real GDP growth rate can be adversely affected if inflation reduces business investment.
2. The tax deduction that business firm gets for purchasing capital depends on the real value.
3. The sum of capital consumption allowances deducted over the life of an asset equals the interest rates.
4. Erratic inflation isn't particularly troublesome for short-term contracts.
5. When inflation soars, the price of land and collectibles are also likely to soar.
6. Inflation not only distorts current choices and decrease confidence in the nation's financial markets but also can reduce investment.
7. Inflation can reduce investment but can't reduce the supply of saving to fund investment.

8. Erratic inflation doesn't increase the risk involved in estimating the returns on investment projects.

9. When inflation soars, the funds become less available for productive investments.

10. Inflation doesn't erode the value of bank deposits and assets.

#### 4. Locating information.

Find the passage in the text where the following ideas are expressed. Give the line references.

... 1. New factories that ensure future increases in labor productivity and employment opportunities for workers.

... 2. Inflation reduces business investment if GDP growth rate can be adversely affected.

... 3. As a result of inflation the real value of capital consumption allowances falls.

... 4. Erratic inflation may lead to distortions in decisions to save and invest and cause investment to be reduced.

... 5. If the rate of inflation is higher, the less will be the profit for business from purchasing investment goods.

... 6. Inflation erodes the value of bank deposits that are fixed in monetary value, such as funds.

... 7. For long-term contracts particularly troublesome is erratic inflation.

... 8. Inflation can decrease confidence in the nation's financial markets.

#### 5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.

1. destroy

2. disfigure

3. inconstant

4. to get

Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.

1. reliable

2. fall

3. to add

4. to spend

**6. Content review.**

Match the following words in column A with the statement in column B.

A	B
1. consumption	a) sum of money, amount
2. allowance	b) act of inflating, expansion of the supply of money
3. inflation	c) increase in amount
4. gain	d) anything owned by a person, company, etc that has money value and may be sold to pay debts
5. asset	e) the quantity consumed

**7. Translate the sentences from Russian into English.**

1. Реальная ценность пособий снашивания основного капитала падает в результате инфляции.
2. Когда инфляция взлетает, цены на землю и на предметы коллекционирования, также взлетают.
3. Инфляция не только искажает текущие выборы, но также может уменьшить секретность на национальных финансовых рынках.
4. Инфляция не устойчива и не предсказуема, многие люди ожидают, что она будет действовать на покупательную способность доллара.
5. Чем выше норма инфляции, тем меньше будет выгода в чистой прибыли для фирм от покупательных средств производства.
6. Беспорядочная инфляция может привести к искажениям в решениях сэкономить и инвестировать.

**8. Retell the text using the following phrases:**

1. The source of information is ...
2. The main idea of the article is ...
3. The fact that ... is stressed.

**Text 4**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

**PROPERTY RIGHTS AND TRANSACTION COSTS**

As a buyer you have an incentive to buy something only if you're assured that you'll get certain benefits when you actually pay the price to pur-

chase. Property rights are privileges to use or own goods, services, and economic resources. As a consumer, you acquire property rights when you make market purchases. Similarly, sellers are induced to offer items for sale because they know they have the right to transfer the items in exchange for payments from buyers. Markets can be established only for items for which property rights can turn guaranteed and easily exchanged.

Similarly, you'd be unwilling to invest in the production of a good if those who refused to pay for the good could obtain property rights of use.

If people are to be motivated to engage in market transactions, resources must be devoted to establishing and enforcing property rights. Transaction costs are those incurred in enforcing property rights, locating trading partners, and actually carrying out the transactions. Transaction costs are associated with exchanging than producing goods and services.

Examples of transaction costs to locate trading partners and carry out transactions are advertising and brokerage fees, the salaries of sales personnel, and the costs of transporting goods to and from the point of sale.

High transaction costs can prevent markets from being organized for the exchange of items. For examples, the right to use the ocean for fishing is rarely sold in a market. Exclusive ownership rights to the use of the ocean can't be granted to a particular seller in ways that allow the ocean to be rented out to others for payment. Even if such rights were granted, the ocean is so vast that the seller would have to invest in a fleet of sophisticated vessels to monitor use. The high cost of actually enforcing these rights would make it infeasible to actually sell them in a market.

The concepts of property rights and transaction costs are intertwined. The establishment of property rights to own or use goods or services depends on the transaction costs of guaranteeing those rights. Government plays an important role in markets by using its power to guarantee and enforce agreements to exchange property rights. In effect, the government is the silent partner in all market transactions because its system of courts and police power is used to guarantee property rights acquired in market exchanges and to settle disputes concerning such exchanges.

## II. Study the following words.

1. an incentive – побуждение, стимул
2. property rights – право собственности
3. similarly – так же, подобным образом
4. to be induced to offer – быть вынужденным предложить
5. transaction costs – операционные издержки
6. to prevent markets – оберегать рынки
7. a fleet – военно-морской флот
8. sophisticated vessels – усовершенствованные суда
9. infeasible – недопустимый, невыполнимый
10. to be intertwined – быть переплетенным, селективным

### III. Exercises.

**1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?**

1. Property rights are privileges to use or own goods, services, and economic resources.
2. Transaction costs are associated with exchanging rather than producing goods and services.
3. High transaction costs can prevent markets from being organized for the exchange of items.
4. The concepts of property rights and transaction costs are intertwined.

**2. Answer the following questions.**

1. What kind of role does the government play in markets?
2. How do you understand the transaction cost?
3. What will you have if you pay the price to purchase a good?
4. Can high transaction costs prevent from being organized for the exchange of item?
5. What can't be granted to a particular seller?
6. Why is the government the silent partner in all market transactions?

**3. Understanding the passage.**

**Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.**

**T F**

1. Transaction costs are advertising the salaries of sales personnel, and the costs of transporting goods to and from the point of sale.
2. The Government doesn't play a role in markets.
3. Nobody has the right to use ocean for fishing.
4. Markets can be established only for items for which property rights can be guaranteed and easily exchanged.
5. High transaction costs cannot prevent markets from being organized for the exchange of items.
6. The establishment of property rights to own or use goods or services depends on ownership and private sector.
7. The government is the silent partner in all market transactions.
8. If people are to be motivated to engage in market transactions, resources must be divided between the other people.
9. Similarly, you'd willing to invest in the production of a good to take a profit from it.

