МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ ФЕДЕРАЦИИ

ФЕДЕРАЛЬНОЕ ГОСУДАРСТВЕННОЕ БЮДЖЕТНОЕ ОБРАЗОВАТЕЛЬНОЕ УЧРЕЖДЕНИЕ ВЫСШЕГО ОБРАЗОВАНИЯ «САНКТ-ПЕТЕРБУРГСКИЙГОСУДАРСТВЕННЫЙ ЭКОНОМИЧЕСКИЙ УНИВЕРСИТЕТ»

ГУМАНИТАРНЫЙ ФАКУЛЬТЕТ

СБОРНИК ТЕКСТОВ И УПРАЖНЕНИЙ ПО АНГЛИЙСКОМУ ЯЗЫКУ ДЛЯ АСПИРАНТОВ

ПОСОБИЕ ПО ПОДГОТОВКЕ К СДАЧЕ КАНДИДАТСКОГО ЭКЗАМЕНА

(НАПРАВЛЕНИЕ ПОДГОТОВКИ – ЭКОНОМИКА)

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Сборник текстов и упражнений по английскому языку для аспирантов. Пособие по подготовке к сдаче кандидатского экзамена (направление подготовки – Экономика). – СПб.: Изд-во СПбГЭУ. 2017. – 52 с.

В данном сборнике представлены тексты, подобранные в соответствии с требованиями кандидатского экзамена по иностранному языку (английскому), а также упражнения, направленные на развитие соответствующих навыков.

Задания предназначены как для выполнения в аудитории под руководством преподавателя, так и для самостоятельной подготовки.

Сборник предназначен для научных работников, изучающих иностранный язык в системе послевузовского образования по направлению подготовки 38.06.01 «Экономика».

The textbook contains texts selected in compliance with the requirements of the qualifying examination in Foreign Language (English) for the Candidate degree and exercises aimed at development of the corresponding skills.

The tasks are intended both for a classroom work under the guidance of a teacher and independent work of post-graduate students

The textbook is intended for young researchers who study a foreign language in the system of post-graduate education and are majoring in Economics, specialization 38.06.01.

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СОДЕРЖАНИЕ

Содержание и структура кандидатского экзамена по иностранному языку

На кандидатском экзамене аспирант (соискатель) должен продемонстрировать владение иностранным языком в пределах программных требований.

Кандидатский экзамен проводится одновременно для всех аспирантов (соискателей) и включает в себя четыре задания:

- Чтение и письменный перевод со словарем на русский язык оригинального текста по специальности. Объем 2300-2500 печатных знаков. Время подготовки – 45 минут. Форма проверки – чтение части текста вслух и проверки письменного перевода.

- Ознакомительное чтение оригинального текста по специально-сти. Объем – 2200 – 2500 печатных знаков. Время подготовки – 10 минут. Форма проверки – передача содержания на русском/иностранном языке.

- Изложение на иностранном языке содержания оригинального текста по широкому профилю базовой кафедры аспиранта, прочитанного без словаря; беседа по содержанию прочитанного. Объем текста 1500-2000 печатных знаков. Время подготовки 10 минут.

- Беседа с экзаменатором на иностранном языке (без подготовки) по вопросам, связанным со специальностью и научной работой аспиранта (соискателя).

Примерный перечень тем для беседы:

1. **Обсуждение реферата**

2. **Обзор и обсуждение прочитанной литературы по специальности.**

3. **Актуальность избранного научного направления; цели и задачи диссертационного исследования**

4. **Новизна и практическая ценность диссертационного исследования**

5. **Методы исследования, используемые в научной работе.**

6. **Трудовая деятельность аспиранта (соискателя): опыт работы, специализация.**

Результаты экзамена оцениваются по пятибалльной системе.

SECTION I. TEXTS FOR RENDERING

Text 1 "Earnings and dividends"

According to all current theories of finance, in the absence of dividends - shares are worthless. The value of an investor's holdings is determined by the income he stands to receive from them. No income - no value. Of course, an investor can always sell his holdings to other investors and realize capital gains (or losses). But capital gains - though also driven by earnings hype - do not feature in financial models of stock valuation.

Faced with a dearth of dividends, market participants could obviously not live with the ensuing zero valuation of securities. They resorted to substituting future dividends - the outcome of capital accumulation and re-investment - for present ones. The financial market theories starkly contrast with market realities.

No one buys shares because he expects to collect an uninterrupted and equiponderant stream of future income in the form of dividends. Even the most gullible novice knows that dividends are a mere apologue, a relic of the past. So why do investors buy shares? Because they hope to sell them to other investors later at a higher price.

While past investors looked to dividends to realize income from their shareholdings - present investors are more into capital gains. The capital gain anticipated by a rational investor takes into consideration both the expected discounted earnings of the firm and market volatility - the latter being a measure of the expected distribution of willing and able buyers at any given price.

Earnings serve merely as a yardstick, a calibrator, a benchmark figure. Capital gains are, by definition, an increase in the market price of a security. Such an increase is more often than not correlated with the future stream of income to the firm - though not necessarily to the shareholder. Correlation does not always imply causation. Stronger earnings may not be the cause of the increase in the share price and the resulting capital gain. But whatever the relationship, there is no doubt that earnings are a good proxy to capital gains. Hence investors' obsession with earnings figures. Higher earnings rarely translate into higher dividends. But earnings - if not fiddled - are an excellent predictor of the future value of the firm and, thus, of expected capital gains. Higher earnings and a higher market valuation of the firm make investors more willing to purchase the stock at a higher price - i.e., to pay a premium which translates into capital gains.

I. Pre-reading task

Answer the following questions:

1. What do you know about earnings, dividends, shares and capital gains?
2. What is the definition of the term*market volatility*?
3. Do higher earnings always result in higher dividends?

II. Language work

1.Helpful vocabulary:

income; value; capital gains/losses; stock valuation; zero valuation of securities; shareholders; the stock

2. Find English equivalents to the following words:

недостаток; прибегнуть к ч-л;замещать; вытекать(проистекать); прерывать; реализовывать; ожидать(предчувствовать); принимать в расчет; находиться в соотношении с ч-л; подразумевать(предполагать); предсказывать.

3. Pay attention to the following vocabulary item:

the former – the latter

Translate the following sentences into Russian:

1. Of these two shares the former is cheaper.
2. We always take into consideration the expected earnings of the firm and market volatility – the latter is more important.

III. Answer the following questions:

1. When are shares worthless?
2. What makes market participants resort to substituting future dividends for present ones?
3. What are present investors more inclined to buy?
4. How can the expected distribution of buyers be measured?
5. Why do investors concentrate on earnings figures?
6. What can the future value of the firm predict?
7. What makes investors purchase the stock at a higher price?

IV. Summarizing

1. Find the topic sentence (it may be a part of a longer sentence) in each paragraph.
2. Summarize the main points of the article.
3. Can the ideas suggested in the article be applied to the Russian business environment?

Text 2 “The Merits of Inflation”

It is universally accepted that inflation leads to the misallocation of economic resources by distorting the price signal. Confronted with a general rise in prices, people get confused. They are not sure whether to attribute the surging prices to a real spurt in demand, to speculation, inflation, or what. They often make the wrong decisions.

The late preeminent economist James Tobin went as far as calling inflation "the grease on the wheels of the economy". What rate of inflation is desirable? The answer is: it depends on whom you ask. The European Central Bank maintains an annual target of 2 percent. Other central banks - the Bank of England, for instance - proffer an "inflation band" of between 1.5 and 2.5 percent. The Fed has been known to tolerate inflation rates of 3-4 percent. These disparities among essentially similar economies reflect pervasive disagreements over what is being quantified by the rate of inflation and when and how it should be managed.

Inflation rates - as measured by price indices - fail to capture important economic realities. As the Boskin commission revealed in 1996, some products are transformed by innovative technology even as their prices decline or remain stable. Such upheavals are not encapsulated by the rigid categories of the questionnaires used by bureaus of statistics the world over to compile price data. Cellular phones, for instance, were not part of the consumption basket underlying the CPI in America as late as 1998. The consumer price index in the USA may be overstated by one percentage point year in and year out, was the startling conclusion in the commission's report.

Current inflation measures neglect to take into account whole classes of prices - for instance, tradable securities. Wages - the price of labor - are left out. The price of money - interest rates - is excluded **(ПЕРЕВОДИМ - С ГЛАГОЛА!!!).** Even if these were to be included, the way inflation is defined and measured today, they would have been grossly misrepresented. Consider a deflationary environment in which stagnant wages and zero interest rates can still have a - negative or positive - inflationary effect. In real terms, in deflation, both wages and interest rates increase relentlessly even if they stay put. Yet it is hard to incorporate this "downward stickiness" in present-day inflation measures.

I. Pre-reading task

Answer the following questions:
1. What is inflation (in general)?
2. How does inflation influence our everyday life?
3. What is quantified by the rate of inflation?

II. Language work

1.What does the *mis*-prefix mean in the following words? Translate the words into Russian.
misallocation;misunderstandin;, misinterpretation; miscalculation; miscount; misrepresent.

