

ЛЬВІВСЬКИЙ ДЕРЖАВНИЙ УНІВЕРСИТЕТ ВНУТРІШНІХ СПРАВ

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PURPOSES:
ECONOMICS IN USE

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Запропонований посібник формують вісім уроків (Units), що охоплюють широке коло економічних тем. Кожен урок складається з тексту зі супроводжувальним тематичним словником та післятекстовими завданнями, спрямованими на розвиток і закріплення навичок читання і перекладу наукових економічних текстів, а також продуктивного діалогічного й монологічного мовлення.

Містить матеріали для проведення практичних занять та організації самостійної роботи.

Для здобувачів вищої освіти економічних спеціальностей та всіх, хто використовує англійську мову у практичній діяльності в галузі економіки.

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ПЕРЕДМОВА

Навчальний посібник «English for Specific Purposes: Economics in Use» призначений головно для здобувачів вищої освіти Інституту управління, психології та безпеки, а також тих, хто бажає вдосконалити свої знання англійської мови у галузі економіки.

Мета видання – сформувати у здобувачів вищої освіти навички говоріння, читання, письма та перекладу, сприяти опануванню професійної англійської мови як системи та розширенню знань здобувачів вищої освіти з фаху на базі автентичних англомовних економічних текстів.

Посібник складається з восьми уроків (Units), об'єднаних за тематикою: «Economic Growth» (Економічне зростання), «Money» (Гроші), «Crises» (Кризи), «Taxes» (Податки), «Multinational Banks and Corporations» (Транснаціональні банки і корпорації), «Debt» (Борг), «Contemporary Challenges Facing the World Economy» (Актуальні проблеми світового господарства), «Economic Crime» (Економічна злочинність).

Тексти уроків запозичено з оригінальних англомовних наукових і науково-популярних статей. Структуру уроків уніфіковано.

Всі уроки складаються з тексту зі супроводжувальним тематичним словником та післятекстовими завданнями.

До кожного уроку пропонуються матеріали для додаткового читання, спрямовані на поглиблене вивчення теми, а також завдання для самостійної роботи – опрацювання наукової статті та перегляд фільму за темою уроку з їх подальшим обговоренням.

Посібник доповнено англо-українським словником найуживаніших економічних термінів та понять.

Структура видання дає можливість викладачеві обрати оптимальні шляхи організації як аудиторної, так і самостійної роботи здобувачів вищої освіти з урахуванням рівня їхніх знань.

Unit 1

ECONOMIC GROWTH

APPROACHING THE TOPIC

Read the quote. How do you feel about it? Why?

«There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder», – Ronald Reagan.

Answer the questions and share your ideas with the group.

1. Why do countries grow at different rates?
2. Why are some countries so much richer than others?
3. Why does economic growth matter in the first place?
4. What is the rate of economic growth in Ukraine at present?

ACTIVE VOCABULARY: calculation, economic growth, demand, equilibrium, fuel, gross domestic product, health care system, income, indicator, industry, investment, labor, limitations, long-run, per capita, population, production, purchasing power parity, savings, short-run, steady-state growth, substitution, supply.

READING

THE NATURE OF ECONOMIC GROWTH

The priority of any government in an advanced economy is to generate growth in the economy. In doing so it is constrained by the effects of growth on inflation, unemployment and the balance of payments.

Economic growth continues to be one of the most active areas in macroeconomics. Robert Solow and Trevor Swan laid the foundations for neoclassical model of economic growth. The neoclassical model of economic growth describes an economy in which a single homogeneous output produced two inputs: capital and labor. Here is the growth of labor out of the reach of economics and is not affected by the economic determinants. Intense research activity continued until the early 1970s, when, because of inflation and oil shocks, interests in macroeconomics were redirected to issues pertaining to short-run macroeconomic stabilization policies. Interest in growth theory was rekindled in 1986 with the contribution by Paul Romer and the development of the so-called endogenous growth model. In contrast to the earlier models in which the steady-state growth rate was tied to the population growth rate and, thus, was essentially exogenous, the long-run growth emerged as an equilibrium outcome, reflecting the behavior of the optimizing agents in the economy. Research in growth theory is continuing and is now much more broadly based than the earlier literature of the 1960s.

Under economic growth scholars mean constantly increasing volume of production in a country, or an increase in gross domestic product as the main quantitative indicators of production for a period of one year.

