

**БЕЛОРУССКИЙ ГОСУДАРСТВЕННЫЙ УНИВЕРСИТЕТ
ФАКУЛЬТЕТ МЕЖДУНАРОДНЫХ ОТНОШЕНИЙ
КАФЕДРА АНГЛИЙСКОГО ЯЗЫКА
ЭКОНОМИЧЕСКИХ СПЕЦИАЛЬНОСТЕЙ**

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**English in Business Communication
(for students of Economics)**

**Английский язык в деловом общении (для студентов
экономических специальностей)**

Минск

2008

ПРЕДИСЛОВИЕ

Учебное пособие подготовлено в соответствии с учебной программой курса «Английский язык для III-V курсов отделений экономических специальностей» и «Английский язык в сфере делового общения студентов экономических специальностей». Цель пособия - дальнейшее развитие навыков устной речи, чтения и письма на основе текстов профессионально-ориентированной направленности. Тексты заимствованы из новейших периодических изданий и изданий справочной литературы и отражают современные тенденции в области экономики и международных экономических отношений.

Пособие охватывает основную тематику курса по таким аспектам преподавания языка, как практика устной речи, английский язык в сфере делового общения, грамматика, чтение, реферирование и аннотирование текстов экономического характера.

Учебное пособие включает теоретический материал на английском языке, дающий сведения по корректному поведению в сфере делового общения. Практический материал включает упражнения творческого характера, которые предполагают использование проектных технологий на занятиях, подготовку презентаций, участие в переговорах и других деловых встречах, а также вопросы для самоконтроля по обсуждаемым проблемам курса. Раздел грамматики ставит целью повторение наиболее сложных для студентов разделов грамматики на основе примеров из текстов экономической прозы, а также дальнейшее развитие лексических и грамматических навыков.

Предлагаемые тексты экономического характера направлены на обучение различным видам чтения, навыкам перевода, реферирования и аннотирования текстов специального характера, а также расширение и закрепление у студентов словарного запаса в сфере общения на профессиональные и общенаучные темы.

Информативность и актуальность используемого материала, широкий круг обсуждаемых вопросов и выход в различные виды речевой деятельности позволяет использовать данное учебное пособие как на

аудиторных занятиях со студентами и аспирантами, так и в подготовке и организации контролируемой самостоятельной работы.

Материал пособия апробирован на отделениях экономических специальностей факультета международных отношений БГУ.

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CHAPTER I

EUROPEAN INTEGRATION

LEARNING OUTCOMES

By the end of this chapter, you should understand:

- The EU Single Market
- Why many EU countries formed a monetary union
- Macroeconomics in the eurozone
- UK reluctance to join
- Progress of transition in Central and Eastern Europe

The European economy of the new millennium is very different from the Europe of 30 years ago. Some developments were political, but many were economic.

This chapter is about three things. First, the Single European Act of 1986 committed members of the EC to a single market in goods, services, assets, and people by 1992. Did it work? Second, Economic and Monetary Union (EMU) began in January 1999. Why did EMU happen, how does it work, and what difference will it make? Third, how is transition progressing in Central and Eastern Europe?

1. The Single Market

The European Community was founded by six countries in 1957. It was a free area, with some EC-wide programmes financed by (small) fiscal contributions from member states. Its largest programmes were the Common Agricultural Policy (CAP), a system of administered high prices for agricultural commodities that created excess supply and led to wine lakes and butter mountains; and the Structural Funds, providing subsidies for social infrastructure, especially in poorer areas of the EC.

Over the next 40 years, the EC was enlarged. The original six – West Germany, France, Italy, The Netherlands, Belgium, and Luxembourg – were joined by Denmark, Ireland and the UK in the 1970s, by Spain, Portugal and Greece in the 1980-s, and by Austria, Finland and Sweden in the 1990s. The European Community (EC) then became the European Union (EU). Further enlargement started admitting countries from Central Europe, the Baltics and the Balkans.

EU enlargement was not initially accompanied by any change in its fundamental structure. Member states still set national policies. Closer integration, for example the harmonization of industrial standards or national tax rates, was usually thwarted for two reasons. First, since each country did things differently, it was hard to find a single set of regulations for all member states. Second, it was political dynamite. No country wanted to adopt the policies of others.

The mid-1980s saw a breakthrough. Instead of trying to agree a single set of detailed rules, member states agreed some broad outlines for harmonizing policy. Each country then decided how to implement them. And each country recognized the validity of the regulations imposed by other member states.

For example, each country has regulations determining which institutions may be registered as a bank or an insurance company, and what conditions they must fulfil. Previously, a bank registered in the UK under UK law did not comply with standards laid down for banks in France, Germany, or Italy. Banks in one country could not compete in other countries. National markets were segmented. Since there are economies of scale in banking, each small national market had only a few high-coast banks enjoying significant market power.

Instead, member states agreed on some general principles governing the regulation of banks – minimum standards for capital adequacy (the amount of financial backing needed to undertake particular types of risky business), for external monitoring (to check up that managers are doing their job properly), and so on. Then each government decided how to apply these general criteria and to license banks in its country. Finally, and crucially, a bank registered in Germany under German law was allowed to operate throughout the EU.

This approach had two advantages. First, it was politically acceptable. Individual governments no longer looked like they were giving up all national

control. Second, it took advantage of competition. Different countries adopted different ways of implementing general principles, *and then the market decided*.

Countries adopting good regulatory structures found their firms getting a bigger share of EU trade. Countries with poor systems (business hates anarchy, legal ambiguity, and possible fraud) lost business. Thus, *competition between forms of regulation took place*.

The new approach broke the logjam. The EC ratified the Single European Act, setting 1992 as the deadline to complete the internal EU market by harmonizing regulations. Among its main objectives were: (a) abolition of remaining controls on capital flows; (b) removal of all non-tariff barriers to trade in the EU (different trademarks, patent laws, and safety standards); (c) ending the bias in public-sector purchasing to favour domestic producers; (d) removal of frontier controls (delays); and (e) progress in harmonizing tax rates.

A **single market** is not segmented by national regulations, taxes, or informal practices

2. Benefits of the Single Market

Table 1 shows that the completion of the Single Market created an economic area larger than the US or Japan. The potential gains for member states fall into three categories: more efficient resource allocation, more scale economies, and more competition.

Non-tariff barriers are different national regulations or practices that prevent free movement of goods, services, and factors across countries.

By removing non-tariff barriers, the Single Market aimed to allow countries to exploit their comparative advantage more fully.

A second inefficiency in small and segmented national markets is that firms cannot fully exploit economies of scale. As barriers came down, firms got larger and costs fell. Two-way trade in the same industry increased, not just in goods but in services such as banking.

Third, the Single Market intensified competition in two ways. First, competition between forms of regulation led on average to lower levels of regulation. For many continental countries, the Single Market led to substantial deregulation from initial levels that had been very high. Second, a

larger market enabled large firms to enjoy scale economies *without* the high market share and potential monopoly power that this would have meant in small, segmented economies.

Quantifying the gains

How large were the gains in practice? Table 2 shows estimates by Professor Alasdair Smith (now Vice Chancellor of Sussex University) and two colleagues. The gain is measured as the pure extra consumption resulting from permanent supply-side improvements that raised potential output. Answers depend on the assumptions of the analysis. For example, it is unclear whether we should assume a truly single market has yet been achieved. The range of estimates reflects different possible assumptions.

Small countries gained more than large countries, but gains also reflected the pattern trade. The largest gains came as the most protected activities were opened up. Not only was the Single Market good for the EU, it turned out to boost trade with the outside world. Fears of fortress Europe were unfounded.

Table 1 **The size of the single market, 2000**

	EU	USA	Japan
Population (million)	376	282	127
GDP (\$ billion)	8350	9650	4340
Source: World Bank, World Development Report			

Table 2 **Gains from the Single Market (extra consumption)**

Range of estimates (% of GDP)	Countries
2- 3	France, Germany, Italy, UK
2- 5	Denmark
3-4	The Netherlands, Spain
4- 5	Belgium, Luxembourg
4- 10	Ireland

5- 16	Greece
19-20	Portugal
Source: C. Allen, M. Gasiorek, A. Smith, «The competition effects of the single market in Europe», Economic Policy, 1998.	

These estimates allow for once-off adjustment to the level of potential output but not for any permanent effects on growth itself. Professor Richard Baldwin of Geneva University has argued that higher potential output may enable more saving, more investment, and yet more output, which could increase the estimate of Table 2 even further.

3. From EMS to EMU

By 1988, capital controls were largely gone as part of the Single Market reforms. It was only a matter of time before speculators attacked the pegged exchange rates of the ERM. One solution was to go forward rapidly to completely fixed exchange rates.

A **monetary union** has permanently fixed exchange rates within the union, an integrated financial market, and a single central bank setting the single interest rate for the union.

A monetary union need not have a single currency. English and Scottish currencies circulate side by side in Edinburgh. What matters is that the exchange rate is certain and that a single authority (the Bank of England) sets the interest rate for both.

In 1998, the European heads of state established the Delors Committee to recommend how to get to European monetary union. Interestingly, the Committee was not asked to discuss whether EMU was a good idea. Small, highly integrated European economies needed to avoid large exchange rate fluctuations. With capital controls gone, there was no guarantee that the ERM could deliver. In any case, since ERM members had already given up monetary sovereignty by letting Germany set the single interest rate in the ERM, formal ratification of a monetary union did not seem such a big step.

The Delors Committee recommendations became the basis of the Treaty of Maastricht in 1991. Monetary union was to be achieved in three stages. In Stage 1, which began in 1990, any remaining capital controls were abolished, and the UK was encouraged to join the ERM (it joined in 1990). Realignment

were possible but discouraged. In Stage 2, which began in January 1994, a new European Monetary Institute prepared the ground for EMU, realignments were possible but discouraged. In Stage 2, which began in January 1994, a new European Monetary Institute prepared the ground for EMU, realignments were even harder to obtain, and excessive budget deficits were to be discouraged but not outlawed.

Stage 3, in which exchange rates were irreversibly fixed and the single monetary policy began, was to start in 1997 if a majority of potential entrants fulfilled the «Maastricht criteria» (in the event they did not). Otherwise, EMU was to begin in January 1999 with whatever number of countries then met the criteria. Monetary policy in EMU was to be set by an independent central bank, mandated to achieve price stability as its principal goal.

What were the Maastricht criteria and what was their purpose? There were two sets of criteria, one for monetary policy and nominal variables, one for fiscal policy.

The **Maastricht criteria** for joining EMU said that a country must already have achieved low inflation and sound fiscal policy.

The monetary criteria said that to be eligible, a potential entrant had to have low inflation, nominal interest rates (market confirmation of low inflation expectations), and two prior years in the ERM without any devaluation. This last requirement was to prevent competitive devaluations or 'last realignments' as EMU approached.

The fiscal criteria said budget deficits must not be excessive, interpreted to mean that budget deficits should be less than 3 per cent of GDP; and that the debt/GDP ratio should not be over 60 per cent. Tight fiscal policy would mean there was little pressure on the central bank to print money to bail out fiscal authorities.

Many economists complained that the Maastricht criteria were caution taken to extremes. An independent central bank with a tough constitution was an adequate commitment to low inflation. It was unnecessary to constrain fiscal policy as well. Indeed, since national governments would no longer have a national interest rate or national exchange rate policy to deal with purely national circumstances, leaving them fiscal room for manoeuvre might be a good idea.

The Maastricht deal reflected the balance of power in the negotiations. At the time, Germany ran the EMS and trusted itself to do so in own interests.

Why would Germany give up such a good position? Only if EMU was going to be super safe. The Maastricht criteria were the price of getting Germany on board.

4. Sterling and UK membership

Why has the UK been reluctant to join both the ERM and EMU? First, until the late 1980s, North Sea oil made sterling behave differently from other European currencies. As UK oil production slowed down, this objection evaporated.

Second, whereas the core countries of Europe are now very integrated with one another, offshore UK is less integrated with the rest of Europe. A common policy may be less suitable. Table 3 shows the composition of UK trade and how it has changed since the UK joined the EU in 1973. The trend is clear. The UK is getting more integrated with continental Europe all the time, even if from a lower baseline than some other European countries. If this trend continues, the issue is not whether the UK should join but when.

Third, the UK has greater macroeconomic sovereignty: it seems to have more to lose. Whereas ERM countries had already allowed the 'single' interest rate to be set by Germany alone, sterling floated during the entire period except for the two years of its ERM membership in 1990-1992.

However, the absence of capital controls and the power of the speculators limit monetary sovereignty whatever the exchange rate regime. The Bank of England has often wished to raise interest rates for domestic reasons, to cool down a housing boom, but been unprepared to do so because higher interest rates would bid up further the value of the floating pound, exacerbating the woes of UK exporters. The Bank has often found itself hoping for interest rate rises in Frankfurt and Washington that would allow it to raise sterling interest rates without causing a further appreciation of sterling.

Table 3

UK trade patterns (%)

	EU	N. America	Rest of world
1972	34	17	49
2000	57	15	28

Finally, Black Wednesday (16 September 1992) made it hard for UK politicians to enthuse about EMU. Former Chancellor John Major took the UK into the ERM in 1990 to combat rising inflation at the end of the Lawson boom. Unfortunately, this coincided with German reunification. Big subsidies to East Germany caused German overheating. When Chancellor Kohl refused to raise taxes, the Bundesbank raised interest rates to cool down the German economy. Interest rates high enough to do this job were far too high for Germany's partners in the ERM. This provoked the crisis of 1992-93. The UK and Italy left the ERM, slashed interest rates, and depreciated their currencies. Other countries struggled on inside the ERM though many had devaluations (see Table 4).

German reunification was the biggest country-specific economic shock in postwar Europe. It may not be a good guide to how EMU will fare. Indeed, the mandate of the European Central Bank to take an EU-wide view prevents it reacting in such extreme fashion to the needs of one country. But UK voters remember the UK flirtation with a single European interest rate as an unhappy experience.

During 1996-98 EU countries scrambled frantically to get their budget deficits below the 3 per cent Maastricht limit to be eligible for EMU. There was fiscal tightening in continental Europe. Since the UK was enjoying the effects of looser policy after 1992 – the whole point of leaving the ERM had been to reduce interest rates and stimulate the economy – the UK business cycle got out of phase with the rest of Europe.

This had little to do with any structural difference. It simply reflected the fact that while the UK had its foot on the accelerator its EU partners still had the brakes on tight. By the end of the decade, the UK had to start worrying about overheating at a time when the rest of the EU was finally coming out of its policy-induced recession and looking forward to a period of steady growth. The common shock caused by US recession and the terrorist attacks in 2001 may now help to bring the UK cycle into closer alignment with that in the eurozone.

Eleven countries (all those wishing to go ahead) were deemed in spring of 1998 to be fit and ready for EMU at the start of 1999. Table 4 contrasts the healthy UK performance during the late 1990s with the recession that EMU

countries endured while they tightened fiscal policy to meet the Maastricht criteria. However, these differences were policy induced, and no guide to future differences.

With looser fiscal policy, but as strong a commitment to low inflation, the UK inevitably had higher interest rates than its EU partners. Even if the UK wanted to join EMU, it would require tighter fiscal policy to make EMU interest rates appropriate for the UK. Announcing a ‘tax for Europe’ would have been political suicide in the UK, even though the Treasury did manage to raise tax revenue quite substantially by a host of less visible measures.

Table 4 **Business cycles – UK and Euroland**

	96	97	98	99	00	01
Euroland						
Real growth	1	2	3	3	3	2
Output gap	-3	-2	-2	-1	0	0
Interest rate	5	4	4	3	4	4
UK						
Real growth	3	4	3	2	3	2
Output gap	-1	0	0	0	1	0
Interest rate	6	7	7	5	6	5
Source: OECD, Economic Outlook						

5. The economics of EMU

In 1999, Professor Robert Mundell won the Nobel prize for Economics, in part for his pioneering work on optimal currency areas.

An optimal currency area is a group of countries better off with a common currency than keeping separate national currencies.

Mundell, and the economists who came after him, identified three attributes that might make countries suitable for a currency area. First, countries that trade a lot with each other may have little ability to affect their equilibrium real exchange rate against their partners in the long run; but they may face temptations to devalue to gain a temporary advantage. A fixed

exchange rate rules out such behaviour and allows gains from trade to be enjoyed.

Second, the more similar the economic and industrial structure of potential partners, the more likely it is they face common shocks, which can be dealt with by a common monetary policy. It is country-specific shocks that pose difficulties for a single monetary policy.

Third, the more flexible are the labour markets within the currency area, the more easily any necessary changes in competitiveness and real exchange rates can be accomplished by (different) changes in the price level in different member countries.

Conversely, countries gain most by keeping their monetary sovereignty when they are not that integrated with potential partners, have a different structure, and hence are likely to face different shocks, and cannot rely on domestic wage and price flexibility as a substitute for exchange rate changes.

To these purely economic arguments, we should add an important political argument. Currency areas are more likely to work when countries within the area are prepared to make at least some fiscal transfers to partner countries. In practice, this cultural and political identity may be at least as important as any narrow economic criteria for success.

Is Europe an optimal currency area?

Those who have studied the structure of national economies, and the correlation of shocks across countries, generally reach the following conclusions. First, Europe is quite, but not very, integrated. Second, there is a clear inner core of countries – the usual suspects – more closely integrated than the rest.

However, the act of joining EMU is likely to change the degree of integration, possibly quite substantially. A common currency, by eliminating a source of segmentation into national markets, will increase integration. Moreover, there is evidence that countries that trade a lot have more correlated business cycles. And countries that belong to currency unions tend historically to trade much more with each other than can be explained simply by the fact that their exchange rates are fixed.

These bits of evidence imply that it may be possible to start a currency union before the microeconomic pre-conditions are fully in place. The act of starting speeds up the process.

The Stability Pact

The Stability Pact, ratified by the Treaty of Amsterdam in 1997, confirmed that the Maastricht fiscal criteria would not merely be entry conditions for EMU but would continue to apply after countries joined the monetary union. Some EMU members have debt/GDP ratios of close to 100 per cent. Reducing these towards 60 per cent may take decades. The focus has been on the 3 per cent ceiling for budget deficits. In principle, countries exceeding the limit may have to pay fines unless their economy is in evident recession. Thus countries have to wait for output to fall before they are allowed to expand fiscal policy by having deficits above the ceiling of 3 per cent of GDP.

The pact does not preclude countries from using fiscal policies more vigorously. But to do so, they need to aim for something more like budget balance in normal times. Then they still have room to increase deficits in times of trouble without exceeding the 3 per cent ceiling.

Note that if budgets are roughly in balance over the business cycle, but output grows for ever, debt/DGP ratios should exhibit trend decline, whatever their cyclical behaviour. This may eventually lead to the tough conditions of the Stability Pact being eased.

The European Central Bank

The single monetary policy is now set in Frankfurt by the European Central Bank (ECB). National central banks have not been abolished, but the board of the ECB sets the interest rate on the euro.

The ECB mandate says its first duty is to ensure price stability, but it can take other aims into account provided price stability is not in doubt. In press conferences, officials of the ECB have emphasized that their interest rate decisions should be interpreted largely as the pursuit of price stability. Neither the financial markets nor academic economists are entirely convinced. ECB

behaviour looks as if it pays some attention to output gaps as well as inflation: empirically, a Taylor rule explains its behaviour quite well.

Controversially, the ECB has adopted not one but two intermediate targets, the so-called 'twin pillars' of its monetary strategy. The first pillar is a monetary target, the growth rate of the M3 measure of nominal money. The second pillar is expected inflation. The ECB insists that it takes both pillars into account in setting interest rates in the euro area.

Far from raising interest rates when money growth is too high, the ECB has raised interest rates when money growth is low, but reduced interest rates when money growth is high. The reason is straightforward. Money demand fluctuates, and money supply growth not a reliable guide to future inflation.

For example, after the terrorist attacks of 11 September 2001 people sold stocks and shares and put money into bank accounts. These accounts were part of the M3 measure of money. The sharp rise in the money stock reflected a rise in money demand. Money supply could safely be allowed to increase since people wanted to hold the extra money, not spend it. In fact, the fall in aggregate demand for goods after 11 September meant that all central banks sensibly cut interest rates to boost aggregate demand.

It is precisely such swings in money demand that have made most central banks abandon monetary targeting in favour of flexible inflation targets or Taylor rules. The ECB continues to insist that monetary targets have an important role because it wants to emphasize continuity with the Bundesbank, which used monetary targets. However, as the ECB establishes its own track record, the need for links to past Bundesbank behaviour becomes less important. If the ECB is to avoid looking stupid, it may have to abandon the monetary pillar.

Fiscal federalism?

One reason for the survival of the monetary union that we call the US is its federal fiscal structure. When a particular state has a slump, it pays less income tax revenue to Washington, and gets more social security money from Washington, without any decisions having to be taken. Automatic stabilizers are at work, courtesy of federal tax rates and federal rates of social security payments. Conversely, a booming state pays more tax revenue to Washington, and gets less social security money back.

A **federal fiscal system** has a central government setting taxes and expenditure rules that apply in its constituent states or countries.

When state income rises \$1, the state pays an extra 30 cents in income tax and gets 10 cents less in social security. Conversely, when state income falls \$1, the state pays 30 cents less in federal taxes and gets an extra 10 cents in social security. Originally, economists thought that this meant each state was effectively insured up to about 40 cents in the dollar. The euro area has no federal fiscal structure on anything like this scale. The pessimists concluded that EMU would come under pressure from country-specific shocks.

The idea was correct but the sums were wrong. The original US calculations are relevant to a world in which state incomes are uncorrelated with each other. In practice, the correlation is quite high. Hence, when one state slumps and gets help from Washington, many other states are slumping and also getting help. But this increases US government debt and means *every* state has to pay higher future taxes.

But an individual state could have done that on its own, without membership of the federal «mutual insurance» club. It could have borrowed in the slump to boost its own fiscal spending, and paid it back later when times were better. Making allowance for this, US states are probably insured more like 10 cents in the dollar than 40 cents.

However, the Stability Pact may *prevent* individual EMU countries behaving in this way, by restricting their ability to borrow in bad times. Or else the Stability Pact may be interpreted more flexibly, having greater regard for the effect of temporary cycles in temporarily reducing tax revenue. When Germany's budget deficit rose at the start of 2002, taking it close to the 3 per cent ceiling, EU leaders agreed not to give Germany a yellow card warning it that fiscal tightening was now imperative.

6. Central and Eastern Europe

For 40 years after 1945, Central and Eastern Europe (CEE) was under rigid political and economic control of a planned economy with only a small role for market forces. The inefficiency of planning cumulated as any market history receded. Capital was old, incentives were poor, and productivity was low.

Table 5 confirms two points about CEE on the eve of reform. It shows the low level of living standards compared with most Western neighbours. In affluent Northern Europe, per capita incomes in 1988-89 averaged about \$20 000 a year. Many CEE countries had living standards around a quarter of this level. Table 5 also shows the failure of attempts in the 1970s to prop up planning by borrowing from the West to rebuild capital in the East. Countries such as Hungary and Poland were left with the debts but few corresponding assets: inefficiencies in planning often left investment projects unfinished and hence wasted.

Some countries, such as Poland, subsequently had part of these past debts written off by Western creditors. And the European Bank for Reconstruction and Development was set up in London to finance investment by the West in projects in the reforming economies.

Supply-side reforms

Transition economies are making the adjustment from central planning to a market economy.

In the past, production, investment, and employment decisions were made largely by planners. A larger scale of operation meant greater prestige, even if it used more inputs than it produced outputs. Supply-side reform meant allowing the price mechanism to take over the role of allocating resources. This had several aspects.

First, prices needed to reflect true scarcity. Previously, prices were held artificially low. This made inflation look good, but such data were meaningless. Consumers could not get goods, and factories could not buy inputs at these artificial prices. There was chronic excess demand.

Success did not depend merely on freeing up prices. A supply response to higher prices had to take place. Incentives had to work. Bureaucrats who ran state enterprises were to work. Bureaucrats who ran state enterprises were not always the best people to rise to this challenge. Many enterprises have since been privatized. The aim of privatization was less the need to raise revenue for the government – consumers had little wealth with which to pay – than to put the profit motive up front for those managing the new enterprises.

Table 5

CEE in 1988-1989

	Per capita \$ of	
	CGP	Foreign debt
East Germany	9300	1300
Czechoslovakia	7600	400
Hungary	6500	1900
Bulgaria	5600	1000
Poland	5600	1100
Romania	4100	0
Sources: American Express, Amex Bank Review, November 1989, HM Treasury, <i>Economic Progress Report</i> , 1990.		

Several strategies of privatization were tried. Hungary tried to find foreign buyers willing to contribute hard cash and management expertise. The Czech Republic gave citizens vouchers with which to bid for shares in firms being privatized. Although appearing to achieve rapid privatization, many of these shares were then sold back to state-owned banks. In Russia, the emphasis on privatization to existing managers led to accusations that organized crime had become too involved.

Trade and foreign investment

CEE needed markets for its output if it was to grow quickly. The pressure of external competition was a powerful force for rapid productivity improvement, even if it meant unemployment in the short run while painful adjustment took place.

The EU was the obvious market for CEE goods. Most CEE countries have now signed Europe Agreements for the associate membership of the EU. These agreements promised rapid moves to free trade in many commodities, but not in the ones that really mattered. Declining or problem industries in the West were deemed too sensitive to be subject to competition from cheap imports from CEE. This applied to textiles, steel, and, of course, agriculture – three of the most obvious areas for CEE exports westwards.

EU policy was excessively protectionist. Accepting imports from CEE has three big benefits for the EU. First, EU consumers get cheap imports.

Second, there is the consequent creation of economic growth in CEE as a natural export market for EU producers. Together, these two reasons are the classic case for exploiting comparative advantage. Third, if the experiment in CEE fails, the EU will face either massive immigration or a renewed political and military threat on its doorstep, probably both. Liberal trade agreements are the most effective investment the EU can make in Eastern Europe's success.

The CEE has an educated workforce. Besides market access, what it needs is physical investment and the management expertise to run market-oriented businesses. Here too the West can help, and in some cases has done so with success. For example, western investment in car plants in CEE has been extensive. Under VW ownership, Skoda has gone from ugly duckling to preening swan.

Macroeconomic conditions for success

Transition is about supply-side reform to improve potential output, but macroeconomic policy must not get in the way. Prudent monetary and fiscal policies are needed to bring inflation under control. Early in transition, inflation is high for two reasons. First, as prices are unfrozen, they surge to their equilibrium level.

Second, needing resources to invest in transition but with low potential output and hence a low tax base, it is sensible to use the inflation tax as a source of government revenue. Otherwise, needed investment has to be abandoned or else other taxes have to be so high that their distortion effects are large.

As transition succeeds, potential output rises, and given tax rates raise more revenue. Investment also begins to encounter diminishing returns. For both reasons, the optimal inflation rate should fall. However, politicians still face many pressures to spend money and avoid taxation. Well designed institutions help politicians to do the right thing.

Thus central bank independence has been as important in transition economies as in advanced economies. It helps ensure a responsible monetary policy. Earlier in the chapter, we noted that an independent ECB was insufficient to induce Germany to abandon the ERM for EMU. The Maastricht criteria and the Stability Pact also restrict the size of fiscal deficits, so that the

central bank, even if independent, does not come under pressure to print money.

If this was true for mature Western Europe, it is even more likely to apply in transition. Monetary responsibility must be underpinned by pressure to avoid large fiscal deficits. Initially, this pressure was applied by the IMF. If countries wanted access to loans from the IMF, they had to agree and implement targets for fiscal deficits.

If planning was so bad, why did things get worse?

The reforming economies faced falls of at least 25 per cent in measured real GDP during 1990-92 before growth resumed in 1993 or 1994. How can we explain this?

First, the statistics may be misleading. Before prices were freed, how should real GDP be measured? If prices did not reflect scarcity, why value quantities at silly prices? One solution to this is to use *world prices*: simply measure quantities and then use dollar or DM prices. Economists who have done this find that some of the old industries were producing with *negative* value added: they used more inputs than they produced output. Properly measured, output fell less than it first appears.

Second, early macroeconomic restraint was important to stop once-off price rises becoming embedded in permanent inflation expectations. For example, after price liberalization in Czechoslovakia, prices rose 25 per cent in January 1991; by July 1991, monthly inflation was down to zero.

Third, as the former Soviet Union imploded, most countries in CEE lost their major export market. Reorientation of exports to the West was not easily accomplished overnight. Even in Western Europe, Finland faced a severe recession as Russian markets collapsed.

Fourth, the key role of banks must be understood. Freeing prices does not introduce a market economy unless budget constraints bite. In the West, useless firms go bankrupt and physical resources get allocated elsewhere. In Eastern Europe, state banks had previously been passive in lending. They made loans to allow state-owned enterprises (SOEs) to meet output and investment targets laid down by the planners.

When prices were liberalized, many SOEs quickly lost money (as they should have). But nobody closed them down! State banks simply lent them

new money to meet old debts and finance ongoing losses. When a giant SOE was the only employer in town, it was 'too big to fail'. Banks behaved in this way partly because they too were state-owned and still felt a responsibility to employment, but also because most of their assets – old loans to SOEs – were themselves worthless. Making a fuss might have revealed the extent of the trouble in the banks.

Governments, wisely, began tackling bad debts in the banks, and made banks early candidates for privatization. Without banks to enforce bankruptcy (in the West it is creditors who close down companies), we cannot expect prices to allocate resources more efficiently. Inefficient old firms continue, and new entrepreneurs find it hard to get loans.

Finally, there was a major failure of corporate control. Even the West has trouble providing good incentives for managers. In reforming economies the problem was acute. The watchful eye of the state was removed from SOEs as governments tried to dissociate themselves from the old ways of planning. Until SOEs were privatized and monitored by informed shareholders, there was a vacuum of control. Managers could do what they liked. What they liked was an easy life or worse. Many countries faced outbreaks of 'spontaneous privatization' or as it is called theft. The transition experience reminds us that adoption of markets, while perhaps necessary, is not sufficient to enjoy high living standards. Well-functioning markets, like icebergs, have a lot below the waterline: invisible but important. They have legal contracts whose impartial enforcement in courts of law has a track record that inspires confidence and trust. They have regulations mitigating market power, administered by public officials without endemic corruption. They have tax collection agencies that are fair, and an attitude of tax compliance among citizens that keeps tax evasion within tolerable bounds. They have sophisticated systems of social insurance and protection designed to prevent the emergence of an underclass that loses hope then takes revenge.

The list could be longer. Merely setting it out shows that many of its key items require expensive infrastructure and necessarily take time in which to build trust and reputation. This had two implications. First, transition takes time to succeed, especially where the social fabric is under threat. Second, establishing markets is not done on the cheap. Essential market infrastructure must be installed.

Many economies, especially those in Central Europe closest to EU markets, are now growing steadily. Our discussion of convergence and catch-up suggests that these economies may grow more rapidly than Western Europe over the next decade.

EU enlargement

What transition economies in Central and Eastern Europe want is membership of the EU itself, which would allow full access to a huge market. This in turn becomes a magnet for inward investment, seeking to take advantage of low local wages but secure output markets. The EU is now committed to accepting most European transition economies within the next few years.

Having almost all the power in the negotiations, the EU will dictate the timetable of EU enlargement. Initially, new entrants will become members of the Single Market. Tariffs and non-tariff barriers will disappear.

Hence, from the EU viewpoint, accession countries are 'ready' when they can safely be allowed into the Single Market. Principally, this means that the EU will trust regulations in accession countries, that accession countries can cope with competition within the Single Market, and that reasonable macroeconomic stability has been established.

On entry to the EU, accession countries will be expected to join ERM2, an exchange rate mechanism with fixed but adjustable parities between each accession country and the euro. There will be the usual bands around these parities. Accession countries will stay in ERM2 until they meet the Maastricht criteria. Then they will be allowed to adopt the euro.

Thus, different countries may join the EU at different dates, and may also remain within ERM2 for different times until ready to join the euro. The Maastricht criteria require that low inflation has been seen to be achieved, that fiscal deficits are not excessive, and that no devaluation takes place in the two years before the euro is adopted. Thus two years is the minimum period of ERM2 membership.

Would euroization be better?

Most European transition economies have only one end point in mind: full EU membership and adoption of the euro. Once transition has proceeded to the point at which they are accepted as suitable entrants to the EU, would it not be better if they adopted the euro immediately, thereby escaping uncertainties and possible speculative attacks during their membership of ERM2?

Many economists think that for any particular transition economy, adopting the euro on EU accession would indeed be a better policy. However, the EU had explicitly ruled this out, for two reasons.

First, the EU always operates on the principle that all countries must obey the same rules. This helps limit lobbying for special treatment. Since existing EMU members had to join the ERM and fulfil the Maastricht criteria, the EU wants all new members to do the same. Otherwise, it violates the principle that all countries have to follow the same rules.

Second, although any particular accession country is small relative to the EU, admitting a group of say 10 countries would be a significant extension to the EU. If these countries had not fully satisfied the criteria of low inflation and fiscal discipline, together they might disrupt macroeconomic policy for existing members of Euroland.

For example, if the ECB pays attention only to average inflation within Euroland, admitting many high inflation countries would raise average inflation and force monetary policy to raise interest rates. Western Europe would suffer a recession while the ECB helped cure inflation in Eastern Europe. Western Europe prefers to keep accession countries out of the euro until they have converged fully on inflation rates and fiscal discipline of existing euro members.

Summary

- The **Single European Act** committed EU governments to a Single Market by 1992. The principles were common, broad outlines for regulation; national implementation; and mutual recognition of firms licensed by other member states.

- For many countries this meant substantial deregulation. Together with enlarged market size, this increased competition.

- The main winners were the small southern countries of the EU, who had relatively cheap labour and scope for scale economies. However, even the large, rich EU countries benefited.

- A **monetary union** means permanently fixed exchange rates, free capital movements, and a single interest rate.

- In abolishing capital controls before 1992, the ERM had already harmonized monetary policy, under German leadership. The UK became an ERM member in 1990, but left in 1992.

- The **Maastricht criteria** say that EMU entrants, including future ones, must have shown low inflation, low interest rates, and stable nominal exchange rates before entry; and must have budget deficits and government debt under control.

- EMU members must continue to obey the **Stability Pact**, which fines countries for excessive budget deficits, except if they are in recession.

- In EMU, a country's competitiveness can change through the slow process of domestic wage and price adjustment. Without a **federal fiscal system**, individual member states may want to keep control of fiscal policy to deal with crises.

- **Transition economies** in Central and Eastern Europe have begun economic reform. Supply-side reform means introducing the profit motive and deregulation, and allowing the price system to work. Because prices had been artificially low, initially there were sharp rises in prices. Tight macroeconomic policy managed to stop this turning into hyperinflation, and to reduce inflation steadily thereafter.

- Output fell sharply in CEE in 1990-1992. The Soviet market collapsed, banks were unable to monitor and enforce credit agreements, there was little corporate control, and vital infrastructure for a market economy was lacking.

- Most CEE countries resumed growth during 1993-1994 and may keep growing rapidly if sensible policies are maintained.

- Most CEE countries are at advanced stages of negotiations for EU entry. They will have to prove they can survive in the Single Market without disrupting existing EU members. They will have to join ERM2, and will be allowed to adopt the euro only after they fulfil the Maastricht criteria.

Review questions:

1. «Workers have power in the labour market only because their own firms have power in the goods market. In a perfectly competitive firm, attempts to raise wages just drive the firm out of business.» Is this correct? If

1992 increased competition in product markets, what was the effect on EU labour market?

2. Name three EU countries you think have a comparative advantage in goods that use human capital intensively. Name three countries for which this is not the case.

3. Two countries belong to a monetary union, and face a single interest rate on bank deposits. However, one government has large debts and has trouble raising taxes or cutting spending. Will government bonds in the two countries pay the same interest rate? Will there be large capital flows between the countries? Is this a monetary union? If not, why not?

4. The Stability Pact forces EMU members to maintain low budget deficits. What is the rationale for this policy? Why is it needed if the European Central Bank is independent and committed to low inflation.

5. «Transition is just a big investment project with early costs and later benefits. Transition economies should finance the whole cost of transition by foreign borrowing, and pay the subsequent interest once they are rich.» If possible, would transition economies want to do this? Why might creditors not lend this much?

6. *Common fallacies* Why are these statements wrong? (a) The EU was always a free trade zone, and must always have had a single market. (b) Monetary Union was a big loss of monetary sovereignty for ERM members. (c) The European Central Bank must guarantee price stability but be under democratic political control.

7. Important Concepts, Technical Terms and Initials

Exercise 1. Match each lettered concept with the appropriate numbered

phrase

A	A monetary union
B	EMU
C	CAP
D	SOE
E	CEE
F	Optimal currency area

G	Maastricht Treaty
H	Non-tariff barriers
I	ERM
J	Federal fiscal system
K	ECB
L	Cross-border takeovers

1. Differences in national regulations or practices preventing free movement of goods, services, and factors across countries.
2. The largest programme administered by the EU, involving a system of administered high prices for agricultural commodities.
3. A system by which each member country fixed a nominal exchange rates against each other participant, while jointly floating against the rest of the world.
4. A system in which a group of states agrees to have permanently fixed exchange rates within the union, an integrated financial system and a single monetary authority responsible for setting the union's money supply.
5. Central and Eastern Europe.
6. The joining together of members of the EU in a monetary union.
7. The authority with full responsibility for EU monetary policy.
8. A system under which fiscal transfers between states helps to cushion individual states from the effects of temporary local recession.
9. A group of countries better off with a common currency than keeping separate national currencies.
10. The treaty that set out the agreed route towards monetary union within Europe.
11. A situation in which domestic firms buy into or sell out to firms based in other countries.
12. A common feature of the former centrally-planned economies, in which enterprises were owned by the state.

Exercise 2. Find out the right answer.

1. The creation of a single European market by 1992 entailed a number of changes for EU members. For each of the following, state whether or not they were part of the 1992 reforms:

- A. The abolition of all remaining foreign exchange controls between EU members.
- B. The removal of frontier controls (delays), subject to retention of necessary safeguards for security, social and health reasons.
- C. The harmonization of all tax rates in EU member countries.
- D. The removal of all non-tariff barriers to trade within the EU.
- E. The creation of an economic area without frontiers in which the free movement of goods, persons, services, and capital is ensured.
- F. Mutual recognition of regulations such that, for instance, a doctor who qualified in England could practice medicine in any other EU country.
- G. The adoption of a common currency within the EU.

Exercise 3. Find out the right answer.

1. Which of the following constitute non-tariff barriers to trade?

Differences in patent laws between countries.
 Safety standards which act to segment national markets.
 Voluntary export restraints – bilateral agreements whereby an exporting country agrees to limit exports to a quota.
 Taxes imposed on imported goods.
 Sanitary requirements for imported meats and dairy products which are more stringent than for domestic goods.
 Quota limits on the import of particular commodities.
 Packaging and labelling requirements.