2. Pay attention to the *Participles II* in the following sentences:
1. Confronted with a general rise in prices, people get confused.
2. Accepted by general public, the innovative idea restraining inflation soon failed.
3. Revealed in 1996, the facts are still impressive.

III. Answer the following questions:

1. What is the reason for misallocation of economic resources?
2. Is there a generally accepted view on what is quantified by the rate of inflation?
3. Do inflation rates reflect important economic realities?
4. Which important economic factors current inflation measures do not cover?
5. Is the way inflation is defined and measured today valid?

IV. Summarizing

1. Summarize the main points of the article.
2. Speak on the problem of inflation in Russia. How do you feel about it?
3. Can you suggest any measures to restrain inflation in Russia?
4. What is a recent annual target of inflation of the Russian Central Bank?

Text 3 “Growth (and Government)”

It is a maxim of current economic orthodoxy that governments compete with the private sector on a limited pool of savings. It is considered equally self-evident that the private sector is better, more competent, and more efficient at allocating scarce economic resources and thus at preventing waste. It is therefore thought economically sound to reduce the size of government - i.e., minimize its tax intake and its public borrowing - in order to free resources for the private sector to allocate productively and efficiently.

Yet, both dogmas are far from being universally applicable.
The assumption underlying the first conjecture is that government obligations and corporate lending are perfect substitutes. In
other words, once deprived of treasury notes, bills, and bonds - a rational investor is expected to divert her savings to buying stocks or corporate bonds.

It is further anticipated that financial intermediaries - pension funds, banks, mutual funds - will tread similarly. If unable to invest the savings of their depositors in scarce risk-free - i.e., government - securities - they will likely alter their investment preferences and buy equity and debt issued by firms. Yet, this is expressly untrue. Bond buyers and stock investors are two distinct crowds. Their risk aversion is different. Their investment preferences are disparate. Some of them - e.g., pension funds - are constrained by law as to the composition of their investment portfolios. Once government debt has turned scarce or expensive, bond investors tend to resort to cash. That cash - not equity or corporate debt - is the veritable substitute for risk-free securities is a basic tenet of modern investment portfolio theory.

Moreover, the "perfect substitute" hypothesis assumes the existence of efficient markets and frictionless transmission mechanisms. But this is a conveniently idealized picture which has little to do with grubby reality. Switching from one kind of investment to another incurs - often prohibitive - transaction costs. In many countries, financial intermediaries are dysfunctional or corrupt or both. They are unable to efficiently convert savings to investments - or are wary of doing so.

I. Pre-reading task

Answer the following questions:

1. What is your attitude to the private sector of the economy?
2. What position does the private sector hold in the Russian economy?
3. In your opinion, what prevents the private sector from developing more efficiently in Russia?

II. Language work

1.Check if you know the following key terms:

savings; tax intake; public borrowing; corporate lending; treasury notes; bills; bonds;financial intermediaries; government securities; equity (обыкновенная акция).

2. Match the verbs and the nouns:

1. to allocate a. savings
2. to prevent b. treasury notes and bills
3. to reduce c. the governmentinvolvement
4. to free d. resources
5. to be deprived of e.cash
6. to resort f. waste
7. to convent g. scarce economic resources

3. Translate the following grammar structures into Russian:

it is considered, it is thought, it is anticipated , it is assumed, it is expected.

III. Answer the following questions:

1. Which sector prevents waste better?
2. How can the size of government involvement be reduced?
3. What does a rational investor do if he is deprived of treasury notes, bills and bonds?
4. What financial structures do intermediaries consist of?
5. What makes financial intermediaries alter their investment preferences?
6. When do investors resort to cash and why?
7. What does switching from one kind of investments to another result in?
8. Why are financial intermediaries unable to convert savings to investments?

IV. Summarizing

1. What is the main idea of each paragraph?
2. Give a short summary of the whole article.

Text 4 “Capital –Allocating Institutions”

The main role of banks, well into the 1920, was to allocate capital to businesses (directly and through consumer credits and mortgages). Deposit-taking was a core function and the main source of funding. As far as depositors were concerned (ПЕРЕВОД - С ГЛАГОЛА!!) , banks guaranteed the safety and liquidity of the store of value (cash and cash-equivalents).

In the 1920, stock exchanges began to compete with banks by making available to firms other means of raising capital (IPOs - initial public offerings). This activity gradually became as important as the stock exchange's traditional competence: price discovery (effected through the structured interactions of willing buyers and sellers). This territorial conflict led to an inevitable race to the bottom in terms of the quality of debtors and, ultimately, to the crash of 1929 and the Great Depression that ensued. Banks then were reduced to retail activities, having lost their investment services to hybrids known as "investment banks". The invention of junk bonds in the 1980s heralded a whole new era. A parallel, unregulated financial system has emerged which catered to the needs of businesses to raise risk capital and to the needs of those who provided such funds to rid themselves of the hazards inherent in their investments. Consumer credits and mortgages, for instance, were financed by traditional banking businesses. The risks associated with such lending were securitized and sold to third parties.

As expertise evolved and experience accumulated, financial operators learned to slice the hazards, evaluate them using value-at-risk mathematical models, tailor them to the needs of specific customer profiles, hedge them with complex derivatives, and trade them in unofficial, unregulated, though highly liquid amorphous, virtual "marketplaces". Thus, stock exchanges have begun to lose their capital allocation functions to private equity funds, hedge funds, investment banks, and pension funds. In the process, such activities have become even more opaque and less regulated than before. This lack of transparency led to pervasive counterparty distrust and difficulties in price discovery. Ultimately, when the prices of underlying assets (such as housing) began to tumble, all liquidity drained and markets seized and froze.

I. Pre-reading task

Answer the following questions:

1. What do you know about evolution of the European bank?
2. What role do stock exchanges play in the modern financial system?

II. Language work

1. Helpful vocabulary (you can use a dictionary to check your knowledge of some terms):
to allocate (capital); consumer credits and mortgages; safety and liquidity; initial public offerings; price discovery; junk bonds;to cater to the needs;to securitize; to hedge; to tumble; hazards; customer profile.

2. Pay attention to the various forms and functions of the participles in the following sentences and translate the sentences into Russian:

a. As far as deposits are *concerned.*
b. A positive result was *achieved* through *structured* interactions of buyers and sellers.
c. *Having lost* their investment services, banks were *reduced* to retail activities.
d. Junk bonds *having been invented*, a new era began in the 1980s.

III. Answer the following questions:

1. What was the initial role of banks?
2. What did banks guarantee?
3. What was the main source of funding businesses?
4. How did stock exchanges manage to compete with banks and what was their traditional competence?
5. What happened in 1928? What were the reasons for that?
6. How did a parallel, unregulated financial system emerge?
7. What did financial operators of stock exchanges do to cope with the risks?
8. What caused distrust to exchanges?

IV. Summarizing

1. Make up a short plan of the article (using key vocabulary items) in writing.
2. According to your plan give a summary of the article.

Text 5 “Golden shares”

Golden shares are usually retained by the state in infrastructure projects, utilities, natural monopolies, mining operations, defense contractors, and the space industry. They allow their holders to block business moves and counter management decisions which may be detrimental to national security, to the economy, or to the provision of public services (especially where markets fail to do so). Golden shares also enable the government to regulate the prices of certain basic goods and services - such as energy, food staples, sewage, and water. But, in practice, golden shares serve less noble ends.

Early privatizations in Central and Eastern Europe were criticized for being crony-ridden, corrupt, and opaque. Governments were accused of giving away the family silver. Maintaining golden shares in privatized enterprises was their way of eating the privatization cake while leaving it whole, thus silencing domestic opposition effectively. The practice was started in Thatcherite Britain and Bulgaria is only the latest to adopt it.

Golden shares are often used to further the interests of interest groups and isolate them from the potentially devastating effects of the global market. The phenomenon of golden shares is not confined to economically-challenged states selling their obscure monopolies. Contrary to popular economic thinking, golden shares do not seem to deter foreign investors. They may even create a moral hazard, causing investors to believe that they are partners with the government in an enterprise of vital importance and, thus, likely to be bailed out (i.e., an implicit state guarantee).

Moreover, golden shares are often perceived by investors and financial institutions as endowing the company with preference in government procurement and investment, privileged access to decision makers, concessionary terms of operation, and a favorable pricing structure. Golden shares are often coupled with guaranteed periods of monopoly or duopoly (i.e., periods of excess profits and rents).
The West, alas, is in no position to preach free marketry in this case. European firms are notorious for the ingenious stratagems with which they disenfranchise their shareholders. Privileged minorities often secure the majority vote by owning golden shares (this is especially egregious in the Netherlands and France).

I. Pre-reading task

1. Pay attention to the definition of *a golden share:*

A share that is owned by the government in a private company which allows the government to control what the company does after it has been privatized.

2. Which industries do you think are the most suitable for maintaining golden shares?

Read the text and check your predictions.

II. Language work

1. Helpful vocabulary:

todeter - ограничивать допуск
tobailout – спасти от банкротства
toconfine -ограничивать
tocounter - противостоять
topreach – выступать в защиту
stratagem – хитрость, уловка
todisenfranchise – лишать привилегий

2. Mind the differences in the grammatical structures of the following sentences, translate the sentences into Russian:

1. Investors believe that they are likely to be bailed out by the state.
2. We are to bailthem out.
3. I suppose this company is to be bailed out.