□ □ 10. The high cost of actually enforcing these rights would make it feasible to actually sell them in a market.

**4. Locating information.**

Find the passage in the text where the following ideas are expressed. Give the line references.

1. Sellers are induced to offer items for sale ...
2. If those who refused to pay for ...
3. Resources must be devoted to ...
4. The right to use the ocean for fishing is ...
5. The seller would have to invest in ...
6. The government is the silent partner in ...

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

1. every year
2. less, more
3. seldom
4. colleague
5. however
6. lounge
7. often
8. gain

**Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.**

1. annually
2. associate
3. nevertheless
4. engage
5. assure
6. refuse
7. guarantee
8. agree

**6. Content review.**

Match the following words in column A with the statement in column B.

- | A                        | B                           |
|--------------------------|-----------------------------|
| 1. sophisticated vessels | a) операционные издержки    |
| 2. property rights       | b) права собственности      |
| 3. transaction costs     | c) партнеры по бизнесу      |
| 4. trading partners      | d) усовершенствованные суда |
| 5. prevent markets       | e) оберегать рынки          |

**7. Translate the sentences from Russian into English.**

1. Как потребитель, вы приобретаете права собственности, когда вы делаете рыночные закупки.

2. Права собственности – это право пользования или владения товарами, услугами и экономическими ресурсами.

3. Примерами операционных издержек является реклама и брокерские гонорары, заработная плата персоналу, стоимость транспортировки товаров к точке и от точки продажи.

4. Операционные издержки ассоциируются с обменом товаров и услуг лучше, чем с их производством.

5. Правительство играет важную роль на рынке, используя свою силу, чтобы гарантировать и укреплять соглашение поменять права собственности.

**8. Retell the text.**

**Text 5**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

**PUBLIC GOODS AND EXTERNALITIES**

Public goods are those consumed equally by all of us, whether we pay or not. Environmental protection and national security are good examples of public goods because they benefit all of us, regardless of whether we pay. Because we can't rely on competing sellers to provide public goods, revenue to make them available can be obtained only through a sharing arrangement such as taxation. In the modern mixed economy, we rely on government to provide roads, military defense, air traffic control, and many other public goods. In fact, purchases of economic resources by governments to provide various services amount to 20 percent of the value of all goods and services produced in the United States.

In a nutshell, one common problem in a pure market economy is that not all the goods we want and are willing to pay for can easily be sold in neat packages that can be priced. The market often fails to provide public goods even though net gains are possible from doing so.

A related problem with the price system is that production or consumption of goods and services often results in costs or benefits to people other than the buyers and sellers. For example, if a firm disposes of wastes in a stream, it imposes costs on people who want to use the stream for swim-

ming, fishing, and drinking water. It's not easy to put a price on economic resources like streams, the ocean, and the atmosphere when these resources are used as convenient receptacles for industrial wastes. When natural resources that no single person owns are used to dispose of harmful waste products, the result is pollution. The inability to share for the use of the environment as a waste dump often results in the degradation of air and water quality.

Externalities are costs or benefits of market transactions that are not reflected in the prices buyers and sellers use to make their decisions. For example, aircraft noise in a neighborhood near an airport is a negative externality (or external cost) of the transaction between airlines and their passengers. Insofar as you and other college students make all members of society better off by improving the quality of life, transactions between college students and the university result in positive externalities (external benefits) to third parties. Externalities prevail because the use of resources like streams and the air, or the external benefits resulting from education, can't easily be priced. To understand the failure of the price system to allocate resources efficiently when externalities exist, we first need to examine the prerequisites for market exchange.

## II. Study the following words.

1. modern mixed economy – современная смешанная экономика
2. in a nutshell – вкратце, в двух словах
3. pure market economy – совершенная (чистая) рыночная экономика
4. net gains – чистые доходы
5. if a firm disposes of wastes – если фирма выбрасывает ненужные отходы
6. waste dump – свалка для мусора
7. market transaction – рыночная сделка
8. negative externality – негативное (отрицательное) внешнее воздействие
9. externalities prevail – внешнее воздействие превалирует
10. to examine the prerequisites – исследовать предпосылки

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. Environmental protection and national security are public goods, revenue to make them available can be obtained only through a sharing arrangement such as taxation.

2. A related problem with the price system is that production or consumption of goods and services often results in costs or benefits to people other than the buyers and sellers.

3. Externalities are costs or benefits of market transactions that are not reflected in the prices buyers and sellers use to make their decisions.

**2. Answer the following questions.**

1. Why do we rely on government to provide public goods?
2. What kind of public goods do you know?
3. What does a negative externality or external cost mean?
4. How does pollution influence environment?
5. When are natural resources used to dispose of harmful waste products?
6. When does a related problem with price system arise?

**3. Understanding the passage.**

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

T F

1. Environmental protection and national security are not such good examples of public goods.
2. In the modern mixed economy we rely on private sectors to provide roads, military defense.
3. Production or consumption of goods and services often results in costs or benefits to people other than the buyers and sellers.
4. One problem in a pure market economy is that all the goods we want and are willing to pay for cannot easily be sold.
5. When natural resources that no single person owns are used to dispose of harmful waste products, the result is pollution.
6. The inability to change for the use of the environment as a waste dump often results in the degradation of air and water quality.

**4. Locating information**

Find the passage in the text where the following ideas are expressed. Give the line references.

1. In the modern mixed economy ...
2. In fact, purchases of economic resources ...

3. The market often fails ...
4. If a firm disposes of wastes in a stream ...
5. Aircraft noise in a neighborhood near an airport ...
6. Transactions between college students and university result in ...
7. Externalities prevail because ...

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

1. to allocate
2. GDP of US
3. in so far
4. possess, dominate

**Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.**

1. all goods and services produced in the US
2. stream, prevail
3. to place
4. far away

**6. Content review.**

**Match the following words in column A with the statement in column B.**

A	B
1. externalities costs or benefits of market transactions	a) is a negative externality
2. public goods	b) on competing sellers to provide public goods
3. aircraft noise	c) goods that are consumed equally by everyone, whether they pay or not
4. we can't rely	d) that are not reflected in the prices buyers and sellers use to make their decisions

**7. Translate the sentences from Russian into English.**

1. Довольно не просто установить цену на такие экономические ресурсы как: реки, океаны и атмосферу, когда они служат в качестве удобного хранилища для промышленных отходов.