Exercise 4. Find out the right answer.

1. The entry of sterling into the Exchange Rate Mechanism of the European Monetary System was delayed until 1990. A number of reasons were put forward for this delay, some of which are listed below. In each case, consider the strength of the case made against entry.

Sterling was a petrocurrency because of North Sea oil, and is thus subject to volatility because of possible fluctuations in the price of oil.

With London and Frankfurt being the only decontrolled financial centres in Europe, it would be inconvenient for the UK to join the ERM, as this would require the co-ordination of monetary policy.

A significant proportion of UK trade is conducted with countries outside the EU.

UK inflation was being controlled independently by the policies of the government in power, so the additional stability of the ERM was unnecessary.

Independence of domestic monetary policy is important for the UK.

The EMS was a result of muddled thinking, so it is better to bide time until things settle down. You might like to discuss with your fellow students the extent to which these arguments continue to apply in the context of joining the single currency.

Exercise 5. Find out the right answer.

Which of the following is/ are characteristic of a monetary union?

- A. Fixed exchange rates within the union.
- B. A single currency.
- C. Freedom of capital movement.
- D. A single monetary authority for setting the union's money supply.
- E. A common interest rate policy.
- F. A federal government.
- G. A federal fiscal system.

Exercise 6. Find out the right answer.

Consider a country that is part of a monetary union that has no federal system of fiscal transfers. Suppose that for some reason – perhaps trade union pressure – firms in the economy face an increase in costs which is passed on by producers in the form of higher prices. This exercise traces the path taken by the economy as it adjusts towards equilibrium.

A. If the cost increase is restricted to firms in the domestic economy, what is the effect on competitiveness?

B. Given that the exchange rate cannot adjust because of the rules of the monetary union, what is the effect on exports?

C. What will be the consequences for output and employment?

D. By what process will the economy now return to equilibrium?

E. The Delors Report favoured the placing of ceilings on government budget deficits so that the return to equilibrium could not be encouraged by domestic fiscal policy. Would such expansionary fiscal action be effective, and why should it be outlawed?

F. Explain how a system of federal fiscal transfers would alter the sequence of events.

Exercise 7. Find out the right answer.

Identify each of the following as a cost or a benefit of 1992 or European Monetary Union:

A. Greater efficiency in resource allocation.

B. The removal of frontier controls.

C. Loss of protection of domestic activity.

D. Loss of sovereignty over interest rates.

E. Intensified competition.

F. Enhancement of labour mobility.

G. Reduction of trade between Britain and the Commonwealth.

H. Exchange rate certainty.

I. Fuller exploitation of economies of scale.

J. Establishment of a credible pre-commitment to controlling inflation.

K. Inflexibility in adjusting to a loss of competitiveness.

L. A reduction in transaction costs.

Exercise 8. Find out the right answer.

1. For the UK, 1992 brought problems which had not been wholly anticipated. Instead of the smooth integration into the single market and progress towards even closer integration through monetary union, the UK was forced to suspend its membership of the ERM, bringing the temptation to

retreat back to being the solitary island. Which of the following do you see as the best way forward, and why? Which is the most likely course?

A. Give up the whole idea of joining the single currency, and go back to flexible exchange rates, thus retaining national sovereignty.

B. Speed up the process of transition to EMU, and thus minimize vulnerability to speculative pressure.

C. Return to the idea of sedate progression towards EMU, but introduce policies such as the Tobin tax which would reduce the power and influence of the short-term speculators, and thus avoid the problems such as that which led to the UK's exit from the ERM.

A. The rules of the economy do not permit the industry for which you are responsible to make profits, so profit maximization cannot be your objective: on what basis do you take decisions about the number of workers to hire and the amount of output to be produced?

B. How do you think prices will come to be fixed?

C. If the output of your industry (e.g. steel) is used for defence goods, industrial goods, and consumer goods, how will priorities be determined?

D. What is likely to be the state of equilibrium or disequilibrium in the market for consumer goods?

E. Discuss the incentives for workers and management.

F. Reforms are introduced to move the economy towards a more market-oriented system. What is the likely effect upon prices, especially in the market for consumer goods?

G. Must inflation occur?

H. Under what conditions will the market reforms be successful?

I. By the time you get to tackle this question, market reforms in Eastern Europe will have progressed even further. Discuss the degree of success that has been achieved.

Exercise 9. Is it true or false?

1. True/False

1. The swing in thinking against big government and extensive regulation of the economy accelerated the moves towards European integration.

2. A bank registered in Germany was, after 1992, permitted to operate in France or the UK.

3. The 1992 reforms created a European economic area almost as large as the United States or Japan.

4. 1992 outlawed tariffs on trade between EU members.

5. Cross-border takeovers and mergers of European firms will effectively preserve market power and prevent gains from the intensified competition that was intended to follow the 1992 reforms.

6. English and Scottish banknotes both circulate in Scotland, proving that a monetary union need not have a single currency.

7. The Maastricht Treaty was an agreement by all EU member-nations to achieve monetary union by 1997.

8. Countries gain most by keeping their monetary sovereignty when they are not integrated with potential partners, have a different structure and hence are likely to face different shocks, and cannot rely on domestic wage and price flexibility as a substitute for exchange rate controls.

9. The EU Structural Funds provide a system of federal fiscal transfers which can help countries suffering from a temporary loss of competitiveness.

10. The Bank of England's MPC is more transparent in its operations than the ECB.

11. The high standards of education and health provision in the countries of Eastern Europe put them in a better position to be able to attain large productivity gains than many of today's less developed countries.

12. The substantial debts incurred by Eastern European countries to Western creditors are a substantial obstacle to further development.

Economics in Action

Toyota Threat To Quit UK Over Euro

The head of one of the world's bigger car companies reignited the debate over the single currency yesterday with a warning for the government that its £1.5bn investment in the UK would be at risk if Britain stayed out of the euro. Executives of Japan's biggest car manufacturer, Toyota, which employs thousands of workers at plants in Derbyshire and Clywd, said they could no longer sit on the fence as Britain decides whether or not to enter EMU. «Waiting for a decision is really hurting us and it is time to state very clearly to the British public that we want Britain to join the single currency,» said Shoichiro Toyoda, honorary chairman and former chief executive officer of Toyota.

The comments are sure to increase the pressure on the government and come days after the trade and industry secretary, Stephen Byers, admitted that big business was telling ministers that they must make a decision on the euro early in the next parliament. Toyota's broadside echoes earlier calls by senior figures from industry to sign up to the single currency. The chairman of Rover Group, Prof. W. Samann, told reporters recently that full membership of the euro would «consolidate BMW's investment» in Britain. Naoyuki Akikusa, the president of Fujitsu, went further last year. «If the UK were to join in 2002, that would be OK. But if 2020 – that would pose a big problem.»

Toyota managers said yesterday that its UK operations, including a new £200m plant at Burnaston, Derbyshire, would be at risk if the strong pound continued to push its British operations deep into the red. The company said its British operation had suffered its worst performance ever last year as a result of the sharp strengthening of sterling against the euro. This currency fluctuation hurts the competitiveness of the 200,000 Toyota cars produced each year in the UK, 70% of which are sold elsewhere in Europe.

The comments, which represent the clearest indication yet of Japanese frustration with Britain's prevarication on the euro, will send shudders through manufacturing industry. Trade union figures show that more than 1m jobs could be lost unless the government signs up for the single currency within 30 months.

For inward investors one of the UK's strongest attractions has been the combination of flexible labour markets and strong trading links with Europe –

up to 60% of exports – but the strength of the pound vis-a-vis the euro is undermining the competitiveness of British-based manufacturers.

Since its opening in 1992, Toyota's Burnaston factory has expanded rapidly and its output almost doubled last year to 200,000 cars. The Deeside plant in Clywd is one of the world's largest engine plants. Together, they have created 3,300 jobs directly, as well as four times that amount among suppliers, in two of Britain's employment blackspots.

Even if Toyota decides only to freeze its current scale of operations, it would be a setback for Britain. Any hesitancy it expresses about the UK is bound to trigger doubts among other Japanese investors.

Questions:

1. What features of the UK economy make it attractive for Japanese firms as a location for manufacturing activity?

2. Why should membership of the single currency area be so important for Japanese car firms?

(Adapted from Guardian, 18 January 2000)

One side of the coin

There are really two economic issues that need to be considered in thinking about European integration. One is whether the member states of the European Union are likely to be well served, in principle, by having the same currency. The second is whether the particular arrangements made for managing that currency in the Maastricht Treaty and certain later agreements are desirable. On each issue people are to be found on both sides, and with no particular tendency for those who think a single currency harmful also to think the Maastricht arrangements are undesirable, or visa-versa.

The basic point in favour of a single currency is that it reduces transactions costs in trade and travel, and eliminates uncertainty about future exchange rates.

These are both supply side benefits. The first releases the factors of production involved in currency transactions for employment in a genuinely productive activity. The second promotes the efficient allocation of international investment.

The basic cost, however, is in the loss of economic policy autonomy. This is something different from the political idea of sovereignty, which is about the right to control one's policy. Autonomy is about the ability to control it. In a single currency area, there cannot be different interest rates in different places. This is fundamentally because of the opportunity for arbitrage. Hypothetically, if there were different interest rates in France and Germany, borrowers in the high interest country would seek to borrow in the low interest one, whilst lenders were doing the opposite, and the two interest rates would converge.

What we really learn from this of course is not that it is definitely the case that the whole European Union would benefit from a single currency, but rather that there are both costs and benefits when we think about enlarging a currency area. The two extreme cases are where every individual has their own currency and where the whole world shares a single currency. The first case would be hopeless since in effect we would be in a barter economy. The second – a common world currency – might perhaps not be bad, but it is a fair bet that transactions between some areas would be so slight that there would be little benefit in reducing transactions costs between them, and yet perhaps large costs if they are forced to adopt the same interest rate policy. The question is then one of where one draws the line. Do we suppose that the right sort of size for a currency area is as large as the European Union, or more like the size of the United Kingdom?

Questions:

1. Is the UK economy sufficiently integrated with the rest of Europe to ensure that the savings in transactions costs are substantial?
2. Do you think that the ECB will be rigorous in pursuing price stability than the Bank of England's MPC?
3. To what extent is the UK likely to share common patterns of economic activity across the business cycle with the rest of Europe?
4. If you balance the benefits against the costs of membership of the single currency, do you think that the UK should join?

Questions for Thought:

1. Germany has become a major force within the EU, because of the strength of its economy. Explore the way in which this affects other members of the EU and the build-up towards EMU.
2. Discuss the UK's entry and exit from the ERM. Do you believe that re-entry is in the UK's best interests? Has it yet happened?
3. «The pressure for reform in Eastern Europe came more from discontent with past performance than from belief in the superiority of capitalist economies.» Do you think this overstates the situation?
4. Discuss the extent to which Euroland meets the conditions of an optimal currency area.

8. The Courage of Our Convictions

(Tony Blair in his own words)

In September 2002, ahead of a difficult Labour Party conference, with revolts promised on public sector reform, Blair published a Fabian Society pamphlet containing his views. The pamphlet appeared against a backdrop of growing criticism about the scale and pace of improvements to the health, education and transport systems, and disquiet over some aspects of the government's plans.

Here is the opening section of the pamphlet, which makes the case for reforms, and seeks to explain to Labour voters and those working in the public services, why reform is necessary.

The progressive prize

New Labour's purpose is not simply to amend a few policies or to manage the country efficiently. It is to set a new course for Britain in the twenty-first century. Central to this goal is the transformation of our public services.

We reject the pessimists and the Tories who believe our public services cannot be improved upon and increasing investment would only be pouring money into a bottomless pit. Their option is privatised services for the better off and cheap «safety net» public services for the poor with dismantled protection for those who work in them. It is a future of extremes in which the

divide between rich and poor grows as the middle class opts out systematically from public provision. The goal is a smaller state with an ever decreasing share of national income invested in public services.

It is why they spend so much time denigrating our public services, refusing to acknowledge progress, desperate to demoralise those who use them. What they want to do is to undermine the notion of universal public service, paid for through taxes and based on need, not ability to pay.

We reject also the view, held by some on the left, that a Labour government's role is simply to defend existing services, not to extend choice or accountability but simply pour in more money. They share – although they would never admit it – the right's pessimistic view that our public services cannot fully meet people's needs and aspirations. They believe – wrongly in my view – that the best way to defend those working in the public service and to secure their futures is to defend the status quo and veto reform. This approach urges higher public spending to address the worst shortcomings of current provision, but would leave arcane structures in the public sector largely unchanged.

Radical investment and reform

New Labour, in contrast, is confident in our public services and public servants. Our vision is rooted in strong public services that extend social justice in a dynamic market economy through investment in the talents of every individual, not just an elite.

We believe public services are both a ladder of opportunity and a source of security in a global economy, helping our citizens to negotiate unpredictable change. So we are prepared not only to inject greater investment into public services, but to ensure they can play their full part in building a fairer society, to reform the systems and structures of those services for the modern era.

The opportunity for the centre-left in British politics to shape the destiny of the country has never been greater. But if the right is able to claim, through our inability to reform these institutions or promote choice for the individual citizen, that public services are inherently flawed, we will see support for them wither and the clamour for private provision increase. It will mean a further assault on the public realm and a devastating attack on our most cherished ideals.

By contrast, if we are bold enough in our mission to reform we will rehabilitate public services after two decades of neglect, and mark not merely a new advance for progressive politics, but the extension of opportunity and social justice in our society. This represents a great and precious moment for Britain.

We recognise we cannot achieve this alone. To be strong incumbents supporting the public sector while also acting as agents of change is an inherently difficult task. It requires a government able to learn and renew as it governs. We must improve the partnership with the people who work in our public services and those who use them. The political and intellectual resources to sustain a progressive government extend well beyond our own party confines, and we need to exploit those resources more effectively.

On 4 June 1945, two days before the D-Day landings, Churchill invited Ernie Bevin to accompany him to Portsmouth to say farewell to some of the troops. «They were going off to face this terrific battle», Bevin recounted, «with great hearts and great courage. The one question they put to me as I went through their ranks was: «Ernie, when we have done this job for you are we going back on the dole?» Both the Prime Minister and I answered, «No, you are not.»

The people of 1945 wanted a government that could fulfil their hopes of work and dignity in old age, of decent life-chances for their children. Half a century later in a time of peace and prosperity we again have the chance to advance decisively the interests of working people and their families in Britain.

Only by meeting this urgent challenge of revitalising our public services can we realise Labour's historic values. Strong public services have always defined New Labour's purpose, infused our ambition, and fuelled our optimism about what we can achieve for Britain in the twenty-first century. It would be a betrayal of our Party's past achievements and values if we were to falter in the task of reform. For reform is the surest route to social justice. (Fabian Society pamphlet, 2002.)

9. Establishing the Communicative Value of a Text

Texts and Ads for Analysis.

In this chapter, different text samples are printed. You are invited to try your hand at establishing the communicative value of each of the texts.

In the process, you might e.g. consider the following points:

1. What is the communication situation?
2. What kind of text is it? (e.g. what genre?)
3. What is your impression of the sender?
4. What is the text about? (what is the key point or main theme? Is the topic stated explicitly or is it implied? Does the headline give any suggestions as to the content of the text?)
5. How is the text structured? Look for one or more of the following items: the situation, the problem, the argumentation, the conclusion, perhaps with suggested solutions.
6. What is characteristic of the style?
Syntax (simple or complicated?)
Choice of words (learned or everyday, subjective or objective?); to what extent is it possible to establish the tone on the basis of the choice of words (i.e. is the tone ironic, condescending, sentimental, matter-of-fact, or...)? Is the text an item of information only, or is it more than that, e.g. an attempt to persuade the reader, a criticism of a political decision, or...?
7. What is the message, if any? Is there a moral? Is it possible to determine the sender's attitude (a glance at the choice of words may be helpful)?
8. Who is the receiver? Who would be interested in reading a text like this one?
9. So what conclusion have you reached about the communicative value of the text? E.g. does the text achieve what it sets out to do?

After you have finished your work, you may have a look at the analysis suggested under each text.

The text is an *advertisement*, and *the intention* is, not unexpectedly, to create an interest among potential buyers – this time for a new type of Ford

car. But at the same time, the advertisement seeks to reassure the receivers of the message that the production of one of the earlier winners, viz. the Ford Escort, is not going to be stopped.

The key sentences are: «The Ford Focus will go on sale in October this year» and: «However, be assured that Ford will continue to produce the Ford Escort for a number of years.» The *headline* is a respectful address to present and future customers, and the text begins with a praise of «the new Ford Focus». Only the second paragraph is about this model, however, and no technical details are given. The sender proceeds to describe other success types from Ford and the focus changes to another type (the Escort) to which tribute is being paid in the rest of the text.

The progression of the text is at first centrifugal: the sender proceeds from the mention of one model to a reference to other, equally valuable, models (i.e. a movement from the specific to the general). After that, the perspective is narrowed again, and the rest of the advertisement deals with another success model from the same company.

The sender's attitude is one of respect for the receiver («Valued ... customers»), but at the same time he is quietly assured that the facts he brings («the most successful Ford car ever produced», «4.5 million British customers», will not fail to impress the serious reader (and buyer). He is anxious to demonstrate that the bond that links Ford to its customers is almost one of friendship («continue that relationship»). So when, he says that «we will continue to build the Escort», it is as if he fulfils a pledge. By the same token, it is worth noticing that the «friendship» that is claimed to exist between the Ford Company and its customers is made to cover both past, present and future.

On the surface, the advertisement is *an item of information*, but the sender is obviously not displeased with the news he is able to bring: the praise of Ford cars becomes apparent from the first sentence, and the advertisement is – of course – a sales promotion device.

The division into many short paragraphs is probably intended to facilitate the reading of the text. The sender makes a new paragraph whenever he introduces a new idea or qualifies one that has already been expressed. It is conceivable that the sender believes that it will be easier for his message to sink in when he dishes it out in small bits.

«Unveiled» and «chorus of approval» are formulations normally used about significant public events (unveiling a statue) and situations that prompt general acclaim (a chorus of approval after a successful political achievement). So, the sender wants to convey the impression that the product he is marketing has some sterling qualities – could any salesman be expected to say anything else? At the same time, e.g. by allowing figures to speak for themselves («purchased by ...»), he wants to create an atmosphere of seriousness and reliability. Also, the sender does not talk down to the receiver, and there are none of the loaded superlatives, inane commonplaces, or smiling customers that frequently appear in advertisements. But, of course, he makes no attempt to hide the Ford Company's pioneering achievement («pushes forward the boundaries ...»)

Altogether, the ad has considerable *communicative value* because it avoids the easy pitfalls of facile ballyhoo.

Join the euro club

One UNDERSTANDS that it is one of the roles of a serious journalist to provoke thought, to suggest the implausible and to question accepted wisdom. However, Hamish McRae (Comment, 22 April), surely had his tongue firmly in his cheek in suggesting that Britain would be as well off economically in the North American Free Trade Area (Nafta) as it would be as a full member of the euro club.

It is true that historically the UK has invested heavily in North America. But in future the opportunities for investment in Europe, where corporate rationalisation and consolidation has a long way to go before reaching the mature state of the US economy, will be far greater. These investment opportunities will be greatly enhanced by economic and monetary union. They would not be duplicated on the same scale by membership of Nafta if the UK remained a sterling island in a large US dollar bloc.

Equally, I would suggest, the cultural affinity between Britain and the rest of Europe, based on shared historic moral and social values, is stronger than our identity with the *laissez-faire* doctrines of the US.

Plan A should be to declare our firm intention to join EMU as soon as possible, preferably before the next general election. This would ease pressure

on the pound. It is, of course, a good idea to have a plan B up one's sleeve; it should be to commit the UK to joining EMU as soon as economically possible after 2002.

Any other solution would relegate the UK to a very minor role in world affairs. It is a kind suggestion of Mr. Gingrich, but I suspect that once we were inside Nafta the Americans would eat us for breakfast.

The text is *a letter to the editor*, which means that the receiver can expect a subjective comment of some kind on the sender's part.

The *headline*, which may have been provided by the editor and not by the sender himself or herself, gives us a clue to the content of the text. The message of the text is clear: both the plans outlined by the sender suggest that Britain should join the EMU «as soon as possible» (plan A) or «as soon as economically possible» (plan B). It is straightforward argumentation, and few references are made to the consequences of Britain staying outside. *Key words* are «investment», «economically», and, of course, «join EMU».

The sender's attitude is unequivocally for joining the EMU, which he shows, among other things, by intimating that a journalist who has aired different views must have had his tongue in his cheek, and by «suspecting» that if Britain leans too heavily on the USA, «the Americans would eat us for breakfast».

The letter has a clear *structure* and a logical *progression*: it opens with some generalising statements about the duties of journalism and proceeds (a movement from the general to the specific) to offer slightly ironic criticism of a member of the staff of the paper who is sure to see the error of his ways after reading this letter. The two following paragraphs compare the economic links between Britain and the USA, and the cultural and social ties connecting Britain and Europe. Next follow the writer's own plans, and the finishing paragraph outlines the absurd consequences of staying out. The sender never loses sight of his point, and he is familiar with the rhetorical device of having a witty and concise flourish at the end.

The sender's tone is self-assured without being arrogant: the unfortunate journalist who disagreed with him cannot possibly have been serious. Even if the topic is economy, the letter contains no technical jargon, statistics, graphs, and the like. The sender is satisfied that his statements (which are, after all, postulates rather than empirical facts) will carry conviction. There are few distinctly subjective words, but some discreet pointers show that we are not

reading an extract from a handbook of economic theory («surely», «I would suggest», «declare our firm intention», «of course».

The text has a high degree of *communicative efficiency* in that the sender sticks to his point, argues his case well, and obviously endeavours to treat his receiver as a rational human being. Of course he wishes to propagate what he considers the truth (and of course the receiver may disagree entirely with him), but there is no denying that he does communicate.

CHAPTER II

ACTIVE COMMUNICATION

1. Some Advice to a Communicator: Oral and Written Communication

It is a commonplace to state that there are innumerable communication situations: a person writing a letter to an official authority, a politician making a speech, two friends talking about the weather, a worried husband sending a question to the Agony Aunt of a daily newspaper, etc. Perhaps even thoughts and dreams can be considered communication situations.

Some situations are fairly rigidly structured (e.g. formal meetings), others are less predictable (e.g. informal conversations).

For practical reasons, we have chosen to separate *oral communication* from *written communication*, the distinguishing factor being the physical presence or absence of the receiver. In oral communication, the receiver is usually present (an exception being e.g. a radio talk). There may be one sender (e.g. a politician speaking to an audience) or several senders (e.g. a round table conference).

In *written communication*, the receiver is usually not physically present (e.g. a letter to the editor), and there is normally one sender only (e.g. a Christmas card). However, even if the receiver is not physically present, he or she does exist: a letter to the editor is written in the hope of getting some kind of response, and the writer of a Christmas card hopes that it will be read by those to whom it is addressed.

Some General Advice

There are some **general rules** that apply to both types of communication:

1. **Target Group.** Be aware of the identity and background (interests, expectations, attitudes) of your audience.

2. **Topic.** Make clear to yourself (and hence to the audience) what your topic is. Sometimes it may be profitable to make use of key words – on paper or in your mind. Perform a process of selection so that you find your focus, deciding what is relevant (i.e. should be included), and what is not (i.e. it should probably be left out).

3. **Message.** As to *formulation* of your message, the first condition is for you to know what you are talking about. It is an empirical fact that if you get hold of the matter, appropriate words will tend to follow. It is true that muddle-headedness may be initially charming, but very soon it becomes tiring or annoying, which means that it is counter-productive. If you are more or less ignorant of your subject, how will you be able to communicate in the first place?

4. **Clarity.** Make your message *user-friendly*, i.e. easy for your audience to follow, in terms of content as well as of form, i.e. use *sign-posting*. It is a truism to say so, but it is vital that your listener or reader can understand what you are getting at. You may be impressed by your own learning, but your audience does not have to be. Showing off is counter-productive in that it pushes away, or even infuriates, your receiver. In most circumstances, your receiver is no fool, which means that he does not need to be spoon-fed or to have points repeated *ad nauseam*. On the other hand, he will generally not have a crystal ball at his disposal, for which reason it is imperative that you to make your message clear and comprehensible.

5. **Structure.** Help your receiver by planning the succession of the items you want to bring up by using signposting such as *first, secondly, finally* ... If you address a sizeable number of people, not to speak of a large audience, an overhead projector may come in handy. If you prepare a written article, a more detailed plan may be necessary. In either case take care that what you want to be your emphasis is duly foregrounded and keep check on «where you are», e.g. in a chain of argumentation. It is vital that you *never*

loss sight of your topic. Digressions may be the sunshine of life, but too much sunshine is hurtful to the eyes.

Adopt the good old principle of **beginning, middle, and end** for the construction of your message. The beginning should, ideally, catch the receiver's attention (depending of the situation, a joke or a topical reference may pave the way) and outline the problem, the middle should contain the body of your message, and the ending is, in more senses than one, your conclusion. Try to maintain a balance between the component parts of your message: many texts, oral as well as written one, misfire owing to front-heaviness, others fail to put their message across because the conclusion is left hanging in the air.

6. Syntax and Vocabulary.

Finally, when practising communication you should keep a watchful eye on your own syntax, extend your vocabulary, and pin down the shades of meaning of the words you use.

To give the reader an opportunity to use our advice in as realistic communication situations as possible, several rather detailed situations and role plays are offered in the following as well as some more specific advice relating to oral and written communication respectively.

Oral Communication Stages of and Phrases used at a Meeting/a Negotiation

1. Some Initial Instructions.

Before the meeting:

- a) Make an agenda – or – if you already have one – study it carefully;
- b) Make your objectives clear, i.e. What do you want? What do they want? Best to answer these questions before you meet. Be specific. And rank your objectives in order of priority;
- c) Acquaint yourself with the topography of the meeting room, if possible;
- d) Is there an overhead projector? Does it work?
- e) Is there a microphone (if you need one)?

2) During the meeting.

Watch your body language;

Be polite at all times – even when it is necessary to use assertive language during the bargaining phase, for instance: I'm afraid I must insist on ... if ...;

Improve your listening skill. Messages sent are often not received in the way they were intended. So pay attention. Ask questions for clarification. Take stock. Don't interrupt. Avoid reacting emotionally to views you disagree with.

2. The Meeting.

1) *Chat gap of some minutes' duration* (chairperson's job). Small talk that will enable the participants to familiarise themselves with the locality and with each other.

Introductory remarks (chairperson)

My name is ...

I want to welcome everybody to this meeting ...

Could I ask you to introduce yourselves, please?

I would like to begin with a few items of practical information: there's a tea-break of a quarter of an hour at 10:30. Lunch, which is scheduled to take an hour, is at 1 o'clock at the canteen, which is on the top floor. There will be another tea-break around 4, depending on how far we've got. We are planning to stop at 5:30. Smoking is not allowed in the building ...

Any questions?

Today's agenda is ...

Let's get down to business now, shall we?

I suggest the following structure for the meeting: first ... then ... finally ...

Presentation of situation/problem (chairperson or host/guest)

I would like now to turn to the problem(s) ...

I believe /think/ feel that ...

In my opinion / as I see it ...

I might add that ...

The next issue I would like to focus on is ...

4) *Interaction: argumentation, negotiation*

a) *giving the floor*

I call on the first speaker (formal)
Mr. Johnson, the floor is yours (formal)
I think you know something about this, Mrs. Smith.
Wouldn't you like to say a few words?
Mr. Nelson, let's hear your view of ...

b) *elaborating statements*

The main advantage of ... is ...
On the one hand ..., on the other ...
I would prefer to do it in the following way ...
Let me give an example
Although ..., we still/ also have to consider ...

c) *clarifying contributions*

Would you mind repeating what you just said?
I'm afraid I didn't quite get that ...
I am not quite sure I follow you ...
How expensive/ practical/ effective is the project?
When is it due to start?
How long will it take to get results?
Wouldn't it be a better idea if we ...?
Would you elaborate a bit on that point, please?
Couldn't you be a bit more specific?
Would it be possible for you to speak a little louder, Mr. Johnson?

d) *responses*

Surely, you don't meant that ...
As I understand you, what you're getting at is ...
What's your view/ position on ...
I'd like to hear Mrs. Bishop present her views ...
Perhaps I should have made that clearer; let me put it like this ...
I've been asked to elaborate on this point; well, let me go back a few months, then ...

But why don't we simply let bygones be bygones?

e) *interrupting*

If I may just interrupt you for a moment ...
May I come in at this point?
I wonder if I might comment on what Mr. Johnson said a moment ago

...

I think it would be practical if you don't ask questions until I have finished my account ...

Could I say a few words in connection with the point raised by Ms. Fitzgerald?

f) *stalling*

But couldn't we discuss that on a more informal basis ...?

I'm afraid I'm not in a position to say more just now/ comment on that point ...

But surely, we have been through all this ...

I can see quite a number of problems in adopting the procedure you just outlined, but ...

Should we ask Mr. Thomson and Ms. Evans to look more closely into this aspect of the issue ...

I'm afraid we need more time to consider the problem in more detail

As I see it, it would be a waste of time ...

It's a very interesting point, but unfortunately we are running out of time...

g) *agreeing/ disagreeing*

I tend to (dis)agree with you

I agree with you entirely up to a point

I'm afraid I can't quite agree

I think it's not quite correct to say that ...

But wouldn't you agree that ...

I think we must agree to disagree on this point ...

This proposal/ the proposal put forward by the last speaker has my full support ...

But don't you think that Mr. Williams has got a point when he says that...

h) *accepting/ rejecting*

I must admit that Mr. Young's suggestion sounds plausible ...

Will that be a workable idea, do you think?

How do you like this formulation, then ...

I'm afraid we cannot accept your offer ...

The project may look rather attractive, but on closer inspection ...

Forgive me for saying so, but I think that is nonsense

I am afraid that plan will be unacceptable to my company ...
I'm sorry to say so, but your statement / argumentation didn't convince me....

i) *negotiating/ bargaining*

We're prepared to ... on condition that ...

If you order ... we may consider a discount of ...

I'm afraid we would be unwilling to ... unless ...

I don't think your terms will be acceptable to our company unless

...

Do you think it will be possible to reach a compromise?

I'm afraid we'll need a few days to consider your proposal in more detail ...

5) *Concluding remarks/ summing up/stock-taking; perhaps with a suggested solution to the problem* (chairperson):

How far have we got ...?

Have we reached any kind of agreement ...?

What will be the next step ...?

As far as I can see, our position is the following ...

The general atmosphere seems to be that ...

Everything considered, it's my belief/conviction that ...

To put it briefly, I would suggest that ...

I particularly want to stress/ emphasize/ highlight/ underline ...

I recommend/ propose/ suggest that ...

Can we go along the lines suggested by Ms. McNair ...?

Does anyone have any objections/ further comments ...?

It's true some doubts have been expressed, but ...

Of course, that's OK with me ...

The main points that have been made are, as I see it ...

Of course, we should always remember/ bear in mind ...

To sum up, then, the situation seems to be the following ...

6) *Fixing a date for a new meeting:*

I'm afraid that will be a bit difficult for me ...

Wouldn't it be a better idea if we ...

Well, that's settled then ...

Oral Communication Situations: Assignments

1. A formal meeting.

You are going to chair a meeting to be held in your company; a number of potential buyers from several foreign countries have been invited to participate. They have some expert knowledge within your line of business. The purpose of the meeting is to advertise your company's know-how and to make the guests interested in buying your product, or perhaps starting a cooperation.

Your job will be:

- To welcome the guests;
- To arrange a brief chat gap;
- To outline the agenda, emphasising the particularly relevant points;
- To give arguments for the succession of the items of the agenda; furthermore, to invite questions to, or comments on, the agenda;
 - To suggest a possible timetable for the meeting (discussion, question time, etc.);
 - To give information about some practical arrangements (e.g. taking the guests round the premises, time for tea-break, lunch, the location of facilities, etc.);
 - To introduce the first speaker (whom the guests do not know);
 - To link the first speaker's contribution to that of the second speaker and maybe conclude after each point on the agenda;
 - To chair the ensuing discussion;
 - To conclude the meeting, and outline some plans for the next meeting, which will be in some month's time and, possibly, at the office of one of your subsidiaries;
 - To invite questions for Any Other Business.

2. A negotiation.

Two buyers should join together to form a team to negotiate against a team of two sellers in the office of Sachs Ltd (the buyer).

You must try reach agreement, but each team will, of course, try to obtain maximum benefit for his/ her company. (You may select a team leader.)

Consult your role card: Sachs Ltd (the buyer) or Jürgensen Vehicle (the seller).

(Each team has confidential information not available to the other team.)

3. **Evaluation.**

For your own and your company's benefit, it may be practical and rewarding to evaluate the meetings. The following points may be relevant:

- How well did the chairperson/ teamleader perform his/ her task?
- How effectively did the participants take part/ put across their message/ achieve their objectives?
- How relevant did you find their arguments/ questions?
- What was the atmosphere of the meeting?
- Are you satisfied with your own performance? Did you contribute too much or too little to the discussion? Did you feel in full control of the situation? If not, where, and for what reason did things go wrong?
- Is there anything you can use at the next meeting/ future meetings?

Written Communications

Writing an Essay, a Manuscript for a Presentation or a Letter to the Editor do not forget the general advice mentioned above.

Grammatical and Stylistic Points.

You may find the following points worth considering:

- Make your grammar bullet-proof;

It is unfortunate when the medium (i.g. the way you write) comes to stand in the way of your message (i.e. *what* you say). Do not forget that, to an English or American-speaking person, a grammatical mistake is very often the same as a social blunder.

- Pay attention to your style
Choice of words.

Use precise words, do not overdo the use of vague, insipid, or empty words like «thing», «good», «big», etc. Build up an arsenal of pithy adjectives which will enable you to confer vigour on your description and characterizations. The Romans said that «variation pleases». The English language has an

abundance of synonyms and near-synonyms, and they are there to be turned to advantage by any user of the language.

Syntax.

Do not use too long sentences. Your message should not be an illustration of the convolutions of Latin syntax. Heavy syntax may blunt the substance of your message, and it may cause your reader to lose the thread. Avoid wordiness. Remember what Shakespeare said: *Brevity is the soul of wit*. Personal statements may have to be long, but that does not necessarily mean that they also have to be verbose. Length and verbosity are not synonymous terms.

The other extreme, overconciseness or shorthand, may be equally obnoxious. Excessive shortness may lead to abruptness and thus impair the degree of comprehensibility. Besides, terseness may give the impression that the sender is annoyed. Conciseness is a virtue, but abruptness easily degenerates into a parody of virtue.

Tone.

Make sure that your words and your syntax are appropriate to the occasion and to the tone you intend to produce. A sympathetic letter to a friend who has lost a beloved relatively requires a tone that is poles apart from an article in which you want to expose the incompetence of a local politician. Decide whether you want your approach to be subjective or objective. By the same token, the level of abstraction that is exemplified in your essay contributes to creating the tone of it.

Written Communication Situations: Assignments.

(Your written accounts may be used as the basis of an oral presentation e.g. on the radio, at a meeting, etc.)

- A newspaper article.

You have been asked to contribute an article of about 400 words to the local newspaper on the subject *The Pros and Cons of Fast Food*.

- A manuscript for a presentation.

In connection with a TV news broadcast, you have been asked to give an account of your company's policy on a specific controversial issue. Prepare the manuscript.

A letter to the editor.

In a letter to the editor, a Mr. Ronald Kay has suggested that no more nuclear power stations should be built in Europe, and that the existing ones should be dismantled over a period of 10 years. In a letter to the same editor, you agree, or disagree, with Mr. Kay . (200 words).

2. Situation Plays

1. Situations Requiring one Participant.

Please use the advice given to a communicator in the previous chapter.

- You have been asked to chair a panel discussion on the subject of The United States of Europe. Two people have given two different views of the issue. It is your job to summarise their contributions for the benefit of the audience, which consists of interested laymen. Do your best to be fair to all parties concerned.

- You want to convene a meeting in your local community to discuss the subject of street violence. The local radio station has granted you five minutes' broadcasting time. How are you going to derive maximum benefit from that offer?

- You are the boss of a small factory. One of your workers, John Smith, finds it increasingly difficult to follow the pace of the other workers. He is 52, and has been in the factory since he was 24, but now he is drinking a bit too much, both at home and at the job. His wife is miserable, and you are on very friendly terms with both of them. He will be coming to your office in ten minutes' time, and you are preparing what to say to him, and how to put it. Think it over carefully.

- You are the Chief Executive of the town council and have been asked to give a comment on the article *Scandal of the empty homes*. Your account is going to form the basis of the town council's impending discussion of the subject.

- Keith Sachs is the marketing manager of a computer firm. The article. *Beware of repetitive souls strain*. Can, in Keith's opinion, form the basis of a newspaper advertisement for the firm and its products.

Perform the scene where Keith submits his plan to Christopher Atkinson, the managing director of the company. Keith outlines the content of the article, and Christopher listens carefully before he expresses his opinion. His final verdict should be based on careful argumentation.

- Tim Nichol森 stayed away from his job yesterday because there was a cricket match he simply had to see. His absences are beginning to be talked about in the company. Perform the scenes where:

Tracy Sorensen, one of Tim's colleagues, tells him about the company's and the staff's attitude and the possible consequences of his repeated absences;

Tim is called to his boss Kathleen Holloway, to account for his negligence. Kathleen should make it clear to Tim that his future in the company may depend on the strength of his argumentation.

- Robert O'Hara would like to start a small business which he hopes his bank will be willing to finance. He goes to see the manager of the local bank, Rebecca Hilton. Robert gives a short account of the kind of business he would like to set up. Rebecca listens carefully, comments on Robert's application and his presentation, and, finally, informs him of her decision. Perform the scene.

- For the fourth time, Alice Dimbley has spent six months in a Third World country, sent out by the Ministry. On her return, she is asked by the Ministry to inform a group of potential volunteers about her experiences with focus on the positive ones.

a) Perform a scene from the meeting. One member of the audience, who simply gives his name as Harry, asks for more detailed information because he thinks that some issues have been shirked, and some important questions have been left unanswered.

b) Perform a scene where Alice Dimbley has been invited to meet Joseph Gascoigne, a high-ranking Government official. She is to give him a confidential report of her experiences, positive ones as well as negative ones. Her report may be of some importance for the continuation or cessation of aid to the country in question.

- Daniel Griffith's company has suffered a serious financial loss because one of the contractors. Anderson & Anderson Ltd, has made a seemingly incomprehensible blunder.