III. Answer the following questions:

1. Why does the state maintain its golden shares in the industries of vital importance?
2. What were the reasons for criticizing early privatizations in Central and Eastern Europe?
3. What benefits do interest groups get in using golden shares?
4. Is the phenomenon of golden shares confined to particular states?
5. Maintaining golden shares in the enterprises of vital importance what do investors expect from the government?

IV. Summarizing

1. Summarize the key idea of each paragraph.
2. Give a short summary of the article.

Text 6 “Exporting”

Exporting is the most traditional and well-established form of operating internationally and is often the first choice for the firm. Exporting requires decisions to be made about the selection of products for specific markets abroad, the marketing mix to employ and the choice of distribution channels to use. Exporting can be serviced, in a foreign country, through a local investment presence (for example, local sales office, marketing subsidiary); or through collaboration agreements via export agencies (goods are sold by the firm in the home country to another form that undertakes to sell them abroad); or through an import agent/distributor (a firm in a foreign territory which undertakes to represent exporters); or through some other types of cooperative product sales agreement (e.g. a consortium).

Exporting from an established “home” production plant is a relatively inexpensive and low-risk way of servicing a foreign market (i.e. it obviates the need to invest in overseas plants). It often uses existing spare capacity at home, and so involves minimal commitment of additional resources. Maximum advantage can be taken of centralized production to secure economies of scale and thus lower unit costs and may enable the form to control product quality more effectively compared with decentralized manufacture abroad.

Using local agents and distributors to handle the firm’s products in overseas markets may enable the firm rapidly to gain extensive market coverage with low capital investment in marketing and distribution. In addition, agents and distributors are likely to have well-developed customer contacts and distribution networks in target overseas markets and local knowledge of these markets.

On the other hand, the firm could be put at a competitive disadvantage if host governments impose import restrictions such as tariffs and quotas, if exchange rates become unfavourable, or if the firm loses touch with changing host-country market conditions. Furthermore, where the firm makes use of agents or distributors then it can exercise little control over the marketing and distribution of its products, and in some cases its ability to penetrate the market may be impaired by the fact that its distributors are also handling competitors’ products.

I. Pre-reading task

Answer the following questions:

1. What has always made countries export and import?
2. What can you say about current export/import operations all over the world?

II. Language work

1. Make suitable word combinations from the following words:

1. distribution	a. restriction
2. local investment.	b. office
3. sales	c. mix
4. marketing	d. agreement
5. import/export	e. agency
6. collaboration	f. agent/distributor
7. economy	g. of scale
8. trade	h. subsidiary
9. licensingi.channels	

III. Answer the following questions:

1.What three groups of problems should be considered by a firm which is going to export successfully?
2. How can importing firms be represented in a foreign country? Talk about 4 ways of doing so.
3.What is the easiest way of serving a foreign market?
4. What are the advantages for an exporting firm to use “home” production plan?
5. What guaranteeseconomies of scale for an exporting firm?
6. What means can help to cover an extensive market in a foreign country?
7. What is the role of licensing in export operations?
8. How are synergetic effects between partners in exporting activities achieved?

IV. Summarizing

1.Give a short summary (in one or two sentences) of each paragraph and then summarize the whole article.
2. With regard to the subject of the article what is your opinion about economic sanctions from European and other countries against Russia? Is it a challenge for Russia?

Text 7 “Technological advantages”

It is easier for the bank to guaranty the payment because it holds, stores, analyses and evaluates all the information regarding the customer. The guarantee is issued in the form of a plastic (credit or debit) card with strict spending limits and authorization procedures. The retail outlet has to follow a simple procedure to obtain the information that it requires in order to engage in the transaction.

Until recently, the information was available only verbally. The credit card companies and the banks operated big call centres. The retail outlet would call in, provide the details of the client and the card, wait for an authorization (which took from 3-5 minutes per transaction) and only then proceed with the sale. This was time consuming, nerve wrecking, expensive and counter-productive. Hence the development of EFTPOS (Electronic Fund Transfer through Points of Sale).

An apparatus is installed in each retail outlet which can "read" the data embedded in the magnetic strips of credit cards, debit cards, loyalty cards and smart cards. It then proceeds to verify (within 10 seconds, on average) that the card is registered in the relevant database, that it is valid (not cancelled, not stolen, not lost) and what are the limitations applicable to the card (or its special features). The information flows (via phone lines and modems or by radio RF waves) between the POS apparatus and a host computer (server) of the bank, the credit card company, or the retail chain which issued the card. A sub-host can interpose between the point of sale and the main host computer, in order to address the more routine tasks and to alleviate possible bottlenecks or errors.

The advantages are immediately evident: time savings, increased efficiency and better use of resources, minimization of losses due to fraud, more secure data handling, a control of all the stages of the financial transaction in particular and of the finances of the retail outlet, in general. Suffice it to mention the ability to generate reports and statistics, which is greatly enhanced.

Technology is only the way that we respond to deep-seated psychological needs. It is really the need to grow up, to mature, to finally feel at ease in this world of ours that drives this meshing of old social establishments.

I. Pre-reading task

Answer the following questions:

1. How does technological progress influence our everyday life?
2. Do you think technological development will make a stop some day? What is the driving force of the technological progress?
3. Why are credit card companies increasingly prosperous nowadays?

II. Language work

1. Helpful vocabulary:

spending limits; authorisation; retail outlet; transaction; counter-productive; fraud; data handling; tofeelatease (свободносебячувствовать);suffice it to mention (достаточноупомянуть).

2. Translate the following sentences into Russian:

1. Now it is retail outlets where we can easily get money by our credit cards.
2. It is a control of all the stages of the financial transaction that was greatly appreciated.
3. It is the ability to generate reports and statistics more easily that impressed me most.

3. Translate the last paragraph of the article in writing

III. Answer the following questions:

1. What kind of information does a plastic (credit or debit) card contain?
2. Why was EFTPOS developed? What does this abbreviation stand for?
3. How does EFTPOS operate from the technological point of view?
4. What does verification of a plastic card prove?
5. What are the advantages of the new system?
6. Which of the advantages do you find the most productive?

IV. Summarizing

1. Summarize each paragraph in 2-3 short sentences.
2. Give a summary of the whole article.
3. Say what you think about using plastic credit cards in the future.

Text 8 “Multinational company’s advantages and disadvantages over national firms”

The MNC, as distinct from firms which undertake their international operations exclusively from a single “home” country, may be in a position to enhance its competitive position and profitability in four main ways.

First, the MNC can take advantage of differences in country-specific circumstances. Given a world economy that consists of a spectrum of countries at different stages of economic evolution (some industrially advanced, other mainly primary producers), certain general country advantages may have knock-on effects in terms of creating or augmenting firm-level competitive advantage which the MNC can exploit on a global basis. For example, the MNC may locate its R & D establishments in a more technologically advanced country in order to draw on that country’s embodied scientific and technological infrastructure and skills to develop innovative new processes and products.

Second, MNC benefit from the flexibility of being able to choose an appropriate mode of servicing a particular market as between exporting, licensing or direct investment. For example, exporting may provide an entry path into low-price commodity-type market, with the MNC taking advantage of marginal pricing and the absence of set-up costs. Through these various routes, MNC are able to pursue a complex global market servicing strategy.

Third, “internalization” of the MNC’s operations across countries by direct investment provides a unique opportunity for the firm to maximize its global profits by the use of various transfer-pricing policies. Whilst a national vertically integrated firm needs to establish transfer prices for components and finished products being transferred between component and assembly plants and sales subsidiaries, the greater scale and cross-frontier nature of such transactions by MNCs makes these transfer prices more significant.

Finally, an international network of production plants and sales subsidiaries enables an MNC to introduce a new product simultaneously in a large number of markets (an important consideration in the case of products having a relatively short life cycle span and/or patent protection) in order to maximize sales potential. Equally importantly, it spreads the risk of consumer rejection across a diversified portfolio of overseas markets.

I. Pre-reading task

Answer the following questions:

1. What are the most successful multinational companies in the world?
2. How did they start?
3. Regarding their future position in the world economy, what do you expect?

II. Language work

1. Helpful vocabulary

to undertake operations; to enhance one's position; to take advantage of; to augment – увеличиваться, возрастать;*a knock-on effect – the indirect result of smth; low price commodity - type market; to pursue a strategy* –следоватьстратегии*; set-up costs – затратынаналадочныеработы; simultaneously* – одновременно.

III. Answer the following questions:

1. How is an advanced scientific and technological infrastructure of some developed countries used by multinational companies?
2. What type of the market is the most suitable?
3. What key policies of direct investing are used by multinational companies?
4. How do transfer prices set by national and multinational companies differ from each other?
5. What allows a multinational company to introduce a new product simultaneously in many markets?

IV. Summarizing

1.What is a key idea of each paragraph?

2. Summarize the ideas suggested in the article.
3. What is your attitude to the policies pursued by the multinational companies?