2. В современной смешанной экономике мы полагались на то, что правительство, обеспечит нас дорогами, военной обороной, контролем за воздушными путями и многими другими услугами.

3. Общественные продукты – это товары, которые употребляют-ся нами в равной степени, независимо платили мы за них или нет.

4. Когда природные ресурсы не являются частной собственностью отдельного человека, они становятся объектом для выброса ненужных, опасных отходов, в результате которых происходит загрязнение окружающей среды.

5. В США покупка экономических ресурсов правительства фактически составляет 20 % от общего числа покупок товаров и услуг.

6. Шум самолета рядом с аэропортом является отрицательным внешним воздействием в сделке между авиалиниями и пассажирами.

#### 8. Retell the text.

#### Text 6

I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.

#### ECONOMIC ACTIVITY AND ECONOMIC DECISIONS

The price system operates to influence resource allocation through a complex input and product markets. Households and businesses operate rationally in their markets by weighing the marginal benefits and marginal costs of their actions. Citizens vote and engage in political activity to influence government policy. People like you are players in the economy, and each decision of these players linked to others through the price system. The U.S. economy itself is linked to the rest of the world through international trade and international markets. Economic decisions by market participants affect both prices and the overall performance as the economy. As firms, households, and governments conduct their business at markets, their decisions are, in turn, affected by prices.

In the modern mixed and open economy, businesses must compete with foreign sellers in both domestic and global markets. Competition helps keep prices as low as possible over the long run.

The flow of production and income in the economy is affected by household saving and spending decisions, including decisions to purchase imported products. Government spending and taxing decisions also affect the

level of economic activity. Finally, total production, income, and economic growth are closely intertwined with business investment decisions and the effectiveness with which domestic firms compete with foreign sellers.

As you can now see, the flows and interrelationships among American households, business firms, governments, and their counterparts in the rest of the world are quite complex. Ideally, we would like to see production and, therefore, incomes grow steadily each year. When production and income grow over time (after adjustment for inflation) more rapidly than population increases, then output and incomes per capita rise, contributing to higher living standards.

## II. Study the following words.

1. price system – ценовая система
2. complex input – комплексный вклад
3. marginal benefit – маржинальный доход
4. marginal costs – маржинальные затраты, предельные затраты
5. government policy – правительственная политика
6. mixed and open economy – смешанная и открытая экономика
7. domestic and global markets – внутренний и внешний рынок
8. keep prices – удерживать цены
9. quite complex – сложный
10. allocation – распределение
11. link – связывать
12. counterpart – коллега
13. steadily – устойчиво
14. contribute – содействовать, вносить вклад

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. In price system households and businesses operate rationally in their markets by weighing the marginal benefits and marginal costs of their actions.

2. Some decisions of people are linked to others through the price system of the world, international trade and international markets.

3. Some decisions, such as household saving and spending decisions, including decisions to purchase imported products and government spending and taxing decisions affect the level of economic activity.

4. Production and income grow over time (after adjustment for inflation) more rapidly than population increases.

**2. Answer the following questions.**

1. What does price system operate for?
2. How do households and businesses operate in their markets?
3. What do international markets mean in American economy?
4. What does the flow of production and income effect in the economy?
5. Do government spending and taxing decisions also affect the level of economic activity?
6. What will be when production and income grow over time?

**3. Understanding the passage.**

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

**T F**

1. Households and businesses operate perfectly in their markets by weighing the total benefits and marginal costs of their actions.
2. Citizens vote and engage in political activity to influence government policy.
3. The U.S. economy itself is linked to the rest of the world through government relation.
4. Firms, households, and governments conduct their business at markets, their decisions are, in turn, affected by prices.
5. In the modern mixed and open economy, businesses must compete with domestic sellers only in domestic markets.
6. Competition helps keep prices as high as possible in short run.
7. The flow of production and income in the economy is affected by decisions to purchase imported products.
8. Government spending and taxing decisions change the level of economic activity.
9. The flows and interrelationships among households, business firms, governments, and their counterparts in the rest of the world are difficult.
10. When production and income grow over time more rapidly than population increases, then output rise and incomes per capita increase, contributing to change living standards.

#### 4. Locating information.

Find the passage in the text where the following ideas are expressed. Give the line references.

1. The price system operates ... resource allocation through a complex input and product markets.
2. People like you ... in the economy, and each decision these players of linked to others through the... ..
3. ...by market participants affect both prices and the overall performance as the economy.
4. Total production,... , and economic growth are closely intertwined with business ... .. and the effectiveness with which domestic firms compete with foreign sellers.
5. Government spending and ... decisions also affect the ... of economic activity.
- 6 , we would like to see production and, therefore, incomes grow ... each year.
7. Competition helps ... .. as low as ... over the long run.

5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.

1. conclusion
2. modern
3. complex
4. save, foreign
5. counterpart
6. rest
7. inner
8. through
9. input
10. benefits

Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.

1. decision
2. participant
3. output
4. charges
5. domestic
6. with
7. whole
8. spend
9. local
10. ordinary

**6. Content review.**

Match the following words in column A with the statement in column B.

A	B
1. The price system operates to	a) foreign sellers in both domestic and global markets.
2. Economic decisions by market participants affect	b) keep prices as low as possible over the long run.
3. In the modern mixed and open economy, businesses must compete with	c) also affect the level of economic activity.
4. Competition helps	d) influence resource allocation through a complex input and product markets.
5. Government spending and taxing decisions	e) both prices and the overall performance as the economy.

**7. Translate the sentences from Russian into English.**

1. Ценовая система работает, чтобы влиять на распределение ресурсов через общий комплексный вклад и товарные рынки.
2. Американская экономика связана с остальным миром через международную торговлю и международные рынки.
3. В современной смешанной и открытой экономике фирмы должны конкурировать с иностранными продавцами и на внутренних и на внешних рынках.
4. Соревнование помогает удержать цены настолько низко насколько это возможно в данном направлении.
5. Правительственные затраты и налоговые решения также затрагивают уровень экономической деятельности.
6. Потоки и взаимосвязи среди американских домашних хозяйств, деловых фирм, правительств и их коллег в остальной части мира весьма сложны.
7. Когда производство и доход растут в течение долгого времени быстрее, чем рост населения, тогда выпуск и доходы на душу населения повышаются.

## 8. Retell the text.

### Text 7

I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.