- Perform the scene where Daniel meets Harold Bloomfield, a representative of Anderson & Anderson. Daniel complains of the treatment he has been given, asking for an explanation. Harold apologises for the blunder,

trying to account for it, and he does his best to persuade Daniel to continue business relations with him. During the meeting, Daniel reaches a decision, and he informs Harold about it.

- Martin Hansen thinks that the article printed below (*Pusher*) does not do justice to Nicholas Winding's thriller. Therefore, he contacts Emily O'Brian, the journalist who wrote the article. Martin supplements what he considers relevant information, but Emily is not quite convinced. Perform the scene.

- Donald Farrell has been offered another job in the company where he works. The job is quite different from the one he has had so far. Donald is not quite convinced that it is actually a promotion, however, so he asks for an interview with Ralph O'Connor, the person on the Board who gave Donald the offer. Perform the scene between the two. Donald's purpose is to get the necessary information without sounding hesitant, unwilling, etc. Ralph will do his best to persuade. Donald, trying to hide the fact that Donald's predecessor in the job gave notice because he was dissatisfied with the working conditions.

- Liz Kay, who is the manager of an advertising agency, has compared two advertisements with regard to their communicative value. She has asked for a meeting with the advertising managers of the two companies, Emmy Blandford, and Graham Nelson respectively.

Perform the two scenes in which Liz tries to give Emmy and Graham a few hints as to the content and layout of such advertisements. She may, for example, draw on statements made by her family and her friends. Emmy and Graham of course also have some arguments to offer in defence of their respective ads.

Adam Harlow is convinced that he has invented a new cosmetic product. He has asked to have a meeting with the marketing manager (Patricia Coombes) of one of the leading companies within the cosmetics industry.

Perform the scene in which Adam praises his product, trying to persuade Patricia to buy his idea and market the product. He is very persistent, and Patricia has to ask him quite a lot of questions. Finally, she informs him about her decision.

Perform the scene in which Patricia discusses her decision with Carol, her secretary. Patricia should give her the impression of Adam and his idea, and she should recapitulate her arguments to Carol, who may be astonished, indignant, anxious to know more, etc.

2. Formal Meetings.

The situation plays in this section include more or less formal meetings. You may find the following instructions for preparing and structuring such a meeting helpful:

Initial Instructions.

Before the meeting:

- Agree on the purpose of the meeting/ your objective;
 - Distribute the roles, choose a chair person and, if necessary, divide into groups;
- Write an agenda.

During the meeting:

- Introduction;
- Presentation of the issue as seen by both parties;
- Debate/ negotiation;
- Conclusion, i.e. summing up the chairperson/ leader of the discussion;
- Suggest a date for a new meeting.

Situation Plays:

- Carol Simpson and Charles Harrison are coordinate managers of a middle-sized company. They have read the annual report issued by their local bank and find it unsatisfactory in several respects: in one or two cases, the accounts seem to be doctored, and the bank seems to be intending to engage in somewhat dubious engagements.

Carol and Charles are having a meeting with two top people from the bank, Alice Anderson and Tom O'Keefe. They have to tread cautiously, for their company will remain dependent on the bank's support in the future. Besides as the meeting progresses, they begin to have a suspicion that the issue is full of political dynamite.

Perform the scene.

- Two business consultants have made a feasibility study for a project to be carried out in one of the Baltic countries. At a meeting with some bank experts, from a Danish bank as well as from the Nordic Bank, the two are trying to win approval and financial support for their project.

Perform the scene.

- Three journalists have pulled off a genuine scoop. However, if published, the story may compromise several persons in high places, including a close relative of the editor. Moreover, the story seems to have international ramifications, and there is a real risk that publication may contravene the Official Secrets Act. The three journalists are weighing the pros and cons.

Perform the scene.

- Three leaders of a Danish company are having a meeting with some prospective customers from the USA. The company leaders want to convince their guests of the excellence of their products, methods, and results within their particular field. The Danes know that a German company has also given a tender, so they have to convince the Americans that their product is better.

Perform the scene.

A board meeting is taking place in a fairly large company. Over the last few years the company has made some very profitable investments. Two board members suggest that they should consider making ethical investments. The topic is hotly debated.

Perform the scene.

A small factory owner informs his two shop stewards that the factory is going to be sold to a foreign company, and he asks them to inform the staff, several of whom will probably be made redundant. The shop stewards are shocked, not least because they have not been informed before, and it was their impression that the factory is not doing so badly.

Perform the scene.

A television channel wants to arrange a panel discussion about *The Welfare State in the 21st Century*. They have invited a group of people who have different opinions about the subject, but who are neither professional experts nor politicians. Each member is given two to three minutes by the chairperson to present his or her views on the topic.

After the presentation, there is a discussion among the members of the panel about the different points of view put forward. The chairperson asks them to suggest one or more solutions to the problems discussed.

Perform the scene.

The article (Cancer in retreat) provokes different reactions, e.g. from Simon Cleetham, the Secretary of the Treasury, and Ali Hashim, the chairman of the US Medical Association. At a meeting, Ruth Watts, the journalist,

discusses the article with two of her critics. They also touch on more general problems within the health sector.

Perform the scene.

Some important changes have been introduced at the managerial level of your company, Sanderson Bros. A very big European customer, Siemens in Germany, has been made uncomfortable by the changes.

At a meeting between Harry Nesbitt, who chairs the discussion, and Oko Tredree, both from Sanderson, and Gerhart Schmitt and Uwe Holzbaum from Siemens, the two Englishmen do their best to remove the German's concern, and to assure them that, in the circumstances, it was the only option open.

It should be added that the two Germans are fluent in English.

- The Nature Conservancy Association has called a meeting where they want to introduce a more organic policy which they are planning to implement in parts of East Anglia. Jeffrey Rodham, an NCA representative, attempts to sell the new approach to some of the local farmers. Especially three among the latter, Thomas Pritchard, chairman of the local farmers' union, who chairs the meeting, William Haydock, and James Garwell, are articulate, outspoken and sceptical.

- The five board members of a charity fund are discussing the distribution of the annual sum of money. The applicants are many, and the board only have a sum of £10,000 at their disposal. The applicants, who are asked to present their case in turn, are the following:

- a) a 22-year old man, who was disabled as a consequence of a car accident, wants to help to learn a trade because his condition makes it impossible to cope with his previous job;

- b) The local vicar, who claims that the organ of the church needs repairing badly;

- c) A single mother, who cannot afford to buy a dress for her daughter's confirmation;

- d) A group of unemployed people who want to help to finance a local edition of *The Big Issue*, the newspaper published by a group of homeless and unemployed people;

- e) A head teacher who would like to be able to send one of her classes on a return visit to the school's German twin town;

f) A spokesman for the local football club, who would like to offer the town's teenagers a genuine alternative to roaming the streets in their spare time;

g) The tourist board, who intend to make a publicity drive to attract more people to the town, which would mean a boost to the local tradespeople;

- In the Indian Ocean, there is a peaceful tropical island. The nearest town on the Indian continent is 18 hours by boat. In a European capital, the board of a package-tour operator company are discussing the possibility of sending charter tourists to the island;

Three experienced tourist guides are sent to this island to bring back a description of the following items:

- Climate, flora (plants), fauna (animals), topography (hills, valleys, rivers, etc.);

- Culture. The inhabitants are highly civilised, but their standards differ from those of the Europeans;

- Occupation (how do the inhabitants make a living?); The guides are to prepare a recommendation to the board (about 10 minutes);

On the basis of the findings of the three guides, the company's top managers have a panel discussion, inviting opinions and contributions from local branch leaders who have been called in. Some of the questions to be discussed are:

What makes the island appropriate for tourism? One of the branch leaders has been on a trip to the island;

What about airport and hotel facilities?

Are there any potential tourist attractions on the island?

The meeting (about 15 minutes) should end up with a request to the mayor of the largest town of the island, asking him to give representatives from the company a chance to meet him and talk matters over with him. The request should be drafted at the meeting.

After receiving the request, the mayor calls a public hearing to test the attitude of the inhabitants of the island;

A meeting takes place between representatives of the package tour operators and some of the local people;

In the European headquarters of the package tour operator, several people are having meetings with the purpose of drafting a brochure advertising the island as one of the operators' most recent and very fascinating destinations.

Some of these people are to find out what elements should go into such a brochure. Their results should then be submitted to the board for a final decision;

The first tourists are booking a trip to the island.

The first charter group arrive. They meet the local people, including the hotel manager, some shopkeepers, some old people, etc.;

The following year, a TV crew, who made a programme from the unspoilt island five years ago, come back. They are supposed to discuss the changes they see, and to decide whether to make another programme from the island;

After a few years, oil is found in large quantities off the shores of the island. A meeting is arranged between representatives of the oil industry (several multinational companies are very interested), the tour operators, and the islanders;

A public hearing among the inhabitants of the island is to decide what is going to happen.

You may yourselves produce one or more role plays on the topic of the article printed below, *Corrupt officials face dismissal for their first offence*.

Pusher

Metrodome (available to buy now rrp £14.99).

Although the grim apartment blocks and sleazy bars could belong to any diseased inner-city, the fact that Copenhagen provides the setting for Nicholas Winding's bleak thriller somehow makes it all the more disturbing. *Mean Streets* and *Scarface* were nourished by their New York and Miami setting but, despite its obvious debt to both these films, *Pusher* reflects Copenhagen to quite different ends, rooting its claustrophobic anonymity in the city's discreet obscurity.

**Beware of repetitive soul strain.
Too much data can be dangerous**

Changes in the way we communicate have profound implications. In the past, such changes led to the opening up of new sources of spiritual and moral authority and the eclipse of older patterns. The inventing of the printing press, for example, gave people the opportunity to study texts in private – reducing the power of institutions to control information.

And now, as the Information Age gathers speed, a new world view is emerging. The Industrial Age was dominated by machines fashioning raw material into products. The world view associated with this was fundamentally materialistic, with matters of the human spirit relegated to the leisure sector.

The technology of the Information Age communicates a different message, making it increasingly implausible to regard human beings as simply machines upon whom the mould of consciousness has grown. The question of the spirit will again be at the heart of educational and medical strategies.

Worldwide access to information through the Internet creates great opportunities to solve environmental problems, improve healthcare and education and create a global market. But it would be naive to suppose that access to previously undreamt of quantities of information might not affect the user.

In 1830 it took up to eight months for a letter from England to reach India. By 1870 a telegram could arrive in Bombay in five hours. The Existentialist Kierkegaard reflected on this uncoupling of space and time, stating: «The evil in the daily press consists in its being calculated to make, if possible the passing moment a thousand or ten thousand times more inflated and important than it really is. But all moral elevation consists first and foremost in being weaned from the momentary». The hyping of the momentary has the paradoxical and anaesthetising effect of reducing everything to a dull average.

The availability of so many facts can be seriously addictive: the novelist R.L. Stevenson once said that the habit of acquiring general information could even prove fatal if it was not curbed early. Today there are now many more means for acquiring it. A recent report titled *Glued to the Screen*, published by Reuters, has given details of so-called «infoaddiction» and «dataholism» worldwide. Concern has prompted calls for reviews of the products and

policies of the global corporations of the superhighway and some of their questionable but money-making material.

The «virtual» market results in a loss of face-to-face communication, with its many visual and other cues. While there are obvious advantages in some fields to be able to consider data on a screen without being distracted, there remains a gulf between transmitting information and communicating the kind of wisdom which informs the agents of the moral choice. T.S. Eliot in one of the choruses from The Rocks asks:

Where is the wisdom we have lost in knowledge?

Where is the knowledge we have lost in information?

It is a question of balance and of recognising the limits of technology, but if there is an overdose of «disintermediate» rather than personal interactions, what will this do to an individual over a long period?

It might further feed contemporary bias towards the viewing of the world in subject-to-object terms. The technology of the new information environment is an expression of this cultural bias and a reinforcement of it. Individuals become progressively desensitised to subject-to-subject interactions, and the faculties of perception which enable such communication can atrophy. Excessive exposure to information technology might cause repetitive soul strain.

A survey in the magazine *Nature* revealed the impact of a «visual diet» on cats. It suggested that the visual world inhabited by kittens affected the way their brains developed. If they were allowed to see only horizontal stripes during the first months of their lives, the nerve cells in their brain that perceive vertical information failed to develop. For the rest of their lives they bumped into chair or table legs. Individuals are formed partly by what they see and the question of visual diet in childhood is a vital one.

There are obvious challenges but this is not an excuse for the dangerous luxury of pessimism and doom-mongering which seems to be a particular vice of the comfortably placed. The feast of Advent is the time for addressing the future, not only by projecting present trends, which as a method of prediction has a very poor record, but by envisaging the future in anticipatory sketches and essays. While sharing a vision of what is to be achieved in human terms with the aid of new technology, we need to cherish forums of personal communication and the exploration of science and contemplative

development. This will create choice-makers fit for the unprecedented opportunities of the Information Age.
(says Richard Chatres)

Cancer in retreat: cases drop and fewer lives are lost in US

In a first unmistakable sign that both new therapies and changes in lifestyle are having beneficial impact, the numbers of cases of cancer have begun to retreat in the United States, as have the numbers of deaths from the disease.

«Cancer is conquerable and progress is being made,» Dr. James Marks of the Centre for Disease and Control and Prevention, said, unveiling the most recent report on cancer in the US: «The burden of public fear should begin to lift.»

It is the first time that cancer, which still kills 1,500 Americans each day, has been in retreat nationwide since records of the disease were first compiled in the Thirties.

Overall, the report shows, the incidence of cancer cases fell by 0.7 per cent per year between 1990 and 1995. Deaths from cancer over the period fell by an average of 0.5 per cent.

The picture, nonetheless, is uneven, both as between different kinds of cancer and as between different segments of the population. The statistics are less hopeful for disadvantaged people and for African-Americans, particularly men.

Experts pointed to increased education about the hazards of tobacco in explaining an average annual 1.1 per cent drop in lung-cancer cases. More generally, credit is given to much increased screening, for instance for breast tumours in women, and new forms of treatment. Breast cancer rates have apparently levelled out after climbing rapidly for two decades.

The sharpest drop was reported in colon and rectum cancer, where cases dropped an average of 2.3 per cent. Mouth and throat cancer was down by 1.8 per cent annually and leukaemias showed a 1.0 per cent drop. By contrast, the incidence of melanomas, or skin cancer, rose by an average of 2.5 per cent.

The data is bleakest, however, for black men, who have the highest cancer incidence rate of any group in the country and for whom rates are still climbing. This is caused particularly by growing numbers of cases of prostate

cancer. «Some segments (of the population) have not benefited equally,» observed John Seffrin, of the American Cancer Society.

According to the society, one in four deaths in the US are caused by cancer. More than half a million Americans are expected to die from some form of cancer this year. One in two American men can expect to develop cancer in their lifetime.

(By David Osborne in New York)

Corrupt officials face dismissal for their first offence

Corrupt councillors and officials who bring local government into disrepute will be thrown out of office after a single offence under plans to be unveiled by Tony Blair today.

The policy will apply if councillors breach a stringent new code of conduct, the Prime Minister will reveal. At the same time the Government is taking powers to tackle under-performing, ailing and inefficient councils. Hit squads made up of local government experts, accountants and businessmen will be sent in to take over their management.

At present such teams can only go in with the approval of local councils. Now the law will be changed to force councils to comply. But Mr. Blair will also unveil new incentives for councils that are performing well. Successful councils will be rewarded with greater powers and financial flexibility, in what he says is a «carrot and stick» approach.

Mr. Blair's firm line on corruption and sleaze, after years in which Labour has been embarrassed by the behaviour of a minority of its councils, is to be spelt out in a pamphlet for the Institute of Public Policy Research, the left-leaning think tank.

In it, he says the vast majority of councillors are «decent, honest, and incredibly hard-working. We cannot let the behaviour of the few undermine the reputation of the many. Councillors and officials that are incompetent or corrupt not only undermine their leadership credentials but sully the reputation of local government as a whole. We cannot and will not tolerate corruption.»

In a fierce warning to poor councils, he says: «If you are unwilling or unable to work to the modern agenda, then the Government will have to look to other partners to take on their role.» Underlining the incentive to good behaviour, he adds: «If you accept this challenge, you will not find us

wanting. You can look forward to an enhanced role and new power. Your contribution will be recognised, your status enhanced.»

But in the document Mr. Blair directly confronts the troubles that have dogged Labour on Merseyside, Hackney and Lambeth. He scathingly speaks out about councillors who get «trapped in the secret world of the caucus and the party group.»

A key plank of his ideas is for greater community leadership, and he calls on councils to let local people have their say. He wants them to use citizens' juries, local surveys and even local referendums to identify local concerns. He will say these measures should «become part and parcel of a council's tool kit to help it exercise its leadership function.»

Mr. Blair will also call for new targets from every authority in Britain to improve the number of voters at local elections and to strengthen local participation in the government of their community.

Yesterday the Government announced new plans under which councils will have to ask local taxpayers which services they want their local authority to provide and how they want them delivered.

Under the plans to scrap compulsory competitive tendering, a new system of «best value», in which councils must set and meet demanding targets for service improvement after public consultation will be introduced.

(By Philip Webster, Valerie Elliott, and Mark Henderson)

3. Role Cards for Negotiation

Role Card 1

You represent Jürgensen Vehicle, an overseas goods vehicle manufacturer. Your company has a very limited distribution network in Great Britain. In fact at present the procedure is that trucks are collected, or if necessary delivered, from the port of entry on the south coast. You have been sent to develop links for a distribution network, in preparation for a major exporting drive aimed at the British market.

You will be visiting a potential customer (Sachs Ltd), interested in purchasing five XT trucks. You have submitted what you consider to be a competitive price and do not wish to lower it any further. However, you know that the potential customer is likely to ask for better terms.

Your objective is to minimize your concessions. Below are the conditions on which you will try to insist:

Delivery to port of entry only.

Delivery time: 3 ½ months (preferably 4 months);

Further discount: 0% (perhaps 1%)

(Jürgensen Vehicle Representatives (The Seller)).

Role Card 2

You are in charge of a vehicle purchase for a food distribution company in northern England. As your requirements are quite specific, you have had to look closely at the available vehicles and have decided on a foreign model, new to the British market, made by Jürgensen Vehickle. You informed them of your intention to purchase five XT trucks.

The initial price was quite competitive, but at the meeting you will try to obtain even better terms/ the meeting will take place in your office.

The initial price was quite competitive, but at the meeting you will try to obtain even better terms. The meeting will take place in your office.

As you are a potential major customer, you will be in a position to bargain. So go for it! Below are the conditions on which you will try to insist:

Delivery to your main distribution centers.

Delivery time: 2 months (perhaps 2 ½)

Further discount: 4% (perhaps 3%)

CHAPTER III

INTERNATIONAL BUSINESS

1. Globalisation

The non-globalisation of tastes?

Before you read think of people with similar jobs, background, etc. in another country that you know. When they go to a supermarket, do you think they buy the same products as you or are their tastes and lifestyles very different?

Reading: read this article from the Financial Times and answer the questions.

Consuming fascination

The global brand is real enough, but what of the global consumer? Nicholas Trivisonno, the chairman and chief executive of AC Nielsen, the US-based international market research company, believes such a character is fictional. «There is no global consumer. Each country and the consumer in each country has different attitudes and different behaviours, tastes, spending patterns,» he says.

Nielsen should be in a position to know. It has a presence in more than 90 countries, and works for more than 9,000 clients. Its revenue last year was \$1.4 billion, out of a \$12 billion global market research industry.

Mr. Trivisonno specifically includes teenagers in what he says, though they are often seen by marketing executives as people who have more and more in common worldwide – and to whom some of the leading global brands most appeal.

«We are seeing changes in consumer behaviour, but not a convergence of consumer behaviour,» he says. He believes the reason for this is that even though a global brand may get similar reactions in very different markets, the consumer will view it against different sets of rivals in the market.

«Take a global brand of soft drink. Acceptance of that product may be the same, but the competitive set in any particular country will be different – it could be mineral water, coffee or other types of soft drinks. You need to look behind not only reaction to the global brand but to competitors' brands.»

Defining the competitive market is critical to making sensible use of market research information, and the boundaries are moving more often.

Mr Trivisonno gives the example of a breakfast cereal manufacturer. At one time competition for a cereal would have been from the brands that it stood alongside on supermarket shelves: these days it may be with other breakfast foods, such as yoghurts. «Now it's all about share of stomach, share of thirst,» he says. (Alison Smith, from the Financial Times)

Exercise 1. Match the words 1-6 to the nouns a – g that they describe in the first paragraph. (One of the words 1-6 occurs twice.)

- | | |
|--------------|--------------|
| 1. chief | a. brand |
| 2. fictional | b. consumer |
| 3. global | c. character |
| 4. market | d. executive |
| 5. spending | e. patterns |
| | f. reserch |

Exercise 2. Answer questions:

1. Nelsen has revenues of \$1.4 billion . This means that it has:
profits of \$1.4 billion;
sales of \$1.4 billion.
2. Does Mr. Trivisonno think that teenagers worldwide are becoming more and more similar?
3. If a brand appeals to someone, do they like it?
4. If there is convergence in the behaviour of different groups , they are becoming

- a. more similar;
 - b. less similar.
5. A rival is a comp
6. A competitive set of products is a group of comp ... products.

Exercise 3. Correct these statements.

- a. The main competition to a soft drink is other soft drinks;
- b. You only need to look at reaction to the global brand to see what people think of it.
- c. Defining the competitive market for a product is not important.
- d. The divisions between markets are staying more or less the same.
- e. The main competition for breakfast cereals is other breakfast cereals.

Exercise 4. Over to you 1

What do people have for breakfast in your country? Is there a difference between what younger and older people have? Which of these things are sold under brand names? Are the brands local, national or global? If they are local, are they locally owned, or part of a multinational group?

Over to you 2

When people eat out in restaurants in your country, do they prefer restaurants with food from your country, or do they prefer food from other countries? Is there a difference between what younger and older people like?

Do you think that global tastes in food are developing?

2. Brands

Brand development and advertising

Before you read: some products and parts of products are not advertised much. List some of them and say why you think this is.

Reading: read this article from the Financial Times and answer the questions.

Accidental advertising campaigns
by Nick Denton and Louise Kehoe

Intel, the world's leading chipmaker, got into the business of building global brands almost by accident.

For Intel, the lights went on in 1989. An advertising campaign aimed at getting computer manufacturers to change to its latest processor, the 386, had the surprising side effect of persuading consumers to ask for 386-based computers.

«At the time,» says Dennis Carter, Intel vice-president and director of marketing, «I didn't really know what a brand was. But it became evident that we had created a brand and that it made a difference in consumers' purchase plans.»

The next step was to brand not merely one product but the whole range, using the now-familiar «Intel inside» logo. Intel launched the campaign in 1991 with its first «cooperative advertising» programme, offering to share the costs of advertising with computer manufacturers that used Intel chips.

Soon after came the first «Intel inside» TV commercial – a journey through the inside of a personal computer, ending up at the microprocessor with Intel's logo. It had become the first semiconductor company to sell its product to consumers as though it were a new cola.

Intel initially tailored its advertising to different markets. In Japan, for example, the logo read «Intel in it» but was abandoned when the company found the «Intel inside» brand was better recognised because of information from the US. «This really drove home the idea same everywhere in the world,» says Mr Carter.

Since then, its logo has appeared in more than \$3.4 billion (£2.1 billion) worth of advertising – including spending by PC manufacturers, according to Intel. (from the Financial Times)

Exercise 1. Answer questions:

1. Did Intel plan to build brands? (lines 1-4)
2. If the lights go on (line 3), your ... lise something.
3. If something you do has a side effect (line 5), is this your main objective in doing it?
4. «Evident» (line 8) means ... and «purchase» (line 9) means «b ... ing».
5. True or false?
 - a. Intel wanted to turn just one of its products into a brand.
 - b. «Brand» can be used as a verb.
 - c. Intel paid for the advertising camnaign by itself.
 - d. The first advertisement only showed the outside of a computer.
 - e. Intel was the first semiconductor company to advertise to consumers.

Exercise 2. Choose the correct alternative:

- a. In each market, Intel at first made its advertising
 - the same;
 - slightly different, but basically the same;
 - suitable for that market.
- b. Intel abandoned the separate logo (symbol) for Japan because
 - people didn't lie it;
 - people knew the US logo;
 - it was already being used by a Japanese company.
- c. Intel now thinks that the PC market
 - is the same everywhere;
 - is different in different countries;
 - will become different in different countries.
- d. Intel's logo (symbol) has been used in advertising worth \$3.4 billion
 - by Intel;
 - by PC manufacturers;
 - by Intel and PC manufacturers combined.

Exercise 4. Over to you 1

Use the words and phrases separated by slashes and add the missing words to make complete sentences about Intel, based on the article. Each slash indicates one or more missing words, and the words in brackets have to be put into their correct grammatical form. The first one has been done for you.

- a. Intel (stumble) / (create) global brand / accident
Intel stumbled into creating a global brand by accident.
- b. / campaign / sell / 286 / manufactures (have) / side effect / (make)
consumers ask / computers / 386 processors
- c. They then (brand) / whole range / a cooperative advertising campaign /
manufacturers, (share) costs / them
- d. In 1991 / first «Intel inside» advertisement / on TV: / journey / the
inside / a computer
- e. Intel (become) / first semiconductor company / sell / product /
customers / if / were / new cola
- f. Intel / first (design) different campaigns / different markets, / example /
Japan
- g. In the end (decide) / use / same logo / all markets
- h. / logo has (use) / over \$3 billion / advertising

Exercise 4. Work with a partner. One of you is the financial journalist who wrote this article. The other is an expert on the computer industry. Role play an interview between them, using the information in this article. (The expert can adapt sentences from the previous section as a basis for answers.)

3. TV Advertising

. Before you read: When there' re advertisements on TV, do you zap (change to another channel while the advertisements are on)? Or do you actually like some TV ads? Which ones? Can you remember any of the advertisements you saw the last time that you watched TV? Have you ever actually gone out and bought something you saw advertised on TV?

Reading: read this article from the Financial Times and answer the questions.

In Praise of the TV commercial

*by John Hegarty, creative director of Bartle Bogle Hegarty,
an advertising agency*

Imagine for a moment you are the marketing and sales director of a large company. Achieving your sales targets is giving you sleepless nights. The company's share price is under pressure, the board is getting nervous, City institutions are questioning the company's investment policy.

How can you generate extra sales quickly and effectively through your consumer base, and expand your potential market?

Suddenly, I appear. I have invented a thing called the «television commercial».

It is a new and unique way of talking to consumers. Between popular programmes, I will sell you slots of time – anything up to 60 seconds. I will even negotiate for you the whole break, so no one else can compete with you.

Within this spot you can say whatever you like in whatever form you like. You control the dialogue, presenting your product or service any way you wish.

Of course, the television commercial has been with us since 1995. Since its arrival, it has been one of the most, if not the most, effective creators of brands most, effective creators of brands and wealth. So why is it that you can hardly pick up a marketing magazine without reading about the death of this medium?

Before you rush to the Internet, or search for some fashionable alternative media, look at these facts. The average adult in the UK watches more than 24 hours of TV every week, 60 per cent of children have a TV set in their bedrooms. One in four adults watch the soap opera *Coronation Street*, even more watch *EastEnders*. So why do we read that the likes of Cadbury, the chocolate manufacturer that sponsors *Coronation Street*, think most advertising is nothing but froth and are putting more money into programme sponsorship? Why did we read that Heinz was pulling out of TV advertising (it has since gone back)?

Could it be that as the medium has become more competitive some companies have found it harder to create advertising that works? The medium is not a guarantee of success. It has to be used imaginatively. Perhaps this is the heart of the problem – it's just that some companies find this process difficult to manage. (From the *Financial Times*)

Exercise 1. Match 1-7 with a-g to form expressions from lines 1- 6.

- | | |
|------------------------|-----------------|
| 1. City | a) base |
| 2. consumer | b) director |
| 3. investment | c) institutions |
| 4. marketing and sales | d) market |
| 5. potential | e) nights |
| 6. sales | f) policy |
| 7. sleepless | g) targets |

Exercise 2. Answer the questions:

1. When the writers says, «I have invented a thing called the «television commercial»», is this really true? If not, why does he say it? (line 7-8).

2. Between lines 9 and 12 there are three words to talk about the time that an advertisement is on TV. What are they? (In their singular forms, two of the words have four letters and the third has five letters.).

4. If something creates brands , does it create famous names?

5. *Coronation Street* and *East Enders* are popular British soap opears (series with «everyday» characters). What are the popular soaps in your country?

6. When Cadbury says that «most advertising is froth», do you think it means that advertising is a good thing or a bad thing?

7. If a company puts money into sponsorship of a programme, it sp.....s the programme, and its name is associated with the programme?

8. If companies are doing less advertising on TV , the writer thinks that this is because:

- a) companies have less money than before;
- b) producing TV advertising is more difficult than before;
- c) there are more laws governing TV advertising than before.

Exercise 3. Over to you 1

Why do you think that some companies are questioning the value of TV advertising?

Over to you 2

The article mentions Cadbury, famous for its chocolate, and Heinz, famous, among other things, for its tomato soup. Which of these ways of promoting these products would be good? Add your own ideas.

- direct mail
- tasting of the products in supermarkets
- Internet advertising
- sponsorship of sports/cultural events
- coupons (pieces of paper showing a reduction that you can ask for when you buy something)

Over to you 3

Work with a partner. One of you is the Marketing Director for a chocolate company. The other is a Creative Director at an advertising agency that wants the Marketing Director to spend money on TV advertising. The Marketing Director does not want to spend money on this and suggests some of the alternatives mentioned in the previous activity.

Role play the conversation, with each side giving reasons for their choice of marketing activities.

4. Employment

The Human Resources function

Before you read: How much do you agree with these statements? Use a score system where 7 =strongly agree and 1=strongly disagree.

- Pay should be related to performance. In other words there should be merit pay based on how well you do your job.
- Management and staff should all clock in and clock out with a system of cards and a timeclock (or its computerised equivalent).
- Management and employees should all eat in the same company restaurant.
- There should be profit sharing, with all employees sharing in the profits of the company.
- All workers should have a voice in how the company is run.
- There should be worker representatives on the board of every company.

Reading: Read this article from the Financial Times which summarises a study produced by the London School of Economics (by the same authors) about human resources management (HRM). Answer the questions.

HRM: big hat but no cattle?
by Sue Fernie and David Metcalf

Managers responsible for personnel matters were asked to rate management-employee relations on a seven-point scale, ranging from very good to very poor. Six different aspects of HRM were analysed:

- the role of the personnel manager;
- industrial relations procedures;
- payment systems;
- work flexibility;
- employee involvement;
- status of the workforce.

HRM specialists will not like the results.

Systems which link pay to performance of either the individual worker or the individual company have grown rapidly in the past few years. Now a quarter of all workplaces have job evaluation schemes and merit pay. And half have some form of profit sharing or employee share ownership scheme. Yet not one of these systems appears to improve employee-management relations.

HRM workplaces are more likely to treat their manual and non-manual employees in a similar way – the «single status» policy. We studied seven

different aspects of such policies covering, for example, pay, clocking-on, the availability of free or cheap meals, and pensions. On all but one of these indicators of single status, companies which practised them had worse industrial relations than those that did not.

We also studied how union strength and structure influences relations between management and labour. A weak union is the worst of all worlds. Workplaces with strong unions and those without unions both have better relations than workplaces where management simply recognises the union for collective bargaining. (From the *Financial Times*).

Exercise 1. Look at the expressions in lines 3-7 and use them to complete the statements. The first one has been done for you

- a) The people who work in a company, apart from the managers, are its ...
- b) ... are used so that people's pay is organised in a systematic way.
- c) When employees agree to do different kinds of work, and to change quickly from one type of work to another, there is ...
- d) if ... are bad in a company, there may be a lot of times when employees stop working and go on strike.
- e) When managers ask the opinions of workers before taking decisions, there is ...

Exercise 2. Use these words to make two 2-word expressions, one 3-word expressions and one 4-word expression found in lines 10-12. Each word is used once.

employee	evaluation	job	merit	ownership	pay
profit	scheme	schemes	share	sharing	

Exercise 3. In lines 17-11, it says that the study looked at seven aspects of a «single-status» policy. How many are actually mentioned here? What are they?

Exercise 4. What 2-word expression is used in the last paragraph to talk about pay negotiations between managers and unions?

Exercise 5. According to the study, do workplaces with weak unions have better relations than workplaces with strong unions and workplaces without unions?

Exercise 6. Over to you 1

Are you surprised by these findings? Do you think they would apply in your country?

Over to you 2

Look again at your answers to question 2. Use these expressions to talk about your company, or one you would like to join, saying whether these things exist there or not.

5. Trade

Export success

. Before you read: Are companies in particular countries good at making particular types of goods? Which countries are good at making?

- cars?
- clothes?
- cigars?
- motorcycles?
- perfumes?
- pianos?
- wine

Reading: Read this article from the Financial Times and answer the questions.

The piano man's world tour

When Robert Kemble began importing German pianos into the UK in the 1890s, he could hardly have imagined that a century later the company that bears his name would be benefiting from Japanese links to export successfully from the UK.

The unusual result is one of the longest-running associations between UK and Japanese companies. It began in 1967 when Yamaha of Japan gave its UK organ agency to Kemble, then based in London. Now, after a series of deals deepening the relationship, Yamaha has a majority shareholding in London. Now, after a series of deals deepening the relationship, Yamaha has a majority shareholding in Yamaha-Kemble Music, the Milton Keynes-based sales company for most Yamaha musical instruments in the UK. Yamaha also has a majority stake in Kemble, based in nearby Bletchley.

Kemble began manufacturing Yamaha pianos for the UK market in 1984 and started exporting them to continental Europe two years later. Currently, two-thirds of the Bletchley factory's output is of Yamaha pianos, and 75 per cent of what it makes is exported.

Although Yamaha pianos account for a greater proportion of export sales, the Kemble brand has, over the past 30 years, had considerable success in new overseas markets. In the 1980s, 80 per cent of exports went to continental Europe, says Brian Kemble, joint managing director. This, however, has fallen to below 50 per cent as sales in Asia and North America have been built up.

British pianos are perceived as premier brands, and Asia's increasing affluence means more people can afford them. Cracking the market, however, has meant hard work. «We've gone out there and done a lot of footslogging. If we had not visited, they would have bought something else,» says Mr Kemble.

Building up North American sales over the past three years has also involved a tremendous amount of legwork, identifying the top 200 dealers and what they stock, and visiting trade shows. Of course, the Yamaha connection has helped. «It gives us credigility in the Us,» says Mr Kemble. «People would say «Who is Kemble?» They are not interested in dealing with small companies.» (Andrew Baster. From the *Financial Times*)

Exercise 1. Match 1-5 with a-f to form expressions from the first two paragraphs of the article. (One of the words 1-5 is used twice).

- | | |
|--------------------|-----------------|
| 1. majority | a) links |
| 2. Japanese | b) result |
| 3. unusual | c) company |
| 4. longest-running | d) shareholding |
| 5. sales | e) stake |

f) associations

Exercise 2. Now match the expressions to these equivalent expressions:

- a) an organisation whose purpose is to sell goods or services;
- b) ownership by one company of more than half of another (two expressions);
- c) strange outcome;
- d) connections with someone or something Japanese;
- e) connections that have lasted the longest time.

Exercise 3. Are the following statements true or false, or is it impossible to say, given the information in the article? (lines 9-17).

- a) When Kemble began making Yamaha pianos, they started exporting them to Europe immediately.
- b) More than half of what Kemble makes in its Bletchley factory is Kemble pianos.
- c) The Kemble brand of piano sells more than the Yamaha brand.
- d) Kemble also makes guitars.
- e) Kemble now sells more Kemble-brand pianos outside Europe than inside.
- f) Kemble has always sold more Kemble-brand pianos outside Europe than inside.

Exercise 4. Find words and expressions in lines 18-27 to complete the gaps:

- a) travelling a lot in order to get information, make contact with the right people, etc. (two expressions):
... and ...
- b) to find a way of getting into a market: to
... a product
- d) to keep something so that it is available to sell: to
... a product
- e) a person, product or company that people take seriously has ...

f) events where companies can show their goods, meet new customers, etc.: ...

Exercise 5. Over to you1

What are the difficulties facing a small firm that wants to export to a particular country for the first time?

Over to you 2

Work with a partner. A is the boss of a small manufacturing company that is beginning to export. (Choose the type of product that you make.) B is an import agent looking for new products to import. A and B happen to be sitting next to each other on a plane. Role play the conversation. Start with small talk, then talk about the possibility of doing business together. Finish by saying what you will do to keep in touch and what the next step will be.

If you're working by yourself, write some lines of dialogue from the conversation.

6. Organisation

Working at home and away from the office

. Before you read: Could you imagine working from home, at least some of the time? Would it be practically possible? Would you like it?

Reading: Read this article from the Financial Times about a report by Pagoda, a consultancy.

Hard day at home

The report says that offices will exist mainly to provide corporate identity and social interaction. IT departments will need to provide remote access to electronic mail (e-mail) and company information systems. They will need to ensure that people bringing in laptops can easily plug into network resources

such as printers. And that there is a policy for fixing or replacing faulty equipment fast.

Companies will also need a strategy for protecting the security of information being carried around or logged in to remotely. Confidential data held on laptops might have to be encrypted.

There are three main approaches to introducing a home/mobile working scheme:

- the property-led approach, which focuses on reducing office space;
- the technology-led approach, which is driven by the ability of technology to change how people work;
- the business-led approach, which employs mobile technologies to improve business performance or to redesign the business process.

The last approach is most likely to bring big benefits because it focuses on productivity improvements.

Having selected an approach, Pagoda recommends that companies try flexible working on a carefully chosen pilot group that reflects the whole business.

Generally speaking, home working is most suitable for work carried out alone at a PC or laptop, or for interacting with customers over the phone or by e-mail. The report reveals that up to 80 per cent of an average office employee's tasks are performed alone at a desk and could therefore be carried out anywhere.

Of course, remote working can be less than ideal. While it is easy to write memos on a train, it is more difficult, because of lack of privacy, to talk to customers. Travelling executives say it is stressful to work on the move. Battery life for portables is limited, and laptops and spare batteries are heavy to carry around.

Home-based workers will feel isolated, and managers will be slow to find out about and solve their problems. There is also a number of legal and taxation issues, which companies must solve before encouraging workers to stay at home. Whatever the problems, however, the message of the report is that home and mobile working are here to stay.

Exercise 1. Find this computer vocabulary which is important in home working. (Lines 1-9).

- a) to get access to a computer system;
- b) the company department that deals with computers;
- c) a computer that you can carry easily;
- d) the computer system in a company that everyone can use;
- e) when you can get into a computer system even if you are not in the place where it is.

Exercise 2. Number this information from lines 1-9 in the order it appears in the article.