Text 9 “Actors of global financial system”

At the end of 2006, the global financial system was comprised of three main groups of actors: traditional retail banks whose main role was deposit taking and doling out consumer credits; exchanges whose main functions were price discovery and the provision of liquidity; and investment banks and their surrogates and special purpose vehicles whose principal job was the allocation of capital to businesses and the mitigation of risk via securitization and insurance (hedging).

Yet, these unregulated investment banks were also often under-capitalized and hyper-leveraged partnerships (at least until the late 1990s, when some of them went public). This is precisely why they had invented all manner of complex financial instruments intended to remove credit-related risks from their books by selling it to third parties. Physicists, analysts, and rating agencies all agreed that the risk attendant to these derivatives can be calculated and determined and that many of them were risk-free (as long as markets were liquid, of course).

The business strategy of the investment banks was viable. It should have worked perfectly had they not committed a primal sin: they have entered the fray not only as brokers, dealers, and mediators, but also as investors and gamblers (principals), taking on huge positions, often improperly hedged ("naked"). When these bets soured, the capital base of these institutions was wiped out, sometimes literally overnight. The very financial instruments that were meant to alleviate and reallocate risk (such as collateralized debt obligations - CDOs) have turned into hazardous substances, as investors (and investment banks) gambled on the direction of the economy, specific sectors, or firms.

In hindsight, the "shadow banks" subverted the very foundations of modern finance: they created money (modifying the money-printing monopoly of central banks); they obfuscated the process of price discovery and thus undermined the price signal (incidentally casting doubt on symmetrical asset pricing models); they interfered with the ability of cash and cash-equivalents to serve as value stores and thus shook the trust in the entire financial system; they amplified the negative consequences of unbridled speculation (that is not related to real-life economic activities and values).

I. Pre-reading task

Answer the following questions:

1. What are three main groups of actors in the financial system?
2. What are the main types of exchanges?
3. Is there any dependence or interaction between banks and exchanges?

II. Language work

1. Helpful vocabulary:

retail/investment banks; an exchange; price discovery; liquidity; mitigation of risk; securitization; hedging (insurance); leverage; to commit a sin; collateralized debt obligations (CDOs); to obfuscate; to take on a position.

2. Translate the following sentences with conditional clauses:

1. This system will function perfectly well if it is accepted by all the main groups of actors in the financial market
2. This system would have functioned perfectly well if new financial instruments had been offered.
3. This system would have worked perfectly had the investment banks not used new functions.

III. Answer the following questions:

1. What are the main functions of retail/investment banks and exchanges?
2. How did investment banks allocate capital to businesses and mitigate risks?
3. Whatmade some banksmade go public?
4. What mistakes did the investment banks make and what did it result in?
5. Which sectors of the modern financial system were subverted most by the" shadow banks"?

IV. Summarizing

1. What is the key idea of each paragraph?
2. Summarize the main points of the article.
3. What is your opinion of the financial problems described in the article? What measures would you have taken in that situation?

Text 10 “Possible disadvantages of federal direct investment”

FDI, or joint venture investments with foreign partners and wholly owned investment in production, sales and research operations, involve the establishment of the firm’s own raw materials, production, distribution or selling facilities in a target overseas country.

A main potential disadvantage of wholly owned FDI is that it can be expensive (despite, occasionally, the availability of host-country government subsidies) particularly in industries which require large investments in plant and equipment in order to achieve economies of scale. This investment may be exposed to more risk than an equivalent investment in the domestic market because of the extra commercial risks of operating in a less familiar “foreign” market, characterized by different business practices, consumer preferences, language and culture; and the extra political risks of expropriation, profit and dividend repatriation limitations, price controls etc. encountered in some countries.

In part, these disadvantages can be overcome by joint venture investment arrangements which share investment expenditures between partners and which pool the commercial and political risks involved. Indeed, where the joint venture involves an alliance with a local partner rather than another overseas partner, then these commercial and political risks can be reduced by capitalizing on the partner’s local identity. However, as with contractual alliances, problems can arise in respect of communication difficulties and differences in the objectives and commitment of partners.

Another way of reducing the risk attendant on moving into a “foreign” market is to enter this market by merging with, or taking over, a local firm with established business connections rather than establishing a Greenfield operation. This helps overcome the cultural problem of “learning” the ways of doing business in an unfamiliar market. This also facilitates more rapid entry into the market by “buying” market share and providing a vehicle for the acquiring company to establish its own products in that market.

On the other hand, mergers and take-overs of foreign companies may pose significant “inheritance” problems because of differences in objectives, management style and organization structure between headquarters and foreign subsidiaries.

I. Pre-reading task

Answer the following questions:

1. What is a *joint venture*?
2. Have you ever worked for a joint venture?
3. Did you have to overcome any professional or cultural disparities in doing business with foreign partners?

II. Language work

Try to explain the following word combinations in English:

economies of scale; a domestic/foreign market; to capitalize on; to merge with/to take over/to acquire a company

III. Answer the following questions:

1. What kind of facilities does a partner in thejoint venture need to have in a foreign country?
2. How can the government of the host-country be involved in the joint venture operations?
3. What particular industries, in your opinion, require large investments?
4. What makes operating in a foreign market much more risky than in the domestic market?
5. What kind of problems can be encountered with contractual alliances?
6. How can commercial and political risks be reduced on moving into a foreign market?
7. What is the rootof “inheritance” problems for the partners in a joint venture?

IV. Summarizing

1. Make up a short plan of the article (in writing).
2. Give a summary of the article.
3. Are there many joint ventures in Russia nowadays? Give a few examples and speak on their particular features and problems.

Text 11 “Important trends in banking and finance”

One of the more important trends is evident in banking and finance. Exchanges become more and more ephemeral and virtual – the more computerized they are. Physical pits and trading floors are a relic of a quickly subsiding past. Trading knows no time limits, no geographical boundaries (except those still imposed by Man). Similarly, funds are transferred electronically in minutes. People carry plastic cards that symbolize wealth stored in electronic digits halfway across the world. We have taken to consuming and using more and more concentrated forms of symbolism. Land and Cows were replaced by metal, which was replaced by paper, which was replaced by electronic digits, which is partially represented by plastic cards. Chequebooks, credit cards and ATMs (Automatic Teller Machines) represent increased mobility. The bank follows the client. Transactions are concluded outside the premises. Money changes hands in totally automated transactions. The culmination of all this is the smart card. Subject to more clever marketing, home banking will develop to overtake regular banking. The functions of banks might be polarized: low level functions, on the one hand (e.g., check clearing) and high level functions, on the other (e.g., investment banking and private banking).

One of the grandest revolutions within this sub-trend of "blurring" is the functional merger of banks and retail outlets. On the face of it, this should have constituted no surprise. After all, banks are nothing but retail outlets: they buy and sell money the same way that a grocery store buys and sells bread. Any difference was psychological: banking was thought more respectable because it was considered to be a more intellectual pursuit (which it is not). The truth is that banks came to monopolize the flow of money and, later on, became one of the main money creators (together with the Central Bank – a glorified version of its more regular cousin). This power generated awe and respect.

In the last two decades, major retailers tried their hand in banking activities – not too successfully. Money is as specific a commodity as any and necessitates the availability of both expertise and vast historical databases. The true value added by banks to the economy is precisely in the accumulation and preservation of these data: the financial history, credit worthiness and consumption predilections of each and every one of us.

I. Pre-reading task

Answer the following questions:

1. What are the most obvious results of computerization of banking and financial systems?
2. Why do you think most people prefer using plastic cards instead of cash?

II. Language work

1. Translate the following sentences into Russian paying attention to the comparatives:
1. The more computerized exchanges we have the more virtual they become.
2. The smarter the card is the better for a user.
3. The fewer retail outlets the worse for the customers.

2. Give English equivalents to the following words and word combinations:
торговля; перечислять финансовые средства; символ/символизировать; накапливать/хранить; заключать сделку; слияние (в экономике); предприятие розничной продажи; денежный поток; специфическийтовар; стоимость.

3. Translate the following sentences paying attention to *The Subjective Infinitive Construction:*
1. Funds are expected to be transferred electronically in minutes.
2. Plastic cards are considered to be safer than cash.
3. Banking was thought to be more respectable than retail outlets.

III. Answer the following questions:

1. How did legal tenders change in the course of time?
2. What can happen to regular banking in the future?
3. What crucial change has taken place in making deals recently?
4. How are banks similar to retail outlets?
5. What is the historical role of banks in the development of economy?

IV. Summarizing

1. Summarize the key idea(s) of each paragraph and give a summary of the whole article.
2. How does banking change in Russia?

Text 12 “What is money laundering”

Пример текста -------

Strictly speaking, money laundering is the age-old process of disguising the illegal origin and criminal nature of funds (obtained in sanctions-busting arms sales, smuggling, trafficking in humans, organized crime, drug trafficking, prostitution rings, embezzlement, insider trading, bribery, and computer fraud) by moving them untraceably and investing them in legitimate businesses, securities, or bank deposits. But this narrow definition masks the fact that the bulk of money laundered is the result of tax evasion, tax avoidance, and outright tax fraud, such as the "VAT carousel scheme" in the EU (moving goods among businesses in various jurisdictions to capitalize on differences in VAT rates). Tax-related laundering nets between 10-20 billion US dollars annually from France and Russia alone.