#### THE IMPORTANCE OF SAVING AND INVESTMENT

(1) The volume of saving and investment is important from at least two perspectives. First, the amount of saving and investment has a profound impact on the economic growth potential of an economy. Although economic growth is a complex issue involving social, political, and cultural characteristics of nations, as well as the availability of natural resources and various other economic factors, one of the most significant influences is investment.

(2) Additions to plant and equipment incorporating new technology and other types of investment are at the base of an expanding economy. It is no accident that nations that devote a large proportion of their resources to investment also tend to have rapid economic growth. Such investment cannot occur without saving.

(3) Saving and investment are also important because of their influences on economic stability and the business cycle. The balance between the amount that people desire to save and the amount that they wish to invest is a basic factor affecting the short-run economic stability of the economy. If the volume of desired saving exceeds the volume of desired investment, there will be insufficient demand for the total output of the economy. As a result, production will be cut, income and employment will fall, and indeed, actual saving will decline.

(4) In contrast, if desired investment exceeds desired saving, there will be an excessive amount of demand for the current level of output. At output levels at which substantial amounts of unused labor and capital resources are available, the result of the imbalance of desired investment over desired saving is an expansion in total output. As the economy comes closer to full employment of resources, however, the result is increases in prices for goods and services. Ultimately, at the point at which no further resources are available, the excess of desired investment simply results in higher prices for a constant quantity of goods and services.

## II. Study the following words.

1. saving – экономия, сбережения
2. amount of saving – объем сбережения
3. profound impact – полное (абсолютное) влияние
4. additions – прирост основного капитала
5. business cycle – экономический цикл
6. insufficient demand – недостаточный спрос

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. The amount of saving and investment has a profound impact on the economic growth of an economy.
2. Investment cannot occur without saving.
3. Saving and investment are also important because of their influence on the economic stability and the business cycle.

### 2. Answer the following questions.

1. What has the amount of saving and investment on the economic growth of an economy?
2. What are at the base of an expanding economy?
3. What is a basic factor affecting the short-run economic stability of the economy?
4. In what case will insufficient demand there be for the total output of the economy?
5. When will an excessive amount of demand there be for the current level of output?
6. When do increases in prices for goods and services occur?

### 3. Understanding the passage.

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

**T F**

1. The volume of saving and investment is more important from two perspectives.
2. The amount of saving and investment hasn't a profound impact on the economic growth of an economy.
3. Economic growth is a simple issue involving different characteristics of nations.

4. Additions to plant and equipment are at the base of an expanding economy.

5. Nations that devote a large proportion of their resources to investment have rapid economic growth.

6. Saving and investment are not important for economic stability and the business cycle.

7. The balance between the amount that people desire to save and the amount that they wish to invest is a basic factor for the short-run economic stability of the economy.

8. If the volume of desired saving exceeds the volume of desired investment there will be sufficient demand for the total output of the economy.

9. If desired investment exceeds desired saving, there will be an excessive amount of demand for the current level of output.

10. At the point at which no further resources are available, the excess of desired investment simply results in higher prices for a constant quantity of goods and services.

#### **4. Locating information.**

**Find the passage in the text where the following ideas are expressed. Give the line references.**

... 1. Additions to plant and equipment are at the base of an expanding economy.

... 2. An excessive amount of demand for the current level of output.

... 3. Higher prices for a constant quantity of goods and services.

... 4. The result of the imbalance of desired investment over the desired saving.

... 5. A basic factor affecting the short-run economic stability of the economy.

... 6. Economic growth is a complex issue involving different characteristics of nations and various other economic factors.

... 7. The tendency to have rapid economic growth.

... 8. The volume of saving and investment is important from two perspectives.

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

1. complicated ...

2. meaningful ...

3. to dedicate ...

4. productivity ...

Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.

1. instability ...
2. long-run ...
3. to underestimate ...

**6. Content review.**

Match the following words in column A with the statement in column B.

A	B
1. investment	a) raw materials, which a country has or can use.
2. excessive	b) quality of being stable
3. natural resources	c) sum of money that is invested
4. to decline	d) too much, too great
5. stability	e) continue to become smaller, lower

**7. Translate the sentences from Russian into English.**

1. Объем сбережения и капиталовложения имеет абсолютное влияние на экономический рост экономики.
2. Экономический рост – это сложный вопрос, затрагивающий социальные, политические и культурные особенности наций, а также наличие природных богатств и другие экономические факторы.
3. Экономия и инвестирование очень важны из-за своего влияния на экономическую стабильность и экономические циклы.
4. Баланс между количеством, которое люди желают сэкономить и количеством, которое они хотят вложить – это основной фактор, влияющий на краткосрочную экономическую стабильность экономики.
5. Если объем желаемого сбережения превышает объем желаемого инвестирования, то в результате этого будет недостаточный спрос на общую производительность экономики.
6. В противоположность, если желаемое инвестирование превышает желаемое сбережение, то будет чрезмерный спрос на текущий уровень производительности.

## **8. Retell the text.**

### **Text 8**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

#### **TIME PREFERENCE**

Saving represents the forgoing of present consumption of goods and services in exchange for future consumption. Why do individuals choose to save? One reason is simply to ensure future consumption – the proverbial "saving for a rainy day" motive. Saving motivated by such considerations of simple prudence can generally be expected to occur even if consumption is not augmented by its postponement.

The motive for saving that is important in interest rate theory, however, is the attempt to enhance future consumption by forgoing present consumption. The textbook examples of saving seed corn rather than eating it and (of a fisherman forgoing a day's catch with his or her fishing pole in order to construct fishing net are classic illustrations of this motive for saving. These examples also link the saving decision to the capital formation process. The choice framework for decisions relating to the exchange of present for future consumption is called time preference.

The real, risk-free rate of interest essentially emerges from an act of saving that enlarges future consumption. The real rate of interest is the increment in consumption that results from saving. Suppose ten units of present consumption (of some good) are forgone to have eleven units of the consumption good at the end of some specified period. In effect, ten units of present consumption have been transformed into eleven units of future consumption. It is obvious that consumption has been increased by 10 percent for the period – the reward for the act of saving (which is the real rate of interest on the consumption forgone). In this case the saver preferred eleven units of future consumption to ten units of present consumption.

The rates of time preference of other individuals might differ: they might require a greater increment in future consumption than 10 percent in order to be willing to forgo present consumption. And, of course, the opportunity to transform present into future consumption at a real rate of interest of 10 percent (or greater) might not be available. Such opportunities are called capital investment projects, and the returns on such projects, like the rate of time preference, is an element of real interest rate determination.