- a) Information on laptop computers may need to be put into code.
- b) Organisations will need to have plans to make sure that information on computers is not available to people who don't have the right to see it.
- c) Offices will exist to give companies an identity and to allow people to meet and discuss things.
- d) Company computer staff will have to find ways of letting employees connect their computers to the company's computer system so that they can use equipment like printers.
- e) Company computer staff will have to find ways of repairing or replacing equipment like printers.
- f) Company computer staff will have to find ways of repairing or replacing equipment that doesn't work.
- g) Company computer staff will have to find ways of letting employees look at their e-mail from outside the office.

Exercise 3. True or false? (Line 10-26)

- a) There are two ways of starting up a system of people working away from the office.
- b) Eighty per cent of an average employee's time is spent in meetings.
- c) The technology-led approach is the one that will have the most benefits.
- d) When a company chooses an approach, all its employees should follow it immediately.
- e) Home working is good for people dealing with customers by phone or e-mail.

Exercise 4. What 2-word expression is mentioned in lines 27-28 to cover working at home and working while you are travelling?

Exercise 5. Find the adjectives and adjective expressions used in lines 28-35 to describe these things:

- a) remote working;
- b) writing memos on a train;
- c) talking to customers on a train;
- d) working while travelling;
- e) battery life for portables;
- f) carrying laptops and spare batteries;
- g) home-based workers.

Exercise 6. Does the report say that remote working is a fashion that will pass? (last paragraph)

Exercise 7. Over to you 1

Look again at your answers to question 5. Add your own ideas about some of the other disadvantages of working away from the office. Then make a short written or spoken presentation about all these disadvantages.

Over to you 2

People say that you learn a lot about what's going on in an organisation in the canteen or at the coffee machine. Is this true in your organisation? What sorts of things do people talk about?

7. Money

Entrepreneurs and venture capitalists

Before you read: Do you have an entrepreneurial hero? How did they start out in business? Was getting finance a problem for them? Did they stay in the company they founded?

Reading: Read this extract from a Financial Times article about providing finance and other assistance to entrepreneurs founding new companies in Silicon Valley. Answer the questions.

Funding IT Start-ups

by Nick Denton

Venture capitalists (VCs) act as headhunters. An entrepreneur who approaches a VC for finance will not typically have management experience. «If you hire a good CEO, the business will take care of itself; but usually an entrepreneur has no network and no idea who to hire,» says Mr Tim Draper of Draper Fisher Associates. So the venture capitalist usually takes on the role of recruiter, finding the entrepreneur some experienced executives.

Second, VCs provide advice and support. Accel Partners, for instance, gives office space and time to entrepreneurs so that they can develop their business plans. For inexperienced entrepreneurs, VCs are advisers, too. «We 1 are professional coaches,» says Ms Ann Winblad, co-founder of Hummer Winblad.

Third, and active venture capitalist puts the companies in which it invests in touch with professional services firms such as lawyers and accountants specialising in information technology. Start-ups backed by a well-known venture capital firm can often obtain legal and other professional advice at a lower rate, until they have the revenues to cover full fees.

Fourth, the backing of a leading venture capital firm, which has identified technology trends correctly in the past, brings credibility with commentators and the start-up's potential customers. «Far from just providing money, the venture industry brings contacts and confidence,» says Mr Neil Weintraub of

21st Century Venture Partners. «We create markets as much as we create companies.»

Finally, the most ambitious venture capitalists act as boosters, not just of a few companies, but of the whole category into which an investment falls. They attempt to create excitement around a particular concept, such as the Java computer language, which will make people take it seriously as a business. (From the *Financial Times*)

Exercise 1. Use words from 1-11 to complete these statements:

- a) One role of a venture capitalist is as a
-e- - - -n- - -, a kind of - -c- - - - - -, who
- i- - - high-level people like CEOs to help
- n- - -p- - - - - s develop their company.
- b) A - -a- - is someone who trains people in a particular skill, often in sport.
- c) A - - s - - - - -p - - - is what someone starting a company prepares in order to show to those who are financing the company.
- d) If you help someone financially or psychologically, you give them
- -p- - t.
- e) In business, your - - t- - -k is all the people you know who can give you advice, names of people to contact, etc.

Exercise 2. True or false? (line 11-15) Start-up companies.

- a) have to find their own firms of accountants and lawyers to help them.
- b) often pay lower fees to accountants and lawyers in the beginning.
- c) benefit from the fact of being backed by well-known venture capitalists.
- d) get only money from venture capitalists.

Exercise 3. Choose the correct alternatives. (lines 23-27) Two of the three alternatives are correct in each case. Find the incorrect one.

The best venture capitalists

1.
 - help just one company at a time.
 - help whole industries
 - help all areas of activities
2.
 - get people interested in products.
 - have no effect on marketing.
 - create excitement about products.
3.
 - make people take a business seriously.
 - give credibility to a business.
 - have no effect on how people consider a business.
4.
 - have played an important part in the development of the Internet.
 - have played no part in the development of the Internet.
 - have been one of the major factors in the success of the Internet.
5.
 - make things happen faster than other sources of finance.
 - have no effect on how fast things happen.
 - speed up the development of new companies

Exercise 4. Over to you 1. Talk or write about the five key functions of venture capitalists in your own words. Pay attention to ways of indicating the different points. However, don't only use first, second, third, etc., but:

- One key role is ...
- Another function of VCx is...

- Besides that ...
- Next ...
- In addition ...
- Finally ...

Over to you 2

Role play an interview a financial journalist and a venture capitalist based on the information in the article. If you're working on your own, write five questions and answers from the interview.

8. Ethics

Ethics as a marketing tool

Before you read: Which companies or business people do you admire for their ethical standards?

Reading. Read this article from The Economist and answer the questions.

Being ethical

Being ethical can be a clever marketing strategy. Increasingly, consumers are influenced by «non-commercial» factors, such as whether a product harms the environment. Firms such as Ben & Jerry's, an ice cream maker, and Body Shop International, a cosmetics retailer, have strengthened their brands by publicising their ethical standards. Cummins Engine, a maker of diesel engines, made its products greener while lobbying for stricter pollution laws.

But such ethical self-promotion can be dangerous. Body Shop was publicly forced to change a claim that its products were not tested on animals (some of the ingredients in its cosmetics had been tested on animals by other firms in the past). The error led many consumers to question Body Shop's ethical standards.

Some think that the best way to persuade managers to think more ethically is to take more account of stakeholders. Laura Nash of Boston University's Institute for the Study of Economic Culture argues that managers should see

their role in terms of «covenants» with employees, customers, suppliers and so on. Such covenants should have a single goal: to ensure that a business creates long-term value in a way that is acceptable to all of these «stakeholders». A manager would view his business in terms of relationships rather than products; and see profit as a result of other goals rather than an objective in itself. But such ideas tend to go against shareholder capitalism.

The best answers may be simple ones. Ethics rules should be clear (for instance, should an employee pay bribes where this is accepted business practice?) and they should be regularly tested. Some companies are turning to «ethical audits» In its annual report Ben & Jerry's carries a «social performance report» on the firm's ethical, environmental and other failings. Carried out by Paul Hawken, a «green» entrepreneur, the audit has sometimes frustrated Ben Cohen and Jerry Greenfield, the company's founders. So far, however, they have always published it. That may be why Ben & Jerry's reputation remains good where others fade.

Exercise 1. What do these companies sell? (lines 1-6).

- a) Ben & Jerry's
- b) Body Shop
- c) Cummins

Exercise 2. Look at lines 1-6 and find the adjectives that describe these things:

- a) using ethics as a marketing strategy
- b) ethical self-promotion
- c) the standards that Ben & Jerry's and Body Shop have been publicising
- d) Cummins' products in relation to others
- e) Cummins' products in relation to others
- f) pollution laws

Exercise 3. Find verbs from lines 1-6 to complete these definitions:

- a) If you inform people about something, you ... it.
- b) If a product damages the environment, it ... it.
- c) If you increase the power of something, you ... it.
- d) If you try to get the government to change the law, you ... the government.

Exercise 4. Had Body Shop sold products which had been tested on animals? (lines 7-11) What was the result of its mistake?

Exercise 5. A covenant (line 15) is a kind of promise or agreement. Laura Nash says managers should see ethics in terms of covenants and so on. Who could be included in the phrase «and so on»?

Exercise 6. Did you mention shareholders in your answer to question 5? Why do Nash's ideas «go against shareholder capitalism»?

Exercise 7. Should an employee pay bribes when they are an accepted business practice? (lines 23-26) What do you think?

Exercise 8. Some companies like Ben & Jerry's are starting to use «ethical audits» (line 28). What adjective normally comes in front of «audit»? What does the audit mentioned here cover? Does it only look at positive things?

Exercise 9. The audit has sometimes «frustrated» Ben Cohen and Jerry Greenfield (line 32). Do they always like what they find in the audit? Do they refuse to publish it if they don't like it?

Exercise 10. Ben & Jerry's reputation remains good where other fade . This means that other companies' reputations. (From the Economist)

- a) improve;
- b) stay the same;
- c) get worse.

Exercise 11. Make lists of the ethical issues facing companies producing or providing the following things:

- cars
- clothes
- cosmetics

- financial services
- food
- language training
- market research
- oil

Exercise 11 Over to you 1. Work in groups. One person in the group is the head of a company in one of the industries above. The others are journalists. A press conference has been organised to launch the company's new ethical policies. The company head answers questions from journalists.

9. Change

The human effects of change

Before you read: How many hours a week you work or study? Is this too much?

Reading. Read this article from the Financial Times and answer the questions.

Long hours, insecurity and low morale

Managers are unhappy about continued change and restructuring in British organisations, which is leading to long working hours, job insecurity and low morale.

That is one of the main findings of a survey published today by the Institute of Management and the University of Manchester Institute of Science and Technology. It aims to follow changes in the quality of working life in corporate Britain over the next five years. This first annual survey found that 82 per cent of UK managers regularly worked more than 40 hours a week. Thirt-eight per cent worked more than 50 hours a week, and 50 hours a 109 week, and 41 per cent said they regularly took work home at weekends.

Workplaces in the 1990s are in a state of constant change. Sixty-one per cent of managers said their organisations carried out a change and performance improvement. Sixty-five per cent of managers said their organisations carried out a change programme in the past 12 months. The most common forms of change were^ cost reduction, redundancies, culture change and performance improvement. Sixty-five per cent respondents felt that employee morale and job security had decreased, while 50 per cent agreed that motivation and loyalty had been negatively affected.

However, reactions varied according to management level: 79 per cent of junior and 74 per cent of middle managers thought morale in particular had suffered, compared with 60 per cent of senior managers and only 21 per cent of chief executives and managing directors.

Poor internal communication was one of the key reasons for managers' insecurity. Sixty per cent of junior and middle managers felt they were not kept informed about future strategies in their organisations. Moreover, 40 per cent of junior managers said senior executives were poor communicators.

When asked to indicate how satisfied they were with aspects of their job, managers rated the relationship with their other managers and their boss highest (80 per cent and 64 per cent were satisfied). Workload and recognition for performance were the two aspects causing most dissatisfaction: 36 per cent of managers thought their workload was too heavy and 33 per cent did not think their work was recognised.

Managers at all levels were concerned about not having sufficient time to get work done (64 per cent), lack of resources to do the job effectively (45 per cent), and information overload (42 per cent). sixty-three per cent said they felt guilty about taking time off when sick.

Another significant finding was that restructuring had left organisations with a mix of skills that were badly suited to their needs. The survey concluded: «Change management has not generally had its intended consequences, while headcount reduction has negatively affected morale and feelings about job security.» (From the Financial Times)

Exercise 1. The words 1-9 were used in the questions in the survey. Match them with their definitions a-i.

1. headcount	a) when companies are reorganised
2. job insecurity	b) the amount of work you have to do
3. loyalty	c) the number of people working in an organisation
4. morale	d) the feeling that other people value what you do
5. motivation	e) when people lose their jobs
6. recognition	f) the feeling that you might lose your job
7. redundancies	g) the feeling that your work is necessary
8. restructuring	h) the general feeling of confidence in an organisation
9. workload	i) the feeling that you belong in an organisation and that you want to do the best you can for it

Exercise 2. Go through the survey and imagine the questions containing the words below that managers were asked. The first one has been done for you.

a) hours/week/work

How many hours a week do you work?

b) take work home/weekends

c) your organisation/programme/past 12 months

d) most common forms/change

e) morale/motivation decreased

f) motivation/loyalty/affected

g) senior executives/communicators

h) recognition/performance

i) enough time/do/work given to you

j) enough resources/do/work given to you

k) guilty/time off work/sick

Exercise 3. True or false?

- a) Most managers take work home at weekends.
- b) More senior managers than junior managers think that morale is worse now than before.
- c) More than half of junior managers think that senior managers are bad communicators.
- d) Most managers think relations with their bosses are good.
- e) Most managers think their work is recognised.
- f) Most managers feel they do not have the resources to do their work effectively.

Exercise 4. Choose the correct alternative.

Change management has

- been a total disaster;
- been a total success;
- not had the effects that were intended.

Reducing the number of people working in some organisations

- has made morale worse;
- has improved morale;
- has had no effect on morale.

Following restructuring changes, organisations

- have too many people without skills;
- have people with the wrong combination of skills;
- have people with too many skills.

Exercise 5. Over to you 1. Have you ever answered questions in a survey? What was it about? What were the questions and how did you answer them?

Over to you 2 Think of a big small change that has happened recently in your own town, organisation or educational institution. Design a questionnaire with five or ten questions to get people's reactions to the change.

10. Socialising

Before you read, answer the question what socialising is.

Read the article from 'Cosmopolitan'. Do you agree with the author's opinion about socialising.

Scramble your way to success

Less slog + more pany power = amazing career results says Noola Gill

Donna, 26. Is always first to arrive at the office every morning. She rarely takes a lunch hour and has been spotted pestering the security guards to let her in at the weekend. Yet Donna hasn't been promoted in three years. Her colleague Amelia, on the other hand, arrives on time and waltzes out at 6 p.m. She takes every opportunity to lunch with her boss, and while Donna is stuck at her desk, Amelia sparkles at company drinks parties. Amelia is head of her division.

Long hours at the computer don't necessarily guarantee long-term success at work. «Smart movers don't trudge to the top at a lame snail's pace, with Brownie points for sterling service and punctuality,» says independent careers counsellor Helen Beller. «They know a well-placed word at the right social moment is worth a thousand late-night takeaways eaten alone at their desk.»

Cosmo careers agony aunt Jo Ellen Grzyb agrees. «Many of us pass up the chance to use work-related social occasions to promote ourselves,» she says, «We worry people will think we're incincere. But we're all in the same boat at work functions – even your boss is likely to be wondering who to speak to and what to say. People who can play the party scene have a great chance to boost their prospects overnight – or over lunch.»

All very well for the confident self-assured type, you may think. But what if your boss has the capacity to reduce you to a shrinking violet with just one glance? According to Susan Croft of Aziz Spoken Communications Consultancy, shy workers can actually be more skilled at party politics than their more brazen sisters.

«Many of us envy chatty friends in the belief that a talent for making conversation at parties is born, not made,» she says. «But self-taught networkers may be more talented than their naturally sociable colleagues. People who are inherently good at parties may be too busy enjoying themselves to think about improving or honing their skills.»

Professor Cary Cooper, of the University of Manchester Institute of Science and Technology, has a proven shyness-busting tip. His research shows the higher up an organisation a person is, the more relieved they'll be you've made contact. «People at the top of a company can feel isolated and awkward about mingling,» he says. «Amazingly, studies show bosses are often insecure – that's what drove them to be a success in the first place – and are nearly always relieved when someone else makes the first move at office functions.»

Of course, truly successful social movers never confuse a work party with a night out. So they don't drink too much, Hoover up the canapés like a starving ant-eater or regard the event as a chance to meet a man. Instead, they know different occasions call for different approaches and plan their tactics accordingly. Here's the Cosmo guide to instant party mastery.

Social scenario

The big company dinner;
The perfect time to;;
Impress the management;
The wrong time to;;
Bond with your colleagues.

Unless you're very senior, a company dinner may be your one golden chance to socialise with people at the very top of an organisation. «Don't waste these opportunities,» says Khalid Aziz of the Aziz Spoken Communications Consultancy. «You may never again have the chance to make such a good impression on someone with huge influence on your

future.» So, instead of chatting all evening with colleagues and immediate managers you already know, take a deep breath and approach as many high fliers as you can.

A mistimed or messed-up approach could equally do you harm (not to mention leaving you hiding in the toilets with embarrassment!). So what are the secrets? «Wait until after dinner to approach a top person,» says Aziz «They'll be more relaxed.»

«Wait for a lull in the conversation then hold your hand out confidently and introduce yourself, saying your name and which department you're from,» says Aziz «Even if your only aim is to make contact with this person, be prepared to shine. I call it the 20-seconds-in-a-lift-with-Tony-Blair scenario. He says, «Hello, I'm Prime Minister. What do you do?» Do I say, «I'm director of the Aziz Consultancy»- which tells him nothing – or do I grab his attention and say «I help people make brilliant speeches,» so he goes away remembering me?

«You need your own catchline to impress, but don't be cheesy or selfaggrandising,» adds Aziz «Just sum up what you do best for your organisation in a sentence, and be ready to say it if you're asked what you do.»

Social scenario. The department lunch

The department lunch

The perfect time to:

Show a different side to colleagues and immediate managers

The wrong time to:

Mix work and your personal life

«Workplaces usually only show people a one-dimensional side of you – your «office» personality,» says Grzyb. «But lunches with your boss and colleagues are a brilliant opportunity to show a different side in an unthreatening situation. Because you're all seated, there's no intimidating mixing and mingling needed – you have a captive audience, so make the most of it.»

Grzyb advises working out what image your boss and colleagues have of you before the lunch, then consciously displaying an alternative side. «If

you're the office joker, involve yourself in a serious conversation. Likewise, if you're normally reserved, now's the chance to show your lighter side,» she says. «But it's still about being yourself. Don't force a false personality, just take the chance to make an impression with a more rounded image.»

Whatever you do, don't make the mistake of thinking it's a lunch with friends – it's still work. «This isn't the time to regale your colleagues with your latest illness or boyfriend trouble. All you're doing is adding grist to the office gossip mill and portraying yourself as someone with problems.»

Social scenario. The industry drinks party

The industry drinks party

The perfect time to:

Shine in front of all those people you've been longing to impress.

The wrong time to:

Offend people with hasty exits

«These occasions are gold mines,» says Professor Cary Cooper. «Your purpose should be to dazzle as many people as possible and give your profile a boost. If you can master these functions, you'll never be short of a job offer.»

But how do you mingle to the max without brutally (and blatantly) cutting short each conversation in favour of the next? Aziz suggest we take a tip from the royal family. «When the Queen «works a room, she makes the person she's with feel a million dollars by never taking her eyes off them. For two minutes they feel the centre of the universe, but when she moves on, she moves firmly and swiftly.»

Never glance over someone's shoulder to see if there's anyone potentially more interesting or influential behind them – they'll remember your rudeness and not much else – and never get stuck in one place for too long. The longer you stay, the harder it will be to extricate yourself easily.

Helen Beller reveals how the pros do it: «State right away what you want to chat about, so you're in control. Try «I just wanted to say hello,» or «Can you tell me what you know about this company, as we both deal with them?» And when your mission is accomplished, it's vital your exit is a graceful one.

«Steer them towards a colleague, saying «Have you met so-and-so?», and stay for introductions before discreetly leaving,» says Beller, «If someone's really making it hard to leave, just say «I think we ought to circulate.» Never make up an excuse like needing the toilet or pretending to see someone you know. You'll look unprofessional.»

Exercise 1. Match numbers and letters.

1. Never approach a group of fewer than 3 people;
2. Walk up to the group containing the person you want to speak to;
3. Compliment someone or something they've just said;
4. Don't dominate the conversation afterwards;
5. Make a graceful exit;
 - a. Say nothing for at least two minutes while listening attentively to the conversation;
 - b. Say something like: «Lovely to meet you. Here's my card and let's talk in the future.»
 - c. There is a danger they'll be discussing something private and you'll be seen as rude or as intrusive;
 - d. Say: «I never knew that. Do you know anything else about it?»
 - e. But work your way slowly in.

Exercise 2. You take part in some social events. It's the perfect time for some things and the wrong time for others. Put «P» for the perfect time and «W» for the wrong time.

Impress the management.

Show your different side to your colleagues and immediate managers.

Mix work and your personal life.

Shine in front of all those people you've been longing to impress.

Offend people with hasty exits.

11. Presentations and Public Speaking

Introduction

All presentations have a common objective. People give presentations because they want to communicate

- To inform;
- To train;
- To persuade;
- To sell

A successful presentation is one of the most effective ways of communicating your message. And because English is so widely used in international business, a working knowledge of the vocabulary and techniques used in an English language presentation is a valuable asset.

We will start by exploring what equipment to use.

Then we will look at how to «deliver» a presentation.

After Delivery, we will examine the language of presentations, before moving on to the presentation itself.

Finally, we will conclude with a review of what we have covered.

Afterwards, you will be invited to take a self-assessment test.

Equipment

Easily your most important piece of equipment is YOU! Make sure you're in full working order, and check your personal presentation carefully – if you don't, your audience will!

The overhead projector (OHP) displays overhead transparencies (OHTs or OHPTs). It has several advantages over the 35 mm slide projector:

- It can be used in daylight;

- The user can face the audience;

- The user can write or draw directly on the transparency while in use.

The whiteboard (more rarely blackboard or greenboard) is a useful device for spontaneous writing – as in brainstorming, for example. For prepared

material, the OHP might be more suitable.

Markers are used for writing on the whiteboard (delible – you can remove the ink) or flipchart (indelible – you cannot remove the ink). They are usually available in blue, red, black and green. Again, it's a good idea to carry a spare set of markers in case you are given some used ones which do not write well.

The flipchart (or a paper board) consists of several leaves of paper that you «flip» or turn over. Some people prefer the flipchart to the whiteboard, but its use is limited to smaller presentations.

The slide projector – which must be used in a darkened room – adds a certain drama. Some slide projectors can be synchronised with audio for audio-visual (AV) presentations. These projectors are typically used for larger presentations. The majority take 35 mm slides or transparencies, but projectors for 6×6 cm slides are also available.

Transparencies are projected by an overhead projector or a slide projector onto a screen – in this case a folding screen which can be packed up and transported.

The notebook computer is increasingly being used to display graphics during presentations. It is often used in conjunction with an overhead projector, which actually projects the image from the computer screen onto the wall screen.

Handouts are any documents or samples that you «hand out» or distribute to your audience. Note that it is not usually a good idea to distribute handouts before your presentation. The audience will read the handouts instead of listening to you.

Delivery

«Delivery» refers to the way in which you actually deliver or perform or give your presentation. Delivery is a vital aspect of all presentations. Delivery is at least as important as content, especially in a multi-cultural context.

Nerves. Most speakers are a little nervous at the beginning of a presentation. So it is normal if you are nervous. The answer is to pay special attention to the beginning of your presentation. First impressions count. This is the time when you establish a rapport with your audience. During this time, try to speak slowly and calmly. You should perhaps learn your introduction by

heart. After a few moments, you will relax and gain confidence.

Audience Rapport. You need to build a warm and friendly relationship with your audience. Enthusiasm is contagious. If you are enthusiastic your audience will be enthusiastic too. And be careful to establish eye contact with each member of your audience. Each person should feel that you are speaking directly to him or her. This means that you must look at each person in turn – in as natural a way as possible. This will also give you the opportunity to detect signs of boredom, disinterest or even disagreement, allowing you to modify your presentation as appropriate.

Body Language. What you do not say is at least as important as what you do say. Your body is speaking to your audience even before you open your mouth. Your clothes, your walk, your glasses, your haircut, your expression – it is from these that your audience forms its first impression as you enter the room. Generally speaking, it is better to stand rather than sit when making a presentation. Be aware of and avoid any repetitive and irritating gestures.

Be aware, too, that the movement of your body is one of your methods of control. When you move to or from the whiteboard, for example, you can move fast or slowly, raising or reducing the dynamism within the audience. You can stand very still while talking or you can stroll from side to side. What effect do you think these two different approaches would have on an audience?

Cultural Considerations. Because English is so widely used around the world, it is quite possible that many members of your audience will not be native English-speakers. In other words, they will not have an Anglo-Saxon culture. Even within the Anglo-Saxon world, there are many differences in culture. If we hypothetically imagine a German working for an Israeli company making a presentation in English to a Japanese audience in Korea, we can see that there are even more possibilities for cultural misunderstanding. You should try to learn about any particular cultural matters that may affect your audience. This is one reason why preparation for your presentation is so important. Cultural differences can also be seen in body language, which we have just discussed. To a person from Southern France or Italy, a presenter who uses his hands and arms when speaking may seem dynamic and friendly. To an Englishman, the same presenter may seem unsure of his words and lacking in self-confidence.

Voice quality. It is, of course, important for your audience to be able to hear you clearly throughout your presentation. Remember that if you turn away from your audience, for example towards the whiteboard, you need to speak a little more loudly. In general, you should try to vary your voice. Your voice will then be more interesting for your audience. You can vary your voice in at least three ways:

- speed: you can speak at normal speed, you can speak faster, you can speak more slowly – and you can stop completely! You can pause. This is a very good technique for gaining your audience's attention.
- Intonation: you can change the pitch of your voice. You can speak in a high tone. You can speak in a low tone.
- Volume: you can speak at normal volume, you can speak loudly and you can speak quietly. Lowering your voice and speaking quietly can again attract your audience's interest.

The important point is not to speak in the same, flat, monotonous voice throughout your presentation – this is the voice that hypnotists use to put their patient's into trance!

Visual aids. Of all the information that enters our brains, the vast majority of it enters through the eyes. 80% of what your audience learn during your presentation is learned visually (what they see) and only 20% is learned aurally (what they hear). The significance of this is obvious:

- Visual aids are an extremely effective means of communication;
- Non-native English speakers need not worry so much about spoken English – they can rely more heavily on visual aids.

The creation of good visual aids is well worth your time. But it is equally important not to overload your audience's brains. Keep the information on each visual aid to a minimum – and give your audience time to look at and absorb this information. Remember, your audience have never seen these visual aids before. They need time to study and to understand them. Without understanding there is no communication. Apart from photographs and drawings, some of the most useful visual aids are charts and graphs.

Language

Simplicity and Clarity. If you want your audience to understand your message, your language must be simple and clear.

Use short words and short sentences.

Do not use jargon, unless you are certain that your audience understands it.

In general, talk about concrete facts rather than abstract ideas.

Use active verbs instead of passive verbs. Active verbs are much easier to understand. They are much more powerful. Consider these two sentences, which say the same thing.

Toyota sold two million cars last year.

Two million cars were sold by Toyota last year.

Which is easier to understand? Which is more immediate? Which is more powerful? №1 is active and №2 is passive.

Signposting. When you drive on the roads, you know where you are on those roads. Each road has a name or number. Each town has a name. And each house has a number. If you are at house № 100, you can go back to № 50 or forward to № 150. You can look at the signposts for directions. And you can look at your atlas for the structure of the roads in detail. In other words, it is easy to navigate the roads. You cannot get lost. But when you give a presentation, how can your audience know where they are? How can they know the structure of your presentation? How can they know what is coming next? They know because you tell them. Because you put up signposts for them, at the beginning and all along the route. This technique is called «signposting» (or «signalling»).

During your introduction, you should tell your audience what the structure of your presentation will be. You might say something like this: «I'll start by describing our current position in Europe. Then I'll move on to some of the achievements we've made in Asia. After that I'll consider the opportunities we see for further expansion in Africa. Lastly, I'll quickly recap before concluding with some recommendations.»

A member of the audience can now visualize your presentation like this:

Introduction:

- Explanation of structure (now)

Body:

Europe
Asia
Africa
Conclusion:
Summing up
Recommendations

He will keep this image in his head during the presentation. He may even write it down. An dthrougout your presentation, you will put up signamposts telling him which point you have reached and where you are going now. When you finish Europe and want to start Asia, you might say:

«That's all I have to say about Europe. Let's turn now to Asia.»

When you have finished Africa and want to sum up, you might say:

«Well, we've looked at the three continents Europe, Asia and Africa. I'd like to sum up now»

And when you finish summing up and want to give your recommendations, you might say:

«What does all this mean for us? Well, firstly I recommend...»

The table below lists useful expressions that you can use to signpost the various parts of your presentation.

Signposting.

1. Function Language Introducing the subject.

- I'd like to start by ...;
- Let's begin by ...;
- First of all, I'll ...;
- Starting with ...;
- I'll begin by ...

2. Finishing one subject.

- Well, I've told you about ...;
- That's all I have to say about ...;

- We've looked at ...;
- So much for ...

3. ... and starting another.

- Now we'll move on to ...;
- Let me turn now to ...;
- Next ...;
- Turning to ...;
- I'd like now to discuss ...;
- Let's look now at ...

4. Analysing a point and giving recommendations.

- Where does that lead us?
- Let's consider this in more detail ...
- What does this mean for ABC?
- Translated into real terms ...

5. Giving an example.

For example, ...

A good example of this is ...

As an illustration, ...

To give you an example, ...

To illustrate this point ...

6. Dealing with questions.

We'll be examining this point in more detail later on ...

I'd like to deal with this question later, if I may ...

I'll come back to this question later in my talk ...

Perhaps you'd like to raise this point at the end ...

I won't comment on this now ...

7. Summarising and concluding.

In conclusion ...

Right, let's sum up, shall we?

I'd like now to recap ...

Let's summarise briefly what we've looked at ...

Finally, let me remind you of some of the issues we've covered ...

If I can just sum up the main points

8. Ordering.

Firstly ... secondly ... thirdly ... lastly ...

First of all ... then ... next ... after that ... finally ...

To start with ... later ... to finish up ...

The presentation

Most presentations are divided into 3 main parts (+ questions):

Introduction

Body

Conclusion

As a general rule in communication, repetition is valuable. In presentations, there is a golden rule about repetition:

Say what you are going to say, say it, then say what you have just said.

In other words, use the three parts of your presentation to reinforce your message. In the introduction, you tell your audience what your message is going to be. In the body, you tell your audience your real message. In the conclusion, you summarize what your message was.

We will now consider each of these parts in more detail.

Introduction.

The introduction is a very important – perhaps the most important – part of your presentation. This is the first impression that your audience have of you. You should concentrate on getting your introduction right. You should use the

introduction to:

- Welcome your audience;
- Introduce your subject;
- Outline the structure of your presentation;
- Give instructions about questions.

The following table shows examples of language for each of these functions. You may need to modify the language as appropriate.

1. Welcoming your audience:

- Good morning, ladies and gentlemen;
- Good morning, gentlemen;
- Good afternoon, ladies and gentleman;
- Good afternoon, everybody.

2. Introducing your subject:

My purpose today is to introduce our new range of ...
I am going to talk about ...

3. Outlining your structure:

To start with I'll describe the progress made this year. Then I'll mention some of the problems we've encountered and how we overcame them. After that I'll consider the possibilities for further growth next year. Finally, I'll summarize my presentation (before concluding with some recommendations).

4. Giving instructions about questions:

Please feel free to interrupt me if you have any questions;
I'll try to answer any of your questions after the presentation;
I'll keep some time for questions after the presentation.

Body:

The body is the «real» presentation. If the introduction was well prepared and delivered, you will now be «in control». You will be relaxed and confident. The body should be well structured, divided up logically, with plenty of carefully spaced visuals.

Remember these key points while delivering the body of your presentation:

Do not hurry;
Be enthusiastic;
Give time on visuals;
Maintain eye contact;
Modulate your voice;
Look friendly;
Keep to your structure;
Use your notes;
Signpost throughout;
Remain polite when dealing with difficult questions.

Conclusion:

Use the conclusion to:

- Sum up;
- (Give «recommendations if appropriat»);
- Thank your audience;
- Invite questions.

The following table shows examples of language for each of these functions. You may need to modify the language as appropriate.

1. Summing up:

- In conclusion, ...;
- I'd like to sum up now ...;
- Let me summarise/recap what I've said;
- Finally, let me remind you of some of the main points we've looked at.

2. Giving recommendations:

In conclusion, my recommendations are ...;

I would suggest /propose /recommend the following strategy.

3. Thanking your audience:

- Thank you for your attention;
- May I thank you all for being such an attentive audience.

4 . Inviting questions:

- Are there any questions?
- Can I answer any questions?
- Do you have any questions?
- Now I'll try to answer any questions you may have.
- Are there any final questions?

Questions:

Questions are a good opportunity for you to interact with your audience. It may be helpful for you to try to predict what questions will be asked so that you can prepare your response in advance. You may wish to accept questions at any time during your presentation, or to keep a time for questions after your presentation. Be polite with all questioners, even if they ask difficult questions. They are showing interest in what you have to say and they deserve attention. Sometimes you can reformulate a question. Or answer the question with another question. Or even ask for comment from the rest of the audience.

Review

In this seminar, you have learned:

- To allow plenty of time for preparation;
- To ask the all-important question-words, why? who? where? when? how? and what?
- To structure your presentation into introduction, body, conclusion and questions;
- To write notes based on keywords;
- To rehearse your presentation several times and modify it as necessary;
- To select the right equipment for the job;
- To use equipment effectively;
- To make use of clear, powerful visual aids that do not overload your audience;
- To use clear, simple language, avoiding jargon;
- To use active verbs and concrete facts;
- To explain the structure of your presentation at the beginning so that your listeners know what to expect;

- To link each section of your presentation;
- To signpost your presentation from beginning to end so that your listeners know where they are;
- To say what you are going to say, say it, and say what you have just said;
- To overcome your nerves;
- To establish audience rapport;
- To be aware of your body language;
- To understand cultural differences;
- To control the quality of your voice;
- To maintain interest by varying the speed, volume and pitch of your voice;
- To deal with listeners' questions politely;
- To respond to your audience positively.

12. Culture and Business

Read the text by Harris P (1996) Managing Cultural.

Choose an appropriate heading for each paragraph.

1. Be most realistic in expectations.
2. Be Patient, understanding, and accepting of Hosts and self.
3. Learn Local Communication Complexities.
4. Recognize complexities in host cultures.
5. Accept the challenge of intercultural.
6. Be creative and experimental.
7. Be culturally prepared.
8. Be culturally sensitive.
9. Understand yourself as a culture bearer.
10. Interact with the host nationals.

Advice for Business People

Stress or tension is no respecter of time, place, or persons. In today's «pressure-cooker» world some tension is normal, so one must learn to defuse stress, reduce tension to controllable levels, and to alleviate pressures. Otherwise, insecurity, instability, and insomnia take over.

Sociologists point out that stable healthy family relationships abroad can make the difference between success and failure in the foreign assignment. Families who interact in mutually supportive ways can be their own resource for adjustment in another environment. But suppose a single individual is assigned abroad. Ten tips follow to deflate the stress and tension of culture shock wherever and whenever it may be confronted.

... forewarned is forearmed. Individual or group study and training are necessary to understand cultural factors and cultural specifics. Public libraries provide a variety of material about a particular culture and nationality. The public health service can also advise about required inoculations, dietary clues, and other sanitary data. Before departure, experiment with the food or restaurants representative of the second culture. Furthermore, establish contact in your homeland with foreign students or visitors from the area to which one is going.

Osland suggests seeking out a *cultural mentor* – a wise friend or counselor who has lived in the host country or is there upon arrival. The expatriate mentor is capable of guidance, encouragement and help in mastering the intricacies of a new culture.

... study the language of the place to which you are assigned. At least, learn some of the basics that will help in exchanging greetings and shopping. In addition to courses and books on the country, cassettes can advance one's communication skills in the host culture. Published guides can be helpful in learning expected courtesies and customs.

... meeting with people from the country you are going to is helpful. They may provide introductions to relatives and friends and information regarding their native culture. If you live within a company or military colony, avoid the «compound mentality». Immerse yourself in the host culture. Join in whenever feasible, in the artistic and community functions, the carnivals and rites, the international fraternal or professional organizations. Offer to teach students or business people one's language in exchange for knowledge of their language,

share skills from skiing to tennis and it will be the means for making new international friends.

... inovations abroad may mean taking risks to get around barriers of bureaucracy and communication in order to lessen social distance. This principle extends from experimenting with the local food to keeping a diary as an escape to record one's adventures and frustrations. Tours, hobbies, and a variety of cultural pursuits can produce positive results. One needs to be open and existntial to the many opportunities that will present themselves.

... be aware of the special customs and traditions which, if followed by a visitor, will make one more acceptable. Recogonize that in some cultures, such as in Asia and the Middle East, saving face and not giving offense is considered important. Certainly, avoid stereotyping the natives, criticizing their locla practices and procedures, while using the standard of one's own country for comparison purposes. Americans are pragmatic and generally like to organize, so it may be a challenge for them to relax and adjust to a different rhythm of the place and people they are visiting.

... counteract the tendency to make quick, simplistic assessments of situaitons. Most complex societies comprise different ethnic or religious groups, stratified into social classes or castes, differentiated by regions or geographical factors, separated into rural and urban settlements. Each of these may have distinct subcultural characteristics over which is superimposed an official language, national institutions, and peculiar customs or history that tie this people together. Avoid pat generalizations and quick assumptions. Instead, be tentative in one's conclusions, realizing one's point of contract is a limited sample, within a multifaceted society.

... everyone bears his or her own culture, and distortions when going abroad, and thus, views everything in the host culture through a unique cultural filter. For example, if one is raised in democratic traditions, a society that values the authority of the head male in the family and extends this reverence to national leaders may be unsettling.

... in an unfamiliar environmen, one must be more tolerant and flexible. An attitude of healthy curiosity, a willingness to bear inconveniences, patience when answers or solutions are not forthcoming or difficult to obtain, are valuable to maintain mental balance. Such patience may also extend to other compatriots who struggle with cultural adjustment.

... avoid overestimating yourself, your hosts, or the cross-cultural

experience. Disappointments can be lessened if one scales down expectations, This applies to everything from airline schedules to renting rooms. Global managers, especially, must be careful in new cultures not to set unreasonable work expectatoin for themselves or others until both are acclimated.

...anticipate, savor, and confront the psychological challenge to adapt and change as a result of a new cross-cultural opportunity. Be prepared to alter your habits, attitudes, values, tastes, relationships, or sources of satisfaction. Such flexibility can become a means for personal growth, and the transantional experience can be more fulfilling. Of course, a deep interest and commitment to one's work-professionalism – can be marvellous therapy in intercultural situations, counteracting isolation and strangeness when living outside one's culture.

13. Business Across Cultures

Exercise 1. *The chief executives of two British-based companies have produced a ten-point guide on how to export successfully to Japan. Before you read the article, predict what advice they will give. Make suggestions under the headings Do and Don't. Read the first sentence only of each paragraph in the article. Were any of your guesses correct?*

Now read the whole article. Then, summarise the information. Use the headings below:

language	middlemen	country of origin	customer visits
personal contact	currency	meals	gifts
patience	dialect, limate, culture		

Liverpool to Tokyo

Ian Hamilton Fazey examines a ten-point guide to doing export business in Japan.