It is important to realize that money laundering takes place within the banking system. Big amounts of cash are spread among numerous accounts (sometimes in free economic zones, financial off shore centers, and tax havens), converted to bearer financial instruments (money orders, bonds), or placed with trusts and charities. The money is then transferred to other locations, sometimes as bogus payments for "goods and services" against fake or inflated invoices issued by holding companies owned by lawyers or accountants on behalf of unnamed beneficiaries. The transferred funds are re-assembled in their destination and often "shipped" back to the point of origin under a new identity. The laundered funds are then invested in the legitimate economy. It is a simple procedure - yet an effective one. It results in either no paper trail - or too much of it. The accounts are invariably liquidated and all traces erased.

Пример текста ----

Criminal and tax evading funds are idle and non-productive. Their injection into the economy transforms them into a productive (and cheap) source of capital. This corrupts government officials, banks and their officers, contaminates legal sectors of the economy, crowds out legitimate and foreign capital, makes money supply unpredictable and uncontrollable, and increases cross-border capital movements, thereby enhancing the volatility of exchange rates.

I. Pre-reading task
Answer the following questions:
1. What is the Russian equivalent for *money laundering*?
2. Why is money laundering widely spread in many countries?

II. Language work
Helpful vocabulary
armssales-торговляоружием
smuggling –контрабанда
traffickinginhumans-торговлялюдьми
drugtrafficking -торговлянаркотиками
embezzlement –растрата
insidertrading – разглашение конфиденциальной информации о делах компании
bribery- взяточничество
fraud-мошенничество
taxavoidance- уклонение от налогов
VAT-value added tax-НДС
VAT rate-нормаНДС
aninvoice-счет-фактура
abeneficiary- тот, кто получает экономическую выгоду
exchangerate-курсобменавалют
tocrowdout-вытеснять/замещать частные инвестиции государственными расходами

2. Pay attention to the negative prefixes in the following words:
legal - illegal
named - unnamed
productive - non-productive
predictable – unpredictable
controllable – uncontrollable

3. Translate the following sentences into Russian:
1. Strictly speaking, money laundering does not result in much paper trail.
2. Smuggling and trafficking in humans has always been widely spread.
3. The result can be achieved by moving the funds and investing them in other businesses.

III. Answer the following questions:
1. What does money laundering disguise?
2. What are the ways of money laundering?
3. What is the ultimate purpose of money laundering?
4. What part of financial system is very convenient for money laundering?
5. How does money laundering harm the economy of a country?

IV. Summarizing
1. Describe the process of money laundering.
2. Support the topic idea of each paragraph with a few examples.
3. How can the government of a country prevent money laundering? What are your suggestions?

Text 13 “Advantages of foreign direct investments”

FDI involves the establishment of the firm’s own raw materials, production, distribution or selling facilities in a target overseas country. Such investment may be undertaken by setting up new, Greenfield, component and manufacturing plants, distribution networks and sales subsidiaries, or by taking over, or merging with, established businesses in target countries. Foreign investment can be undertaken on a joint venture basis involving two or more firms, or it can be a wholly owned investment.

FDI occurs because of its potentially greater cost-effectiveness and profitability in sourcing markets through a direct presence in a number of locations, rather than relying solely on a single “home” base and on import and exports as the basis of its international operations. For example, with FDI a firm is able to supply “just-in-time” from in-market plants and provide better back-up services such as maintenance and repair.

A firm may possess various competitive advantages over rival suppliers in the form of patented process technology, know-how and skills, or a unique branded product which it can better exploit and protect by establishing overseas production or sales subsidiaries. A production facility in an overseas market may enable a firm to reduce its distribution costs and keep in touch more closely with local market conditions – changes in customer tastes, competitors’ actions and new government regulations etc. Moreover, direct investment enables a firm to avoid governmental restrictions on market access such as tariffs and quotas and the problems of currency variation.

In the case of sourcing, direct investment allows the multinational companies to take advantage of some countries’ lower labor costs or provides it with access to superior technological know-how, thereby enhancing its international competitiveness. Moreover, direct investment by internalizing input sourcing and market servicing within the one organization enables the MNC to avoid various transaction costs of using the market, i.e. the costs of finding suppliers of inputs and distributors and negotiating contracts with them; and the costs associated with imperfect market situations, e.g. monopoly surcharges imposed by input suppliers, unreliable sources of supply and restrictions on access to distribution channels.

I. Pre-reading task
Answer the following questions:
1. What are pre-conditions for foreign direct investments?
2. How often are investments of this kind used?
3. Are they always profitable?

II. Language work
1. Explain the term *cost-effectiveness* in English.
2. Give English equivalents to the following Russian word combinations:
каналы распределения; дочерняя компания; поглощать (сливаться с); давно существующие на рынке местные компании; на базе совместного предприятия; конкурентное преимущество; поставщики –конкуренты; конкурентоспособность на международном уровне.

III. Answer the following questions:
1. What are federal direct investments used for?
2. What is the greatest advantage of the federal direct investments?
3. Why is a production facility in a foreign market so important for a firm?
4. What changes in the local market can be expected?
5. What can enhance international competitiveness of multinational companies?
6. What kind of costs can a multinational company avoid through investment?

IV. Summarizing
Summarize the ideas of the article and give your opinion .

Text 14 “Financial investor, strategic investor”

In the not so distant past, there was little difference between financial and strategic investors. Investors of all colors sought to safeguard their investment by taking over as many management functions as they could. Additionally, investments were small and shareholders few. A firm resembled a household and the number of people involved – in ownership and in management – was correspondingly limited. People invested in industries they were acquainted with first hand. СРАВНЕНИЕ!!!

As markets grew, the scales of industrial production (and of service provision) expanded. A single investor (or a small group of investors) could no longer accommodate the needs even of a single firm. As knowledge increased and specialization ensued – it was no longer feasible or possible to micro-manage a firm one invested in. Actually, separate businesses of money making and business management emerged. An investor was expected to excel in obtaining high yields on his capital – not in industrial management or in marketing. A manager was expected to manage, not to be capable of personally tackling the various and varying tasks of the business that he managed.

Thus, two classes of investors emerged. One type supplied firms with capital. The other type supplied them with know-how, technology, management skills, marketing techniques, intellectual property, clientele and a vision, a sense of direction.
In many cases, the strategic investor also provided the necessary funding. But, more and more, a separation was maintained. Venture capital and risk capital funds, for instance, are purely financial investors. So are, to a growing extent, investment banks and other financial institutions.

The financial investor represents the past. Its money is the result of past - right and wrong - decisions. Its orientation is short term: an "exit strategy" is sought as soon as feasible. For "exit strategy" read quick profits. The financial investor is always on the lookout, searching for willing buyers for his stake. The stock exchange is a popular exit strategy. The financial investor has little interest in the company's management. Optimally, his money buys for him not only a good product and a good market, but also a good management. But his interpretation of the rolls and functions of "good management" are very different to that offered by the strategic investor.

I. Pre-reading task

Answer the following questions:

1. Is there any difference, in your opinion, between financial and strategic investors?
2. Which investors deal with venture capital?

II. Language work

Translate the following sentences paying attention tothe different meanings of *as:*

1. He acts as a financial investor.
2. As far as I know /understand/ remember…..
3. As a rule /as a result….
4. They wanted to take over as many management functions as they could.
5. As markets grew, the scales of industrial production expanded.
6. As the investor had lost his money he stopped his participation in the contract.

III. Answer the following questions:

1. What were peculiar features of an investor in the past?
2. Why did profit making and managing a company become two different domains?
3. What did that separation lead to?
4. Describe the main functions of each type of investors.
5. What is the main purpose of a financial investor?
6. What is the attitude of a financial investor to a company's management?

IV. Summarizing

1. Summarize the ideas suggested in each paragraph and give a summary of the whole article.
2. Which type of investors described in the article is more appealing to you? Whose functions would you prefer to fulfil?

SECTION II. TEXTS FOR TRANSLATION

Text 1 "Stock exchanges"

Consolidation of stock markets is not an "EU-phenomenon", but reflects a world-wide trend towards a single global market for certain instruments. Consolidation of stock markets is likely to be beneficial, as stock exchanges have been shown to display economies of scale both in operations and in trading. Operational economies of scale can arise from the establishment of compatible or shared trading platforms, eliminating the need for redundant investment in different trading systems. In addition, common or shared trading platforms could benefit banks or brokers that engage in cross-border transactions and currently face significant access costs to maintain connections with a variety of trading systems. Trading economies of scale can be realized from the attainment of heightened market liquidity.

Establishing common or shared trading platforms across Europe could reduce the cost of cross-border transactions, attracting new investors to the equity markets and generating higher trading volumes. These benefits are likely associated with increased liquidity, which in turn reduces price volatility. When buyers and sellers are few in number and arrive sporadically at the market, they may not find each other immediately. This type of inefficiency could translate into significant price fluctuations.