Economists and statisticians use several methods to track economic growth. The most well-known and frequently tracked is the gross domestic product (GDP). Over time, however, some economists have highlighted limitations and biases in the GDP calculation. Organizations such as the Bureau of Labor Statistics (BLS) and the Organization for Economic Co-operation and Development (OECD) also keep relative productivity metrics to gauge economic potential. Some suggest measuring economic growth through increases in the standard of living, although this can be tricky to quantify.

Economists are not satisfied with just trends and theories, but portray the sources of economic growth. They attach special importance to the calculation of growth, so that the ingredients are thoroughly calculated that caused growth trends. The three important sources of economic growth of a country are:

1. Human resources (the supply of labor and the quality of labor);
2. Natural resources (land, minerals, fuel, climate);
3. Physical capital and technological innovation (machines, factories, roads).

A combination of rapid increases in capital accumulation, a highly trained workforce and modern technology, will generate very rapid growth. Conversely, low levels of investment and an ageing capital stock will hinder growth.

Institutional factors, such as the banking system, the legal system and important factors like a good health care system indirectly impact economic growth.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. How do you define economic growth?
2. Who laid the foundations for neoclassical model of economic growth?
3. What is the most frequently tracked indicator of economic growth?
4. What are the sources of economic growth?
5. Which institutional factors influence economic growth?

Exercise 2. Read the sentences and correct them if necessary:

1. Robert Solow and Trevor Swan laid the foundations for endogenous growth model.
2. Economic growth continues to be one of the most active areas in microeconomics.
3. Economic growth is the main qualitative indicator of production for a period of a decade.
4. Institutional factors, such as land, minerals, fuel, climate, indirectly impact economic growth.
5. In 1980s, because of Eurozone debt crisis, interests in macroeconomics were redirected to issues pertaining to short-run macroeconomic stabilization policies.

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. When we talk about economic growth we refer to changes over time of the GDP of a region (country).
2. GDP is often used in economics to compare the economic output of countries. The level of GDP in different countries may be compared by converting their value in national currency according to either the current currency exchange rate, or the purchasing power parity (PPP) exchange rate.
3. The «catch-up effect» suggests that poorer countries will experience a higher rate of economic growth and, over time, get closer to the income levels of the developed world.

4. «Economic miracle» is an informal economic term for a period of dramatic economic growth that is entirely unexpected or unexpectedly strong. Dutch economic miracle of the 1600s is often considered by scholars as the very first modern economic miracle.

5. Two scientists, who studied economic growth, were awarded the Nobel Prize in economics, namely, Robert M. Solow «for his contributions to the theory of economic growth» in 1987, and Simon Kuznets «for his empirically founded interpretation of economic growth which has led to new and deepened insight into the economic and social structure and process of development» in 1971.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. In his paper, Pitchford demonstrated that, for a high elasticity of substitution, the ... in his model might involve ongoing growth, making it an early example of an endogenous growth model as well.

2. ... usually entails rising levels of per capita income, often accompanied by net investment (either from local savings or from foreign sources) and perhaps by improvements in technology.

3. Due to ... on the labor supply to expand further and the conditions of tight labor market, improving the skills of existing labor-force is vitally important.

4. Creation of employment opportunities results, in general, from the increasing demand for ... due to rapid growth of certain manufacturing industries.

5. Government ... are calculated as the current account surplus of the consolidated government budget and the data are obtained from the public finance section of the statistical yearbook.

6. Household consumption consists of private consumption expenditure and ... taxes.

7. In terms of per capita real income, which is arguably the best single ... of a country's level of economic growth, the gap between rich and poor has been growing exponentially.

8. Malthus's prediction that most of humanity was doomed to live forever on the verge of starvation was based on the presupposition that ... should eventually grow faster than food supply.

9. The model assumes that the demand for and ... of foreign exchange come solely from traders.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: *calculation, equilibrium, fuel, income, long-run, per capita, population, production, savings, substitution.*

1. a substance that is used to provide heat or power, usually by being burned;
2. the money you keep, esp. in a bank or other financial organization;
3. a situation in which an economy is balanced and not experiencing large changes; a state of balance;
4. all the people living in a particular country, area, or place;
5. continuing to exist or have an effect for a long period of time;
6. for each person;
7. money that is earned from doing work or received from investments;
8. the process of using information you already have and adding, taking away, multiplying, or dividing numbers to judge the number or amount of something;
9. the use of one person or thing instead of another;
10. the amount of something that is made or grown by a country or a company.