Boodle and Dunthorne is a jewellery designer and retailer. Joloda makes equipment for loading goods on trucks. Both are based in Liverpool, UK. The

chief executives are Martin Wainwright (Goodle and Dunthorne) and Wojtek Kordel (Joloda).

1. Be prepared for important cultural and language difficulties. This may seem obvious but some people try to get by in Japan without hiring a good interpreter who can also explain Japanese traditions and customs.

2. Trade on personal contact at a senior level. This is more important than trading on price. Physical presence matters. Only now, after 10 years of selling to Japan, is Joloda introducing a new salesperson. Wainwright says regular exhibitions at national trade shows in Japan is critical to building a profile in the sector you sell to.

3. Patience pays dividends. It may take several visits before an order comes through. Boodle and Dunthorne took about 16 months to get going and Wainwright spent £40,000 before getting an order. He had gone back to the UK from a trade show ready to call it a day when his sales manager, who was due to follow him the next day, got a call to see the Mitsui Corporation three days later. Boodle and Dunthorne was suddenly in.

4. Avoid middlemen so as to speed delivery. Joloda uses an agent in Japan but was able to give faster service by minimising the length of its distribution chain. Boodle and Dunthorne employs Rebecca Hawkins, a leading designer, and manufactures its own jewellery, so providing a fast, direct service with original designs.

5. Quote in local currency. Your bank should be able to help you; if it cannot, change banks.

6. There are wide variations in dialect, climate and culture. You may need a different distributor in Osaka from Tokyo, for example – and a different interpreter – because your Tokyo man may well not have the right network of contacts.

7. Emphasise your product's country of origin. Britain, say Kordel and Wainwright, is seen as quaint, old fashioned, but full of history. Whether you sell jewellery or engineering products, stress any hand crafting of your goods and the heritage of the city where you are based.

8. Develop your intuition. Wainwright and Kordel say a culture of politeness prevents the Japanese from expressing dislike and disagreement. If they visit you in the UK, Wainwright says to remember they do not usually eat big meals or too much meat. Fish restaurants are safer.

9. Some of Joloda's customers from the regions are unfamiliar with

western culture. Kordel advises that UK visits by them should be well-supervised from arrival to departure, with an interpreter provided at all times.

10. Offer gifts. «The Japanese enjoy giving and receiving beautifully presented gifts,» Kordel says. «Status is critical, so a prestigious brand is appreciated best. However, it is not the value of the gift, but the fact it is a present from you that counts,» says Wainwright.

(From the *Financial Times*. *World business newspaper*)

Exercise 2. Prepare a list of dos and don'ts for business people visiting your country (or one you know well). Give business tips or more general cultural ones. Present your ideas to your colleagues. Answer any questions they have.

14. Travel. Hotels and globalisation

Before you read.

What sort of hotells do you like when you're on business? And when you're on holiday? Do you like hotels that are part of chains, or independent hotels? Why?

Reading: Read this article from the Financial Times and answer the questions. The article is based on an interview with Jean-Marc Espalloux, Chairman and Chief Executive of Accor, the Paris-based hotel and travel company, talking about Accor's global expansion.

The US represents a considerable challenge. It is very structured and hotel chains are very strong. US hotels developed by franchises which were very profitable – perhaps because of the size of the market and the image of the brands – but which are far less profitable in Europe or Asia.

Our initial experiences with our Sofitel and Novotel hotels in the US were disappointing. Accor was one of the first hotel chains set up in Europe. But in the US, competition was very intense and we had limited means. In the service sector, you need critical mass very quickly. US companies can spread their marketing and publicity expenses across an extensive network. We were a small troop coming in against a vast army.

We were leaders in budget hotels, and with our brands such as Formule

1 we are leader. With the acquisition of Motel 6 we have become leader in value-for-money hotels in the US. We initially had US management for Motel 6 but we changed that and now have French executives who have been very effective.

Accor has to be a global company, in view of the revolution in the service sector which is taking place. I do not see any future for purely national hotel chains – except for very specific niche markets with special architecture and locations, such as Raffles in Singapore or the Ritz in Paris. National chains cannot optimise their operations. They cannot invest enough money. Having globalisation as an objective also has the advantage of spreading our risks.

We are expanding in developing countries such as Poland, Brazil, Argentina and Indonesia. There may be economic problems in the one to two years to come in one of these countries, but with a good geographical spread we can avoid worrying about the next two years and take a view instead over five to seven years.

Globalisation brings considerable challenges which are often underestimated. The main difficulty is getting our local management to follow the values of the group. Our Indonesian managers must understand our market and culture, for example, and we have to learn about theirs. Our executives use video-conferencing and other technical means to keep in touch and are travelling non-stop on aircraft around the world. Every morning when I wake I think about the challenges of coordinating our operations in many different countries.

(From the Financial Times)

Exercise 1.

***1. In a franchise hotel business, do hotel chains own the hotels directly?
Can you think of franchises in other businesses?***

2. Find the adjectives used to describe these things mentioned

The challenge of getting into the US hotel market;

The existing US franchises;

Accor's first experiences in the US;

Competition in the US;

The size of US hotel networks;
The size of Accor's «troop» in the US (A troop is a small group of soldiers).
The size of the US hotel «army».

Exercise 2. Find an expression in the second paragraph used to refer to the minimum amount needed for something to happen.

1. If one company makes an acquisition, it b ... s another company or a ... s it.

Do national hotel chains have critical mass?

Are niche hotels specialised?

If you optimise something, do you get the best possible advantage from it?

What is the big advantage of globalisation in the hotel business?

Which five-letter word is used to talk about distributing risk between different countries? The word is used twice earlier in the article. In what contexts is it used?

Exercise 3. Read the last paragraph again and correct these statements in your own words:

The challenges of globalisation are often thought to be more difficult than they really are.

We can easily teach local managers about the values of the Accor group.

We have lots to teach them but they have nothing to teach us.

The group can easily be managed from Paris by using video-conferencing.

Exercise 4. Over to you.

The original headline for this article begins: «Why there is no future for ...». Complete this headline in your own words.

Each paragraph in the article is an answer by Jean-Marc Espalioux to a question put by the journalist who wrote it. Read Espalioux's answers again and find possible corresponding questions. (Of course, there will be a number

of possibilities in each case).

Work with a partner. One of you is the financial journalist who wrote the article. The other is an expert on the global hotel business who knows all about Accor. Role play an interview between the journalist, using the journalist's questions you have just found, and using the answers to questions 1-10 as the basis for the expert's answers. (Put the answers into your own words. Obviously, to talk about Accor, use *they* and *their*, rather than *we* and *our*.)

15. World-of-mouth advertising

Exercise 1. Before you read what sorts of products or services would you talk about with friends, looking for a recommendation? Feel free to add to the list.

Cars;
Hi-fi equipment;
Holidays;
Language courses;
A builder/painter to do work on your house or flat.

Reading: read this article from the Financial Times and answer the questions.

Winning word-of-mouth approval: teenage marketing

The natural habitat of Japanese teenagers is a small area of central Tokyo between Shibuya and Harajuku stations which is full of boutiques and music shops. At weekends, teenagers from the city and the surrounding provinces go there to spot the latest street fashions.

The area is also a magnet for anyone researching or selling to the teenage market: fashion and cosmetics companies, record producers, editors of young fashion magazines, soft drink and snack promoters, and makers of games and gadgets.

One such company was Bandai, the toy company responsible for Tamagotchi, the egg-shaped, pocket-sized virtual pet which swept the world

in the late 1990s. Tamagotchi's first public appearance was in a test marketing exercise on the streets of Shibuya.

The schoolgirls who saw were so impressed they told all their friends, and the first few batches of Tamagotchi to hit the shops sold out immediately. Such is the power of «kuchikomi», or word of mouth.

Advertisers everywhere know that personal recommendation carries great weight. Normally, word-of-mouth promotion is free, but impossible to arrange. In Japan, it can be arranged – at a price.

There are agencies with hundreds of teenagers on their books who receive new products and tell their friends about them; others are paid to queue up for the launch of a new product or opening of a new store, creating an artificial «buzz» about it.

Halfway between Shibuya and Harajuku is the office of Hiroaki Morita, who set up Teens Network Shop on leaving school nine years ago. The agency is the longest-established specialist in the teenage market, and often uses informal, kuchikomi-style marketing methods. It has a register of 2,000 senior high school pupils in the Tokyo area, and is now expanding nationally.

As Mr. Morita describes it, the logic is simple: selected teenagers are given information or samples of a new product. Feeling superior for knowing about something ahead of the crowd, they tell on average 50 of their friends and classmates about their «discovery», so that with a core group of 1,000, word can spread to 50,000 or more.

Information spreads more rapidly among the 15 to 18 age group than at any other life stage, Mr. Morita says. For the three years at senior high school, they spend eight hours a day with the same 50 classmates, creating an exceptionally tight social network.

(Bethan Hutton on how companies stay one step ahead of Japan's materialistic youth. From the Financial Times)

Exercise 1. Answer the following questions.

1. Is your natural habitat somewhere you feel at ease in? (line 1)
2. If you spot a fashion, you identify it. (line 4)
3. If somewhere is a magnet, do a lot of people go there? (line 5)
4. If a fashion sweeps the world. (line 10), it is:
 - a) unsuccessful;

- b) fairly successful.
- c) very successful.
- 5. If a product hits the shops (line 14), it arr...s there.
- 6. If something can be arranged at a price (line 18), can it be arranged cheaply?
- 7. If there is a buzz (line 22) around a product, a lot of people are talking about it and excited about it. If the buzz is artificial, does it start by itself?
- 8. An example of a product that you can try, usually without paying for it, is a s... (line 29)
- 9. The core of something. (line 34) is its cen... .

Exercise 3. Over to you 1. Look at the list of products that you might talk about with friends. Work with a partner. One of you wants to buy one of the things on the list. The other has just bought the product or service and recommends the make they bought or the service they used. Role play the conversation.

Over to you. Work with a partner again, changing roles. This time one of you has just bought one of the products or services, but does not recommend it. Role play this conversation.

You can get direct experience about some products or services before you buy them without having to rely on word of mouth. Match the experiences 1-7 to the products or services a-g that they might be used to promote.

- | | |
|--|---|
| 1. Demo version | a) A new cheese you haven't eaten before |
| 2. A free sample in a magazine | b) a new tool for cutting any material |
| 3. A test drive | c) a new suit |
| 4. A video in a do-it-yourself store (a shop for buying materials and tools to work on your house) | d) a new type of TV with a new technology |
| 5. Watching it in someone's house | e) a new car |
| 6. Tasting in a supermarket | f) a new perfume |
| 7. Trying it on in a changing room | g) a new piece of software |

16. Loyalty to the organisation

Before you read: in general, how much loyalty do people in your country have towards the organisation they work for? Do people change jobs often? Can they expect to stay in the same company until they retire?

Reading: Read this article from the Financial Times and answer the question.

The mercenary manager

Companies that have warned their workforces to confront the realities of job insecurity and limited careers are finding they have created a new type of mercenary manager prepared to move to the highest bidder, according to a new report. The survey by Ashridge Management Centre says the wave of insecurity that affected managers during the corporate downsizings of the early 1990s was an unpleasant experience for many, but it has taught them to be more self-centred and independent about their careers.

The backlash for companies, according to Laurence Handy, Ashridge's director of research, is that many managers are now more likely to look elsewhere to further their careers if their current employer is not meeting their expectations. «They are saying they want something that's interesting, and they want paying for it. You now have a very hardnosed group of people who have got the message», he said.

Nearly three-quarters of the 553 managers who responded to the survey said they felt in control of their jobs. «This is a marked change from previous years» research when the message coming from managers was that they did not feel in control of anything», said Mr. Handy, «Life has moved on and now managers are flexing their muscles», he added. «The pressure is moving over to the other side with the laws of supply and demand and now companies are screaming that they are spending a fortune on headhunters.»

Managers are keeping their options open, says the report. More turn to their partners for career advice than to the personnel specialist or to their immediate boss. Trust in senior management also appears to have declined in some companies. Many of the managers interviewed in the survey complained

that fear and threats were the prime motivators in their companies.
(Fichard Donkin. From the Financial Times)

Exercise 1. Match 1-6 with a-f form expressions from the first paragraph of the article.

- | | |
|---------------|----------------|
| 1. Corporate | a) bidder |
| 2. Highest | b) careers |
| 3. Job | c) downsizings |
| 4. Limited | d) experience |
| 5. Mercenary | e) insecurity |
| 6. Unpleasant | f) manager |

Exercise 2. Now match the expressions to their meanings.

Occasions when companies reduce the number of employees.

The person or organisation willing to pay the most for something.

A manager who does something for money rather than for other reasons.

Something that happens to you that is not nice.

When you cannot be sure of keeping the same job for long (two expressions)

Exercise 3. In lines 8-13, find:

A noun that means a reaction to something that has negative results.

A noun that means what someone hopes to obtain from something.

A verb that is used to talk about developing your career.

A verb that is used with the answer to b), meaning to satisfy what people hope to obtain.

An adjective that means realistic and demanding.

Exercise 4. Look at lines 14-23 and choose the correct alternative.

A marked change in something is:

A big change;

A medium-size change;

A small change.

If someone flexes their muscles, they:

- Do not show their real power;
- Do body-building exercise;
- Show how much power they really have.

If you scream something, you say it very:

- Clearly;
- Loudly;
- Softly.

If you spend a fortune, you spend:

- A lot of money;
- A little money;
- An average amount of money.

Headhunters are:

People who collect heads;
Specialised recruiters who look for people to fill top-level jobs;
The most important hunters in a group.

If you keep your options open, you decide to commit yourself to:

- Something well in advance;
- Something just before it happens;
- Nothing for the moment.

If you turn to someone for advice, you:

- Ask them for advice;
- Refuse their advice;
- Give them advice.

Exercise 5. «The pressure is moving over to the other side with the laws of supply and demand» (lines 20-21). The pressure to do what? What is the «other side»? How do the laws of supply and demand apply here?

Exercise 6. Use the words and phrases separated by slashes and add the missing words to make complete sentences which say the same thing as the last three sentences in the article. Each slash indicates one missing word,

and the words in brackets have to be put into their correct grammatical form.

- a) Managers prefer to/ their partners/ career advice rather/ go to someone (specialise) personnel issues or to / person/ work under;
- b) Manager's trust/ top management also (look) as if/ (have) (go) down/ some companies;
- c) /Large number/ managers/ were (question) in/ survey (make)/ complaint/ fear and threats/ what (motivate) people most in / organisations.

Exercise 7. Over to you 1. Make two lists: one of all the reasons you can think of for wanting to stay in a job and another of reasons for wanting to leave a job.

Over to you 2. Work with a partner. One of you is a headhunter. The other is someone who wants to stay in their job. (You can use your own job situation or imagine one.) Simulate a phone conversation where the person who is happy in their job tells the headhunter tries to make them change their mind, but they resist politely for a few minutes and then end the conversation.

Then change roles. Imagine another job situation. This time the person wants to leave their job, and the headhunter arranges the time for a face-to-face interview. The other person shows interest in the offer, thanks the interviewer and ends the conversation by confirming the time and place of the interview.

CHAPTER IV

FOCUS ON GRAMMAR

1. Present time

Exercise 1. Jane introduces Claude to Joao in London. Complete the dialogue by putting each of the verbs in brackets into the correct form of the present simple.

- JANE:** Claude, (1) ...*Do you know...* (you/ know) João? (2) ... (be) from Brazil, but he worked with me in Paris last year. He (3) ... (know) a lot about your line of work.
- CLAUDE:** Really! Well I (4) ... (be) very pleased to meet you, João.
- JOÃO:** Pleased to meet you too, Claude.
- CLAUDE:** So, what exactly (5) ... (you/ do)?
- JOÃO:** I (6) ... (work) in the oil industry as a market analyst.
- CLAUDE:** Oh, so you (7) ... (make) decisions about levels of production?
- JOÃO:** No, I (8) ... (not make) any decisions really. My job (9) ... (involve) studying market trends and giving advice on levels of production.
- CLAUDE:** Still, that's a lot of responsibility.
- JOÃO:** Well, yes, but Brazil (10) ... (not/ be) a major producer like Saudi Arabia. What about you?
- CLAUDE:** I work for a French company that (11) ... (supply) specialised equipment to the oil industry. We (12) ... (be) one of the biggest companies in our market.
- JOÃO:** Oh, really? And (13) ... (you/ often/ come) to London?
- CLAUDE:** Yes, quite often. My company (14) ... (have) an office here. It (15) ... (not/ take) long to get here now, if you travel by Eurostar. Could I give you my card?

Exercise 2. Complete this newspaper article about the Brazilian company Gerdau by using the words from the list below. Each set of words fills two spaces.

is becoming/ companies	is making/ flexible	is attracting/ attention	is approaching/ market share
is getting/ right	is raising/ plants	is beginning/ expectations	is modernising/ law

Gerdau: A Brazilian success story.

Gerdau, the Brazilian steel maker, (1a) ...*is becoming*... one of Latin America's most successful (1b) ...*companies* It (2a) ... productivity in its (2b) ...; it (3a) ... the price and timing of its takeovers of smaller companies (3b) ...; and, most important, it (4a) ... to understand investors' (4b) Investors want a firm that's focused and transparent, with a simple share structure, and that's exactly what Gerdau gives them.

The only problem in the short term is a problem of success. Gerdau (5a) ... a 50% (5b) ... in its domestic market, and so it (6a) ... the (6b) ... of Cade, the monopolies authority.

These days it's much easier to do business in Brazil. The government is simplifying the company-tax structure, it (7a) ... the labour market more (7b) ... by changing the restrictive labour laws, and it (8a) ... company (8b) ... in general.

Exercise 3. A. Changes. Write about the changes the government of your country is currently making in the following sectors, as in the example.

Example:

Business and finance ...*The government is setting up new enterprise schemes...*

1. The environment ...
2. Taxation ...
3. The law ...

4. Transportation ...
5. Education ...
6. Health ...

B. Arrangements. Complete this dialogue appropriately, using verbs in the present progressive.

- A: Are you free next Wednesday?
 B: No, sorry. I'm afraid I ...
 A: Well, I can't make it on Thursday so what about Friday?
 B: In the morning I ... but in the afternoon I ... anything special.
 A: Fine, that's OK by me.

C. Present simple or present progressive? Which of these ideas do you associate with the present simple (PS) and which with the present progressive (PP)?

- | | |
|-----------------------------|---|
| 1. Regular activities ... | 6. Permanent and factual situations ... |
| 2. Temporary situations ... | 7. A present arrangement for the future ... |
| 3. Fixed timetables ... | 8. Mental states ... |
| 4. Giving instructions ... | 9. Trends and changing situations ... |
| 5. An event in progress ... | 10. Doing by saying ... |

Study these sentences and decide which example corresponds to each of 1-10 above.

1. I'm replacing Bill because he's off sick.
2. The scheduled flight leaves next Monday at 8.15 from JFK.
3. The technician is mending the photocopier so you can't use it right now.
4. I'm seeing Bill Sykes tomorrow afternoon. I've got it in my diary.
5. The conference room measures 164 square metres.
6. I admit there has been a mistake.
7. I understand they have gone bankrupt.
8. Enter PIN number, select menu, choose language, press OK.
9. With the Internet the world is getting smaller.
10. We have a planning meeting once a month.

Exercise 4. Complete this dialogue by putting the verbs in brackets into the correct form of the past simple or present perfect. Use contractions where possible.

- VICTORIA:** Hi, Sue, I (1) ...*haven't seen*... (not/ see) you for ages!
- SUE:** Hi, No, I'm sorry. I (2) ... (not/ be) in touch with anyone recently ... I (3) ... (be) really busy.
- VICTORIA:** Oh, what have you been up to then?
- SUE:** Well, you know I (4) ... (leave) my job in January so that I (5) ... (can) go freelance as a graphic designer?
- VICTORIA:** Yes, I remember, you (6) ... (talk) a lot about that last year. How's it going?
- SUE:** Well, it (7) ... (be) a really difficult year so far. I (8) ... (never/ do) anything like this before ... it's much harder work than I (9) ... (imagine). (10) ... (you/ ever/ be) self-employed?
- VICTORIA:** No, never, although I (11) ... (often/ think) about it. So, why has it been so difficult?
- SUE:** Well, at the beginning I (12) ... (have) two or three good clients – and, you know, people that I (13) ... (know) for many years, like Tom Pierce. And since then I (14) ... (have) a lot of interest from different companies, but none of them (15) ... (become) regular customer.
- VICTORIA:** What about advertising in the specialist magazines?
- SUE:** I (16) ... (already/ do) that. I (17) ... (put) an advert in Design Monthly a couple of months ago, but I (18) ... (not/get) any replies.
- VICTORIA:** What about advertising in the specialist magazines?
- SUE:** I (16) ... (already/ do) that. I (17) ... (put) an advert in Design Monthly a couple of months ago, but I (18) ... (not/ get) any replies.
- VICTORIA:** Oh, dear, well, (19) ... (put) up a website with examples of your work?
- SUE:** Yes, I (20) ... (just/ finish) it. Would you mind having a quick look at it and tell me what you think of it?

Exercise 5. A. Recent activities: Answer these questions with reference to your own situation.

What projects have you been working on recently?

Who have you been working with?

What have you been trying to do, but have not yet succeeded in doing?

B. The effects of recent events.

1. What explanations could there be for the following?

1. Thomas always looks worried and in a hurry. He also finds it difficult to sleep at night. ... *He's been working too hard...*

2. Top secret company information often gets reported in the press. ...

3. A lot of dead fish have been found in the river next to the chemicals plant. ...

4. Pamela was unable to speak any Spanish on her last trip to Madrid but now she can. ...

2. Complete each of these sentences, using the present perfect simple or progressive.

How long (you/ wait)? ...

Look outside. It (rain); the pavement's still wet. ...

«You look tired.» «I (drive) all day long.»

I (know) John since we were at school together. ...

The government (announce) a drop in unemployment. ...

I (read) a book on negotiating skills but I don't think I'll finish it. ...

He (work) as a consultant for three different firms in the same sector of activity; I think there's a conflict of interest and he should resign. ...

He (work) as a consultant for three different firms in the same sector of activity, but was fired from the first two. ...

Exercise 6. Read the following sentences. Decide which show examples of actions which continued over a period of time and which show actions which occurred at specific points in time. Write «period» or «point».

1. George has been working too hard recently. ...
2. He has made a lot of mistakes. ...
3. He has been travelling all over the country. ...
4. He's even had a couple of minor road accidents. ...
5. He's asked for some time off work. ...
6. We're been thinking of ways to help him. ...

Exercise 7. Use the following prompts to produce a short internal memo about recruitment problems in a clothing distribution company.

Exercise 8. Describe a decision connected with your own work. Use examples of both the present perfect simple and the continuous form.

Example:

ABC has decided to change the management structure. They have been thinking about this for a long time.

Memo

To: B.J. McCusker
(Sales)

From: H.V.

Subject: Recruitment of Sales Director (Northern Region)

We/ to advertise/ for six months/ national newspapers.

We/ to interview/ five candidates but/ to be not able to fill/ position.

This month/ to place/ an advertisement/ Sales & Marketing Journal.

I/ to talk/ «Head Hunting» agency. This seems to be an increasingly probable solution. Any comments?

2. Past-Tenses

Exercise 9. Complete the dialogue using the verbs from the list below in the past simple. There is a mixture of affirmative, negative and question forms. There is one negative question.

go take think sell like have (x2) be (x4) buy

DALE: Hi, Jill. You (1) ...*went*... to the Milan Fashion Show last week, didn't you? (2) ... you ... a good trip?

JILL: Yes, it was great.

DALE: (3) ... you ... any useful contacts?

JILL: Well, there (4) ... loads of people at the show, and I (5) ... a lot of good contacts but we (6) ... nearly as many orders as last year.

DALE: Oh, why was that? (7) ... they ... our new styles?

JILL: No, no, that (8) ... the problem. The shoes (9)... really well, but we (10) ... so successful with some of our other products, like handbags, for example, and there (11) ... much more competition this year.

DALE: Who from?

JILL: Well, the Paul Smith stand was really busy.

DALE: Oh, but his clothes are expensive ... Um, (12) ... people at the show ... our prices were too high?

JILL: Possibly. But we (13) ... the authority to lower them at the time.

DALE: Oh, what a shame. So it was a waste of a trip then?

JILL: Well, not exactly ... I (14) ... this great pair of Prada shoes and this Gucci handbag ...

Exercise 10. Underline the best continuation of the conversations.

1. A: What was she doing this morning?
B: She interviewed / was interviewing candidates for the sales job.
2. A: How did Brenda spend her holiday?
B: Most days she went/ was going to the beach.
3. A: What happened after you launched the product?
B: While we promoted/ were promoting it, our main competitor dropped/ was dropping their prices.
4. A: I didn't see you in the office last week.
B: No, I worked/ was working at home for a few days.
5. A: What did Pat do when she saw the artwork?
B: She called /was calling the designers and said/ was saying it wasn't suitable.
6. A: Why did Renata take so long to get here?

B: She said they mended/ were mending the road and so the traffic moved/ was moving very slowly.

Exercise 11. Complete this article about Vivendi by putting each of the verbs in brackets into the past simple. Most of the verbs are irregular.

Vivendi: 150 years of history

Vivendi, the French utilities and communications group, has a long history going back to 1853. In that year the Government (1) *created* (create) Compagnie Generale des Eaux. The founders (2) ... (have) two objectives: to irrigate the countryside for farming and to supply water to towns and cities in France.

In 1880 a treaty (3) ... (give) Generale des Eaux the right to supply water to Venice, and then Constantinople and Oporto (4) ... (come) soon after. By the time of the centenary celebrations in 1953 Generale des Eaux (5) ... (supply) water to eight million people in France.

In the 1960s and 1970s the company (6) ... (begin) activities in the area of civil construction and (7) ... (build) a large tower block in the La Defense business district of Paris.

During the 1980s Generale des Eaux (8) ... (join) with the Havas media group to create Canal Plus, a pay TV channel. They also (9) ... (take) a controlling stake in the civil engineering giant, SGE. In the 1990s they (10) ... (win) major contracts in the Asia Pacific region and in Latin America.

Jean-Marie Messier (11) ... (become) CEO in 1996 and (12) ... (run) the company along American lines.

He (13) ... (sell) \$5 billion in assets and (14) ... (cut) the workforce by 10%. All this (15) ... (mean) that an annual loss of \$600 million (16) ... (turn) into a profit of \$320 million. In 1998 he (17) ... (change) the name of the group to Vivendi and soon after (18) ... (make) a series of partnerships and acquisitions in the telecommunications industry.

Operations in North America (19) ... (grow) very quickly after this and in 2000 Vivendi (20) ... (buy) Seagram to become a truly international media and communications company.

Exercise 12. Complete the sentences by putting the verbs in brackets into either the past simple or past continuous. Sometimes the same tense is used twice: sometimes different tenses are used.

1. What ...*did you eat* ... (eat) when you ...*went*... (go) to Paris?
2. While I *was negotiating* (negotiate) the contract, my boss ... *phoned*... (phone) me to say that he wanted completely different conditions.
3. The last time something like this ... (happen), she ... (call) a press conference immediately.
4. Anne ... (explain) her proposal when Pedro ... (interrupt) her.
5. We never got the chance to interview him. While we ... (investigate) the incident, he ... (resign).
6. When he ... (finish) reading the article, he ... (give) it to me.
7. Everyone ... (wait) for the meeting to begin when he ... (call) to say that he was stuck in a traffic jam.
8. When I ... (clean) the piece I ... (drop) it by mistake.
9. I ... (find) the missing file while I ... (look) for some other documents.
10. When Tim ... (arrive), we ... (tell) him what had happened.

Exercise 13. Underline the correct words. This exercise includes examples of the past perfect, used to, the past simple and past simple and past continuous.

1. While I looked/ was looking for my keys, I suddenly remembered I left/ had left them at home.

2. In those days the unions used to/had used to go on strike whenever there was/ was being a problem.

3. After they were buying/ had bought the company, they started/ were starting to make a lot of people redundant.

4. Jack used to have/ was having a Mac, but then he used to change/ changed to a PC.

5. I asked about my package in reception, but they said/ were saying that it still hadn't arrived/ wasn't arriving.

6. I was sure that I used to lock/ had locked the door to my office last night, but it was/ had been open this morning.

8. I had gone/ went back to the restaurant to look for my umbrella, but found/ was finding that someone took/ had taken it.

9. When George saw/ was seeing Diance at the seminar, he knew /was knowing that he met/ had met her somewhere before.

10. While I had/ was having breakfast I looked/ was looking at the financial pages to see the share prices. I saw /was seeing that my original investment grew/ had grown by over 40%.

Exercise 14. Complete the sentences with the best form of the verb in brackets. In each sentence one verb will be in the past simple (unit 3) and the other in the past perfect.

1. After she ...*had made*... (make) a few notes, she ...*started*... (start) writing the introduction to the Annual Report.

2. Gary ... (be sure) that he ... (set) the alarm before leaving the office.

3. I ... (call) my wife on my mobile because the meeting ... (still not finish).

4. Once I ... (speak) to him, I ... (realise) there had been a misunderstanding.

5. After Jill ... (give) her first presentation, she ... (feel) much less nervous.

6. Before Edite ... (become) Michael Edward's personal assistant she ... (already work) in the company for two years.

7. I ... (not see) the figures before the meeting, so it ... (put) me at a disadvantage during the discussion.

8. Sorry it took so long. I ... (have to) go down to the store room because we ... (run out of) paper for the photocopier.

9. The rain ... (stop) by the time I ... (get out of) the taxi.

10. I ... (be) surprised to find that she ... (already leave).

Exercise 15. Complete this magazine article by putting the verb in brackets into either the past simple or past perfect. In one case only the past perfect can be used, in five cases only the past simple can be used and in six cases both are possible.

The Danes say «No»

On 28 September 2000 the people of Denmark (1) ...*voted*... (vote) «No» to joining the single European currency, the euro. All the main political parties, the trades unions, the employers and the media (2) ... (campaign) for a «Yes» vote before the referendum. So why (3) ... (the Danes/ reject) the euro?

Let's look first at the economic background. For many years the Danish central bank (4) ... (be) committed to keeping the value of the krone stable against the German mark, and this policy (5) ... (be) very successful in maintaining stability and prosperity. Then the euro was launched in January 1999. In the period after the launch the countries in the euro zone (6) ... (perform) relatively well in economic terms. However, by the time of the referendum the euro (7) ... (fall) significantly against the dollar, and the central banks of the USA and Japan (8) ... (be) forced to intervene in the foreign exchange markets to buy euros.

But the «No» campaign (9) ... (focus) on national identity, not economic issues. In the end the Danes (10) ... (make) their decision because they (11) ... (fear) that economic integration would eventually lead to political integration. They (12) ... (want) to keep their independence and freedom.

Exercise 16. Alan is talking about his first job. Complete what he says with the best form of the verb in brackets. Choose between the past simple past continuous or past perfect.

INTERVIEWER: So, Alan, why did you quit your last job?

ALAN: Well, at the time I (1) ...*was working*... (work) as a financial officer for an International Accountancy firm in London. I (2) ... (be) in the same company for three years.

INTERVIEWER: How (3) ... (you /get) the job?

ALAN: Just after I (4) ... (finish) university I (5) ... (go) to a job fair. I still (6) ... (decide) what I wanted to do and I was interested to see what kind of jobs there (7) ... (be) at the fair. While I (8) ... (look) at information on one of the stands for a large international accountancy firm, someone (9) ... (give) me an application form to fill in. I thought this might be a good career opportunity for me as I (10) ... (already /take) some

accountancy exams for my degree. So I (11) ... (complete) the form and (12) ... (send) it off. They (13) ... (interview) me the following week and I got job. At first, I (14) ... (feel) satisfied with the job, but as time went by, things (15) ... (change) and I began to hate working there.

INTERVIEWER: So what (16) ... (go) wrong?

ALAN: Well, the situation was this: I (17) ... (work) for a person who was very difficult, er ... very demanding ... never satisfied. What's more, my job (18) ... (become) too repetitive and I really wanted to do something more creative. So, that's why I resigned ... I (19) ... (not have) another job to go to, but I knew I (20) ... (have) to make a change.

Exercise 17. Complete the sentences with *used to* or *used to / would*.

1. With my old boss we ...*used to/ would*... have meetings several times a week.
2. I ... own a BMW, but now I have an MG.
3. Before they built the new motorway it ... take me an hour to get to work.
4. I ... think I wanted to work for a large organisation. Now I want to be self-employed.

Exercise 18. A. The Bell story Complete each paragraph, using the verbs in the boxes.

have	say	begin	introduce	open
------	-----	-------	-----------	------

In 1985 Simon Bell ... (1) his computer business at the University of Southampton. In 1987 his company ... (2) the Z 5000 machine which, the magazine PC Journal ... (3) «may become the next industry benchmark.» The following year he ... (4) an office in the United States and soon ... (5) offices in 28 countries.

amount	decide	employ	run	go
--------	--------	--------	-----	----

In 1989, Bell ... (6) public. By now the firm ... (7) 750 people and sales ... (8) to over \$ 159 million. Then two years later employees ... (9) to celebrate 1 April by hanging a giant inflatable banana outside company headquarters, the first of many publicity stunts. On another occasion the CEO ... (10) The London marathon.

set up	launch	total	offer
--------	--------	-------	-------

In 1992 Bell ... (11) free installation of applications software as a standard option and in 1993 ... (12) the low-priced Explorer PCs, one of the most highly praised systems in the industry. In 1996 Bell ... (13) an Internet computer store, through its website www.bell.com. Last year sales ... (14) more than \$10 million a day.

B. An annual report.

Complete the extract choosing from these verbs. There are more verbs than necessary.

delay	choose	improve	give	make	stabilise	hinder
-------	--------	---------	------	------	-----------	--------

Last year the international situation in the hydrocarbons industry ... (1) to some extent. However, the volatile foreign exchange rates ... (2) currency management more difficult and relatively weak demand ... (3) expansion projects. We therefore ... (4) to focus our efforts on specific opportunities where our know-how ... (5) us a technical advantage over particularly aggressive competition. As a result we propose doubling our dividend.

Exercise 19. A. Previous and subsequent events. Complete the following sentences using either the past perfect or progressive.

1. My flight from Sydney arrived late because there ... (be) a bomb alert before the plane took off. When we finally left we ... (wait) for over five hours.
2. I ... (work) hard all year so felt I needed a rest.

3. I ... (see) the designs before they went on show but they ... (not impress) me.
4. When I bought my BIP shares, their value ... (fall) for some time.
5. The merchant bank didn't know that one of their traders ... (hide) huge losses.
6. The employee was dismissed because he ... (steal) company property ever since he was taken on.
7. It took me 20 minutes to realise I ... (look) in the wrong file.

B. Marcel Bich. Read the extract about Marcel Bich's early career and complete the sentences. If it is not possible to use the past perfect progressive, use the simple form.

Marcel Bich set up in business in 1949 and created France's most successful company and its third best-known brand after Dior and Chanel.

He was educated in Italy as a child, followed by two years at the Lycee Francais in Madrid. He completed his secondary education in Bordeaux where he received the nickname «Baron» — a title that he carried for the rest of his life. At 18, he began selling torches door-to-door and later said that this experience was critical to his entrepreneurial success. At university he studied mathematics and philosophy and after graduation began work as a production manager for an office machine company. He then joined Stephens, a large French pen manufacturer, as a production executive, but the Second World War interrupted his career and when it was over he decided he wanted to set up on his own.

1. Before he died in 1994 he ... (create) France's most successful company.
2. Before going to Bordeaux he ... (study) in Italy and Spain.
3. Before he went to university, he ... sell) torches door-to-door.
4. Prior to becoming a production manager he ... (study) maths and philosophy.
5. Before the Second World War broke out he ... work) for Stephens as a production executive.

Combining Past and Present

Exercise 20. Complete the sentences by putting the verbs in brackets into a form of the present perfect. Use contractions where possible.

1. Are you sure it isn't working? Have you tried (you/ try) it?
2. I ... (never/ see) such a boring presentation.
3. Luckily, our customers ... (not/ complain) about the price rise.
4. We ... (already/ spend) quite a lot of money on this project.
5. ... (they/ reply) to your last email?
6. I ... (not/get) the figures to hand – can I call you back later?
7. Unemployment ... (go/ up) by 2 % since January.
8. I'm sorry, she's not here. She ... (just/leave)
9. Their shares ... (fall) by 15 % since the merger.
10. ... (you/ ever/ take) the Eurostar to Brussels?

Exercise 21. Look at the paired sentences below. Match each one with situation a) or b).

- | | |
|----------------------------------|--|
| 1. Inflation has fallen by 1% | a) Two years ago it was 4%. Last year it was 3%. |
| 2. Inflation fell by 1% | b) Last month it was 4%. This month it is 3%. |
| 3. I think I've lost the file. | a) I can't find the file. I wonder where I put it? |
| 4. Sorry, I lost the file. | b) The file has gone and I'll never find it. |
| 5. Has Jane called this morning? | a) Jane promised to call this morning. It's 11 am. |
| 6. Did Jane call this morning? | b) Jane promised to call this morning. It's 2 am. |
| 7. Sales improved. | a) Last year sales were poor. This year they are better. |
| 8. Sales have improved | b) Sales were poor initially. A year later they were better. |
| 9. How long have you worked | a) in 1999. |

here?

10. When did you start working here? b) Since 1999.

Exercise 22. Complete the sentences with a suitable time expression from the list below.

yet	ever	never	just	for	since	already	always
-----	------	-------	------	-----	-------	--------------------	--------

1. The goods will be with you soon. They've ... **already** left our warehouse.
2. I've ... had a great idea! Why don't we launch a new range of colours?
3. We've known each other ... more than twenty years.
4. I've ... used my credit card on the Internet. I don't think it's safe.
5. I haven't had a chance to speak to Magda ... , but I'm sure she'll agree.
6. I've ... worked in insurance, ever since leaving university.
7. I'm sorry he hasn't called you back. He's been in a meeting ... lunchtime.
8. Have you ... been to Sao Paulo? It's completely different from Rio.