Despite the potential benefits of consolidation, there are several barriers that tend to prevent fast consolidation. These include cross-country legal and regulatory differences and the wide-spread fragmentation of Europe's clearing and settlement systems. There is no single body that regulates equity markets euro-area wide and each country has its own set of rules. Important differences include listing requirements and trading practices. In this context, differences in the national requirements on the structure and content of equity prospectuses make it difficult for small firms to distribute information in order to raise equity on a pan-European basis. Harmonization is more advanced in the case of large firms, which, in any case, are also already followed more closely by analysts and the financial press. There are also substantial differences in national accounting standards and practices, making it sometimes difficult to evaluate the health, in particular of smaller companies across borders.

2300

I. Vocabulary work

Give the Russian equivalents for the following English terms:
stock market; stock exchange; economy of scale; compatible (shared, common) trading platforms; cross-border transactions; to heighten market liquidity; equity market; price volatility; price fluctuations; clearing and settlement system.

II. Grammar work

Revise the *Subjective Infinitive Construction*, analyze the following sentences and translate them into Russian:

1. New investors are expected to come to the equity market.
2. Small firms are not likely to distribute the information they have.
3. Several barriers have been reported to prevent fast consolidation of stock markets.
4. Stock exchanges were required to display economies of scale.
5. Consolidation of stock markets is likely to be beneficial in both cases.

III. Answer the following questions:

1. What does consolidation of stock markets reflect?
2. What is the basis for operational economies of scale to arise?
3. What can the attainment of heightened market liquidity result in?
4. What can reduce the cost of cross-border transactions?
5. What is the cause for price fluctuations?
6. What do barriers on the way to consolidation of stock markets include?
7. What prevents from evaluating the health of smaller companies across borders?
8. Does the problem described in the article relate to the Russian economy? Give your reasons both for the affirmative and negative answers.

Text 2 “Market failures at the national level”

The asymmetric information is one of the principal reasons explaining the establishment and subsequent evolution of financial intermediaries. Specialized credit institutions such as banks can alleviate both the adverse selection and moral hazard problems. They perform the function of assessing the ex ante creditworthiness of borrowers and monitoring their ex post performance better than could any industrial lender. Similarly, investment banks help the issuers of securities provide standardized information to potential purchasers that improves the marketability of the securities concerned.

These institutional responses to the asymmetric information problem have been largely spontaneous. Banks evolved without official intervention and market places developed their own rules to make themselves a more attractive location for trading financial claims. But there has also been official encouragement. Rules protecting investors and providing for information disclosure have been enshrined in legislation and contracts.

If financial intermediation helps deal with certain types of market failure, it can create others, through aggregation effects and externalities. Because they are highly leveraged, financial institutions, and particularly banks, can be subject to a loss of confidence that can threaten the effective functioning of financial intermediation. Bank runs can develop. As a result, most economists and policy makers accept that there is a need for some form of safety net for the financial system. Two forms of safety net are the lender of last resort functions of the central bank, and deposit insurance schemes.

Once again, however, the institutional response to one kind of market failure creates the soil for another to grow. The existence of an effective safety net tends to exacerbate the problem of moral hazard. The obvious danger is that banks, or other depositors, will become less careful in managing risks and monitoring counterparties. The direct loser is the deposit insurance authority, which has to underwrite the losses that arise from the resource misallocation that flows from the mispricing of risk.

The official response to the moral hazard problem and other forms of perverse incentive has been through the refinement of regulation and supervision.

2293

I. Vocabulary work

Give Russian equivalents to the following word combinations:
the ex ante credit worthiness; the ex post performance; issuers of securities; marketability; financial claims; legislation;market failure; to be subject to; a loss of confidence; safety net; bank runs; deposit insuranceschemes; to exacerbate (to make problem become worse); to manage risks; to monitor counter parties; a loser; to underwrite the losses; the resource (mis)allocation; (mis)pricing of risks; perverse incentive

II. Grammar work

Translate the following word combinations paying attention to the *Past Participle:*
1. specialized credit institutions
2. standardized information
3. mispriced risks
4. protected investors
5. the securities concerned

III. Answer the following questions:
1. What is the main function of credit institutions?
2. What improves the marketability of securities?
3. What particular aspects of legislation on banks does the article describe?
4. What threatens the effective functioning of financial intermediaries?
5. What are the forms of safety net for the financial system?
6. Why is it possible for the banks to become less careful in managing risks?
7. Why is mispricing of risk dangerous?

Text 3 “Government bond market”

The most apparent effect of the introduction of the euro has been on the size of the euro area government bond market, as had been expected by financial market participants before the introduction of the euro. Indeed, the market can be considered fairly large in comparison with two different benchmarks. First, despite the recent dynamic growth of issuance in the non-sovereign segments and a declining issuance of sovereign debt over the past few years reflecting mainly budgetary consolidation in the euro area, government bond issuance is the dominant source of supply in the euro-denominated bond market. Looking forward, the trend of declining issuance is expected to be reversed, reflecting the deterioration of the fiscal situation in many euro area countries.

Second, the market is large by international comparison. Already the combined outstanding volume of the three major sovereign bond issuers in the euro area is broadly on par with US Treasury marketable government debt (which includes bills and notes). The combined outstanding volume of all euro area government bonds comes even closer to that of Japan. However, even though the re-denomination into a common currency of all individual euro area government debt has meant that an important distinguishing feature of government securities – their currency denomination – has ceased to exit, the market seems to differ from its corresponding counterparts in the US and Japan. Specifically, market participants still differentiate between issues of different governments in terms of credit risk and other factors.

ПОКАЗАТЕЛЬНЫЙ ТЕКСТ, ГДЕ ЕСТЬ ВСЕ ------
Management of euro area government debt remains decentralized. And the same competition among public debt managers that has lead to convergence in their management policies, thus fostering integration, has also been mentioned as a source for fragmentation in euro area debt markets. It has been questioned whether there is a potential for coordination failure with respect to issuance strategies among public debt managers acting independently, which may turn out to deter bond market integration. A suggestion has been made to create a single body responsible for issuing some part of euro-zone government bonds.

2196

I. Vocabulary work

Derive verbs and verbals (present and past participles) from the nouns:
introduction; participant; growth; issuance; comparison; combination;denomination; difference; decentralization; competition; management; convergence; deterioration; creation, government; domination.

II. Grammar work

Revise the Passive Voice forms, analyze the following sentences and translate them into Russian:
1. The introduction of the euro was expected by many European financial market participants.
2. How are the risks differentiated?
3. New regulations will be introduced next year.
4. The introduction of the euro was being considered in some countries for a few years and some problems have not been solved yet and are still being discussed.
5. That result had been expected by financial market participants before the introduction of euro.
6. A suggestion has been made to create a special committee to monitor the process.
7. What kind of euro-zone government bonds will have been issued by the end of the fiscal year?

III. Answer the following questions:

1. Which sector of the financial market did the introduction of the euro influence most?
2. What does the trend of declining issuance of government bonds reflect?
3. How do we know if the market is large?
4. How does the combined volume of the three major bond issuers in the euro area correlate with those of the two countries mentioned in the article?
5. What do market participants take into account to differentiate between issues of different governments?
6. What is a source for fragmentation in euro area debt market?
7. What can deter bond market integration?
8. What can help to manage issuing euro-zone government bonds?

Text 4 “Challenges of Euro area financial market integration”

Financial systems play a role in the growth process because they are integral to the provision of funding for capital accumulation and for the diffusion of new technologies. The microeconomic rationale for financial systems is based largely on the existence of frictions in the trading system. In a world in which writing, issuing and enforcing contracts consume resources and in which information is not symmetric and its acquisition costly, properly functioning financial systems can reduce these information and transactions costs.

In the process, savers and investors are brought together more efficiently and, ultimately, economic growth is affected. In this context, financial systems perform several functions that serve to ameliorate these functional costs and thus bear on capital accumulations and technological progress. They include the mobilizing of savings, diversifying risk, allocating savings and monitoring managers. A well-developed financial system attracts and collects the small-denomination savings of individuals, so that profitable large-scale investments can be funded, thus potentially raising the overall level and possibly the efficiency of investment.

Financial systems provide insurance to individual savers against the idiosyncratic risk that a single investment pays no return and the liquidity risk that saver may need to withdraw investments before returns are available. As a result, high-return projects with long gestation periods or high but diversifiable risk are more likely to be funded. While for individual savers, the costs of acquiring and evaluating information on prospective projects can be high, financial intermediaries that specialize in acquiring and evaluating information on prospective investment projects enable small investors, for a nominal fee, to locate high return investments.

The establishment of financial intermediaries that can monitor investments for groups of savers/investors reduces the duplication of monitoring costs that would be incurred if the savers conducted their own monitoring individually. Performing these various functions, broad and deep financial systems are expected to imply faster capital accumulation as well as increasing the productivity of capital, thus enhancing growth.

2266

I. Vocabulary work:

1. Match the following nouns and adjectives:

1. microeconomica. capital accumulation
2. sympathetic b. risk
3. trading c.information
4. costlyd. acquisition
5. profitable e. rationale
6. idiosyncraticf. projects
7. high-return g. investments
8. diversifiable h. system
9. fasteri. risk

2. Find the following expressions in the text:
быть неотъемлемой чертой чего-либо; распространение новых технологий; составлять/издавать/внедрять контракт; взаимодействовать; диверсифицировать риски; финансировать выгодное крупномасштабные инвестиционные проекты; отозвать инвестиции; стоимость получения и оценки информации; перспективные инвестиционные проекты; финансовый посредник.