Exercise 6. Complete the following text with the correct prepositions:

ECONOMIC GROWTH IN SINGAPORE

Economic growth and industrial development ... Singapore is a success story. It took start ... British colonization in the 19th century. Two features ... the economy are important to understand the transformation path which the Singapore economy and its industries are following. First, Singapore's local industries are dominated ... large foreign multinational companies. Singapore has long been dependent ... foreign direct investment ... industrial development. Second, external trade has been vitally important. The dependence ... on trade also forces Singapore to remain competitive. In order to maintain its competitive position, especially, ... the new tier ... upcoming industrializing Asian countries, productivity has been a major concern ... the government. Unlike many other contemporary developing countries, Singapore lacked natural resources or an agricultural base but the long-run vision of the government enabled specialization ... the high-end manufacturing products and the transformation of the country ... a free port of manufactures.

***Exercise 7. Translate the following text into Ukrainian.
Pay attention to the footnotes after the text:***

FOREIGN TRADE AND ECONOMIC GROWTH

The proposition¹ that trade is an engine² of growth seemed amply confirmed in when the volume of world merchandise trade continued to lead the expansion in the world economy.

Despite this performance, there are some clouds on the international trade horizon³. These include growing concerns about the proliferation of international trade arrangements, as well as about the formation of trading blocs and their eventual impact on the global trading system. Then, too, there is apprehension about protectionism and the tendency for some countries to substitute «managed trade» for free trade. Tensions are also mounting⁴ owing to difficulties in reaching agreement on key agenda items of multilateral trade negotiations.

While the prognosis is that in the nearest future the growth of the volume and value of world trade will once again exceed the growth of world output by a sizeable margin, the longer-run outlook for world trade will be heavily affected by policy decisions of world's largest economies. It should then be clearer whether the international trading system will enjoy the fruits of further multilateral liberalisation⁵ or whether there will be increasing reliance on bilateral arrangements, with some of the trade diversion that this often implies.

Footnotes:

¹ the proposition – note that in English this noun has a different meaning than the similar-sounding Ukrainian noun;

² an engine – in this context, reproducing the metaphor in the Ukrainian translation is inadvisable. Therefore, it is recommended to replace it with a word or expression, instead of which this metaphor is used in the original text;

³ there are some clouds on the international trade horizon – in order to preserve the author's style, it is recommended to preserve this metaphor, but it is advisable to employ antonymic translation;

⁴ tensions are also mounting – in order to preserve the logical emphasis, it is recommended to reshuffle the subject and the predicate;

⁵ will enjoy the fruits of further multilateral liberalization – it is not recommended to preserve metaphor in the Ukrainian translation in order to preserve the style of the scientific text.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. To some extent there are similarities in economic growth rates, especially amongst countries at a similar stage of economic development, which are geographically close. From a very broad perspective, their growth rates share similar patterns. Why are there similarities in economic growth rates among countries?

2. If we look at economic growth rates, we can see there are significant differences in actual economic growth rates among countries, especially in the short run. Why are there differences in economic growth rates?

3. Eight countries in East Asia, namely, Japan, South Korea, Taiwan, Hong Kong, Singapore, Thailand, Malaysia, and Indonesia have become known as the «East

Asian miracle» because of their economies' dramatic growth. In these eight countries real per capita GDP rose twice as fast as in any other regional grouping between 1965 and 1990. Why did East Asia grow so fast? Think of possible explanations of this phenomenon.

SUPPLEMENTARY MATERIAL

CATCHING UP OR FALLING BEHIND?

During most of the nineteenth century the United Kingdom was the leading capitalist country in the world, with a GDP per capita that was about 50% above the average of other leading capitalist countries. This lead was among other things related to the process of economic, social and institutional change that had taken place in Britain for quite some time already, the so-called industrial revolution. However, during the second half of the century, the United States started to catch up with the United Kingdom and eventually – during the early part of the twentieth century – surpassed it. In retrospect it becomes clear that US growth was based on the development of a new technological system, based not so much on new products as on a new way to organize production and distribution. The large productivity gains were secured through the development of large-scale production and distribution systems well suited for the large, fast-growing and relatively homogenous American market.

That Europe initially failed to take advantage of these innovations is perhaps not so difficult to explain. For example, one main difference between the United States and Europe in the first half of this century relates to the size of markets. The European markets were smaller, and less homogenous. Hence, it is not obvious that US methods, if applied to European conditions in this period, would have yielded superior results. Two world wars and an intermediate period of protectionism and slow growth added to these problems. Hence, the United States lead increased even further and peaked around 1950, when GDP per capita in the United States was about twice the European level.

While the period between 1820 and 1950 was one of divergence in economic performance between leading capitalist countries, the decades that followed were characterized by convergence. The productivity gap between the United States and other developed countries was significantly reduced. Arguably, this reduction was related to the potential for rapid productivity advance through imitation of superior US technology.