Exercise 23. Read this text about the performance of the Ford car company. Complete the text with the verbs from the list below, using the present perfect.

fall	launch	be	have	cut	withdraw	spend	take	make	perform
------	--------	----	------	-----	----------	-------	------	-----------------	---------

Ford: the road to recovery

Although Ford (1) ... **has made** ... operating profits of over \$ 7 billion in its American market this year, the story in Europe (2) ... very different. Its market share (3) ... from 12% six years ago to only 9% now. The truth is that rivals like Volkswagen and Renault (4) ... much better over recent years. They (5) ... costs and (6) ... exciting and highly successful new models. In contrast, Ford (7) ... its large saloon, The Scorpio, which was not selling well. But Ford (8) ... a lot more success at the higher end of the market. Over the last few years it (9) ... a lot of money buying brands such as Jaguar, Aston

Martin and Land Rover, and these models have much higher profit margins. It (10) ... some time to sort out the problems at Jaguar in particular, but it's now a successful part of the business.

Exercise 24. Read this email from Steve, the Purchasing Manager of a UK importer, who is in Poland on a business trip. Complete the email by choosing the correct alternative from A, B, C, or D below.

From: Steve McGinlay **To:** Mike Evans **Sent:** 18 May
Subject: Poland **Cc:**
Message:

Mike

Sorry I haven't contacted you (1) ...B... last week, but I've been very busy. I've (2) ... to Katowice in the south-west of Poland (3) ... a few days, and I've (4) ... returned to my hotel in Warsaw, from where I'm sending this email. I visited several firms when I was in Katowice and one of them looks quite promising. I've (5) ... seen their factory, and I've got some product samples to show you. Unfortunately I haven't met the guy in charge (6) He wasn't there – he's (7) ... to Gdansk and should be back next week. So, the trip has been quite successful (8) Have you (9) ... been to Central Europe? Everything is changing very fast – I've (10) ... seen so much building work going on. Anyway, I'll email you again later in the week to let you know what's happening.
Regards, Steve.

- | | | | |
|-------------|-----------|-----------|----------|
| 1. A for | B since | C just | D so far |
| 2. A going | B gone | C being | D been |
| 3. A for | B since | C already | D so far |
| 4. A now | B been | C just | D so far |
| 5. A yet | B already | C been | D gone |
| 6. A just | B already | C now | D yet |
| 7. A going | B gone | C being | D been |
| 8. A so far | B yet | C just | D now |
| 9. A yet | B since | C ever | D never |
| 10. A yet | B since | C ever | D never |

Exercise 25. Complete the sentences by putting the verbs in brackets into either the present simple, past simple or present perfect.

1. The company is doing very well. Last year sales ... **went up** ... (go up) by 15%, and so far this year they ... **have gone up** ... (go up) another 12%.
2. We ... (operate) all over Latin America. Recently we ...(set up) branches in Peru and Ecuador.
3. This ... (not look) like the right block. Are you sure we ... (come) to the right address?
4. ... (you/ see) my laptop? I'm sure I ... (leave) it here earlier.
5. I ... (just/ met) Andrew from Sales ... (you/know) him?
6. I ... (never/speak) to him, but I ... (speak) to his assistant on the phone yesterday.
7. I ... (work) for WorldCom now – I... (be) there for more than five years ... (you/ know) WorldCom?
8. I ... (work) for WorldCom since last year, but now I ... want change jobs ... (you/ hear) of any vacancies?

Exercise 26. Complete each mini-dialogue by putting the verbs in brackets into the correct form. One verb will be in the present perfect and the other in the present perfect continuous. Use contractions where possible.

- A: What's the matter? You look worried!
- B: Yes, I am. I **'ve been looking at** (look at) the contract in detail, and I **'ve noticed** (notice) a lot of potential problems.
- A: Oh, such as?
- A: I... (phone) Carol all day, there's no reply.
- B: I expect she ... (go) to Head Office.
- A: Oh, yes, I forgot.
- A: «Toska» is coming to the Opera House ... (you see) it?
- B: No, not yet. Shall we go? I ... (look forward) to it for ages.
- A: So have I. What about next week?
- A: How long ... (you produce) cars at this site?
- B: About four years. We ... (invest) twenty million dollars in plant and machine.

Exercise 27. Complete this dialogue by putting the verbs in brackets into the correct form of the past simple or present perfect. Use contractions where possible.

Victoria: Hi, Sue. I (1) ... **have't seen** (not/ see) you for ages!

Sue: Hi. No, I'm sorry. I (2) ... (not/ be) in touch with anyone recently ... I (3) ... (be) really busy.

Victoria: Oh, what have you been up to then?

Sue: Well, you know I (4) ... (leave) my job in January so that I (5) ... (can) go freelance as a graphic designer?

Victoria: Yes, I remember, you (6) ... (talk) a lot about that last year. How's it going?

Sue: Well, it (7) ... (be) a really difficult year so far. I (8) ... (never/do) anything like this before... it's much harder work than I (9) ... (imagine). (10) ... (you/ ever/be) self-employed?

Victoria: No, never although I (11) ... (often/ think) about it. So, why has it been so difficult?

Sue: Well, at the beginning I (12) ... (have) two or three good clients- and, you know people that I (13) ... (know) for many years, like Tom Pierce. And since then I (14) ... (have) a lot of interest from different companies, but none of them (15) ... (become) regular customers.

Victoria: What about advertising in the specialist magazines?

Sue: I (16) ... (already/do) that. I (17) ... (put) an advert in Design Monthly a couple of months ago, but I (18) ... (not/get) any replies.

Victoria: Oh, dear, well, (19)... (put) up a website with examples of your work?

Sue: Yes, I (20) ... (just/finish) it. Would you mind having a quick look at it and tell me what you think of it?

Exercise 28. Look at the graph and read the passage about technology stocks. Complete the text by putting the verbs in brackets into the correct form of the past simple or present perfect.

European investors (1) ... **have watched** (watch) US stock markets nervously over the last few months. The problems with US technology and telecomms stocks (2) ... (begin) last March, and since then share prices at companies like Intel, Apple and Dell (3) ... (crash). Over the summer all these giants (4)...

(announce) lower than expected profits, and investors fear that demand for PCs in the highly developed US market (5) ... (peak). Now it's the turn of European stocks. On Monday stocks in companies like Germany's SAP and Finland's Nokia (6) ... (fall) sharply. SAP (7) ... (be) down 3% in Frankfurt, and Nokia (8) ... (drop) 7% in Helsinki. But there was some good news for investors yesterday. Yahoo! (9) ... (release) figures which showed that in the last quarter revenues (10) ... (rise) to \$ 295 million, up from \$ 115 million a year earlier. Yahoo! relies on online advertising for most of its income, and this year it (11) ... (gain) significant market share in Europe and (12) ... (manage) to achieve the position of top Web-navigation company.

Analysts believe that the market (13) ... (not /hit) the bottom yet. Earlier this year investors (14) ... (buy) any Internet stocks that were available, creating a stock market bubble. Now it's just the opposite. Investors (15) ... (become) so nervous that they are selling everything, even if the company is sound and the stock looks cheap.

Exercise 29. Choose between the past simple and present perfect. The first has been done for you.

A Stella McCartney.

Stella McCartney, Paul McCartney's daughter, joined/ ~~has joined~~ the troubled Paris fashion house Chloe barely a year ago. It took/ has taken 1) her just one year to reverse its fortunes. Previously Chloe was/ has been 2) virtually invisible as a major force in the world of fashion. But almost single-handedly she transformed/ has transformed 3) Chloe into the most talked about fashion brand in the world. She increased/ has increased 4) sales

fivefold. Paris didn't see/ hasn't seen (5) anything like it since the young Yves St Laurent took/ has taken (6) the city by storm 30 years ago.

When she was/ has been (7) appointed it was/ has been (8) clear she knew/has known (9) what she had/ has had (10) to do! «I want to bridge the gap between the consumer and the press. At the moment fashion is just sort of stuck in the middle.» So far, Stella stuck/ has stuck (11) to her philosophy of avoiding outrageous and uncommercial catwalk creations. She kept/ has kept (12) to the simple philosophy of designing clothes that she or her friends would want to wear. As her best friends are Kate Moss, Naomi Campbell and Vasmin Le Bon, it also brings her big publicity.

B. Complete these announcements, read out today during a radio programme called Business in Action. Complete each one, using these verbs in either the past simple or the present perfect.

Market news in brief.

agree	buy	give	issue	slump
-------	-----	------	-------	-------

In a gigantic deal, BRITISH AMERICAN TOBACCO, the world's second-largest international cigarette maker, ... (1) to take over ROTHMANS (the fourth-largest) for \$ 8.7 billion.

Shares in MARKS AND SPENCER, Britain's biggest retailer, ... (2) by more than 10% in the last 24 hours after the firm ... (3) a profits warning. Europe's postal market is becoming increasingly competitive. Only weeks after the British government ... (4) the state-controlled POST OFFICE greater commercial freedom, it ... (5) Germany's third-largest private carrier. GERMAN PARCEL has a big distribution network and a large stake in GENERAL PARCEL, which operates Europe-wide.

Exercise 30. 1 Chairperson's Report Complete this report about the history of a company. Use one of these verbs in either the past simple or present perfect:

strengthen	represent	win	employ	work	have (x2)
face	expand	invest	take on	move	help

change	start	result	enable	grow (x2)	go
--------	-------	--------	--------	-----------	----

We (1) ... another excellent year. I would like to thank everyone for their hard work which (2) ... in bringing about this success. As you know, we (3) ... in 1965 as a small operation producing electrical components for the car industry. At the time we (4) ... just 25 people; that number (5) ... to the present 1,200. Our turnover was just £50,000, whereas today it (6) ... to £ 35 million.

In those early years conditions were not particularly comfortable. I ... (7) in a tiny office with no heating, and, of course, in those days we (8) ... no computers, which make life so much easier today. WE were based in a run-down inner-city area. Things (9) ... considerably since we (10) ... to our current greenfield site. The early years were particularly difficult. We (11) ... strong competition from more powerful competitors and on several occasions we were close to going out of business. The turning point came in 1974 when we (12) ... a small government contract to produce electrical components for aircraft. We (13) ... more staff and (14) ... a considerable amount of money in Research and Development and (15) ... from strength to strength ever since.

In recent years we (16) ... our product range and (17) ... our position in the export market. These changes (18) ... in the strength of our current position. The recent deregulation of the markets within the European Union (19) ... us to increase our exports to Europe and we are now in a position to expand our European operations still further. As far as business with the rest of the world is concerned, in the early years exports to the Far East, for example, (20) ... less than 1% of output, whereas now they represent nearly 15% of our total production.

3. Future Tenses

Exercise 31. Match sentences 1-6 with their uses a)-f).

- | | |
|--------------------------------|--|
| a) a future fact | d) a future plan or intention |
| b) an opinion about the future | e) a prediction with evidence of the situation |
| c) an instant decision | f) a future arrangement |

1. I'm going to ask my boss for a pay rise next week.
2. I'm sorry to hear that I'll find out what the problem is right now.
3. I'm sorry, but I won't be here tomorrow. I'll be in Paris.
4. I'm meeting Angela for lunch. Do you want to join us?
5. Their share price will probably rise when the market recovers.
6. With so much competition it's going to be difficult to increase sales.

Exercise 32. Underline the correct words in each mini-dialogue.

1. A: Are you free next Tuesday morning?
B: Sorry, I'll have / I'm having a meeting with Sue.
A: Oh, right. Well, what about Thursday?
2. A: What are your plans for next year?
B: We'll open / We're going to open a new factory in Hungary.
A: What sounds interesting.
3. A: What do you think about their new marketing campaign?
B: I think it'll probably succeed / it's probably succeeding.
A: Do you really?
4. A: What about tomorrow at around five thirty?
B: OK, I'll see you then. / I'm seeing you then.
A: Bye.
5. A: So as you can see. I've been thinking about this problem quite a lot.
B: Yes, I see. So, what are you going to do? / What are you doing?
A: Resign
6. A: It would be nice to see you next week.
B: Yes, it would. Are you doing anything / Will you do anything on Wednesday?
No, I'm free.

Exercise 33. Complete the sentences by putting the verbs in brackets into the most appropriate future form. Choose between will, going to and the present continuous.

Have you heard the news? Vivendi ... **is going to buy** ... (buy) Seagram.
I... (meet) Andrea at nine next Thursday morning outside the station.
I've just had a call from Richard – he... (be) late.

Next year ... (be) the company's centenary year.
 This taxi driver is terrible. He ... (have) an accident.
 In the future video-conferences ... (probably replace) many international meetings.
 We ... (test) the new machine sometime next week.
 I ... (go) to Manchester on Friday.
 Would you mind waiting for a moment? I ... (not be) long.

Exercise 34. Complete this dialogue by putting each of the verbs in brackets into the future. Choose between will and going to. Sometimes either answer may be possible, but decide which form is the most natural. Use contractions where possible.

- Joanna:** Please, come in, have a seat. Would you like a drink? Coffee? Mineral water?
- Greg:** Oh, I (1) **shall have** (have) a coffee please.
- Joanna:** Lucy ... could you make two coffees? (sighs) Well, thanks for coming this morning. I (2) ... (tell) you why I asked you here. Um, as you know, there (3) ... (be) some big changes in the company. In fact, we (4) ... (restructure) the whole department.
- Greg:** Yes, I know. When (5) ... (it/happen)?
- Joanna:** Everything (6) ... (be) finished by the summer. Um, the thing is under the new structure your job (7) ... (probably/ disappear).
- Greg:** Really? Is that certain?
- Joanna:** Well, we (8) ... (have) a meeting next week to finalise all the plans, and of course I (9) ... (let) you know what we decide. Anyway, you don't have to worry.
- Greg:** Oh? (coffee arrives)
- Joanna:** Well, as I was saying, you don't have to worry. We (10) ... (offer) you a new job. You (11) ... have more responsibility, and the salary (12)... (be) much better.
- Greg:** That's wonderful, thank you very much. What exactly (13) ... (the new job/involve)?
- Joanna:** Well, we (14) ...expand) the whole customer services area. If you accept the job, you (15) ... (be) responsible for the new team. Um, it (16) ... (mean) a lot more work, of course. What do you think?

Greg: It sounds great, but I (17) ... (need) a day or two to think about it.
 Joanna: Of course, no problem. Look, I (18) ...(not/ be) in the office for the next few days – I (19) ... (visit) our subsidiary in Hungary. (20) ... (you/ have) an answer for me by next week?
 Greg: Yes, I (21) ... (give) you my decision on Monday.

Exercise 35. Complete this email from a PA to her boss by putting the verbs in brackets into the future. Choose between will and the present continuous. Use contractions where possible.

From: Mira Melisse	To: Pierre Gaudard, Technical	Sent: 14 March
Subject: Visit to Slovenia		Cc:
Message: I've, booked your flight to Slovenia. You (1) ... re leaving (leave) on Tuesday 3 rd at 8.45 in the morning, so you (2) ... (arrive) in Ljubljana before lunch. Someone (3) ... (be) at the airport to meet you. Your first meeting is with Aleksander Presekar, and you (4) ... (see) him at 1 pm at our local office. He (5) ... (probably /take) you out to lunch. After lunch you (6) ... (not/ do) anything until 4 pm, so you (7) ... (have) time to go to the hotel. You (8) ... (stay) at the intercontinental, which is in a very central location. I (9) ... (go) to the travel agents to pick up the tickets this afternoon, so I (10) ... (give) them to you tomorrow.		

Exercise 36. Underline the correct words.

1. Tomorrow I'll interview / I'll be interviewing candidates all morning.
2. We will have moved/ will be moving to our new premises in August.
3. We will have moved/ will be moving to our new premises by August.
4. What time does your train/ will your train leave?
5. Don't forget to turn off the lights before you are leaving/you leave.
6. We can't send the goods until we've received/we will receive a firm order.
7. We will be repaying/ will have repaid the bank loan by December.

8. Unless they're/they'll be more reasonable, we'll have to break off negotiations.
9. I was going to write/was writing to them, but I forgot.
10. I hope/ I will hope to be able to speak at the press conference myself.
11. Our visitors are due to arrive/due arriving at 10.30.
12. I hope I won't/ I don't hope I'll be late for the meeting.
13. I think I won't/ I don't think I'll be late for the meeting.
14. When the contract is/ will be ready, I'll let you know.
15. Will we/ Shall we break for coffee now?
16. Sorry, I can't speak now. I'll just have/I'm just about to have a meeting.

Exercise 37. Complete each sentence 1-8 with an ending a)-h).

1. Please take a seat until
2. They won't accept our order unless
3. Helen wants to see you before
4. You won't see Helen. By the time she arrives
5. As soon as Helen arrives
6. I can't wait! This time next week I'll
7. I'll have a suntan next time we meet I'll
8. Sorry about this. In a few moments I'll

you leave

Dr. Rihal is ready to see you.

you'll have left.

we give a bank guarantee.

have finished and we can talk

I'll ask her to phone you.

have just come back from Greece

be lying on a beach in Greece.

Exercise 38. Complete the sentences by putting the verbs in brackets into the right tense. Choose between the present simple (I do), future continuous (I'll be doing) and future perfect (I'll have done).

1. By the time all the papers are ready, the deadline **will have passed** (pass).
2. The flight ... (leave) at 1 pm and ... (arrive) at 3.45
3. I ... (see) Nick tomorrow, so I can give him your message.
4. This taxi is so slow. By the time we get there the meeting ... (finish).
5. Sorry, I can't see you on the 15 th- I ... (play) golf with a client.
6. I won't do anything until I ... (hear) from you.
7. Hurry up! By the time we arrive, the play... (start).
8. What... (you/ learn) by the end of your course?
- 9 (you/ use) the conference room next Tuesday?
10. When I ...(see) him, I'll ask him.

Exercise 39. An economist has prepared a short report about his country next year. Read it, then choose the correct alternative from A, B, C or D below to complete the report.

Executive Summary:

12 month economic forecast

The Central Bank (1) ... keep interest rates low next year in order to stimulate economic growth, and so we (2) ... the economy to continue growing at about 4%. This means that unemployment (3) ... in most sectors of the economy next year.

Exchange rates are very difficult to predict, but the currency (4) ... remain stable.

Some important events are (5) ... take place in the political field. The president (6) ... call elections within the next twelve months, and so by the middle of next year the election campaign (7) ... The government (8) ... on a platform of honesty and competence, and it (9) ... introduce reforms to the legal system so that judges can investigate the misuse of public funds more easily. When that (10) ..., international investor confidence should increase rapidly.

- | | | | |
|-------------------------|---------------------|-----------------|-------------------|
| 1. A is wanting to | B is liking to | C would like to | D due to |
| 2. A predict | B expect | C believe | D hope |
| 3. A will be
fallen | B will been falling | C will falling | D will fall |
| 4. A probably
will | B will probably | C probably is | D is probably |
| 5. A about to | B soon | C being | D expecting |
| 6. A dues to | B due to | C is due to | D is during to |
| 7. A will have
begun | B will be begun | C has begun | D will begin |
| 8. A will be
fought | B will be fighting | C will fighting | D will have fight |
| 9. A is planning | B planning to | C is planned to | D is planning to |
| 10. A happening | B will happen | C happens | D happen |

Exercise 40. *The Human Resources Manager of a large company is explaining the appraisal system to a group of new employees. Complete his talk by putting the verbs in brackets into the right tense. Choose between the present simple (I do), future continuous (I'll be doing), future perfect (I'll be done) and was going to.*

Your appraisal interviews (1) **are** (be) in March, Er, I'm sorry, they (2) ... (be) in February but we had to postpone them. Sorry about that. Um, during february your line managers (3) ... (collect) all the information they need from you, and by the time you meet for the interview, they (4) ... (produce) a checklist of points for discussion.

Right, Um, in the interview you (5) ... (discuss) your performance during the past year and any issues relating to your future needs, er, such as training. By the end of the meeting I hope that you and your line managers (6) ... (agree) on your personal objectives for next year, both in terms of sales targets and professional development. Is that clear? Ok, good. Of course there is some flexibility in the targets, in case anything (7) ... (happen) to the market that we cannot predict. We may also have a budget for you to do some training, after you (8) ... (come) back from your summer holidays but before work (9) ... (get) really busy in September. Is that OK? Yeah. Good. After that, the next

time that we all (10) ... (meet) again will be in October, when I'd like some feedback on your training, as by then any courses that you do (11)... (finish). Is that OK? Yeah.

I (12) ... (send) you feedback forms nearer the time. Well, er, unless you (13) ... (have) any questions. I think that's all. Oh, no. Er, yes- (14)... (have) a word with you about your holiday plans, but you probably don't know them yet. Could you email me with your request as soon as you know them.

Exercise 41. A. Travel arrangements *A group of travel agents has been invited by a tour operator on a familiarisation trip so that they can find out more about the holidays they sell. Look at the itinerary and complete the tour description using the future progressive.*

North India Tour

Day 1	BA flight London Gatwick — New Delhi; check-in at Whispering Palms Hotel
Day 2	Exploration of ancient walled city of Old Delhi; visit to Jama Masjid, the largest mosque in India
Day 3	Travel by coach to the deserted red sandstone city of Fatehpur Sikri
Day 4	Shopping in Agra; Taj Mahal visit at sunset
Day 5	Return journey to New Delhi and return flight via Goa

On the first day you'll be flying British Airways to New Delhi. On arrival there'll be a short tour of the city with its wide boulevards and impressive government buildings. We ... (1) (stay) at the Whispering Palms, which is a pleasant four-star hotel. The next day we (2) (explore) the city of Old Delhi and ... (3) (visit) Jama Masjid, the biggest mosque in India. Then on the third day we ... (4) (take) a coach to Fatehpur Sikri, built by the Emperor Akbar as his capital. We check into a hotel and the next day, after some shopping in the bazaar, we ... (visit) the Taj Mahal at sunset, the best time to see it in its full splendour. On the Friday we ... (6) (return) to Delhi for a flight to Goa Airport and ... (7) (transfer) to another hotel for rest before flying back to London.

B. If, when, until, as soon as complete these sentences using appropriate verb forms. (There may be more than one possible answer).

1. I ... (get) in touch when I ... (return) from the Middle East.
2. If they ... (shut down) the plant, a lot of people ... (lose) their jobs.
3. We... (start) until everyone ... (be) here.
4. He can't make a decision until he ... (see) the president.
5. A project to create a bacterial cell from inanimate chemicals ... (go ahead) as soon as it ... (receive) approval from an ethics committee.

C. Announcements. Write suitable headlines for the first lines of these articles.

1. Bill Gates, Chief executive of Microsoft, the world's largest software company, has announced initiatives to improve the group's MSN website.
2. BMW has announced that it will now go ahead with a \$ 2.7 billion project to replace Rover's 200 and 400 models.

4. Passives

Exercise 42. Complete each sentence with a passive verb. You may need a negative form.

1. Somebody damaged the goods in transit.
The goods ... **were damaged** ... in transit.
2. Thousands of people see this advert every day.
This advert ... by thousands of people every day.
3. They will not finish the project by the end of the month.
The project ... by the end of the month.
4. They have closed fifty retail outlets over the last year.
Fifty retail outlets ... over the last year.
5. We are reviewing all of our IT systems
All of our IT systems ...
6. We cannot ship your order until we receive payment.
Your order ... until we receive payment.

Exercise 43. Decide it is necessary to say who does the action. If it is not necessary cross it out. If it is necessary put a tick.

I don't think your proposal will be accepted ~~by people~~.

The company was founded by the father of the present chairman.

All our machines are serviced by highly trained technicians.

This machine isn't working again! It was repaired yesterday by a technician.

The conference was opened by someone from the London Business School.

I'll be shown round the factory by someone, and then I'll meet the sales team.

Exercise 44. Rewrite these sentences using the passive if it is possible. You may need a negative form. If it is not possible (because the verb is intransitive) put a cross.

1. Our R&D department have discovered a promising new drug. **A promising new drug has been discovered by our R&D department.**

2. The inflation rate went down by 0,5% last month. ...

3. One of our best young designers created this line. ...

4. I'm sorry, we can't do that. ...

Something very interesting happened to me last week. ...

We're spending more than a million dollars on advertising this year.

7. The Accounts Department may not authorise this payment.

8. I worked as a consultant for four years after my MBA. ...

Exercise 45. A marketing manager is writing a training manual that explains how the company uses questionnaires to do market research. Complete the text by putting the verbs from the list below into the present simple passive.

design	send back	distribute	offer	put	outsource	analyse
--------	-----------	------------	-------	-----	-----------	---------

First, we carefully select a sample of people to ask. Then the questions (1) **are designed** ... by a small team within the department. Next, the questions (2) into sequence and grouped together by topic. After that, we print the questionnaire and it (3) ... to everyone in the sample. Of course, not all the forms (4) ... to us, but we try to collect as many as possible.

Sometimes a small gift (5) ... to people who return the forms, as an incentive. Finally we enter all the results onto a spreadsheet, and the information (6) ... by the marketing department. If we are using a very large sample the distribution and collection (7) ... to an external company.

Exercise 46. *Helen is starting her own business. Look at the extract from her planning schedule, then complete her letter to a business advice service.*

Choose either the present perfect passive (has/ have been done) present continuous passive (is/ are being done) or a modal passive form (eg: should be done).

Contact bank to arrange loan.

Find office space.

Equipment needed? Order if necessary.

In progress

Print business cards, stationery, etc.

In progress

Decorate office, order furniture, etc.

Finish end of month

Place advertisements in local press.

Review staffing needs for Christmas period.

November

Dear Sir or Madam

I am writing to arrange an interview with one of your business advisers to discuss my business start-up.

I've analysed the market very carefully and I believe that I have a good business plan. I can give you a few details of my progress so far.

I've had several meetings with my bank, and a loan (1) **has been arranged** (arrange). I've found some office space in a good location, although some work (2) ... (will/ need) there before I can move in. I've reviewed my equipment needs and in fact some specialised items (3) ... (order) at the moment. My business cards (4) ... (print) and will be ready in a

week or so. This week I'm busy decorating the office, and I (5) ... (should/ finish) by the end of the month.

I know that soon I'll have to advertise in the local press, and perhaps you could advise me on this matter. Finally, I'd like some help planning my staffing needs-extra staff (6) ... (might/ need) over the Christmas period.

Yours faithfully
Helen Chadwick

Exercise 47. Read each statement 1-5 then choose which sentence a) or b) should follow. Put a tick by the correct answer.

1. Chevron and Texaco are going to merge via a \$36 billion offer by Chevron.

- a) Senior executives first discussed it a year ago.
- b) It was first discussed by senior executives a year ago.

2. The process of economic union in Europe is progressing quickly.

A commissioner from Spain called Pedro Solbes is directing it.

It is being directed by Pedro Solbes, a commissioner from Spain.

3. Pedro Solbes is Europe's commissioner for economic and monetary affairs.

He is directing the difficult process of economic union.

The difficult process of economic union is being directed by him.

4. Novartis shares rose by 32 Swiss francs in Zurich yesterday.

They are going to launch a new drug called Starlix later this year.

A new drug called Starlix is going to be launched by them later this year.

5. Starlix is a powerful new drug for treating diabetes.

Novartis are going to launch it later this year.

It is going to be launched by Novartis later this year.

Exercise 48. Underline the correct words.

1. I had my car be repaired/ repaired yesterday.

2. Profits are expected grow/to grow by 10% in the next quarter.

3. I was born/ born in a little town just outside Dijon.

4. We're getting the machines cleaned/ to be cleaned tomorrow.
5. The Board is thought to be demanded/ have demanded his resignation.
6. We have the components assembling/ assembled in Taiwan.
7. Where exactly were you born/ did you born?
8. She is supposed to been looking/ to be looking for a new job.

Exercise 49. Complete the second sentence so it has a similar meaning to the first sentence.

1. David Gill from Marketing lent me this book.
... **I was lent** ... this book by David Gill from Marketing.
2. This sample was given to me at the Trade Fair.
... this sample at the Trade Fair.
3. They promised us delivery within two weeks of our order.
We ... within two weeks of our order.
4. A textile firm near Milan made this fabric for us.
... for us by a textile firm near Milan.
5. This order was sent to us through our website.
... this order through our website.
6. My secretary booked the flight for me.
...for me by my secretary.

Exercise 50. Complete the report by putting the verbs in brackets into the present perfect active (has done) or passive (has been done).

Investment opportunities: Brazil

Brazil (1) ... **has been transformed** (transform) from an economy based on sugar and coffee into a leading industrial power, and this (2) ... **has happened** ... (happen) over a relatively short time period. Over recent years inflation (3) ... (bring) under control, and foreign direct investment (4) ... (encourage).

The Government (5) ... (privatise) many state-owned companies, and they (6) ... (also/ invest) a lot of money in advanced infrastructure. In an attempt to decentralise the economy, Campinas was chosen to be Brazil's IT capital, and car production (7) ... (move) away from traditional centres to states such as

Rio Grande do Sul in the south. No one pretends that all the old problems (8) ... (solve), but Brazil is finally taking its place on the world stage.

Exercise 51. *Read the article about Manchester United, then complete it with the verbs in the brackets. Put the first verb in the present simple passive (to be done) and the second verb in a suitable form of the infinitive (to do, to be doing, or to have done).*

Manchester United: just a game of football?

Manchester United is (1) ... **is supposed to have** ... (suppose/ have) between 10 million and 30 million supporters throughout the world. In Norway, for example, one in every 140 people (2) ... (say/ be) a registered supporter. Ticket sales and merchandising contribute over half of the club's revenue, with television contributing a further 20%.

But senior executives (3) ... (know/ look at) other ways to generate income at the moment. For example, the club (4) ... (believe/ develop) e-commerce initiatives through a series of alliances. Costs at the club continue to increase. A few years ago the club (5) ... (report/ spend) £30m on a plan to expand the capacity of the stadium from 55,000 seats to 67,400 seats. But this (6) ... (think/ be) a good investment as it will generate nearly £7.5 million in additional turnover annually. The main costs at the club are the salaries of the players. Last year the team's captain (7) ... (understand/ negotiate) a four-year contract worth over eight figures.

Exercise 52. *The two emails below are very similar, but the one on the right is more impersonal. Complete it by using verbs from the first email in the correct form of the passive.*

Thank you for your order for PCplus software which we received this morning. Our fulfillment team is dealing with your order, and we expect that we will deliver the package to you within 10 working days. I have in-

Thank you for your order for PCplus software which (1) ... was received ... this morning. Your order (2) ... by your fulfillment team and we expect that the package (3) ... to you within 10 working days. Our current price list (4) ... as an attachment. Please note that these prices (5)

cluded our current price list as an attachment. Please note we only guarantee these prices until 31 December. Thank you for choosing soft.com.

Exercise 53. Read the following and rewrite the information, changing the focus as in the example.

Dealing with messages.

Written documents and messages land on your desk all the time and you need to process them efficiently. Here are a few tips.

You should read through documents quickly and absorb their main information content.

If you need to file a written document you can write the file name on the document.

If a written message requires action, you should make a note, for example on a Post-It.

You should dispose of all messages once you have dealt with them.

Dealing with messages.

Written documents and messages land on your desk all the time and ... **need to be processed** ... efficiently. Here are a few tips. Documents ... (1) quickly and their main information content ... (2)

If ... (3) the file name ... (4)

If a written message requires action, ... (5), for example on a Post-It.... (6)

Exercise 54. A. Check your understanding. Are these sentences true or false?

1. Passives are used when we are interested in who has done something rather than what is done.

2. Passives are used when the focus is on what is done rather than the people who perform the action.
3. The object of an active verb corresponds to the subject of a passive verb.
4. Passives are common in an informal style.
5. The passive is often used to describe the stages of process.

B. Active or passive? Complete this advertisement, using either the active or the passive as appropriate.

Communicado's presentation skills training courses ... (1) (tailor) to each client's individual needs, so the main focus is on the type of presentations that ... (2) (give) by the participants in their everyday working lives. Courses ... (3) (conduct) either on a one-to-one basis or in groups. They are highly participative and ... (4) (design) to be enjoyable as well as instructive.

Communicado ... (5) (encourage) clients to ... (6) (build) on their existing social communication skills. Through a number of interesting techniques we ... (7) (show) clients how time can ... (8) (save) in preparation, how body language can ... (9) (use) to maximum effect and how visual aids can ... (10) (create) for maximum impact.

For more details on how **Communicado** can ... (11) (help) your company improve its business presentations, call **0800 2224567** now.

C. Describing a process.

The following passage describes the production of paper. Put the words in brackets into the appropriate form, using the passive when necessary.

From trees to pulp.

The trees ... (1) (transport) to the paper mill by lorry, train or ship. First the bark ... (2) (remove). This ... (3) (burn) at a later stage so that energy can ... (4) (generate) for the paper-making process. Then the logs ... (5) (cut) into chips and ... (6) (cook) under high pressure for four hours to make paper pulp.

Next the pulp ... (7) (bleach) to ... (8) (remove) dirt spots and ... (9) (improve) its ageing properties.

From pulp to paper.

The manufacturing process also ... (10) (require) chemicals to strengthen the paper. The fibres ... (11) (mix) with additives and ... (12) (dilute) with water. This mixture ... (13) (spray) onto the paper machine where it ... (14) (press), then ... (15) (dry) and ... (16) (wind) onto one large reel which ... (17) (weigh) up to 20 tons. Each part of the process ... (18) (control) by computers which automatically ... (19) (correct) any errors.

5. Models and related verbs

Exercise 1. Underline the correct words.

1. Do you can/ Can you come to the meeting next week?
2. I can come / I can to come to the meeting next week.
3. I won't can't/ be able to come to the meeting next week.
4. Sorry that I didn't could/ I couldn't come to the meeting last week.
5. Sorry that I wasn't able to/ I wasn't able to come to the meeting last week.
6. Do you will/ Will you show me how to log on to the network?
7. What we can do/can we do?
8. I hope to can/ to be able to fly directly to Dusseldorf.
9. I must speak / I must to speak with Mr. Reiner as soon as possible.
10. I managed to/ I could speak to Mr. Reiner yesterday.
11. The hotel was OK, but I managed to/ I could hear a lot of noise from the street.
12. I managed to/I could take a boat trip on Lake Lemman when I was in Geneva.

Exercise 2. Complete the sentences with can, can't, could, couldn't or be able to.

1. I'm afraid I ... **can't** ... help you at the moment.

2. I don't think I'll ... come to the meeting.
3. The negotiations broke down because we...agree on the price.
4. I ... see you were having problems, so I didn't interrupt.
5. If you ... make a firm order today, we should... ship by Friday.
6. I find Portuguese very difficult. I ... understand it, but I ... speak it.
7. Sorry, I ... see you next week, but I might ... make the week after.
8. A: Will you ... go to the training seminar?
B: No, I ... — I'm very busy.
9. I'm sorry I ... come to your talk yesterday. I had to sort out a problem.
10. I ... ski really well when I was in my twenties, but now I'm out of practice.

Примечание [91]:

Exercise 3. Match sentences 1-8 with their uses of will.

- | | |
|---|-----------------------|
| a) a future fact | e) a promise |
| b) a belief or opinion about the future | f) ordering food |
| c) an instant decision | g) a request |
| d) an offer of help | h) offering something |

I think sales will probably improve in the spring.

I'll give you a hand with your bags.

Will you give me a hand with these bags?

OK, I'll phone them right now.

I'll have the pan-fried fish.

I'll be there at six o'clock. Don't worry, I won't be late.

In the spring we'll have two new products ready to launch.

Will you have another glass of wine?

Exercise 4. Complete the telephone conversation using phrases from the list below.

can you send	can I call you	can you hear	can I help you	can't see
could I speak to	could you hold	could you repeat	could you speak	could you tell me
I'll need	I'll put one	I'll be on	I'll just go	I'll wait

I'll put you through	I'll get back to you
-------------------------	-------------------------

Jon : Good morning, the Tech Store, this is Jon speaking.
Sara: (1) ... **Could I speak to** ... someone in Customer Services, please?
Jon: Er. Yes, of course, (2)
Mark: Customer Services, Mark speaking, how (3) ... ?
Sara: I'm calling about your new Samsung DVD players. (4) ... if you have any in stock?
Mark: (5) ... and see. (6) ... the line please?
Sara : Yes, no problem, (7)
Mark: Hello? I (8) ... any on the shelves. (9) ... to check the order status on the computer. (10) ... back?
Sara: Certainly. My name is Sara Hall and my telephone number is 05821067.
Mark: Sorry (11) ... up? It's a terrible line.
Sara: Is that better? (12) ... me now?
Mark: Yes? that's much better. (13) ... the number please?
Sara: Of course. It's 0582 1067. (14) ... this number all morning.
Mark: Sorry, I can't tell you if we've got any DVDs in stock right now, but (15) ... as soon as I have the information. Was there anything else?
Sara: Er, yes, (16) ... me a copy of your latest catalogue?
Mara: Of course, (17) ... in the post to you today. What's your address?
Sara: It's 25 Ridley Lane, Lower ...

Exercise 5. This exercise introduces many of the modal verbs covered in the following units. Match each sentence 1-14 with a meaning a)-n).

- | | |
|---------------------------|---------------------------------|
| 1. I should do it | a) It's necessary to do it. |
| 2. I shouldn't do it. | b) It's not necessary to do it. |
| 3. I can do it. | c) Sorry, it's impossible. |
| 4. I can't do it. | d) It's forbidden. |
| 5. I mustn't do it. | e) I have the ability to do it. |
| 6. I don't have to do it. | f) I'm offering to do it. |

- | | |
|------------------------------|-----------------------------------|
| 7. I have to do it. | g) It's a good idea. |
| 8. I'll do it. | h) It's a bad idea. |
| 9. I'll do it. | i) I'm inviting you. |
| 10. I might do it. | j) I'm asking permission. |
| 11. Would you like to do it? | k) I'm requesting that you do it. |
| 12. Could you do it, please? | l) I promise. |
| 13. May I do it? | m) Perhaps I will do it. |
| 14. Shall I do it? | n) I'm making a suggestion. |

Exercise 6. Match each sentence 1-12 with one of the formal sentences

a)- l)

- | | |
|-------------------------------|-----------------------------------|
| 1. I can do it. | a) It's necessary. |
| 2. I mustn't do it. | b) It's not necessary. |
| 3. I don't have to do it. | c) It's allowed. |
| 4. I have to do it. | d) It's not allowed. |
| 5. I couldn't do it. | e) It was necessary. |
| 6. I didn't have to do it. | f) It wasn't necessary. |
| 7. I had to do it. | g) It was allowed. |
| 8. I could do it. | h) It wasn't allowed. |
| 9. I should have done it. | i) Doing it would be a good idea. |
| 10. I shouldn't have done it. | j) Doing it would be a bad idea. |
| 11. I shouldn't do it. | k) Doing it was a bad idea. |
| 12. I should do it. | l) Not doing it was a bad idea. |

Exercise 7. Complete the sentences with *must* or *have to*. Both are possible each time, but one is more natural in a spoken context.

- I ... remember to email Steve and thank him for all his help.
 Sorry, I ... go now, the meeting begins in five minutes.
 You ... your tax form by 31 January.
 You ... try to be more diplomatic when you're speaking to Tim.
 I ... go the dentist next Friday morning, so I'll be a little late.
 I really ... go the dentist. I've had this awful pain for two days.