II. Grammarwork:

Revise *The Gerund* and translate the following word combinations into English:
обеспечение источника для.....; составление договора; мобилизация сбережений; размещение ресурсов; контролирование руководителей; приобретение и оценка стоимости информации; дублированиезатратнауправление.

III. Answer the following questions:

1. What is the role of financial systems in the growth process?
2. What do frictions in the trading system result in?
3. How do financial systems affect savers and investors?
4. How can the level and efficiency of investment be raised?
5. What do financial systems protect the individual savers from?
6. Where do small investors locate high return investments?
7. What contributes to faster capital accumulation and increase of the productivity of capital?

Text 5 “Financial globalization and volatility”

In the recent past, globalization has been associated with financial crisis carrying devastating economic and social costs. As economies integrate with the global economy, they inevitably become exposed to economic and financial disturbances from across the border. There is a perception that financially open economies are more volatile and that financial market integration makes them susceptible to contagion-related spillovers from national, regional and global financial crises.

Over a long haul, volatility tends to decline following liberalization and integration with the global economy. Stability results from diversification of asset portfolios and healthier development of the financial sector. However, the fact that liberalized, open and globally integrated economies are more stable and less volatile over the long haul provides little solace because the very process of liberalizing increases volatility and risk of crisis.

Therefore, World Bank emphasizes the distinction between being open on the one hand and becoming open on the other. While the former is associated with greater stability, the latter under certain circumstances can lead to financial and exchange rate crisis, having high costs. This is not to imply that the cost of globalization necessarily swamps its benefits, but high costs do call for a pressing need to develop institutions and pursue policies aimed at limiting volatility and minimizing its consequences.

During the initial phase of liberalization of the financial sector, or the becoming open phase, volatility is caused by vulnerable fundamentals and institutional weaknesses. In a typical emerging economy financial market, stock prices are doubled during the eighteen months before the price cycle reaches a peak. Sound fundamentals and robust institutions do not always insure stability. Financial and other asset market bubbles can adversely affect and destabilize economies that otherwise have sound fundamentals and robust institutions. Other comparable market aberrations are “irrational exuberance”, herding behaviour, speculative attacks and market crashes. If market participants perceive that exchange rate has stayed at an unrealistic level, they decide that it is unsustainable.

2239

I. Vocabulary work

Give English equivalents to the following word combinations (you can find them in the article):

в течение длительного периода; привести к ч-л/быть результатом ч-л; обращать особое внимание; с одной стороны…..с другой стороны; первая/последняя из упомянутых идей; при определенных условиях; подразумевать; проводить политику, направленную на…; надежныеосновы.

II. Grammar work

Pay attention to the different meanings of *"that"* in the sentences below and translate the sentences into Russian:

1. It is generally accepted *that* the process of globalization has already begun.
2. *That* measure was aimed at limiting volatility of the market.
3. Can you suggest a policy *that* can limit the volatility of the market?
4. The process of liberalizing economies increases their volatility, *i.e.* makes them unstable.
5. The exchange rate in this country is less realistic than *that* in other countries.
6. The consequences of this situation are not as gloomy as *those* of the previous one.

III. Answer the following questions:

1. What does globalization inevitably imply?
2. What are pre-conditions for an economy to become less volatile after integration with the global economy?
3. What is the distinction between being an open economy and becoming an open one?
4. How can a recently liberalized economy limit its volatility and minimize its consequences?
5. What is the cause of volatility at the initial phase of liberalization of the beneficial market?
6. What can destabilize economies?

Text 6 “The hedge-fund problem”

The hedge-fund problem has attracted considerable attention in Asia and elsewhere. Official reports from countries other than Malaysia have argued that hedge-fund operations in their markets have considerably aggravated volatility. While such allegations can be disputed, given how little public information in available about hedge-fund trades and positions, they deserve to be taken seriously.

The most important point about hedge funds is how little is special about them. Hedge funds are highly leveraged, but so are investment banks and other financial institutions. The take short positions in assets markets, but so do other investors. They utilize exotic and “plain-vanilla” derivative securities, but so do other market participants. The move in and out of emerging markets, but so do mutual funds, commercial banks, investment banks and a variety of other financial entities. One can argue that hedge funds are more flexible, more aggressive or more predatory, but given the extent to which their capital is swamped by, say, the proprietary trading desks of investment banks, their impact on market outcomes is easily swamped as well.

Changing the way hedge funds are regulated or forcing them to disclose information about their operations would change nothing from the emerging-market point of view. To be sure, hedge funds have played a prominent role in a certain emerging-market crises; the IMF’s hedge fund study pointed to Thailand as an example. But given the growing international activities of other institutional investors including not just investment banks but also commercial banks, mutual funds and pension funds, the instances where hedge funds dominate conditions in individual emerging markets are likely to be even less common in the future than the past. Tighter regulation of hedge funds would change little in terms of aggregate market outcomes.

While its push for disclosure is understandable, serious doubts can be raised about its efficacy. Requiring additional disclosure may simply lead hedge funds to relocate offshore. The task force therefore recommends that offshore financial centers adopt and comply with internationally agreed upon standards for disclosure and prudential supervision. However, offshore financial centers and tax havens are a long-standing problem.

2300

I. Vocabulary work

Translate the key vocabulary items into Russian:
hedge-fund problem; to leverage hedge funds; to aggregate market outcomes; efficacy vs effectiveness; to relocate offshore; tighter regulation of hedge funds

II. Grammar work

Translate the following sentences paying attention to the participle *given:*

1. Given the extent of such changes, they may relocate offshore.
2. Given the growing activities of other investors, the results can be even worse in the future.
3. Given how little information is available about hedge funds the problem should be considered seriously.

III. Answer the following questions:

1. Is there much information about hedge funds?
2. What are the arguments for hedge funds?
3. How big is the impact of hedge funds on the market outcomes? How can you explain it?
4. Does tighter regulation of hedge funds matter with reference to aggregate market outcomes?
5. What can disclosure of hedge funds result in?
6. What do offshore financial centers need to have to supervise hedge funds?

Text 7 “Government bond market”

The most apparent effect of the introduction of the euro has been on the size of the euro area government bond market, as had been expected by financial market participants before the introduction of the euro. Indeed, the market can be considered fairly large in comparison with two different benchmarks. First, despite the recent dynamic growth of issuance in the non-sovereign segments and a declining issuance of sovereign debt over the past few years reflecting mainly budgetary consolidation in the euro area, government bond issuance is the dominant source of supply in the euro-denominated bond market. Looking forward, the trend of declining issuance is expected to be reversed, reflecting the deterioration of the fiscal situation in many euro area countries.

Second, the market is large by international comparison. Already the combined outstanding volume of the three major sovereign bond issuers in the euro area is broadly on par with US Treasury marketable government debt (which includes bills and notes). The combined outstanding volume of all euro area government bonds comes even closer to that of Japan. However, even though the re-denomination into a common currency of all individual euro area government debt has meant that an important distinguishing feature of government securities – their currency denomination – has ceased to exit, the market seems to differ from its corresponding counterparts in the US and Japan. Specifically, market participants still differentiate between issues of different governments in terms of credit risk and other factors.

Management of euro area government debt remains decentralized. And the same competition among public debt managers that has lead to convergence in their management policies, thus fostering integration, has also been mentioned as a source for fragmentation in euro area debt markets. It has been questioned whether there is a potential for coordination failure with respect to issuance strategies among public debt managers acting independently, which may turn out to deter bond market integration. A suggestion has been made to create a single body responsible for issuing some part of euro-zone government bonds.

2196

I. Vocabulary work:

1. What are the derivatives from the following words? Translate all of them into Russian:
introduce; participate; grow; issue; compare; combine; denominate; differ; (de)centralize; compete; manage; integrate.

II. Grammarwork:

Revise the *Passive Voice* and translate the following sentences into Russian:

1. Introduction of the euro was expected by many European financial market participants.
2. How are the risks differentiated?
3. The new regulations will be offered next year.
4. In some countries the introduction of the euro was being considered for a few years, some problems have not been solved yet and are still being discussed.
5. A suggestion has been made about setting up a committee to monitor the process.
6. What kind of euro-zone government bonds will have been issued by the end of the fiscal year?

III. Answer the following questions:

1. Which sector of the financial market did the introduction of the euro influence most?
2. What trend does declining issuance of government bonds reflect?
3. How do we know if the market is large?
4. How do the major bond issuers in the euro zone correlate with those of the two countries mentioned in the article?
5. What can deter bond market integration?
6. What can help to manage issuing euro-zone government bonds?

Text 8 “Banking sector”

The introduction of the euro has further intensified competition in an already highly competitive environment for banks, by enhancing price transparency, reducing foreign exchange revenues and eliminating the competitive advantage for domestic players associated with the existence of national currencies. Already existing competitive pressures in the financial services industry reflect among other things technological change, which tend to lower the costs of both information and transactions and facilitates securitization. Technological change facilitates competition from non-banks for corporate and retail banking business and also challenges the basis of traditional relationship banking by encouraging securitization.