From the 1950s onwards Japan, later joined by other Asian economies, aggressively targeted the very same industries as those that had grown rapidly in Europe. While Europe, Japan and other countries started to catch up in many typical «American way of life» products, US industry leaped forward in another area; science- based industry. Gradually, however, European countries and Japan started to devote more resources to higher education, science and R&D. Following the Japanese example some of the Asian NICs started to invest massively in R&D from the seventies onwards. These changes have had a major impact on the structure of science based industry worldwide.

Those countries that succeed in catching up are mostly of Asian origin, including well-known examples such as South Korea, Taiwan, Singapore and Hong Kong (though some African countries also do relatively well). In contrast to the Asian experience, Latin-American economies tend to grow below average and cluster in the «losing momentum» category. Those that «lose momentum» also include some former USSR members, and some Arab countries, However, there are several exceptions to this trend; Brazil for instance grows faster than the average, as do some other Latin American economies.

Exercise 9. Choose the correct answer:

1. South Korea, Taiwan, Singapore and Hong Kong are popularly known as:
 - a) Asian Tigers;
 - b) Indian Elephants;
 - c) Pacific Pumas.

2. The birthplace of the Industrial Revolution was:
 - a) the USA;
 - b) Japan;
 - c) Great Britain.
3. Government economic policies that restrict international trade to help domestic industries is called:
 - a) protectionism;
 - b) globalization; c) liberalism.
4. What does R&D stand for?
 - a) research and development;
 - b) risk and danger;
 - c) recession and depression.
5. According to the text, the US growth was based on:
 - a) new products;
 - b) development of a new technologies;
 - c) extensive use of natural resources.

SELF-STUDY

1. Read the article by Robert M. Solow «A Contribution to the Theory of Economic Growth». As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch CNA's programme «Insight» (episode «China: Rise of an Asian Giant»). How the country became the world's «economic miracle»? What caused China's economic growth? What is the current growth rate of China?

Unit 2

MONEY

APPROACHING THE TOPIC

Read the quotes. How do you understand them? Which of these quotes do you agree with? Which do you disagree with? Why?

«Money is a terrible master but an excellent servant», – P. T. Barnum.

«A wise person should have money in their head, but not in their heart», – Jonathan Swift.

«The quickest way to double your money is to fold it in half and put it in your back pocket», – Will Rogers.

«Never spend your money before you have earned it», – Thomas Jefferson.

Answer the questions and share your ideas with the group.

1. If you had no money, do you think you could be happy?
2. If someone gave you a lot of money, what would you do with it?
3. What was the last thing you spent money on?
4. Have you ever had any money stolen from you?
5. Do you sometimes buy things that you don't need? If so, give some examples.

ACTIVE VOCABULARY: acceptability, assets, barter, cattle, coin, coincidence, commodity, consent, contrivance, cost, currency, medium, measure, pecuniary, price, repayment, to avoid, to facilitate, to require, valuable, value.

READING

MONEY

Money, a commodity accepted by general consent as a medium of economic exchange. It is the medium in which prices and values are expressed; as currency, it circulates anonymously from person to person and country to country, thus facilitating trade, and it is the principal measure of wealth.

The subject of money has fascinated people from the time of Aristotle to the present day. The piece of paper labeled 1 dollar, 10 euros, 100 yuan, or 1,000 yen is little different, as paper, from a piece of the same size torn from a newspaper or magazine, yet it will enable its bearer to command some measure of food, drink, clothing, and the remaining goods of life while the other is fit only to light the fire. Whence the difference? The easy answer, and the right one, is that modern money is a social contrivance. People accept money as such because they know that others will. This common knowledge makes the pieces of paper valuable because everyone thinks they are, and everyone thinks they are because in his or her experience money has always been accepted in exchange for valuable goods, assets, or services. If the social arrangement that sustains money as a medium of exchange breaks down, people will then seek substitutes – like the cigarettes and cognac that for a time served as the medium of exchange in Germany after World War II. New money may substitute for old under less extreme conditions. In many countries with a history of high inflation, such as Argentina, Israel, or Ukraine, prices may be quoted in a different currency, such as the U.S. dollar, because the dollar has more stable value than the local currency. Furthermore, the country's residents accept the dollar as a medium of exchange because it is well-known and offers more stable purchasing power than local money.