Exercise 8. Decide whether each pair of sentences has the same meaning.

Write I for identical or nearly identical, S for similar or D for completely different. At the end there will be nine of I, two of S and three of D.

<u>A</u>	<u>B</u>
1. <u>You'd better go now.</u>	<u>You should go now.</u>
2. We don't have to cut the budget.	We mustn't cut the budget.
3. You should have a rest.	You ought to have a rest.
4. You can't smoke here.	You're not allowed to smoke here.
5. We must sign the contract.	We should sign the contract.
6. You must be here before 8.30.	You have to be here before 8.30.
7. You musn't touch that key!	You don't have to touch that key.
8. You didn't have to give a tip.	You didn't need to give a tip.
9. We have to work harder on this.	We must work harder on this.
10. I ought to leave now.	I have to leave now.
11. You shouldn't worry so much.	You ought not to worry so much.
12. I must write these letters now.	I'd better write these letters now.
13. I couldn't use the email.	I didn't need to use the email.
14. We don't have to decide yet.	We don't need to decide.

Exercise 9. Look at these notes that a Personnel Manager wrote to explain company rules. Then use the notes to complete a briefing he gave to some new employees on their first day at work. Choose from have to, don't have to, can, can't, should or shouldn't.

- Necessary: sign letter about working hours, leave building during fire drill
 Not necessary: send holiday form to personnel immediately
 Permitted: volunteer to work extra hours, take 3 weeks holiday, smoke outside building
 Prohibited: make staff work long hours, take all holiday time together
 Good ideas: speak to head of department about excessive hours, give notice to head of dept. about holidays, read fire notices

Bad idea: block fire exit.

«Um. Excuse me. Good morning. Er, good morning. I've called you to this meeting to explain to you all some of the basic health and safety rules that we have here. Um, first of all, working hours: it's not our company policy to make staff work excessive hours-it makes people unproductive and can endanger health. Um

managers (1) ... **can't** ... make any of their staff work more than an average of 48 hours per week, although anyone (2) ... volunteer to work more than these hours, but they (3) ... sign a letter from the company to say that they want to do this. Any member of staff who is worried that they are working too many hours (4) ... speak to their head of department about it.

Um, all employees (5) ... take a minimum of three weeks' paid holiday per year, but you (6) ... take all this holiday off in one block. Staff (7) ... give their head of department as much notice as possible about their holidays, although they (8) ...

send their holiday form off to personnel until a few weeks before they go.

Next, er, fire drills. We have a fire drill about once a month-don't ignore it. You (9) ... leave the building immediately that you hear the bell, and of course you (10) ... block the fire exits. Fire notices are posted throughout the building. Employees (11) ... read these notices regularly. In the case of a real fire, don't panic and follow the fire procedures. And lastly, or you smokers, I'm afraid that smoking is not permitted anywhere inside the building, although you (12) ... smoke just outside the front door. I think that covers everything. Does anyone have any questions? No ... Yes ...»

Exercise 10. A businessman is describing his trip to Lagos. Complete the text with had to, didn't have to, couldn't, should have or shouldn't have. Each phrase is used twice.

«I (1) ... **should have** ... travelled on the 10 am flight, but when I got to the airport they told me that the flight was overbooked and I (2)...catch a later flight. Then at the check-in desk they told me that I (3) ... take both my bags

as hand luggage, so I (4) ... let one of them go in the hold, which was very annoying as I had my diary in it, and it delayed me by nearly an hour at baggage reclaim at the other end. When I got on the plane I wanted to use my laptop, but of course I (5) ... until after take off. The flight attendant told me to turn it off and said that I (6) ... known not to use it. To be honest I'd just forgotten, and he (7) ... been so rude. Er, it was quite late when I finally left Lagos airport, so it was lucky I (8) ... go to any meetings that afternoon. And, looking back at what happened, I (9) ... travelled with that airline – they have a lot of problems with overbooking. And my company was paying for the flight so (10) ... choose the cheapest option».

Exercise 11. Underline the correct words.

1. Look at those clouds. I think it can/ might must rain.
2. That's impossible. It can't be/ musn't be/ may not be true.
3. Well done! You may be/must be/ might be very pleased.
4. Next Thursday is a possibility. I might be/ can't be/must be free in the afternoon.
5. I'm not sure. I must not be/ may not be won't be able to get there in time.
6. That can't be/ mustn't be/ may not be David. He's away at a conference.
7. Lisa isn't at her office. She can be/ must be/ mustn't be on her way here.
8. Lisa hasn't arrived yet. She should be/ can be / can't be here soon.
9. There's someone in reception. It can be/ could be/ mustn't be the engineer.
10. Sorry, I can't/ may not/ might come to your presentation. I'm busy that afternoon.
11. I've looked everywhere for Sue. She could be/ must be/can be at lunch.

Exercise 12. Match each sentence 1-7 with a similar sentence a)-g).

- | | |
|-------------------------------------|--|
| 1. They're likely to do it. | a) I'm sure that they'll do it. |
| 2. They might /could do it. | b) I'm nearly sure that they'll do it. |
| 3. They're almost certain to do it. | c) They'll probably do it. |

- | | |
|------------------------------------|---------------------------------------|
| 4. They'll definitely do it. | d) Maybe they'll do it. |
| 5. They're unlikely to do it. | e) I'm sure they won't do it. |
| 6. They're very unlikely to do it. | f) They probably won't do it. |
| 7. They definitely won't do it. | g) They almost certainly won't do it. |

Exercise 13. Complete the second sentence so it has a similar meaning to the first sentence using *must, might, can or can't*.

1. Deliver by the end of the month? Yes, I think it's possible to do that.
Deliver by the end of the month? Yes, I think we ...**can**... do that.
 2. It's possible that we will lose this client.
We ... lose this client.
 3. I'm sure this isn't the right road.
This ... be the right road.
 4. I'm sure you work late most nights.
You work late most nights.
 5. It's possible that I'll see you tomorrow, but I'm not sure.
I ... see you tomorrow.
 6. It's possible for the new printer to print 20 sheets per minute.
The new printer ... print 20 sheets per minute.
- I'm afraid that I'm unable to go to the Trade Fair this year.
I'm afraid that I ... go to the Trade Fair this year.
- I suppose you are Kate Perry. How do you do?
You ... be Kate Perry. How do you do

Exercise 14. Match each sentence 1-8 with its meaning a)-d).

- | | |
|-----------------------------------|---------------------------------------|
| 1. He won't have arrived yet. | a) 95-100% probability of his arrival |
| 2. He'll have arrived by now. | b) 80% probability of his arrival. |
| 3. He can't have arrived yet. | c) 40-60% probability of his arrival. |
| 4. He might have arrived by now. | d) 0% probability of his arrival. |
| 5. He could have arrived by now. | |
| 6. He should have arrived by now. | |

7. He must have arrived by now.
8. He couldn't have arrived yet.

Exercise 15. Complete the article with the words and phrases from the list below. The graphs and ideas in the text will help you.

definitely	is almost	is likely to	is unlikely	might	will
won't	certain to		to		definitely

Since the beginning of this year unemployment has fallen from 2.5 million to 1.8 million, and (1) ...**is likely to**... drop below 1.5 million by the end of this year. This (2) ... be good news for the government as unemployment is a very important issue in the country at the moment. By the time of the next election unemployment (3) ... even fall below 1 million – it all depends on the world economy and is impossible to predict with any certainty. Unfortunately inflation is going up steadily. It (4) ... reach 6% by the end of the year. However, the government (5)... take panic measures as inflation is similar to that of its trading partners and (6) ... return to levels of the 1980s when rates of 30% or 40% a year were quite common.

Exercise 16. Martin and Anne have arrived at check-in at Heathrow Airport. Complete their dialogue with must, might, can't, must have, might have or can't have. Use each word once only.

Martin: Oh no, I can't find my passport.

Anne: You're joking.

Martin: No, really, it's not in my briefcase.

Anne: Well, it (1) ...must... be in your other bag. Quick have a look.

Martin: It's not there. Where on earth is it?

Anne: Well, I don't know. Do you think you (2) ... left it at home.

Martin: That's impossible. I (3)... done. I checked I had it with me four times before I left the house.

Anne: OK, calm down. What about checking your coat pockets? You never know, it (4) ... be there.

Martin: No, it isn't. This is ridiculous. We're going to miss our flight.

Anne: Look, you (5) ... be looking in the right place.

Check-in Attendant: Excuse me, sir. Is that your passport there on the ground?

Martin: Oh, yes, so it is. Ah, I (6) ... dropped it when I was looking for the tickets.

Exercise 17. A. Abilities. Match the personal qualities with the abilities on the right.

If you

1. are computer literate
2. are trilingual
3. are good at mental arithmetic
4. are autonomous
5. have a creative personality
6. have a logical mind
7. are decisive and people accept your authority

You can

- a) work well on your own
- b) use different types of software
- c) solve problems rationally
- d) be a good leader
- e) calculate quickly in your head
- f) speak three languages
- g) bring new ideas to projects.

B. Past abilities. Complete the sentences using either could or managed to.

1. After a lot of discussion we ... strike a deal.
2. He was a brilliant linguist and ... speak over a dozen languages fluently.
3. I thought I was going to miss the plane but I ... get to the airport on time.
4. When I was younger I ... run several kilometers without feeling tired.
5. She ... find a good job despite her lack of formal qualifications.
6. When we lived near the beach we ... go swimming every day.
7. She ... have left me a message – how was I supposed to know?

C. Indicating disapproval. React to these situations using could have.

1. Why didn't she ring to tell me she would be late?
2. She had the facts and figures but left me in the dark.
3. It wasn't worth us taking a taxi, the station was within walking distance.

4. It took six days for the letter to arrive and we both have-e-mail.

Exercise 18. A can. Make appropriate sentences from this table using can.

Learning a foreign language				hard work
Entertaining overseas customers		occasionally		good fun
Being in charge of a new project	can	sometimes	be	challenging
Setting up in business		often		a waste of time
				painful
Negotiating a contract				boring

B. could/ couldn't. Rewrite these sentences using could or couldn't.

1. If we diversified we would be able to offer a wider range of products.
2. If I had stayed in the States I would have been able to get a better job.
3. In the 1980s it was possible to make a fortune as a «golden boy».
4. She had an opportunity to do an MBA but decided it was too much work.
5. Thirty years ago you used to be able to buy cigarettes in packets of five.
6. Before privatization it wasn't possible to buy shares in British Telecom.

C. Missed opportunities. Read the following story and list the missed opportunities using could have.

As a young man Peter Metro was a gifted musician who once had a record in the top 20. But he decided to abandon music and study ocean engineering at Florida Atlantic University instead. After four years there he graduated and was offered a research post in the faculty. But by that time he had decided he wanted to see the world and spent a year travelling Europe. In Italy he happened to meet the film director Roberto Bellini who offered him a role in his latest film, but he turned it down because he had just accepted a job with a small firm specialising in the construction of racing catamarans. One day the famous skipper Chris Dickson asked him to sail with him during the Admiral's Cup but Peter decided not to because he was too busy.

6. Articles

Exercise 1. Underline the correct words.

1. Where's a/ the fax they sent this morning? I can't find it.
2. I have an/ the appointment at/ the bank.
3. I had a/ the very good holiday. A/ The weather was marvellous.
4. I've been working so hard that I need a/the break.
5. They are a/the largest manufacturer of light bulbs in a/ the world.
6. A/ the presentation was a/ the great success.
7. Can I give you a/ the lift to the station.
8. I think I need a/ the new pair of glasses.
9. We need to reach a/ the decision as soon as possible.
10. There must be an/ the answer to a/the problem.
11. Mike is an/the accountant. He works on another/the order side of town.
12. His office is a/ the biggest one in a /the building.
13. Where is a/ the document that we were looking at just now?
14. The Portuguese The Portuguese people are very good negotiators.

Exercise 2. Put either a/an or a dash (-) to show no article.

1. ... — ... money makes the world go round.
2. Shella drives ... French car.
3. Rita works in ... insurance agency in ... Lisbon.
4. ... health is the most important thing in ... life.
5. This is... good time for... sales of new cars.
6. This is a number to call for ... information.
7. I've got ... colleague who is ... systems analyst.
8. ... product knowledge is very important for ... sales representative.
9. He is ... engineer. He studied ... engineering at university.
10. We produce ... full sales report four times ... year.

Exercise 3. Put either a/an, the or a dash (-) to show no article.

1. ... **The** ... Italians have given us ... **a** lot of – business.
2. most people thought that it was ... very good product.

3. I like to drink ... glass of ... wine in ... evening.
4. I wish I could speak ... English like ... English.
5. As soon as ... Helen gets off ... plane, ask her to give me...call.
6.smoking is not permitted in this area.
7. There's ... visitor at ... reception desk.
8. When I arrived at ... airport, I had ... drink and waited for ... flight.
9. I want ... action, not...words.
10. person with ... MBA usually gets ... good job.
11. I'll get you ... coffee from ... machine.
12. Marie comes from ... France.

Exercise 4. Complete this article with either a/an, the or a dash (-) to show no article.

How clean is their money?

«Money laundering» is (1) **the** ... name given to one of (2) ... worlds biggest financial problems: moving money that has been obtained illegally into (3) ... foreign bank accounts so that (4) ... people do not know where it has come from. Putting (5) ... value on money laundering is of course very difficult, but the International Monetary Fund estimate that it is huge-perhaps \$1 trillion (6) ... year, equivalent to about 4% of gross world product.

(7) ... problem has grown hand-in-hand with (8) ... globalisation, and particularly with (9) ... lifting of capital controls and (10) ... development of (11) ... international payment systems. These allow money to be moved in (12) ... seconds between banks in different parts of the world who know very little about each other. (13) ... international payment system is crucial to (14) ... stability of the world's financial markets, but it also provides (15) ... opportunity for criminals to hide their money. Private banking is (16) ... best-known laundering channel. Clients of these banks are wealthy people who want their affairs handled with discretion, especially because they want to minimise (17)... amount of (18) ... tax they pay. In these banks there is (19) ... culture of «don't ask; don't tell». And (20) ... biggest problem within (21) ... private banking is offshore banks. There are around 5.000 offshore banks controlling about \$5 trillion in assets, and some have no physical presence in any location.

Exercise 5. Complete this interview between a journalist and the CEO of Biotec, a biotechnology company. Use either a/ an, the or a dash (-) to show no article.

Journalist Can you begin telling me (1) **a** ...little about (2) **the** ... recent
: changes at (3) — ... Biotec?

Ceo: Well, as you know, last year we made (4) ... decision to move our operations to (5)...Cambridge, because it's very important for (6) ... biotechnology companies to recruit (7) ... scientists from (8) ... best universities. Er, we're in (9) ... very competitive jobs market here in Cambridge, and we motivate our employees by offering them (10) ... attractive salaries and (11) ... excellent working conditions. We've built up (12) ... excellent team, and we're doing some very important research in (13) ... field of (14) ... gene therapy.

Journalist Many people say that(15)... biotechnology promises more than it
: delivers. Is that true at Biotec?

Ceo: That may be true in general, but (16) ... biotechnology that we do is already producing (17) ... results. Last year we made (18) ... small profit for (19) ... first time, and (20) ... revenue is increasing rapidly. Also, we've recently made (21)... distribution deal with (22) ... large pharmaceutical company. They have the marketing skills that we lack, and (23) ... partnership is working well for both sides. Our aim next year to enter (24) ... American market, and we're confident of (25) ... success.

Exercise 6. Underline the correct words.

1. We went to Pisa / the Pisa and saw Leaning Tower / the Leaning Tower.

2. Crete/ The Crete is very beautiful at this time of year.

3. My son is in hospital / the hospital and can't go to school/ the school.

4. You can go from Heathrow/ the Heathrow by underground/the underground.

5. Helmut Kohl/ The Helmut Kohl was Chancellor/ the Chancellor who helped to reunite Germany/ the Germany.

6. We flew over Alps / the Alps and saw Mont Blanc/ the Mont Blanc.
7. In near future/ the near future videoconferences will replace many meetings.
8. I'm tired! Thank goodness it's time to go home /to home.
9. New York/ The New York is in United States / the United States.
10. I usually have lunch/ the lunch at about one.
11. I used to work for Deutsche Bank/ the Deutsche Bank in City of London/ the City of London at start/ the start of my career.
12. My son wants to go to university/ the university after his exams.
13. Do you know Lake Windermere/ the Lake Windermere? It's Lake District/ the Lake District, in north-west/ the north-west of England/ the England.
14. I bought this suit from Bond Street/ the Bond Street.
15. The Government should do more to help the poor/ the poor people.
16. On our trip to UK/ the UK we toured around south-east/ the south-east and visited Canterbury Cathedral/ the Canterbury Cathedral.
17. They wouldn't pay, so we took them to court/ the court.
18. John/ The John is at work/ the work at moment /the moment.
19. We travelled to Italy/ the Italy by car/ the car.
20. Danube / The Danube is the main river in Central Europe/ the Central Europe.

Exercise 7. In each pair of sentences, fill in one space with the and the other space with a dash (-) to show no article.

- a) ...—... profits are increasing across every division of the company.
- b) ...The... profits we made last year were up in comparison to the year before.
- a) ... information in your report will be very useful to us.
- b) ... information about the Kazakh market is hard to find.
- a) ... visitors should sign their name in the book at reception.
- b) ... visitors from Germany will be arriving at ten.
- a) This magazine article gives ... advice about which stocks to buy.
- b) Thank you for ... advice you gave me last week.
- a) ... bonds I have are all long-term investments.
- b) ... bonds are a safe investment when interest rates are falling.

- a) ... French exports to the rest of Europe are up 4% this year.
- b) ... French are world leaders in the luxury goods market.
- a) ... management is an art, not a science.
- b) ... management are blaming the unions for the breakdown in negotiations.

Exercise 8. Complete the second sentence so it has a similar meaning to the first sentence.

1. Tracey is the team leader.
Tracey is the leader of the team.
2. Your goods are on a ship at the moment.
At the moment your goods are ... sea.
3. The meeting has ended.
This is ... meeting.
4. Brighton is at the bottom of a map of England.
Brighton is ... south of England.
5. Do you have the Internet at your house?
Do you have the Internet ... home?
6. We walked to the station.
We went to ... foot.
7. We employ 250 people at the moment.
We employ 250 people ... present.
8. Daniel is still in his office.
Daniel is still ... work.

Exercise 9. Complete the following texts with either the or a dash (-) to show no article.

A.

(1) ...—... Argentina is one of (2) ... most deregulated markets in (3) ... world. (4) ... privatisation process started in (5) ... 1990s, and has included sectors such as (6) ... telecommunications, (7) ... utilities and (8) ... financial services. (9) ... Argentine telecoms market was fully deregulated in (10) ... November 2000 and there are now (11) ... five million cellular lines and six million homes with (12) ... cable television services. (13) ... water was

decentralised before being privatised. (14) ... Aguas Argentinas, (15) ... local water supply company for (16) ... city of Buenos Aires and all (17) ... municipalities in (18) ... Greater Buenos Aires, is (19) ... largest privatised water utility in (20) ... world.

B.

Imagine a country that continues for 4200 km from (21)... dry deserts in (22) ... north, through (23)...Industrial and agricultural heartland in (24) ... centre to (25) lakes and forestry... plantations in (26) ... south, and finally to ... (27) ... ends of (28) ... earth in (29) ... Patagonia and Antarctica. Welcome to (30) ... Chile! it's a very diverse country, with (31) ... Pacific Ocean to one side and (32) ... Andes to (33) ... other-you can swim in (34) ... sea and ski in (35)... mountains all in (36) ... same day. There are (37) ... business opportunities in many areas, and (38) ... financial services sector is (39) ... most sophisticated in (40) ... Latin America.

Exercise 10. A. a/an, the and zero article. Read the following passage and identify the uses of a/an, the and zero article with each noun.

A.

My brother Michael used to be a teacher (1) in a village school ... (2) near Cambridge ... (3). The Job ... (4) was interesting but tiring and not very well-paid. He spent most of his free time on his hobby-collecting and repairing antique clocks ... (5). Then he had an idea ... (6). The CBI ... (7) (Confederation of British Industry) was helping people ... (8) start up by themselves. Why not go on a training course ... (9), apply for a loan ... (10) and set up a small business ... (11)? So he sent in his resignation to the school ... (12), said goodbye to the children ... (13), and joined the unemployed ... (14). He obtained information (15) from different sources ... (16), took advice ... (17) from an accountant ... (18), left the village ... (19) and learnt all about the antique trade ... (20). Eighteen months later he had his own shop and was earning about £2,000 a month ... (21). «It was the best thing ... (22) I ever did», he says.

B. Ferrari

Complete the blanks with a/ an, the or Ø

... Ø... Enzo Ferrari's death in August 1988 was ... (1) sad occasion. However, it did release ... (2) Ferrari from ... (3) grip of his idiosyncratic ways and enabled ... (4) firm to move into ... (5) new era. ...

... (6) appointment of Luca di Montezemolo in December 1991 was ... (7) beginning of ... (8) series of ... (9) changes. His aim was to invest in ... (10) research and ... (11) development and to bridge ... (12) gap between ... (13) racing and production car businesses. He also introduced ... (14) sponsorship, although ... (15) constructor still has fewer names on its cars than ... (16) other teams. ... (17) CEO is steering ... (18) narrow course between modernising ... (19) company while trying to avoid diluting ... (20) mystique that makes ... (21) marque so great.

7. Conditionals

Exercise 1. Underline the correct words.

If we're/ we would be late, they'll start/ they'd start without us.

If we will take/ take a taxi, we'll arrive/ we arrive sooner.

If we worked/ would work for ADC, we'll get/ we'd get a better salary.

When inflation will go/ goes up, there would be/ is usually pressure on salaries.

If we don't hurry/ won't hurry, we would be/ we'll be late.

If you change/ are changing your mind, give me/ you will give me a ring.

Unless you click/ would click on that icon, it didn't/ it won't print out.

If you ordered/ order on the Net, we always will send/ send an email confirmation.

If lend/ will lend you this book, when do you return/ will you return it.

If you heard/ hear anything in the next few days, let me/ letting me know.

Exercise 2. Read these sentences and decide if the events are likely or imaginary. Complete the sentences by putting the verbs in brackets into the present simple + will or the past simple + would. Use contracted forms where possible.

1. It's not far. If you ...*follow*... (follow) this road, you ...*'ll come*... (come) to the station.

2. If I ...*was*... (be) on the Board of this company, I ...*'d argue*... (argue) against the merger.

3. If you ... (have) any questions, I ... (deal) with them at the end of my presentation.

4. If the council ... (ban) all cars from the city centre, there ... (not be) so much pollution.

5. A: I have no idea what the other side are going to propose in the negotiation tomorrow.

B: Neither do I. If I ... (know), I ... (tell) you.

6. A: My train leaves in forty minutes.

B: It only takes ten minutes to the station by taxi. If you ... (leave) now, you ... (catch) it.

7. A: Is that the time? I really should be going.

B: If you ... (wait) a moment, I ... (give) you a lift.

8. A: Would you like to go to English evening classes with me?

B: I'm sorry, but I can't. I'm really busy. If I ... (have) more time, I ... (love) to.

Exercise 3. Complete the sentences with the correct pair of possible forms a) or b).

If the bank lends us the money, ...*a*... it in new machinery.

a) we'll invest/ we're going to invest b) we'd invest/ we were investing.

When ... a lot of orders, we always employ extra staff in the factory.

a) we'll get/ we got b) we get/ we've got

If ... this project again, I think I'd do it differently.

a) I was starting/ I started b) I'll start/ I've started

If the company crashes, ... someone from the IT department.

a) you'd call/ you are calling b) call you'll have to call.

Exercise 4. Paula, a marketing manager of a car manufacturing company, is talking to her colleague Luis, a production manager. Complete their conversation with the words from the list below.

will (X2)	won't (X2)	would (X2)	wouldn't	unless (X2)	be	is	is going to be	don't	didn't
--------------	---------------	---------------	----------	----------------	----	----	----------------------	-------	--------

PAULA: Luis. Aren't you worried about the proposed strike?

LIS: Well, sure ...

PAULA: You see, if the factory workers go on strike, we (1) ... 'll... lose a lot of production. If we lose production, we (2) ... be able to supply all our customers.

LUIS: Yes, I know, but ...

PAULA: And if we (3) ... supply our customers, they'll probably buy other makes of car. If that happens, our market share (4) ... go down. It's not looking good.

LUIS: Well, that's right, but ...

PAULA: And what's more, in my experience, when workers go on strike there (5) ... a bad atmosphere for months afterwards.

LUIS: Yes.

PAULA: So, 6) ... you can come to an agreement with the workers soon, there (7) ... a lot of trouble ahead. If you want my advice, (8) ... very careful.

LUIS: Look, don't worry.

PAULA: Don't worry?

LUIS: Yes. Look, the workers know that the success of the company depends on this new model. (9) ... they're stupid, they (10) ... go on strike.

PAULA: Oh?

LUIS: Now, just imagine – if it sold really well, we (11) ... increase our market share and our profits. If that happened, we (12) ... need to make so many job cuts. And if we (13) ... have to cut jobs, the trade unions (14) ... be much happier.

PAULA: Well, I suppose you've got a point.

Exercise 5. You are talking to a friend about your new job. Use your thought to complete the sentences you say. Put the verb in brackets into either the present simple, past simple, imperative, will + infinitive or would + infinitive.

You think: People say that hard work usually results in promotion in this company.

You say: (1) They say that if you ... *work*... (work) hard, you ...*get*... (get) promoted.

You think: I want to show them that I'm good at my job so that I can have more job security.

You say: (2) I hope that if I ... (do) my best, they ... (give) me a permanent contract after a few months.

You think: I've been late in the morning a few times. I wish I could work at the Leiria site which is nearer my home.

You say: (3) I'm sometimes late for work. If I ... (work) at the Leiria site, it ... (not be) such a problem.

You think: One thing worries me. I had a health problem a few years ago, but it's very unlikely that it will reoccur.

You say: (4) I wonder what ... (happen) if my health problem ... (reoccur)?

You think: Maybe it's not a problem. In general they seem to be very reasonable about illness.

You say: 5) Actually, if you ... (miss) one or two days because of illness, they ... (not seem) to mind.

You think: Goodbye. I hope I'll see you soon.

You say: (6) If you ... (fancy) a drink one evening, just ... (give) me a ring.

Exercise 6.

It's generally the case. Match the sentence halves.

- | | |
|---|---------------------------------|
| 1. If the government lowers interest rates, | it loses market share. |
| 2. If you want to play golf well, | people tend not to save. |
| | it is more difficult to export. |

- | | |
|--|---------------------------------|
| 3. If inflation is high, | you get monkeys. |
| 4. If the national currency is strong, | you have to practise regularly. |
| 5. If you have an offshore bank account, | it makes borrowing easier. |
| | you don't pay income tax. |
| 6. If you pay people peanuts, | |
| 7. If a firm doesn't advertise, | |

B. Future consequences. Write what you will or may do in the following situations.

1. If your car is stolen
2. If a close colleague gets married
3. If you are offered a better-paid job abroad.
4. If your firm is taken over by a competitor.
5. If you have to give a presentation in English.
6. If your computer is infected with a virus.

C. If/ unless. Complete each sentence with either if or unless.

1. ...you don't have persistence, you can't be a good salesman.
2. We don't employ people... they're flexible and keen to work hard.
3. ... you do business abroad, it's a good idea to learn about the local culture.
4. ...you encounter any problems with your mobile phone, we will provide a complete repair service.
5. ...you call to tell me you're not coming. I'll see you tomorrow afternoon.
6. Don't promise anything ... you're completely sure.
7. Your presentation will be better... you make good eye contact with the audience.
8. ... you increase sales by over 20%, the company will pay you a performance bonus.

Exercise 7. Underline the correct words. This exercise includes revision of imaginary futures.

1. If you phoned/ had phoned me yesterday, I had told/ would have told you.
2. If you took/ would have taken more exercise, you might feel/ had felt better.
3. If Tim would have listened/ had listened more carefully, he wouldn't have made/ didn't make that mistake.
4. If we'd found/ we found suitable premises, we'd have moved/ we had moved earlier.
5. If people kept/ had kept their offices more tidy, it might present/ presented a better image to our visitors.
6. If I'd known/ I would know about their financial problems, I wouldn't do/ wouldn't have done business with them.
7. If our side had been/ was better prepared, we succeeded/ could have succeeded in the negotiations.
8. I wouldn't/ won't worry if I am/ were you.

Exercise 8. Complete the sentences with the words from the list below.

Each word is used twice.

when	as long as	in case	unless
------	------------	---------	--------

1. I'll speak to you again ...**when**... I've looked at the contract in detail.
2. Leave your return flight open ... the negotiations take an extra day.
3. We can start the project next week ... everyone agrees.
4. We can start the project next week ... anyone disagrees.
5. The Board will be happy ... our share price remains high.
6. Keep your receipt ... you need to return the goods.
7. The new stock will arrive ... the Christmas sales are finished.
8. We'll probably make a loss this year ... sales improve in the last quarter.

Exercise 9. Underline the correct words.

I wish I hadn't drunk/didn't drink so many whiskies last night.
There's so little space in here. I wish I have/ had a bigger office.
I don't feel well. I wish I could stay/ will stay in bed this morning.
I hope you enjoyed/enjoy yourselves at the theatre tonight.
I've been waiting thirty minutes for the bus. I wish I took/ had taken a taxi.
I must get in touch with Sue. If only I know/ knew her number!
I'm not a good typist. I wish I could type/ would type better.
I wish Jim didn't interrupt/ doesn't interrupt so often in meetings.
I have to finish this report by tomorrow. If only I would have/had more time.
Enjoy your holiday. I hope you have/ could have a good time.
That presentation was a disaster! I wish I could do/ would do it all again!
I'm disappointed with this camera. I wish I didn't buy/ hadn't bought it.

Exercise 10. Patrick and Jurgen are discussing a negotiation that went wrong. Complete the dialogue with words from the list below.

if	as long as	in	unless	'll	'd (x2)	can	would	'd	wouldn't
		case	(x2)				have	have	have

Patrick: Jurgen, (1) ... **if**... you've got a moment, (2) ... I have a word with you?

Jurgen: Sure. (3) ... it doesn't take too long. I've got a meeting in five minutes. Is it about that contract that we lost?

Patrick: Yes. What went wrong? Do you think we (4) ... got the deal if we (5) ... offered a better price? Maybe we (6) ... lost the business.

Jurgen: No, I don't think the problem was the price.

Patrick: No? Well, was it a problem with the delivery time? If we (7) ... given a shorter delivery time (8) ... we... been more successful?

Jurgen: No, the delivery time was OK.

Patrick: Hmm, this is strange. We really should find out what went wrong (9) ... a situation like this happens in the future. You know, (10) we learn from our mistakes, we (11) ... lose more orders. Now, Jurgen, tell me

what do you think could really have happened?

Jurgen: Well, nothing, (12) ...they didn't like our sales rep.

Patrick: Oh?

Jurgen: Do you know who it was?

Patrick: Er, it was me.

Exercise 11. A supplier is thinking about a negotiation in the future.

Match his thoughts 1-4 with his words a)-d).

- | | |
|---|--|
| 1. We're likely to offer a lower price.
If we do, success is possible. | b If we offer a lower price,
we'll offer the contract. |
| 2. We're likely to offer a lower price.
If we do, success is certain. | If we offer a lower price,
we might get the contract. |
| 3. Perhaps we'll offer a lower price.
If we do, success is possible. | If we offered a lower price,
we'd get the contract. |
| 4. Perhaps we'll offer a lower price.
If we do, success is certain. | If we offered a lower price,
we might get the contract. |

The same supplier is thinking about a negotiation in the past. Match his thoughts 5-8 with his words e)-h).

- | | |
|---|--|
| 5. We offered a lower price.
That's why we succeeded. | e) If we'd offered a lower price,
we'd have got the contract. |
| 6. We offered a lower price.
That's probably why we succeeded. | f) If we'd offered a lower price,
we might have got the contract. |
| 7. We didn't offer a lower price.
That's why we failed. | g) If we hadn't offered a lower price,
we'd have lost the contract. |
| 8. We didn't offer a lower price.
That's probably why we failed. | h) If we hadn't offered a lower price,
we might have lost the contract. |

Exercise 12.

A. Negotiation breakdown. Read the following story and indicate how you would have reacted if you had been in John Dee's or Mrs Han's position.

John Dee imports microwave ovens from Korea and has been working satisfactorily with the same supplier for five years. Recently he travelled to Korea to meet the supplier and negotiate a reimbursement for a shipment of appliances that John's customers had sent back because of a serious manufacturing defect.

He met the Korean company's representative Mrs. Han who insisted she could not compensate John financially but would replace the defective appliances. John refused this offer, saying that this gesture would not in itself be sufficient to restore his reputation with his customers.

John was booked on a plane leaving that afternoon and could see little point in continuing the discussion. He was getting more impatient with the apparent lack of progress and stood up angrily and walked out of the discussion. Mrs. Han was embarrassed and did not wish to lose face by asking him to return to the room.

John Dee now buys his microwaves from Taiwan at a higher unit price.

B. Sola-Soda. Read the text and say if you had been director-general of Sola-Soda Enterprises what would you have done to restore consumer confidence.

In June 1999 more than 100 people in Spain and two in Italy complained of headaches, dizziness and stomach upsets after drinking canned soft drinks manufactured by Sola-Soda. Subsequently, the authorities in Spain and Italy ordered Sola-Soda products to be withdrawn as a precaution.

C. Mixed conditionals. Look at the following pairs of sentences and answer the questions about each one.

1. If he hadn't bought a second home in the country he wouldn't be so short of money now.
2. If he had bought a second home in the country he would be short of money now.
 - a) Did he buy a second home?
 - b) Is he short of money?
3. If she weren't so busy she would have given you a hand.
4. If she had been busy she wouldn't have given you a hand.
 - c) Is she busy?
 - d) Did she help?

CHAPTER V

READER IN ECONOMIC TERMINOLOGY

1. The Price is wrong

Here is my inflationary traveller's tale. Last month, from a refreshment cart on the magnificent SANTA MARIA Novella station in Florence, I bought a 500ml bottle of acqua minerale –con gaz, per favore. It cost 95 cents. To the best of my recollection, a year ago I had handed over a 1,000lire note and here I was being charged the equivalent of 1,839 lire, an extraordinary mark-up.

But was this gouge-the-tourist time or evidence that the introduction of Europe's new money has pushed prices up? With former minister George Foulkes suggesting over the weekend that Tony Blair is planning a referendum on UK entry in October 2003, British eurosceptics are drooling over continental atrocity stories. Consumer groups in Italy are up in arms and calling for the resignation of the industry minister Antonio Marzano. In Germany, the Teuro/a pun on the word for «dear»/ has been a source of national discontent. Last week the French Federal union of Consumers said a basket of household goods had increased in price by 2.6% during the last three

months. And a poll in the Netherlands showed that 98% want to see the return of the guilder.

But official statisticians in Italy, France and Germany say the euro has made only a marginal contribution to inflation. German consumer prices rose in the year to August only by 1%. Across the eurozone, inflation this year appears to be around 2%, but you would be exaggerating to attribute any more than 0.2 percentage points to the introduction of the euro.

This leaves us with a puzzle. The euro story tells us how imperfectly economists and know-all commentators explain inflation. It also suggests that physical changes in money do little to affect such fundamentals as demand for labor and technology.

Here is also a tale of mistaken perceptions. Public opinion can get it wrong. «The discrepancy between rates of increase calculated by official statisticians and inflation as «felt» by consumers has never been greater», the German federal statistics office said recently.

Back to my mineral water. Florence city council says the price of foodstuffs and non-alcoholic drink in July 2002 was 2.4% higher than 12 months previously and, as you might expect in summer, even a wet one, prices fell between June and July. That picture can be broadly replicated across the eurozone. Eurozone inflation has been on a gentle upwards trend but that seems recently to have been checked; just now UK and eurozone inflation rates look pretty similar.

Price rises over the eurozone are conditioned by many factors—sales, competition, the weather – and not just by the price of money as set by central banks. We are now allowed, as the economist Maurice Peston sarcastically observed recently, to deny they are always and everywhere a monetary phenomenon. Astute though Sir Eddie George may be, central bankers are as much the creatures of price movements as their instigators.

The real inflation problem is monocausal explanation, the kind of analysis which says low eurozone growth rates «prove» that the euro has not led to the promised trade boom.

Continental prices have been damped by the euro's appreciation against the dollar, cutting the cost of imports. Another factor may be the impact in Europe of information technology on firms and ordering, slower than in the UK but still significant. Yet another is the fact that the German economy is

operating well under capacity; the growth in German unemployment is an undeniable fact.

The final chapters on the euro and inflation cannot be written until we see different price levels in different parts of the eurozone, prompting more trade and cooperation, and in turn forcing prices down. Until then, one conclusion for the UK is – not surprisingly-that we need more competition between grocers. Moratoria, as in France, may work to shield consumers from sudden impacts too. The biggest lesson, though, has to be about the politics of perception. There are no purely «economic» phenomena. People see prices on supermarket shelves through a prism created by media and mood. (David Walker, Analysis).

Exercise 1. Define the following notion:

Eurozone
Inflation
Consumer prices
Moratoria on prices
To damp prices

Exercise 2. Answer the following questions:

1. To what do eurozone consumers attribute the growth in prices?
2. To what extent have consumer prices risen in the countries of the eurozone?
3. By what factors are price rises conditioned?
4. Has the euro led to the promised trade boom?
5. Do you agree that people see prices on supermarket shelves through a prism created by know-all commentators?

2. The developing world's quite crisis

When leaders of the Group of Eight/G8/nations meet at the summits they confront issues of globalisation ranging from a new round at the World Trade Organization to genetic modification in agriculture. But no matter how crucial

these policy areas might be it would be very no less important if the G8 showed leadership in reducing global poverty.

A few years ago, at the Cologne summit, the G8 reached an accord on debt relief. The need now is for a global effort to promote universal primary education in the world's poorest countries, where 125 million children – mostly female – remain out of school.

While attention has understandably turned to the vicious impact of HIV/AIDS, lack of access to quality education is the quiet crisis of the developing world. In some countries in sub-Saharan Africa, including Burkina Faso, Mali and Ethiopia, fewer than half of children aged 6-11 go to school. Universal access would not only produce major gains in health and income standards but also offer fertile territory for cultivating common ground in the divisive debate over globalisation.

First, among those who clash on trade, education is an area of consensus to sincere advocates on both sides who want to ensure globalisation. While it has long been known that each year of additional schooling in poor countries can raise a child's future earning power by 10-20%, emerging research suggests that, with globalisation and technological innovation, substantial education can raise wages even more, even in developing countries. Other studies show access to education will be critical in determining whether new trade brings increased opportunity or inequality in these nations.