## II. Study the following words.

1. postponement – отсрочка, откладывание
2. saving – экономия, pl сбережения
3. consumption – потребление
4. to enlarge – увеличивать, расширять
5. capital investment projects – программы капиталовложений

## III. Exercises.

1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?

1. Saving represents the forgoing of present consumption of goods and services in exchange for future consumption.
2. The real rate of interest is the increment in consumption that results from saving.
3. Time preference is the choice framework for decisions relating to the exchange of present for future consumption.

### 2. Answer the following questions.

1. What does saving represent?
2. What does time preference mean?
3. What is the real rate of interest?
4. Why do the rates of time preference of individuals differ?
5. What can you say about capital investment projects?

### 3. Understanding the passage.

Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.

T F

1. Saving represents the forgoing of past consumption of goods and services in exchange for present consumption.
2. The motive for saving is the attempt to enhance future consumption by forgoing present consumption.
3. The choice framework for decisions relating to the exchange of present for future consumption is called the real interest rate.
4. The real rate of interest is the increment in consumption that results from saving.

- 5. It is obvious that consumption has been increased by 10 percent for the period – the punishment for the act of saving.
- 6. The saver preferred eleven units of future consumption to ten units of present consumption.
- 7. The rates of time preference of other individuals might be the same.
- 8. To transform present into future consumption at a real rate of interest of 10 percent (or greater) might not be available.
- 9. Capital investment projects are elements of real interest rate determination.
- 10. The motive for saving is important in interest rate theory.

**4. Locating information**

Find the passage in the text where the following ideas are expressed. Give the line references.

- ... 1. The rates of time preference of individuals might differ.
- ... 2. The proverbial “saving for a rainy day” motive.
- ... 3. The reward for the act of saving.
- ... 4. Classic illustrations of saving.
- ... 5. Saving is the forgoing of present consumption of goods and services in exchange for future consumption.
- ... 6. The interest rate theory of saving.
- ... 7. Capital investment projects and the returns on such projects.
- ... 8. The role of the real rate of interest in consumption that results from saving.

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

- 1. be anticipated .....
- 2. to increase .....
- 3. structure .....
- 4. predilection .....

Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.

- 1. wastefulness .....
- 2. acceptance .....
- 3. reduction .....
- 4. penalty .....

**6. Content review.**

**Match the following words in column A with the statement in column B.**

<b>A</b>	<b>B</b>
1. consumption	a) careful, forethought
2. to enlarge	b) to add to the value, price
3. prudence	c) profits, increase
4. increment	d) to make or become larger
5. to enhance	e) using up, consuming

**7. Translate the sentences from Russian into English.**

1. Мотив для экономии – это попытка увеличить будущее потребление за счет отказа от настоящего потребления.

2. Реальная ставка процента – это увеличение в потреблении, которое является результатом сбережения.

3. Ставки временного предпочтения частных лиц могут быть разными.

4. Основа для принятия решений, относительно обмена настоящего потребления на будущее потребление, называется временным предпочтением.

5. Реальная ставка процента возникает из экономии, которая увеличивает потребление.

**8. Retell the text.**

**Text 9**

**I. When you read the following text, you will probably meet words and expressions that are new for you. First try to understand their meaning from the context-read the same passage a few times. When you have the whole text, check new words in a dictionary.**

**THE REAL INTEREST RATE**

The level and structure of interest rates are clearly of great importance to the economy. At any time there exists both a level of interest rates (high, low, or somewhere in between – relative to historical norms) and a structure (pattern) of the yields on the many different types of interest-bearing financial instruments.

Changes in the level of interest rates act to equilibrate aggregate demand and supply for financial resources in the economy. The structure of rates directs (and also reflects) the allocation of financial resources and thus real resources. Changes in relative interest rates redirect financial resource flows, more funds being channeled into high-return (risk-adjusted) uses and away from low-return (risk-adjusted) uses.

The observed rate of interest (or yield) that exists for a given financial instrument at a given point in time is technically labeled a nominal rate. The nominal rate of interest can be conceptually disaggregated into a risk-free real rate of interest and various premiums. The risk-free real rate of interest is the term for the yield on a single-period maturity security in the absence of expected price level change, taxes, default risk, and uncertainty. The nominal interest rate thus consists of the risk-free real rate plus adjustments that reflect the influences of taxes, expected price level changes, and various risk factors. The term "real rate" is often used to refer to the nominal interest rate less the expected or realized inflation rate; as the term is used in that case, the "real rate" excludes only the premium for price level change.

Although not directly observable, the concept of the risk-free real interest rate is a useful device to aid understanding of the level and structure of nominal (observed) interest rates. Price level changes, taxes, and risk all play an important role in the determination of nominal interest rates. But even in the absence of these elements, it is evident that a rate of interest would exist, and this "real rate" is always a component of nominal rate. The real rate of interest was viewed by classical economists as being determined by the level of productivity and thrift in a society.

There is a well-developed "neoclassical" theory of the real rate of interest. Usually called Fisherian interest rate theory (in acknowledgment of the economist, Irving Fisher, who is responsible for much of the theory), this analysis focuses on the presumed principal economic determinants of a risk-free real interest rate: the marginal rate of time preference (the marginal rate of exchange between present and future consumption which emerges from individuals' choices in a free market) and the marginal rate of return on real capital investment projects.

## II. Study the following words.

1. nominal rate – номинальная ставка
2. risk-free real rate of interest – безрисковая реальная ставка процента
3. single-period maturity security – ценная бумага со сроком погашения на один период (год)
4. marginal rate – предельная ставка
5. time preference – временное предпочтение
6. marginal rate of return – предельная ставка дохода

### III. Exercises.

**1. Which statement best expresses the main idea of the text? Why did you eliminate the other choices?**

1. The level and structure of interest rates are of great importance to the economy.
2. Price level changes, taxes, and risk all play an important role in the determination of nominal interest rates.
3. The marginal rate of time preference and the marginal rate of return have a great significance for interest rate determination.

**2. Answer the following questions.**

1. Why are the level and structure of interest rates of great importance to the economy?
2. What does the term the risk-free real rate of interest mean?
3. What does the nominal interest rate consist of?
4. Who is responsible for a well-developed "neoclassical" theory of the real rate of interest?
5. What is technically labeled a nominal rate?