Anything can serve as money that habit or social convention and successful experience endow with the quality of general acceptability, and a variety of items have so served – from the wampum (beads made from shells) of American Indians, to cowries (brightly colored shells) in India, to whales' teeth among the Fijians, to tobacco among early colonists in North America, to large stone disks on the Pacific island of Yap, to cigarettes in post-World War II Germany and in prisons the world over. In fact, the wide use of cattle as money in primitive times survives in the word «pecuniary», which comes from the Latin «pecus», meaning cattle. The development of money has been marked by repeated innovations in the objects used as money.

The basic function of money is to enable buying to be separated from selling, thus permitting trade to take place without the so-called double coincidence of barter. In principle, credit could perform this function, but, before extending credit, the seller

would want to know about the prospects of repayment. That requires much more information about the buyer and imposes costs of information and verification that the use of money avoids.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. What is money in simple words?
2. What is the basic function of money?
3. What is the difference between 1 dollar, as paper, and a piece of the same size torn from a newspaper or magazine?
4. Which Greek philosopher is mentioned in the text?
5. Can colored shells serve as money in Ukraine?

Exercise 2. Decide whether the following statements are true (T) or false (F). Correct them if necessary.

1. Money is the medium in which prices and values are expressed.
2. People accept money without any confidence that others also will.
3. There are no recorded precedents, when old money was substituted with new money.
4. The word «pecuniary» comes from the Greek «pecus», meaning cigarettes.
5. In countries with high inflation, prices may be quoted in a different currency.

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. The U.S. dollar is the most commonly used currency in the world.
2. The Romans were the first to stamp the image of a living person on a coin.
3. The only woman to have ever appeared on a U.S. currency note was Martha Washington.
4. Queen Elizabeth II holds the record for appearing on more currency than any other person.

5. Over 170 different currencies are used around the world today.
6. Early Romans used salt as a form of money. Even the word «salary» derived from sal, which means «salt» in Latin.
7. Pablo Escobar had enough cash that rats ate almost \$1 billion of his money each year.
8. The «\$» symbol is derived from the Spanish dollar sign. In 1782, the US considered choosing the Spanish peso as the country's currency. The abbreviation for the Spanish peso (PS) later transformed into a \$.
9. After World War I, hyperinflation wreaked havoc on the German currency, causing it to lose almost all of its value. As a result, people would give money to kids to play with, and many people used it as wallpaper.
10. No trees are cut down to make our banknotes.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. The general ... of money means that most business and individuals will accept money in exchange for goods and services.
2. Before formal currency existed, most ancient societies used an exchange and ... system.
3. The country's most ... commodities include tin and diamonds.
valuable
4. The large supermarkets are offering big ... cuts.
5. If you find overspending is a challenge, try some psychological tips to help ... spending money.
6. Economists ... the money supply because it's directly connected to the activity taking place all around us in the economy.
7. Scientists have warned that the use of growth hormones to make ... grow more quickly may result in a health risk for consumers.
8. On 30 September 1992 a reduced-size version of the 10 pence ... was introduced.
9. The ... of wants is an economic phenomenon where two parties each hold an item the other wants, so they exchange these items directly without any monetary medium.
10. The ultimate irony is that all of these deep problems are amenable to solutions, albeit solutions that ... money.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: acceptability, barter, cattle, commodity, consent, contrivance, cost, currency, to facilitate, to require.

1. a group of animals that includes cows, buffalo, and bison, that are often kept for their milk or meat;
2. anything that can be bought and sold;
3. permission or agreement;
4. the act of intentionally arranging for something to happen by clever planning, or something that is arranged in this way;
5. the amount of money needed to buy, do, or make something;
6. the money that is used in a particular country at a particular time;
7. the quality of being satisfactory and able to be agreed to or approved;
8. to make something possible or easier;
9. to exchange goods for other things rather than for money;
10. to order or demand something, or to order someone to do something, esp. because of a rule or law.

Exercise 6. Complete the following text with the correct prepositions:

A SHORT HISTORY OF THE POUND

Despite its full-throated associations ... Britishness, the pound traces its origins back ... continental Europe. Born ... around 775 AD when silver pennies (otherwise known as «sterlings») were the dominant currency ... Anglo-Saxon kingdoms, the Great British pound has been around ... approximately 1200 years, making it the oldest currency still ... circulation today. The official currency ... the United Kingdom, the pound sterling – familiarly and affectionately referred ... simply as the «pound» or «quid» – has survived a history of war, economic crises and a number ... major revolutions, subsequently making it one ... the most popular currencies in both the world and currency trading today.