Expanding access to quality education can also facilitate agreement on a second divisive issue: fighting abusive child labor in developing countries. Efforts to outlaw exploitation without a corresponding commitment to universal education often simply lead to children being moved from dangerous factories to drug-running or brothels. But genuinely free schooling—with no fees or high costs for uniforms, transport and textbooks—encourages impoverished families to rethink their decision to send their children out to work.

A third area is population control. While Catholic groups and family planning organizations spar over funding for international family planning, they can join hands in supporting girls' education – a proven method of promoting smaller, healthier families.

In 2001, in Dakar, Senegal, 185 countries affirmed their commitment to achieving universal primary education by 2015. Sadly, those expressions of support have not been matched by action.

Although James Wolfensohn, the World Bank president, was no doubt sincere in his declaration that no country with a good education plan should be allowed to fail for lack of resources, Bank funding for education declined from \$2bn in 1999 to a disappointing \$770m in 2000. And while the US increased basic education lending by \$37m in 2001, that figure falls woefully short of the true US share of the \$7bn-\$9bn annual increase that UNICEF estimates rich and poor countries will have to contribute together to get every child into school by 2015.

The World Bank, UNESCO and UNICEF should work together with the G8 and other donors to develop an effective structure for a global fund or global alliance on basic education. Forcing these parties to come to the table will ensure that the initiative is seen as a true collaboration between rich and poor nations, designed to meet donors' concerns that resources are used effectively and developing countries' concerns that intervention will not override their sovereignty in educating their own people.

Exercise 1. Define the following notions: Globalisation, debt relief, income standards, G8.

Exercise 2. Discussion questions:

1. What is the role of G8 in reducing global poverty?
2. Why should education be seen as the «quiet crisis of the developing world»?
3. What are the links between education and /a/earnings potential /b/health standards /c/population control
4. Why should intervention be needed to encourage access to education?
5. What can inspire a true collaboration between rich and poor nations in this direction?

3. Fischer Black (1939-1995)

by John Aldrich

Twice in the last decade the Nobel prize in economics has gone to finance. Yet at one time, this would have seemed highly improbable. Academic economists used to consider the public's excitement over the stock market ill-

judged, and the literature that fed it a mishmash of gossip and voodoo. On the other side of the equation, Wall Street judged academic economics to be remote and irrelevant.

The 1997 prize recognized the theory for valuing options developed by Fischer Black, Myron Scholes and Robert Merton. The type of option involved is for purchasing a share on a specified future date at a stipulated price. On that date, if the stipulated price is lower than the market price of the share, the holder will 'exercise' the option and so make a profit: the value of the option is the difference between the two prices. If the stipulated price is higher than the market price, the option will not be exercised and the value of the option is zero. The problem is to value the option before the specified date. The solution – the «Black-Scholes equation»–rested on a combination of economic ideas and sophisticated probability theory. Finance had gone from reading tea leaves to «rocket science»

In 1973, when the equation was published, it seemed of little practical importance – there was not much trading in such options. Today, the volume of trading in options and other «derivative» assets is huge, as one of the spin-offs of the option research was the devising of «hedging strategies» by which the investor's risk could be reduced by combining holdings of different derivatives.

Fischer Black was educated at Harvard, studying physics and going on to a PhD in computer science. On leaving in 1964, his first job involved the information-handling problems of hospitals and libraries. He soon moved to a firm of financial consultants. Black had no background in finance and economics, but he learnt from his colleagues and was not afraid of developing and pressing his own ideas. He was introduced to the local academic community of finance specialists at the Massachusetts Institute of Technology.

MIT was a leading center for economics and was developing strength in finance. Scholes, Black's eventual collaborator, joined MIT at this time. Merton, who was to race them to solve the valuation problem, was at MIT already – student of Paul Samuelson, the most famous economic theorist of the day. Samuelson believed a general theory of markets should say something significant about the stock market.

In 1969, Black set up his own consultancy. He reserved one day a week for pure research, so in effect the firm was subsidizing him. Over the next few years, the mutually suspicious academics and Wall Street practitioners came

together, with Black as a respected intermediary. Black had never had an academic appointment, but his research won him a professorship at the prestigious University of Chicago. He found the free market climate of Chicago very congenial, but for family reasons he soon returned to Boston and to a position at MIT.

Black's background and experience were different from those of most academics. His teaching methods were also idiosyncratic. One of his courses revolved around a list of 50 questions, and students would take the course several times to see how the answers evolved. Black's delivery was individual too; he had a poor memory and would stop the proceedings while he wrote down any good ideas that had come up in the discussion.

In 1985, Black left the university world to join Goldman, Sachs & Co, where he led a team of «rocket scientists». However, he continued to do research and to write for an academic audience. He claimed that the puzzles he found as a practitioner did more to stimulate his pure research than those he encountered as an academic. He wrote two books on business cycles. These were not well received by mainstream macroeconomists, but Black thought that in the long run they would prove to be more important than his work in finance.

Few people had moved between university and business as Black did. Traditionally, economists spoke on government policy and did not apply their expertise to business. Some economists/Keynes was the most famous/applied their minds to choosing investments, but there was no clear link between their economic research and their business decisions. Black played an important part in making academic research the basis for financial practice. The most spectacular expression of the new relationship was LTCM, or Long Term Capital Management, which had tremendous early success but went bust in 1998. Scholes and Merton were involved in the venture.

In the last year of his life Black struggled with cancer, though he continued to work and to take a lively interest in the work of others. The Nobel prize is not awarded posthumously and the medals went to Scholes and Merton.

Exercise 1. Define the following notions:

A stipulated price

Macroeconomics
Share
Holdings
Investor's risk

Exercise 2. Answer the following questions:

1. What is the essence of the theory for valuing options?
2. What was F.Black's educational background?
3. What were F.Black's teaching methods?
4. Who subsidized his research?
5. In what way was F.Black different from other economists of his time?

4. Marketing Pollution Control

The problem of pollution control is an illuminating example of how governments in a market economy can harness the marketplace mechanisms of supply and demand to address a critical issue confronting the entire society.

When faced with pollution of the air, water or land, government has several alternatives to consider which balance the need for a cleaner environment against the economic costs of the cleanup.

As a first case, suppose a certain pollutant is found to be extremely toxic and impossible to eliminate by adopting new production processes or safeguards. Under those conditions, it may be sensible for the government to issue direct regulations requiring its complete elimination or such sharp reductions in its discharge that it no longer poses a threat to human health or the environment. But such a course assumes the cost to the society of any emission is very high.

For less dangerous substances, while pollution levels should be cut, complete elimination may entail unreasonable high costs in terms of lost production, consumption and employment. Under such circumstances, it might be more efficient to charge a tax on pollution rather than requiring a specified reduction at all production sites.

The reason is simply that the costs of cleanup will vary greatly at different production sites or companies. By taxing polluters, the government causes firms that can reduce emission at relatively low costs to do so, and thus not

pay the pollution tax. Other firms will find it too expensive to reduce pollution/often those with older factories equipment/ and will rationally choose to continue to pollute and to pay the tax on what they release.

Another, more recent option is to use market-based techniques explicitly to reduce pollution through a system of pollution permits or credits that can be bought and sold. Under these programs, firms buy permits from the government which allow the company to release specified amounts of pollutants into the environment. These permits can be traded with their price free to rise or fall, reflecting different environmental and economic conditions. Under this system, the government only has to determine the overall permissible pollution level for a certain area, then sell enough permits to release only that level of emissions. Any taxation scheme becomes unnecessary. A company that wants to increase its pollution/and possibly its output/for a time can do so by buying permits from other firms. In effect, the company is paying these other firms to cut back on their pollution and production levels.

Exercise 1. Define the following notions:

A market economy
Tax, taxation scheme
Market-based techniques
Permits

Exercise 2. Answer the following questions:

1. What alternatives does the government have when faced with pollution issues in a market economy?
2. Can it be sensible for the governments to issue direct regulations requiring a complete elimination of the production of toxic substances?
3. What do the governments gain by taxing polluters?
4. What market-based techniques can be used by governments to reduce pollution?
5. Under what conditions can governments sell permits to polluters?

5. What is the Economy?

If you are new to economics, this is the column for you, Dan Cottrell, of Cranleigh School, goes back to basics and explains the performance of the economy.

Remember the general election campaign? For most of you it came during a very busy exam time, so your mind may have been elsewhere. However, along with all the spin, sound-bites and (sometimes) debate, you will have heard the word «economy» come up time and again. The Labour Party inevitably spoke of how well it had done – and how badly the Conservatives had done in the past. But what exactly is «the economy»? And what can be done to improve it?

Objectives, conflicts and choices.

Traditionally, there are four main objectives for an economy to achieve: full employment, low inflation, a balance of trade with other countries, and sustainable economic growth. We are going to look at each of these in more detail. Other objectives include a balanced government budget, income distribution and environmental issues. Social targets, such as health and education provision, are very important, but are part of a wider debate on equity and the distribution of wealth.

A lot of economics involves choices. In this case, the government has to make a choice between the objectives for the economy, because achieving success in one often leads to failure in another. For instance, the UK in the past (though this may be changing), low unemployment and high growth often led to high inflation and more being imported than exported (unbalanced trade). Therefore government policy-makers need to decide which objectives to concentrate on. To help us find out why they might choose one objective over another, let us look at the good and bad points of each main objective.

Full employment.

Full employment does not mean there is no unemployment. There will inevitably be some people out of work as they leave one job in search of another, or as one business closes and another starts up. Also, there are people making themselves available for work because their circumstances have changed. For instance, you have made the choice to study economics, but you could have chosen to work instead. Full employment therefore means that everyone who wants a job can get a job.

It is good to be working. From a personal point, of view, it means self-esteem and income to spend on goods and services. From an economic point of view, it also means that we are operating nearer to the production possibility frontier, and therefore we are not wasting resources.

Unemployment is a reversal of these positive aspects, and can mean increased poverty for certain members of our society. It is argued in some circles that jobs are the most important area the government should concentrate on, because everyone of working age should have a right to work.

Low inflation.

It is easy to understand the downsides of unemployment. Understanding the negative effects of inflation is more difficult. We have now had over 8 years of low inflation in the UK. It is therefore hard to remember the ruinous effects of high inflation in the early 1990s, and even further back to the late 1970s and early 1980s. Inflation means that average prices of goods and services are rising – £1 this year can buy less than £1 last year. For example, a Mars Bar used to cost 14p, now exactly the same bar costs over 30p.

We need to understand the harm that inflation can cause before we distinguish between high and low inflation. Firstly, inflation means that people on fixed incomes see their purchasing power decrease. This typically happens to pensioners. Inflation also reduces the wealth of savers. Secondly, inflation means that firms must constantly update their price lists, which costs money and time. Thirdly, and probably most importantly for the economy, inflation creates uncertainty. Uncertainty means that businesses are less likely to invest in the future, reducing the potential for growth.

Low inflation (i.e. around 3%, which is the current UK rate) will not be that problematic, especially since there is a good degree of certainty involved. Indeed, low inflation can actually be beneficial. High inflation, on the other hand, imposes high costs on the economy. It is often difficult to break the cycle of constant high price changes, and the uncertainty that occurs may mean that there is greater inflation to come.

A balance of trade.

The balance of payments was once a headline-making piece of economics. Today, it has receded in the economic debate. To buy a foreign good you need to have some foreign money. The best way to have this money is to sell the equivalent amount in another good to that country. If not, you have to borrow the money or sell some of what you might own in that country.

In the UK, we tend to buy more foreign goods (imports) than we sell (exports). In the past, this has caused serious problems. Now, however, the positive impact of such things as North Sea oil and a strong financial sector has significantly reduced the threat of trade problems. Yet the debilitating effects can be witnessed by looking at the plight of many developing countries. Often, these countries cannot afford to buy foreign goods and services, even when they are vital for standards of living and for future growth.

Economic growth.

In the previous issue of economic review, I discussed the links between economic growth and standards of living, though with a number of reservations. Economic growth is an increase in the number of goods and services available to us in a year. It indicates whether we have produced more this year than last. Negative growth is obviously bad, but too much growth is also potentially bad. Sustainable growth means that we are only using up resources that can be replaced, so we are looking after future generations.

Conflicts again.

Economic growth leads to higher employment. The more people there are in employment, the more goods and services we produce. Unfortunately, this can mean that inflation goes up. In simple terms this happens for two reasons. First as we begin to run out of resources, firms can afford to put up prices because of scarcity and workers can ask for more wages safe in the knowledge that there is no one to take their place. Second, as the economy reaches full employment, the next worker taken on will be less efficient than the last one, as will the next piece of land used, or the next machine. Each extra resource will need more resources to make it work to the same standard, pushing up costs and therefore prices.

Economic growth and higher employment can also lead to an imbalance of trade. As mentioned above, when we earn more, especially in Britain, we tend to spend our money on foreign imports. But our exports also suffer, because with increases in UK prices, our goods become more expensive abroad, and imports are relatively more attractive.

Policy

The UK government has changed its objectives in the last 30 years. By the mid-1970s, low inflation started to become more important than high employment. In the mid-1980s, the balance of trade started to be less

significant in the minds of the policy-makers. These days, both Conservative and Labour governments have said that low inflation rates are the key to long-term growth, and that low unemployment (as we are currently enjoying) will surely follow.

But how much influence does a government have over the economy anyway? Britain is an island. We trade over a quarter of what we make and buy a quarter of what we consume from abroad. Almost all of the products we manufacture have some form of foreign input: If the world economy changes, we tend to follow. It is sometimes said that if the US sneezes; we catch a cold. The consequence of this is that though policy-makers will make every effort to keep us on course, we can still suffer due to outside influences. The oil price shocks of the 1970s are the most vivid example of the havoc that can be caused.

(Economic Review, Nov. 2001, N. 2, pp. 6-7)

Exercise 1.

1. Define the notion of the italicized words in the article.
2. Answer the following questions.
 - a) Which objective do you think is the most important?
 - b) What is full employment?
 - c) How does economic growth impact on employment?
 - d) What harm can inflation cause?
 - e) How much influence does a government have over the economy?

6. Market Failure

Dan Cottrell (a head of economics and business studies at Cranleigh School) looks at how resources are allocated by markets, how markets can fail, and whether the outcome is ever a fair solution.

You must know that economists seek two types of efficiency:
Productive efficiency – the least cost production of goods and services.
Allocative efficiency – the right amounts of the right goods and services.

How does society achieve these ideals? The answer given by Adam Smith in 19776 was: «The invisible hand». In a sense, he was talking about one way in which society votes. We vote for products with our cash, reflecting our wants. If a firm does not produce what we want, it either goes burst or it switches its resources to goods and services that we do want. Thus demand and supply, the price mechanism, is allocating resources.

The price mechanism works to reconcile consumers' wants with the needs for firms to make profits. Let's assume that all firms want to make the most profit possible. To do this, they will want to minimise their costs (encouraging productive efficiency). In addition, if they are to sell their products, they will need to produce goods and services which reflect the wants of society (achieving allocative efficiency). So if society demands more Pokemon and Puccini, then that is what will be produced.

The price of a good determines the profit a firm will make from the sale of that good. This then act as a signal to move resources into the production of those goods and services which make the most profit. If a firm makes large profits, i.e. the price is much higher than the cost per unit, then other businesses will start to produce that product, satisfying the demand and driving down the price.

What is profit?

Remember that an economist sees profit differently from an accountant. The accountant would simply take profit to be a firm's monetary income (or revenue from sales) minus the monetary costs of production, such as wages and cost of materials. The economist includes another element: opportunity cost. This is the benefit forgone of the next best alternative for the entrepreneur. In other words, it is what could have been done with the time and money invested in the firm. If monetary profit is not bigger than this amount, the entrepreneur will move his business elsewhere.

We can see this is in effect in our own lives. Examples can be drawn from lots of different walks of life – whatever happened to Betamax videos, legwarmers and the Sinclair C5, or the Austin Maxi? With millions of votes being cast daily, and firms reacting, we should be better off in terms of allocative efficiency.

Unfortunately, the market place sometimes fails. Failure can be put into three main categories:

Externalities – the adverse (or favourable) effects of production and/or consumption of goods and services, experienced by those other than the producers and/or consumers.

Imperfect markets – arising perhaps as the result of market dominance.

Missing markets – goods and services for which there is no market.

Externalities.

When a firm produces a good, it does not take into account costs that are imposed on others who are not involved in this process of production. For instance, a house builder will make noise and create dust (plus congestion when its lorry and skip are being used) which affect people who live nearby and who do not gain from this new building. The extra costs to these people are part of the total cost to society of building the house, but are not part of the «market» price. Without including these costs, there may be over-production – a form of market failure.

Externalities are not always adverse. They may sometimes be under-production. For example, sometimes the benefits of consumption are enjoyed by people who did not consume the good, such as vaccinations taken by others or deodorant used by others.

Imperfect markets.

When a firm enjoys large profits, other firms have the incentive to start making the same product and share some of the spoils. Prices and profits should then fall until no more firms want to join the market. There used to be just Take That, now there are many boy bands.

Problems arise when other firms are unable to compete because of barriers to entry. Some barriers to entry are natural, for example where it is impractical to have more than one operator at a time, such as running a district railway line. However, some are strategically erected by firms and are deemed illegal, as with Microsoft's recent courtroom battle.

Missing markets.

Some goods and services might be underproduced or not produced at all if it was left up to firms to produce them. If you cannot prevent people from enjoying the benefits of the good you make (for instance lighthouses), how will you charge people for them? Such goods are known as public goods. With some other goods, such as healthcare and education, although they are good

for us, we don't always know how good, and therefore might not purchase/consume enough. These are sometimes called merit goods.

Dealing with market failure.

Many people would like to see a market solution to these problems, and work hard to overcome the kind of market failure referred to above. Others consider the problems a reason to have sole government provision of goods and services. The solution could lie somewhere in between. Consider the following problems:

- Cars pollute –but banning cars would mean that people would not be able to get to work, or OAPs (old age pensioners) may lose a vital source of communication and access.
- Large companies dominate production of certain goods – however, they enjoy greater economies of scale and can invest in better production methods or improved products.
- Healthcare can be provided by the government - but this is notoriously inefficient, because there may be no incentive for doctors to provide cheaper drugs or suggest more cost-effective treatments.

However, there is a separate question, often thought to be forgotten by economists – for whom are goods and services produced? This is a question of fairness, and is therefore very subjective.

In the present structure of society, money dictates who gets what. Should the head of economics receive more goods and services than the new biology teacher, who may inspire people to become doctors who then save lives?

Does the market adjust the balance of reward to provide an equitable solution? On the one hand, the market rewards people who have desirable skills or make desirable products. But what about those who do not have the opportunity to exploit their skills? They may have to look after children, or may suffer illness or may not have skills to be exploited in the first place. So governments feel it is necessary to help those less advantaged than others.

One of the ways that governments promote a form of equity is through the tax system. They may try to treat those with similar circumstances in the same way. This is called horizontal equity. Though fair in principle, this can be difficult to implement.

Vertical equity recognises that, though circumstances may be similar, needs may be different. The system then treats those in different

circumstances unequally. One example is that those on higher incomes pay higher taxes.

Of course, the government could provide all goods and services. But there is a strong argument that governments are less efficient than markets: they are too large to co-ordinate themselves effectively; they lack incentives to keep costs down because there is no profit-motive; and they are often led by pressure groups (voters included) rather than objective argument.

Conclusion.

Markets work where they reflect the millions of votes being processed every day in the actions of buying and selling, showing which goods to produce and in what quantities. They don't work where production can be manipulated by a few large firms, or where consumers do not fully take into account the implications of their actions, or no-one wants to produce the goods. This is why governments in many societies intervene.

However, the answer to the question of wants lies somewhere beyond economics alone. It lies in the different values we each have, which are sometimes expressed in political beliefs. If you asked everyone in your classroom what they thought was fair, the solutions would be diverse and possibly controversial. Economics can provide the framework for the debate and a measure of the outcomes. It can identify an efficient solution — but is that always a fair one?

(Economic Review, Nov. 2000, pp. 6-7)

Exercise 1. Define the notion of the italicized words in the article.

Answer the following questions:

1. How does the price mechanism work?
2. What categories can be market failure put into?
3. Explain the difference between the adverse and not adverse externalities.
4. What is the main reason of arising imperfect markets?
5. What problems can people face dealing with market failure?
6. Why do governments in many societies intervene economics? And why are they less efficient than markets?

7. The Third Law of Demand

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The law of demand is the simple proposition that the lower the price of something, the greater the quantity of it a person (or all people in the market) will plan to buy, and vice versa. We meet this idea as soon as we start to study economics. It makes sense, and we can readily (and rightly) believe it. But do we make the most of it?

The law is represented by a downward-sloping line, with price per unit on the vertical axis and quantity per unit time on the horizontal axis. Having mastered this diagram it is tempting to move on without fully realising the power of the concept.

The importance of demand.

I agree with the economist who recently said that the law of demand is (80% of all the economics you need to know. Of course, you should not take that advice too literally when it comes to exam time – but it does emphasise the importance of the demand side.

One reason for his view is that the familiar demand and supply diagrams you see in your textbooks only apply to perfectly competitive markets. Firms in non-perfectly competitive markets, such as monopolies or oligopolies, do not have supply curves. As a result, the behaviour of these firms crucially depends on the nature of the demand facing them, in a way which is not applicable to a perfectly competitive firm.

Furthermore, economists have realised that the law of demand is applicable to many choices, not just the typical examples involving things we buy with money in shops or markets. For instance, how much sleep people wish to have is a question of how many hours of sleep people will demand – and that choice will be influenced by price, income and other things that determine demand. Economists are extending the demand framework to study such seemingly non-economic phenomena.

No exceptions?

The law of demand is derived by holding constant all the other factors that determine demand. It is a so-called *ceteris paribus* prediction. This guarantees that there are no exceptions to it.

But can this be true in reality? Sometimes we observe that when the price of something rises, for example gold, people go out and buy more of it. Non-economists use this as an example that contradicts the law. Are they right? When the price rises this will often lead people to believe the future price will be even higher. In other words, the current price is lower than the future price – so people buy more. We represent this by a rightward shift of the demand curve, but the curve remains downward-sloping as it is drawn on the assumption of everything else remaining constant.

We also assume that people's utility, or the perceived quality of a product, is not a function of its price. A higher price might lead people to believe it is an improved product, so any resulting increase in purchases is due to a rightward shift of a downward-sloping demand curve, and not evidence of an upward-sloping demand curve.

Another seeming contradiction of the law is the vertical demand curve used to show the case of perfectly inelastic demand. But the textbook writers do not really believe that demand is completely inelastic over the entire range of possible prices. We know from our own experiences that the proposition about perfectly inelastic demand is only relevant for some goods over some range of prices. For example, I buy seven units of something each week. The real price has risen recently and I still buy seven units a week. However, if the price were to increase substantially I might reduce the amount I buy. At some high price people will start reducing the quantity demanded: there is always a substitute for anything.

The most commonly alleged exception to the law of demand is the Giffen good case. This is only possible for inferior goods for which demand decreases when real incomes rise. You should be aware of the Giffen good possibility, but do not worry too much about it. It is only possible for inferior goods and is only likely if a large part of income is spent on the good, as in the case of poor English families relying on bread as their staple food in the nineteenth century. This is the example Robert Giffen is supposed to have used, though no-one has found such a reference in his writings and others had identified the possibility before him. In practice it has been difficult to find

examples of such goods in developed economies, although I have seen a claim, that kerosene in modern America is a Giffen good.

As there are no known cases that can only be explained by the Giffen good hypothesis, we are content to maintain the law of demand. If you could provide such an explanation you would become very famous. We maintain the law of demand mainly because of the wide range of phenomena it can explain – such as dangerous driving.

Dangerous driving.

In the US in the 1960s, seat belts and other driver safety devices were made compulsory. Scientists and politicians thought that this would reduce the number of driver fatalities, as when people had a crash they were less likely to be killed.

An economist, Sam Peltzman, thought about this proposition and realised that it was based on the assumption that drivers' behaviour would not change. But the idea that people's behaviour changes when the constraints or incentives facing them change is fundamental to economics. So Peltzman knew that driver, behaviour would change, as the legislation reduced the price of dangerous driving.

One aspect of the price of dangerous driving for the driver is the probability of being killed in a crash. Dangerous driving (such as driving at high speeds or using mobile phones when driving) is something people desire and do, and so is subject to the law of demand. When its price falls there will be more hours of dangerous driving and probably more accidents. If this response is very elastic the number of accidents could increase so much that, although the probability of any single driver being killed is lower, the total number of driver deaths could increase. Of course, it could also stay the same or it could fall, but it was wrong for the politicians and scientists to predict confidently that the number of driver deaths would go down.

What actually happened had to be determined from a statistical study of a large amount of data. This is the hard part of economics, as data are often not exactly in the form we need. Peltzman examined the facts. What he found was that the number of driver deaths did not fall, that there were more accidents so the amount of damage to property (a cost to society) increased, and that more pedestrians were involved in accidents. Some other evidence, such as a change in the rate of drunk driving and under-age driving, suggested that the link was

indeed due to an increase in the demand for dangerous driving. He also found that in those places where it was not compulsory to have safety devices, cars which nevertheless had such devices were 40 % more likely to be in an accident than cars without, implying riskier behaviour by drivers with 'safer' cars.

An interesting question follows: could the authorities try to increase the price of dangerous driving to what it was before the legislation by increasing punishments and the probability of a driver being caught and prosecuted?

The third law of demand.

Here are some illustrations of an economic proposition that has recently been named the 'third law of demand'. This is really an implication of the law of demand (the first law to some) based on the fact that, in economics, price means relative price.

Imagine two goods that are close substitutes, with one slightly more expensive than the other. If the prices of both increase by the same amount in money terms, they both become more expensive compared to other goods — so we would expect the demand for both of them to fall. However, the relative price of these goods has changed. The absolutely more expensive good becomes cheaper relative to the lower price good. Demand would shift towards the absolutely more expensive good and its importance in total consumption would rise. Below are two examples which make this clear: the transport case and the tax case.

The transport case.

Imagine two types of wine made and sold in Australia. Good wine is \$10 a bottle and cheap wine is \$5 a bottle. This means that Australians face relative prices such that good wine costs two bottles of cheap wine.

Both wines are exported to a neighbouring country, such as Singapore, at a cost of \$5 a bottle. Therefore their prices in the export market are \$15 and \$10 respectively. As the transport costs are not proportional to the original prices, the good wine is relatively cheaper in Singapore — it only costs 1.5 bottles of cheap wine.

The law of demand implies that demand will shift towards the absolutely more expensive but relatively cheaper wine in the export market. So we would expect to see a higher proportion of good quality wine consumed in the export

market than in the producing country. In other words, Australians consume a high proportion of cheap wine and foreigners consume a high proportion of good wine.

These observed differences have nothing to do with different tastes. They can be explained by different prices and the law of demand. Casual observation of wine consumption patterns in Australia and Singapore, both countries I have lived in and visit regularly, suggest to me that it is true.

When I mention this example to students they sometimes say that it is obvious that high-quality goods will be exported, as they sell for a higher price. But they can only be exported if people are willing to buy them, and that is determined by the law of demand.

Another example of this would be people who have children and live far away from the entertainment centre of a city. They need a babysitter and have to pay taxi fares. They are less likely to use the entertainment facilities than people who live in the city centre, but when they do they will tend to go to the expensive events. Such people might say something like: 'If we have to pay £30 for a babysitter and taxis, we are not going to waste it by going to see a £5 film, we may as well go to the theatre.' They have an explanation for their own behaviour it is simply not based on the economic idea of the determinants of relative prices for different people.

The tax case.

In early 1990, the government in Singapore decided that in order to prevent road congestion it would implement a limit (quota) on the number of vehicles people could buy. People were required to buy a permit to buy a vehicle (known as a Certificate of Entitlement or COE) at a monthly auction. The government decided how many of these would be sold each month for each vehicle category.

As it happened, the prices of the COEs for different sizes of car did not differ very much. This meant that the relative price of large, expensive cars fell. We would expect demand to shift towards such cars — and this is precisely what happened. It has become increasingly difficult to sell small cars in Singapore, and exporters of large cars marvel at the fact that Singaporeans are willing to buy large cars at what are almost certainly the highest prices in the world.

It is easier to see this in the case of motorcycles, for which there is only one category of COE. Take two models that used to sell at \$15,000 and \$3,000 each, a relative price of 5:1 ($\$15,000/\$3,000$). In the early days of the scheme, a motorcycle COE cost \$1, then it leaped to \$4,000 before falling to \$3,000. A \$1 COE makes no difference to the relative price ($\$15,001/\$3,001$), but a \$3,000 COE would reduce the relative price of the large model to 3:1 ($\$18,000/\$6,000$) compared to 5:1 before.

This is not an exception to the law of demand, (as it results from the price of the expensive good falling relative to a substitute. The price, as conceived by economists, has fallen not risen.

If the importers of small cars and motorcycles had known of the third law of demand, they could have stopped stocking mainly small models and switched to larger models. The authorities could have studied early on the implications of a rising proportion of large cars and motorcycles, in terms of their higher demand for car-parking space, the greater damage they are likely to do if they are in an accident, the higher demand for petrol and so on.

Here is another important implication of this effect. Consider a government that is trying to reduce the health effects of tobacco consumption. It aims to reduce the number of people who smoke, and how much each person smokes, by increasing the tax on tobacco products.

Generally, the more-expensive products are the strongest and are worst for health. If the tax is an equal monetary amount across all tobacco products, or is not proportional to the original prices, then the expensive, more harmful products become relatively cheaper each time the tax is increased. The total consumption of tobacco products might fall, as all their prices increase compared to other goods (though probably not by much as demand for such products is inelastic), but a higher proportion of consumption will be of the harmful products. This change in the composition of consumption might offset the effect of the small fall in overall consumption.

I have noticed an increase in cigar consumption recently. What has happened to their price compared to other tobacco products over the last decade or so? Is this the explanation?

I hope that the above applications of the law of demand show you that this aspect of economics is applicable to many types of behaviour that are not usually dealt with in textbooks. Always remember that price means relative

price, and try to think of cases where the third law of demand might be the explanation for the phenomena you observe.
(Economic Review, Sep.2001, N.1, pp. 20-22)

8. Review Notes

The law of demand states that more of a good will be demanded at a lower price. This dictates that demand curves slope downwards.

The analysis of demand is fundamental to much of economic thinking, and is probably more important than supply. This is because the supply curve is only relevant to perfectly competitive markets, whereas demand is also important in monopoly and oligopoly markets.

Apart from Giffen goods (which nobody has ever observed in practice) there are no exceptions to this law.

The law of demand helps us to explain many things that we see in the real world, for example why dangerous driving may increase following the introduction of new safety measures.

The 'third law of demand' arises from economists' focus on the concept of relative price. This can explain why Australians consume cheap wine but export expensive wine, and why Singaporeans drive big cars.

Exercise 1. Define the notion of the italicized words in the article.

Answer the following questions:

1. What does the law of demand state?
2. Why is demand probably more important than supply?
3. What are the main contradictions of the law of demand?
4. How do you understand the concept of relative price?
5. Why do Australians export their best wines? And why do Singaporeans buy big cars?

Think about road users who are not car drivers, such as cyclists and pedestrians. How would you expect them to be affected by the legislation?

9. International Free Trade

Is free trade a good thing? After years of debate, most economists recognise the potential gains from trade. But dispute continues. Peter Alien (teaches economics at Mayfield- St Leonards School) has examined some of the issues.

Most economists agree that international free trade – the importing and exporting of goods [and some- times services) without any obstacles – will as a rule benefit those who take part in it. In this article, we will begin by explaining why free trade can be so beneficial, and then discuss some of the obstacles that are erected (generally by governments) in order to prevent or limit free trade. Finally, we will look at some of the international disputes about trade which have recently occurred.

Specialisation.

What are the arguments in favour of free trade? Just consider breakfast. Orange juice: from Israel, perhaps? Tea: from Sri Lanka? Coffee: from Brazil? Sugar: from the West Indies? Even if you had no breakfast today, you recognise the great benefits which consumers get from imported goods. Only at very high cost, if at all, could Britain grow its own oranges, tea and coffee. Free trade enables countries to obtain desirable goods and services from abroad, and it provides income for those who produce them.

This trade is a form of specialisation. Sri Lanka specialises in tea because it has an appropriate climate and soil, and skilled growers and pickers. The principle is just the same as individual specialisation: Jill specialises in maths teaching because she is good at maths and at dealing with people. Jack specialises in dentistry because he understands the biology and is deft with his hands. Of course, it is important for both that there is demand for what they are offering. Economic theory distinguishes between 'absolute advantage and comparative advantage. Let's consider absolute advantage first. To simplify the argument, it is assumed that two countries, A and B, trade in only two products — say, cloth and furniture – and that the productivity of the workers is different in each country. Whenever country A's workers are more productive than B's – in cloth, in furniture, or in both – then A has absolute advantage. Comparative advantage is a bit harder to understand, but more important for trade. Let's say that A's workers are better than B's in both

goods. Even in this scenario, trade will still be advantageous for both countries if A's workers specialise in the good (let's say cloth) where they are much more productive than B's, while B's workers specialise in furniture where they are only slightly less productive than As. Then if A exports some cloth to B in return for furniture, both countries can benefit. We therefore say that country A has comparative advantage in cloth production but also — less obviously — that country B has comparative advantage in furniture. Most textbooks include helpful mathematical examples showing the argument in more detail.

Other gains from trade.

To sum up so far. Trade is all about international specialisation, about countries exporting goods in which they hold comparative advantage. These goods are imported by other countries where they would cost more to produce. Both countries benefit. But in addition, to this main argument, there are at least two further points made by the supporters of free trade.

The first of these is that specialisation on one type of export is likely to improve its quality and perhaps reduce production costs. For example, consider Belgian chocolates, which are exported worldwide. Their high quality is due to the expert skills that their producers have developed — a process known as learning-by-doing. Their average costs have also been lowered: by the use of specialised labor and capital; through specialised knowledge and research and development; and also perhaps through economies of scale. Sales to a big international market may enable average fixed costs of production to be lower.

The other, perhaps more important free trade argument, is particularly relevant for countries which have previously shut out foreign imports. Not only have their consumers been deprived of choice, but their producers, owing to the lack of international competition, may lack productive efficiency and may have exploited monopoly positions in their home market. This has been true of various less developed economies in the recent past, as many have now come to realize. Opening up to foreign trade can force domestic firms to improve efficiency (if they are to survive), as well as enabling them to learn from foreign techniques.

Barriers against trade.

These arguments appear to show that free trade can benefit all countries, bringing cheaper goods and more choice for importing consumers, and more income for exporters. Yet for centuries, and still today, obstacles to free trade have been erected by governments. These are usually designed to restrict imports rather than to restrict their own exporters.

A tariff, or customs duty, is one such obstacle. Historically, these provide revenue to governments when taxes were not easily collected from other sources. Modern tariffs are usually imposed for a different reason: to shut out (or add to the price of) certain imports in order to protect home producers from foreign competition. An obvious example is the protectionist policy used by the European Union, including the UK of course, for many agricultural products.

A quota is another traditional obstacle. This is a fixed limit on the quantities accepted from exporters: so many cars per year, so many thousands of metres of a certain type of cloth, etc. Governments have sometimes used the misleading expression 'voluntary quotas' to describe the situation where an exporting country is persuaded to agree to a quota in the face of threats of tariffs or other measures if it does not.

Besides tariffs and quotas, textbooks list various other obstacles – including outright bans, administrative obstacles, and preventing citizens from obtaining foreign currency – which ingenious governments have used in order to block foreign imports.

Arguments against barriers.

Do any of these obstacles make economic sense?

The right way to approach this question is first to remind ourselves of all the very strong arguments in favour of free trade, outlined above. Any government should surely be very hesitant about depriving its citizens of such benefits. The protectionist requests which it will inevitably receive are likely to come from domestic producers facing a comparative disadvantage when competing with more efficient foreigners. Granting such requests will penalise consumers.

Besides this, consider the impact of protectionism on our trading partners. If we block their imports, we are being a bad neighbour. Moreover, by

reducing their income, we are making it more difficult for them to buy our exports, as well as perhaps risking deliberate retaliation on their part. The recent history of trade in farm goods between Britain and France provides examples of this.

Such arguments are; convincingly put forward by those who condemn protectionism and favour free trade. To its supporters, free trade is the central point of «globalisation» policies which are increasingly opening up all markets to international trade and investment.

In favour of barriers.

So what sound arguments, if any, exist in favour of the tariffs, quotas, and other obstacles?

There are certainly some reasonable non-economic arguments. These may be political, such as prohibiting imports from a country with which we have a disagreement. They may reflect health and safety issues, relating to drugs or explosives. As economists, we can hardly comment on either of these. They involve value judgements, which fall outside our positive economic analysis.

There are also some economic arguments that have nothing to do with protectionism. One is the argument that tariffs raise useful government revenue. This is a correct argument, though probably not strong enough to outweigh the disadvantages of a tariff. Another argument is that a country may have a serious balance of payments problem if its imports greatly exceed its exports. Again, this may occasionally be valid, but most economists would recommend different ways of dealing with the problem.

But what about the protectionist arguments? Protectionists say that their industries, threatened by more efficient foreign producers, need to be protected. They emphasise the jobs that will be lost [especially when there is likely to be some local «multiplier effect») and the social impact of closures on a region or perhaps even on a way of life, as with hill farming or traditional craft industries.

Again, there are some non-economic arguments here that we, as economists, cannot pass judgement on. But the economic arguments can be discussed and judged. Do the economic gains from supporting uncompetitive industries really equal the costs that import restrictions cause? The answer may depend on mobility and adaptability of the workforce in the uncompetitive industry. If, perhaps with training schemes or with assistance in

moving house, workers can quite easily transfer to other jobs where they are more productive, the protectionist argument is not very strong.

Notice that protection may be sought not only for old industries in decline, but also for new “infant” industries. These may be important for a country trying to diversify, or trying to avoid dependence on exports of primary commodities. Infant industries, it may be argued, will at first be unable to compete with established multinational giants, so that protection may be wise until they have developed sufficiently to manage without it. This is not an easy argument to judge: there are so many examples where inefficient protected industries have failed to ever «grow up» in this way. On the other hand, there are other examples, including both nineteenth-century USA and some late twentieth-century far eastern Tiger economies (such as South Korea and Taiwan), where the protected industry finally matured successfully. (Economic Review, Nov. 2001, N. 2, pp. 2-5)

What are the arguments in favor of free trade?

What measures may a country's natural comparative advantage be enhanced through?

Why do governments erect obstacles to free trade? What are they?

Do any of these obstacles make economic sense?

Tariffs and quotas may be introduced for both non-economic and economic reasons. Why do you think many economists would avoid commenting on the non-economic arguments, and find the economic ones unconvincing?

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