**3. Understanding the passage.**

**Decide whether the following statements are true or false (T/F) by referring to the information in the text. Then make the necessary changes so that the false statements become true.**

**T F**

1. Changes in the level of interest rates act to equilibrate aggregate demand and supply for financial resources in the economy.
2. The structure of rates directs the allocation of natural resources and thus real resources.
3. Changes in relative interest rates direct financial resource flows, less funds being channeled into high-return uses and away from low-return uses.
4. The nominal rate of interest can be disaggregated into a risk-free real rate of interest and various premiums.
5. The risk-free real rate of interest is the term for the yield on a long-period maturity security.
6. The concept of the risk-free real interest rate is a harmful device to aid understanding of the level and structure of nominal interest rates.
7. Real rate is always a component of nominal rates.
8. The real rate of interest was viewed by classical economists as being determined by the level of productivity and thrift in a society.

- 9. Irving Frisher is the economist and is responsible for “neo-classical” theory of the real rate of interest.
- 10. The marginal rate of time preference is the marginal rate of exchange between past and future consumption.

**4. Locating information.**

**Find the passage in the text where the following ideas are expressed. Give the line references.**

- ... 1. The risk-free real rate of interest is the profit on a single-period maturity security.
- ... 2. The level and structure of interest rates play an important role in the economy.
- ... 3. The marginal rate of time preference and the marginal rate of return are principal economic determinants of a risk-free real interest rate.
- ... 4. The concept of the risk-free real interest rate is a useful device.
- ... 5. The observed rate of interest is labeled a nominal rate.
- ... 6. “Real rate” is always a component of nominal rates.
- ... 7. The nominal interest rate consists of the risk-free real rate plus adjustments that reflect the influences of various factors.
- ... 8. The structure of rates has an influence on the allocation of financial resources.

**5. Refer back to the text and find synonyms (i.e. words with a similar meaning) for the following words.**

- 1. distribution ...
- 2. bonus ...
- 3. correction ...
- 4. efficiency ...

**Now refer back to the text and find antonyms (i.e. words with an opposite meaning) for the following words.**

- 1. direct ...
- 2. aggregated ...
- 3. useless ...
- 4. attendance ...

**6. Content review.**

Match the following words in column A with the statement in column B.

A	B
1. interest rate	a) a being productive
2. premium	b) payment made by a borrower for a loan, expressed as a percentage
3. productivity	c) give a result or profit
4. yield	d) addition to ordinary charges
5. maturity	e) the state of being mature

**7. Translate the sentences from Russian into English.**

1. Изменение в уровне ставки процента уравнивает общий спрос и предложение на денежные ресурсы в экономике.
2. Структура ставок отражает распределение денежных ресурсов.
3. Безрисковая реальная ставка процента – это термин, обозначающий доход за ценную бумагу со сроком погашения на один период (год).
4. Номинальная ставка процента состоит из безрисковой реальной ставки процента плюс корректировки, которые отражают влияние налогов и других факторов риска.
5. Изменение ценового уровня, налоги и риск – все это играет важную роль в определении номинальных ставок процента.

**8. Retell the text.**

**SUPPLEMENTARY READING**

**ANTICIPATED INFLATION AND ECONOMIC DECISIONS**

You've undoubtedly become used to the fact of inflation over your lifetime. If you're like most people, you've probably made purchases that you might otherwise have put off, because you anticipated that inflation would increase the prices of the product. For example, if you anticipate a 10 percent price increase in the stereo system you want to have next year, when you move out of your dorm into an apartment, you might choose to buy it now rather than next year. Similarly, when signing a lease for an apartment or borrowing money, you've probably considered what inflation would do to rent or interest charges.

Inflation makes it hard to collect information about what constitutes a reasonable price for an item. You never know whether the price of an item

has gone up because of shifts in the supply of and demand for that item or because of general inflation. This makes it difficult to decide what to buy and when to buy it.

Anticipated inflation affects the choices we make as individuals. Those who correctly anticipate the impact of inflation on their incomes can avoid the reduction in real income and wealth that inflation will cause. For example, if lenders correctly anticipate inflation, they can avoid its undesirable effect on their real income by attaching an inflation "premium" to the nominal interest rate they charge for new loans. Businesses consider inflation when placing orders. For example, businesses that expect future price increases may stock up on parts and raw materials.

When inflation is steady and predictable, many people correctly anticipate its effects on the purchasing power of the dollar. However, when inflation is erratic, fewer people succeed in anticipating its effects. The actual impact of inflation on the distribution of income between workers and their employers and between borrowers and lenders will depend on how accurately inflation is anticipated by each of these groups.

#### **THE DISASTROUS EFFECTS OF HYPERINFLATION**

Extraordinarily high rates of inflation are likely to be more costly than modest rates of inflation. If people expect very high inflation, they'll try to spend their earnings as quickly as possible so as to avoid holding money whose purchasing power will be quickly eroded. For example, if you anticipate that prices will rise 10 percent per week, you'll be eager to be paid once or twice a day so you can spend your earnings before the purchasing power of the dollar deteriorates!

During the 1920s, inflation in the German Weimar Republic reached such astronomical rates that it was dubbed hyperinflation, defined by the International Monetary Fund now as inflation at an annual rate of 200 percent or more prevailing in a nation for at least one year. In 1922 the annual inflation rate in Germany exceeded 5,000 percent because the Weimar government sought to pay its bills by printing money. In 1922 the money stock in Germany grew by about 30 percent per month. Prices rose almost hourly! German currency became worthless and was used as kindling for stoves. Once people began to anticipate the inflation, they tried to unload cash balances, which caused further inflationary pressures by increasing the demand for goods and services.

The cost to Germany was tremendous. Credit markets virtually collapsed, as no one was willing to take the risk of lending money. A massive redistribution of income wiped out the savings of millions and benefited people who were heavily in debt. Employees demanded to be paid at least once a

day and spent an inordinate amount of time each day trying to unload their earnings before the price level rose again! The ultimate solution for Germany was a monetary reform in 1923 that changed the currency and limited printing of the new currency.

Hyperinflation is not a historic relic. In 1985 the rate of inflation in Bolivia was 11,749 percent! An item that sold for the equivalent of 50 cents at the beginning of 1985 cost more than \$5,000 at the end of the year! In 1992 hyperinflation was on the verge of rearing its ugly head in Russia!