Although an image ... the reigning monarch of the United Kingdom has appeared ... coins for at least 1000 years (and was quite often the only way a person living ... the country would know what their monarch looked like), the first monarch ... appear on Bank of England banknotes was King George V, who made a brief appearance ... £1 and 10 shilling notes issued during the First

World War. A portrait ... Queen Elizabeth II has appeared ... all Bank of England banknotes since 1960.

The English expression «spend a penny» means going to the bathroom, and it originated ... the need to pay one penny ... the use ... a public WC.

DISCUSSION QUESTIONS

Exercise 7. Explain these proverbs. What do they mean? Do you agree with them? Can you explain these proverbs in other words?

1. The best things in life are free.
2. Time is money.
3. Save your pennies for a rainy day.
4. You can't take it with you when you go.
5. Money doesn't grow on trees.

Exercise 8. Answer the following questions and justify your answers:

1. For some people, giving money to beggars is a natural thing to be doing. When we know we can help the life of someone, even for one day, or just one meal, it is not easy to turn away from doing so. However, the question is, are we really helping these people? What if the person buys drugs or alcohol with it instead of food? Is giving someone a bus ticket or a pair of gloves in the winter a good alternative? How can a person differentiate between the truly needy and those who are out to exploit people's generosity? Have you ever given money to people who beg in the streets?

2. Love is one of the greatest motivations that a person can have in life. Being able to experience love is very important when you want to be happy. There are people who aren't as concerned about love as others, though. Some people are much more concerned with making money and they seem to focus on financial success at the expense of their love lives. What's more important to you, love or money? Why?

SUPPLEMENTARY MATERIAL

STRANGE MONEY SUPERSTITIONS FROM AROUND THE WORLD

1. _____

Place of Origin: China

According to Chinese culture, it's bad Feng Shui to put your purse on the floor. In fact, there is an old Chinese proverb you might have already heard: «A purse on the floor is money out the door».

The idea behind this belief is that because people usually carry their money, credit cards, and other important items in their purse, placing their bag on the floor shows disrespect for the order of things, and disregard for your money and wealth. If nothing else, keeping your purse off the ground is a great way to keep it clean!

2. _____

Place of Origin: Turkey

Are bird droppings yucky or lucky? According to this article from Hurryiet Daily News, they might be a little bit of both. In Turkey, many people believe getting pooped on by a bird is a symbol of good things to come – and it's even tradition to buy a lottery ticket on the same day it happens! So the next time a pigeon pegs you for target practice, take it as a sign that things are looking up (just make sure you aren't).

3. _____

Place of Origin: Latin America

Before midnight on December 31, set down your champagne and grab some cash (preferably from your own wallet) – because according to Latino tradition, having money in your hand when the clock strikes 12 will ensure economic prosperity in the coming year. Just don't throw it around like confetti when the ball actually drops, or you'll be starting off the New Year at a net loss.

4. _____

Place of Origin: United Kingdom

From Great Britain to the Caribbean Islands, it is believed that an eight-legged spider that is caught and pocketed – AKA a money spider – means that wealth will soon be woven into your life. If you don't believe us, check the Dictionary. What's more, if you happen to find a money spider in your hair, it is a supposed sign of good luck and increased riches. But will a spider really bring

wealth? Considering the massive global web of arachnid superstitions also labeling spiders as tricksters, trapsters or even signs of death, it might not be worth finding out.

5. _____

Place of Origin: United States

This more modern technique isn't really a superstition, rather a modern practice that looks exactly like it sounds: Place your credit card(s) in a tupperware container filled with water and throw it in the freezer.

The idea behind this practice is that the next time you want to use your credit card, you'll either have to wait for the ice to melt, or break it down with a hammer (which sounds pretty messy) – thus giving you time to change your mind about using your credit card to make a purchase.

6. _____

Place of Origin: Eastern Asia (and happy households around the world)

Technically, this is another idea that stems from the practice of Feng Shui (although the concept pre-dates toilet lids by a few thousand years). In Feng Shui culture, water is of utmost importance. It holds the title of being one of the most powerful and gentle elements on earth. Not only that, but every living thing needs water. It is essential for life on earth. So, it's little wonder that «Feng Shui» means «wind and water». According to today's Feng Shui artists, keeping the toilet lid closed puts you in a mindset to prevent prosperity and abundance from «going down the drain» – and thus, keeps good chi energy in your home.

7. _____

Place of origin: Japan

In Japanese numerology and other East Asian cultures, eight is considered a very lucky number. By incorporating eight artwork throughout your home, it's believed you invite good fortune into your living space. Eight also promotes the idea of growing prosperous, because in Japanese writing the number's shape broadens gradually.