The trend towards increasing securitization is likely to benefit further from the increasing reform pressure towards fully funded pension systems. Most pension systems in the European Union are still based on the pay-as-you-go principle. But with an ageing population, the reform pressure towards a fully funded pension system has increased considerably. Last year Germany took a step toward partial funding; other major European countries such as France and Italy will follow. It is often argued that these changes are likely to further promote the development of broader and more liquid securities markets. But the promotion of long-term bank deposits is also envisaged in the pension reform concepts in some countries, so that the implications for the structure of the financial sector may depend on specific policy measures taken.

Current competitive pressures in the banking sector also reflect the fact that the process of financial deregulation in Europe has been under way for several decades. One response of banks to these competitive pressures has been consolidation either through mergers and acquisitions or through cross-shareholdings, involving banks as well as other financial institutions. So far, most of the consolidation in the European Union has taken place mainly within national boundaries. This has implied a significant increase in industry concentration at the national level in some smaller Member States. Going forward, further mergers and acquisitions between big institutions in these countries are seen as unlikely given the already high concentration in their financial sectors, in particular, in the area of retail banking.
I. Vocabulary work

2300

Helpful vocabulary:
1. nouns: *securitization, price transparency, retail banking business, consideration, reform pressure, long-term bank deposits, mergers and acquisitions;*
2. verbs: *to facilitate, to challenge, to benefit from, to envisage, to promote.*

II. Grammar work

Rephrase the following sentences:
1. These changes are likely to promote the development of securities markets.
2. Increased securitization is likely to benefit from fully funded pension systems in the future.
3. This process is seen as unlikely in the future.

III. Answer the following questions:

1. Why has competition in the banking sector grown recently?
2. What is the consequence of the technological change for the financial services industry?
3. What is the principle of most pension systems in the EU countries at present?
4. Why are fully funded pension systems necessary in many European countries?
5. How is securitization connected with pension systems?
6. How did banks respond to the growing competition in the banking sector?
7. Why are big banking institutions concentrated at the national level?
8. Is consolidation likely to go on in smaller countries?

Text 9 “Financial globalisation and capital market”

Financial globalization has caused dramatic changes in the structure of national and international capital markets. The most significant change in the capital markets was in the banking system, which went through a process of disintegration. This was a market transformation of fundamental nature. It has radically changed the operation of the financial markets. Tradable securities increasingly replaced financial intermediation through banks. The role of bank loans and deposits progressively declined over the last quarter century. Markets participants – financial and non-financial institutions, and saving and investing households – were responsible for ushering in this metamorphosis. They played a crucial role in bringing it about because they benefited from it. Financial risks, particularly credit risks, are no longer born by banks. They are increasingly moved off balance sheets.

Assets are converted into tradable securities, which in turn eliminate credit risks. Derivative transactions like interest rate swaps also serve the same purpose. Risk elimination enables banks to improve their risk-adjusted returns on capital as well as be more competitive in the market. Reduced risk also tends to lower their capital requirements according to the regulatory norms. In the new globalized financial environment a diversified group of investors has emerged that is willing to own an array of credit and other financial risks. Improvements in the information technology made these risks easier to monitor, analyze and manage.

Major financial markets, centers and institutions now serve borrowers and investors all over the globe, or those in economies that are now financially globalized. They also serve sovereign borrowers at various stages of economic development. TNCs and financial intermediaries not only tap financial resources and raise capital from the globalized financial centers, but they can also manage risk more flexibly by accessing larger pools of capital in these centers. Accordingly, the volume of cross-border financial flows has increased substantially. The importance of institutional investors has grown in the capital markets because they manage a large and growing share of global financial wealth.

2235

I. Vocabulary work

Helpful vocabulary:

disintegration; tradable securities; derivative transactions; a balance sheet; interest rate swaps; TNCs; financial intermediaries.

II. Grammar work

Translate the following sentences from Russian into English (revision of the *Past Simple vs Present Perfect Tense*)

1. Глобализация вызвала большие изменения и банковской системе.
2. Почему роль банковских кредитов и депозитов снижалась за последние 25 лет?
3. Новые информационные технологии облегчили процесс управления рисками.
4. Объем финансовых потоков значительно возрос за последнее время.

III. Answer the following questions:

1. What was the cause of disintegration in the banking system?
2. How did financial intermediation change?
3. How are tradable securities formed?
4. What was the consequence of reduced risk and risk elimination for the banks?
5. How can financial intermediaries manage risks now?
6. Why is the role of institutional investors so big in the capital markets?

Text 10 “Agents of financial globalization”

The prime movers in financial globalization are governments, borrowers, investors and financial institutions. Each one of these market participants propelled economies toward financial integration in a proactive manner. Governments play an indispensable role in promoting financial globalization. By creating an enabling policy framework, they make financial globalization feasible. Two policy actions are considered a pre-condition of financial globalization. The first is liberalization and deregulation of the domestic financial sector, while the second is liberalization of the capital account of balance-of-payments.

Strict regulation of domestic financial sector, with a vast array of difficult-to-comprehend restrictions, used to be a popular practice in the past. This applied to most developing economies where governments controlled credit allocation and kept surveillance over its disbursement through control on pieces and quantities. Multiple bodies were created to enforce a complex body of regulations. Governments routinely controlled cross-country capital movements in a stringent manner, both inward and outward. A large number of instruments were devised in different policy areas to restrict capital account transactions. These areas were foreign exchange transactions, derivative transactions, lending and borrowing activities by banks and corporations, as well as entry and participation of foreign investors in the domestic financial system.

Policy structure in these areas gradually started changing in the 1970s and the traditional controls and restrictive regulations over the domestic financial sector and capital account began to be relaxed in many industrial economies, newly industrialized economies and the emerging market economies.

There were several motivating factors behind liberalizing restrictions over the domestic financial sector and capital account. The World Bank argues that policy makers found the vast array of restrictions and controls increasingly costly and difficult to maintain effectively. Besides, they began to make distinction between government-led financial system – or a statist financial system – and the market-led one, and saw that the government-led, non-market system failed to achieve the desired objectives.

2274

I. Vocabulary work

Helpful vocabulary:

capital account; balance-of-payments; to keep surveillance over; disbursement; foreign exchange transactions; a statist (government-led) financial system.

II. Grammar work

Make the following sentences interrogative and negative:

1. Government used to control all capital movements.
2. Strict regulation used to be a popular practice in the past.
3. A large number of instruments were used to restrict capital account transactions.
4. They used a vast array of costly restrictions and controls.

III. Answer the following questions:

1. Who are the market participants in the financial globalization?
2. What is the pre-condition of financial sector regulated in the past?
3. How was domestic financial sector regulated in the past?
4. What was the role of governments in the developing economies?
5. How did the policy for the domestic financial sector change in the 1970s?
6. What were the motivating factors for that change?

Text 11 “Standards”

The IMF has been criticized for expanding its surveillance and conditionality from the monetary, fiscal and exchange-rate policies that are its bread and butter to prudential supervision, auditing and accounting, bankruptcy procedures, corporate governance and competition policy, among other issues. Its intrusion into everything from the Suharto family’s clove monopoly to Indonesia’s national car program is attacked as invasive, unnecessary and counterproductive. It is invasive because it interferes with the traditional prerogatives of sovereign states. It is unnecessary because microeconomic and structural conditions are inappropriate for dealing with currency and financial crises that are essentially macroeconomic in nature. And it is counterproductive because different institutional arrangements are appropriate for different economic, legal and cultural settings and because ignoring this runs the risk of provoking a populist backlash.

The counter-argument is that high capital mobility makes it impossible to fix the international financial system without also fixing the domestic financial systems of countries active on international markets. International financial stability requires domestic financial stability, given the propensity for financial problems to spill across borders. And domestic financial stability can only be attained through institutional reform. This is the problem with Feldstein’s conclusion that the IMF should stick to giving advice on monetary and fiscal policies and not meddle in the other internal arrangements of countries. Stabilizing a country’s financial system requires institutional reforms extending well beyond policies toward external trade and payments.

Few would question that creating a stable financial environment presupposes disclosure requirements for banks and corporations to make available the information required for market discipline to work, and prudential supervision to compensate for the shortcomings of banks’ and firms’ own risk management practices. In a world where financial crises can spread contagiously, the international community has a common interest in seeing that all countries active on international markets adopt minimally acceptable domestic arrangements in these areas.

2264

I. Vocabulary work

Helpful vocabulary:

conditionality; the IMF; counterproductive; to run the risk; the counter-argument; capital mobility; monetary and fiscal policies; financial rises; to presuppose; to compensate for; the shortcomings.

II. Grammar work

Translate the following sentences from English into Russian, mind the difference between *few-a-few*, *question-to-question:*

1. A few economists have already started criticizing the IMF.
2. Few economists would try to solve that problem.
3. That in a very tough question to answer.
4. Few would question that creating a stable international financial stability is an extremely difficult matter.

III. Answer the following questions:

1. What is the IMF criticized for?
2. How should the IMF change its policy?
3. What is the correlation between international and domestic financial stability?
4. What is it necessary to do to achieve domestic financial stability?
5. What are banks and corporations required to do for the market towork successfully?