### SAVING

Fundamental to understanding the role of financial markets in the economy is some understanding of saving and investment. Decisions to save and invest strongly influence the level of employment, production, and income. Moreover, the long-term economic growth of a society depends on the saving and investments habits of its population.

I. Saving refers to the act of postponing current consumption, that is, of consuming less than current income. As such, saving is sometimes referred to as abstinence - abstaining from using all of one's current income to purchase goods and services. Saving releases resources for the consumption of other economic units or for investment by the saver or others. It is in saving for investment purposes that the act of saving has its paramount economic significance. Through investment an economy both broadens and deepens its productive capacity. Investment involves the business sector expanding its equipment and other productive facilities and financing inventories as production expands.

II. The decision to save - to postpone current consumption - and the decision about where to place these savings - a savings account, Treasury securities, stocks, or other types of financial assets - are quite distinct and fundamentally different decisions. The decision to save is essentially nonfinancial in nature and depends on the individual's preference for present consumption compared with future consumption and on the real (inflation-adjusted) return expected on that saving.

III. In contrast, the decision to add to a savings account, buy stocks, or purchase other types of financial assets is a financial transaction determined by the relative return/risk characteristics of the different assets. It is the former decision - to postpone current consumption - that makes resources available for investment purposes and thus is essential for economic growth.

## **THE ROLE OF THE FINANCIAL SYSTEM**

### **Part I**

I. Economic activity is characterized by many exchange transactions - the buying and selling of goods, services, and productive resources. Economists often find useful a distinction between the "real" and "financial" aspects of these transactions. In a sales transaction, for example, a buyer takes physical possession of goods in exchange for a payment of money or a promise to pay in the future. The former aspect of the transaction is "real"; the latter is "financial." The goods are "real assets"; the payment is with a "financial asset" In a barter system, goods are exchanged for goods; the introduction of money as a medium of exchange adds the "financial" element to economic transactions.

II. As the "real" aspects of transactions become more complex, involving exchanges over time as well as at a point in time, their "financial" aspects necessarily become more involved. The "real" aspect of a loan, for example, is the postponement by the lender of the opportunity to consume now (buy something with the funds instead of lending them) with the expectation of consuming more in the future. The "financial" aspect of a loan involves the creation of a financial instrument, which may range from an IOU between friends, through the execution of a bank note indicating due date, interest, and so on, to the rather complex process of the issuing of debt securities by a corporation.

III. There are important relationships between the financial system of the domestic and international economy and the enormously varied and complex activities of individuals and businesses working, buying, and selling as part of the ordinary course of human affairs. The financial system includes both markets for financial instruments and those institutions that are concerned with financial transactions, just as the "real" component of the economic system includes both markets for goods and services and those institutions that bring together people and resources to produce goods and services.

### **Part II**

I. The financial system is a vital component of the total economic system, greatly increasing its capacity to satisfy the needs and wants of individuals for goods. The economic role of the financial system can be mainly characterized as one of facilitating real and financial transactions. The economic system consists of a business sector, a household sector, and a government sector. In terms of real flows, the business sector produces goods and services, which are purchased by the household sector for consumption purposes.

II. The household sector provides labor and other necessary productive inputs to the business sector in exchange for wages, salaries, and other compensation. The government sector collects tax payments from the household and business sectors and uses these receipts to buy goods, services, and productive inputs, which are then used to supply government services (roads, law enforcement, and so on) to the other sectors.

III. Turning to the role of the financial system (other than the payments function) in this simple model of the economy, we may note that the financial system is interposed between flows of saving, investment, and financial instruments (financial assets of savers and financial obligations of investors). These flows reflect exchanges of resource use over time, rather than exchanges of real resources at points in time ("spot" exchanges). Exchanges of resource use over time (lending and borrowing) is made possible by some economic participants' forgoing current consumption in favor of future consumption.

#### Glossary

1. acquisition – приобретение
2. to acquire – получать, приобретать
3. additions – прирост основного капитала
4. admission charge – входная плата
5. aggregate income – совокупный доход
6. airtraffic control – контроль над воздушными путями
7. allowance – пособие
8. amount of saving – объем сбережения
9. to anticipate – ожидать, предугадать
10. are used as a convenient receptacle – используется в качестве удобногоместилища
11. assay certificate – сертификат качества
12. at a rough estimate – по приблизительным подсчетам
13. to attach – присоединять, фиксировать
14. to avoid – избегать, остерегаться
15. to allot shares – распределить акции
16. advanced sum – авансовая сумма
17. aggregate supply – совокупное предложение товаров и услуг
18. benefit – доход
19. to be intertwined – быть вынужденным
20. to be induced to offer – быть вынужденным предложить
21. to be on the increase – расти, увеличиваться
22. bank supervisory authorities – орган контроля банковской деятельности
23. balance sheet identity – торжество баланса

24. blocked assets – замороженные активы
25. business expansion – экономический подъем
26. business cycle – экономический цикл
27. to block – замораживать кредиты
28. bond holder – держатель облигаций
29. boom market – быстро растущий рынок
30. brokerage – маклерство, брокерские операции
31. capital investment projects – программы капиталовложений
32. can easily be sold in neat package – может быть легко продано в ак-  
куратной упаковке
33. cash loan – денежный заем
34. cash indemnity – денежное возмещение
35. corporate bond – промышленная облигация
36. consumption – потребление
37. competing sellers – конкурирующие продавцы
38. complex input – комплексный вклад
39. counterpart – коллега
40. to contribute – содействовать, вложить
41. collectibles – предмет коллекционирования
42. costs – затраты
43. credit extension – продолжение кредита
44. to constitutes a reasonable – составляет разумное
45. change for loans – затрата на заем
46. to collapse – разрушать
47. classified catalogue – систематический указатель
48. check – over – повторная проверка
49. concealed fault – скрытый дефект
50. cost-at-living increase – рост стоимости жизни
51. cost sharing – распределение затрат
52. domestic and global markets – внутренний и внешний рынок
53. to draw income – получать доход
54. debt financing – долговое финансирование
55. deteriorate – ухудшаться
56. distortion – искажение
57. distribution of income – распределение дохода
58. damped growth – замедленный рост
59. dorm – студенческое общежитие
60. dubbed – дублированный
61. draft bill – законопроект
62. externalities – внешние воздействия
63. environmental protection – защита окружающей среды