Exercise 9. Choose the correct heading (a-g) for paragraphs 1-7.

- a. A spider in your pocket means money is coming.
- b. Freeze your credit card. Literally.
- c. Hang a number 8 somewhere in your home.
- d. Keep your purse or wallet at waist level or higher.
- e. Keep your toilet lids completely closed.
- f. Ring in the New Year with cash in hand.
- g. Take bird droppings as a good luck sign.

SELF-STUDY

1. Read the article by Mieczysław Dobija «Abstract Nature of Money and the Modern Equation of Exchange». What is the only proper money creating process according to the author?

2. Watch the film «Slumdog millionaire» (2008). How much money did Slumdog Millionaire win? What would you do if you won a large sum of money? What is the first thing you would buy with it? Would you invest it? How much money would you have to win to be happy? Have you or your family ever won any money in a lottery?

Unit 3

CRISES

APPROACHING THE TOPIC

Read the quote. How do you feel about it? Why?

«History reminds us that dictators and despots arise during times of severe economic crisis», – Robert Kiyosaki.

Answer the questions and share your ideas with the group.

1. What was the worst economic crisis in history?
2. Can a health crisis trigger a global economic crisis? What about trade wars?
3. How can we prepare for economic crisis? Can we prevent it?

ACTIVE VOCABULARY: borrowing, competitiveness, consumption, contagion, debt, debt-servicing, deficit, downward, hardship, implications, interest rate, lending, loan, oil-exporting countries, origin, profitable, prosperity, simultaneously, stock market, success, turmoil.

READING

MAJOR ECONONMIC CRISES

Economic histories of nations contain several success stories of economic reforms undertaken by them, but what are remembered most are the years of hardship suffered by millions of populations at times of economic crisis. The Great Depression, the Suez crisis, the International debt crisis, the East Asian crisis, the Eurozone debt crisis and the Great Recession were episodes in which

a large number of countries simultaneously experienced crisis. In each instance, the global crisis was preceded by elevated growth rates and collapses in the year of financial turmoil.

The Great Depression

During the 1920s the American economy grew at 42 percent and stock market values had increased by 218 percent from 1922 to 1929 at a rate of 20 percent a year for 7 years. No country had ever experienced such a run-up of stock prices which attracted millions of Americans into financial speculation. Nobody had seen the stock market crash coming and Americans believed in permanent prosperity till it happened. There was no rational explanation for the collapse of the American markets in October 1929.

Nearly US \$ 30 billion were lost in a day, wiping out thousands of investors. In the aftermath of the US stock market crash, a series of bank panics emanated from Europe in 1931 spreading financial contagion to United States, United Kingdom, France and eventually the whole world spiraled downward into the Great Depression. By 1933, 15 million Americans were unemployed, 20,000 companies went bankrupt and a majority of American banks failed. The Great Depression lasted from 1929 to 1939 and was the worst economic downturn in history.

The «New Deal» of President Franklin Roosevelt brought in a sweeping reformation of the US economy, laying the foundations of the American welfare state – federal aid to the unemployed, stiffer regulation of industry, legal protections for workers, and the Social Security program. «The New Deal» was the first step in the United States muscular emergence from the Great Depression, and the beginning of the country's rise to become the undisputed «leader of the free world».

The International debt crisis

The international debt crisis began on August 20, 1982. Mexico could not repay the loan that was due and engulfed 20 countries. This was the commencement of a decade long international debt crisis. The International Debt Crisis lasted from 1981 to 1989. It covered nearly 20 countries around the world encompassing 30 different episodes. Each one faced serious debt problems but each one had unique problems in origin and implications. Long-term growth in most heavily indebted countries required innovation and broader strategy.

In the 1970s, developing countries borrowed freely in the rapidly growing international credit markets at low interest rates. Banks had grown cash rich with large deposits from oil-exporting countries and there was increased lending to oil-importing countries. The loans were not on investment projects but in order to boost current consumption. Several developing countries had reached borrowings 12 percent of their national income, resulting in major debt-servicing difficulties. Commercial banks believed that sovereign lending to developing countries was a highly profitable activity. Mexico was the first manifestation of the impending crisis. Soon after Mexico, several countries in Latin America – Argentina, Brazil, Chile, Ecuador, Peru and Uruguay encountered debt-servicing problems.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. During what decade did the majority of the Great Depression occur?
2. What were the loans to oil-importing countries used for?
3. Why did commercial banks believe that sovereign lending is a profitable activity?
4. In your opinion, what lesson can the world learn from the Great Depression and the International debt crisis?
5. What were the similarities and the differences between the two crises?