64. externalities prevail – внешнее воздействие
65. economic leverage – экономическое воздействие
66. to examine the prerequisites – исследовать предпосылки
67. equation of payments – средний срок платежа
68. to engage – привлекать
69. to enforce – усиливать
70. to enlarge – увеличивать, расширять
71. erratic inflation – непостоянная инфляция
72. expansion financing – долговое финансирование
73. to exemplify – иллюстрировать
74. to entail – вызывать (ч-л), сопровождать
75. lager – страстно желающий, жаждущий
76. to effect carriage – осуществлять перевозку
77. ear marked cash – целевой банковский вклад
78. estimate of funds – морской флот
79. fixture – фрахтование
80. fiscal affairs – финансовые дела
81. fixed margin – твердая наценка
82. financial management – финансовый менеджмент
83. free floating of capital – свободное движение капитала
84. financial establishment – кредитная организация
85. forecasting of demand – прогнозирование спроса
86. flow of output – выпуск продукции
87. flat licence – безусловная лицензия
88. floating supply – ценные бумаги или товар
89. flat-rate tariff – простой тариф
90. government policy – правительственная политика
91. to grant – оказывать мастерскую поддержку, давать субсидию
92. general inflation – общая информация, основная информация
93. glut – избыток
94. gross sum – общая сумма
95. gross income margin – коэффициент доходности
96. harmful waste products – опасные отходы
97. hyperinflation – гиперинфляция
98. heavy imports – значительный импорт
99. to hold in pawn – хранить в качестве залога
100. to hold on trust – хранить по доверенности
101. on hand – в наличии
102. marginal benefit – маржинальный доход
103. marginal costs – предельные затраты
104. mixed and open economy – смешанная и открытая экономика

105. to monitor – контролировать
106. motive – повод, мотив
107. marginal rate – маржинальная ставка (предельная)
108. mint – монетный двор
109. monetary – монетарный, денежный
110. malleability – ковкость, тягучесть
111. melded down – распределять, растворять
112. medium of exchange – средство обмена
113. merely – только, просто, единственно
114. maintain – поддерживать, сохранять
115. national security – национальная оборона
116. net gains – чистые суммы продажи
117. nonoperating – неосновной, побочный
118. noncurrent liabilities – долгосрочные обязательства
119. negotiable – оборотный (может быть преступленным, купленным, проданным)
120. nominal interest – номинальный процент
121. ownership – собственность, владение, имущество
122. obtain funds – получить денежные средства
123. outstanding shares – акции выпущенные в обращение
124. operating expenses – эксплуатационные расходы
125. owner's equity – собственные средства производства
126. output – выпуск
127. observable – наблюдаемый
128. opportunities – возможности
129. property rights – права собственности
130. privileges – права полномочия
131. to prevent markets – оберегать рынки
132. public goods – общественные товары
133. pure market economy – современная (чистая) экономика
134. purchase – покупка
135. primary market – первичный рынок
136. participation fee – плата за участие
137. principal component – основной компонент
138. plethora – избыток
139. principal borrower – основной заемщик
140. portfolio – набор ценных бумаг
141. primary market – первичный рынок
142. producer – производитель
143. the price of goods – цена товара
144. payable – оплачиваемый, подлежащий оплате

145. par value – номинальная стоимость
146. preferred stock – привилегированная акция
147. preference – преимущественное право на оплату
148. profound impact – полное (абсолютное) влияние
149. postponement – отсрочка, откладывание
150. quite complex – сложный
151. quarter – четверть, сторона
152. regardless of whether we pay – невзирая платили ли мы
153. risk-free real rate of interest – безрисковая реальная ставка
154. reference – ссылка
155. responsiveness – реактивность
156. restrain – ограничение
157. retailer – розничный торговец
158. the real value – реальная стоимость
159. repay – выплачивать одолженные деньги
160. revenue – доход, государственный доход
161. regulatory constraint – нормативное ограничение
162. regional commercial banks – районные коммерческие банки
163. repurchase agreement – соглашение о продаже ценных бумаг с последующим выкупом
164. real interest rate – реальная процентная ставка
165. responsibility – ответственность
166. retained earnings – перераспределенная прибыль
167. reverse the trend – менять, изменять направление
168. render – представлять (счет, отчет); платить
169. similarly – так же, подобным образом
170. sophisticated – усовершенствованный, модернизированный
171. short-term notes – краткосрочные векселя
172. salaries payable – выплачиваемые зарплаты
173. stockholders equity – средства акционеров
174. surplus – излишки, избыток; нераспределенная прибыль
175. sole proprietorship – частная собственность
176. secondary market – вторичный рынок
177. short-term debt – краткосрочный долг
178. selling expenses – торговые расходы
179. securities – ценные бумаги
180. stock – акционерный капитал
181. the stocks – государственный долг
182. saved resources – накопленные сбережения
183. surpass – превосходить, превышать
184. sufficient return – достаточный возврат

185. similarly – подобным образом
186. transaction costs – операционные издержки
187. transfer – перевозить, переправлять, транспортировать
188. time preference – предпочтение времени
189. temporary employment – временная занятость
190. treasury bills – казначейские векселя
191. transactional efficiency – деловая эффективность
192. time deposits – срочные вклады
193. to trade – торговать
194. transaction – сделка
195. unwilling – нераспределенный, несклонный
196. to utilize – употреблять
197. various components of the money market – различные компоненты денежного рынка
198. variable rate loan – непостоянная ставка займа
199. vast – обширный, громадный, безбрежный
200. vessels – судно, корабль
201. waste dump – свалка для мусора
202. working capital sourcing – уставный капитал
203. well developed markets – высокоразвитые рынки
204. wide range of sources – обширная область источников
205. wholesaler – оптовик

Составители:

*Г.А.Вишневская, И.А.Усманова,*

*А.А.Оспанова*

## АНГЛИЙСКИЙ ЯЗЫК

Методическая разработка  
для студентов старших курсов  
экономического факультета  
специальности ФК

2 часть

Корректор *В.В. Мокрынина*

Компьютерная верстка *Ю.А. Ларичевой.*

Подписано в печать 28.12.09. Формат 60x84<sup>1/16</sup>

Офсетная печать. Объем 3,0 п.л.

Тираж 100 экз. Заказ 252.

Отпечатано в типографии КРСУ  
720048, г. Бишкек, ул. Горького, 2