Exercise 2. Read the sentences and correct them if necessary:

1. The Great Depression was the most successful economic upturn in history.
2. The US stock market crash had no impact on other countries.
3. Argentina was the first manifestations of the International debt crisis of 1980s.
4. In the 1970s, developing countries borrowed credits at high interest rates.
5. The borrowing countries invested loans in the newest technologies and innovations.

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. Around 11000 banks failed during the Great Depression, leaving many with no savings.

2. There are some parallels between the Great Depression and the Great Recession, the most salient being the reckless speculation, dependence on credit, and grossly unequal distribution of income.

3. The biggest single-day loss ever in the history of the Dow-Jones occurred on September 29, 2008, when it dropped 777,68 points, or approximately \$1,2 trillion in market value.

4. During the European debt crisis, the EU member states, that were unable to refinance their government debt or to bail out over-indebted banks on their own, were derogatorily called PIGS. The PIGS refers to the economies of the Southern European countries of Portugal, Italy, Greece, Spain.

5. Some economists note that Germany and France, which have the strongest economy in the Eurozone, encouraged the PIGS to go into debt. German and French banks lent money to the PIGS so that the PIGS could buy German and French goods and services, just like a junkie setting up an addict.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. A common explanation for the European debt crisis has been that the introduction of the euro in 2001 caused to fall in those countries where expectations of high inflation previously kept them high.

2. The introduction of the euro, and its effects on external ..., triggered mounting disequilibria and debt accumulation in the countries or periphery. competitiveness.

3. Most of the public ... issued by euro-area countries is denominated in euro and is mostly held by euro-area residents.

4. Governments responded to low interest rates by increasing their

5. Greece did not comply with the Maastricht criterion with respect to the budget ... at the time it joined the euro-zone in 2001.

6. Banks reacted to the liquidity crisis by reducing lending to clients and consumers and raising the amount of collateral required for new

7. The ... affecting capital markets since summer 2007 and its intensification since mid-September 2008 inflicted noticeable blows to world economy.

8. The Black Tuesday crash that took place in 1929 remains the worst crash in US history.

9. The COVID-19 pandemic has put the real economy out of action, evaporating supply and demand

10. In view of the building up of pressure on , a temporary debt moratorium for low-income countries should be put in place.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: contagion, downward, hardship, implications, origin, profitable, prosperity, simultaneously, stock market, success.

1. a condition that causes difficulty or suffering, for example, being without a job or enough money;

2. happening or being done at exactly the same time;

3. moving towards a lower position;

4. resulting in or likely to result in a profit or a benefit;

5. the achieving of desired results, or someone or something that achieves positive results;

6. the activity of buying and selling shares in particular companies, and the people and organizations involved in this;

7. the beginning or cause of something; where a person was born or an object was made;

8. the effect that an action or decision will have on something else in the future;

9. the situation in which feelings, ideas, or problems spread from one place to another;

10. the state of being successful and having a lot of money.

Exercise 6. Complete the following text with the correct prepositions:

THE EAST ASIAN CRISIS

The East Asian economies, which were witnessing rapid growth and improvement in living standards, got embroiled ... a severe financial crisis. The crisis was a result of large external deficits, lack ... supervision and exchange rate pegs ... the US dollar resulting ... wide swings to the exchange rates making international competitiveness unsustainable. The crisis was rooted ... several threads of industrial, financial, and monetary phenomena. ... general, many of these relate ... the economic strategy of export led growth that had been adopted across developing East Asian economies. Sharp price rises were

witnessed in all East Asian countries as a result ... large exchange rate depreciations and massive job losses were seen. Food prices went ... by 35 percent.

The IMF programs focused ... fiscal policies which reduced the countries' reliance ... external savings and taking ... account the cost of restructuring and recapitalizing banking systems.

Exercise 7. Match the synonym to the underlined word:

1. The federal government of the USA has many tools and resources to prevent an economic collapse.

- a) crash;
- b) growth;
- c) prosperity.

2. The major portion of a bank's profit comes from the fees that it charges for its services and the interest that it earns on its assets.

- a) expense;
- b) debt;
- c) income.

3. Commercial banks began to shorten re-payment periods and charge higher interest rates for loans.

- a) credits;
- b) deposits;
- c) services.

4. In the aftermath of the financial crisis, the UK government had the largest budget deficit in its peacetime history.

- a) budget surplus;
- b) deficit spending;
- c) revenue.

5. The government is stepping in, recognizing their economic hardship, and paying the interest on their loan for that period.

- a) difficulty;
- b) labor;
- c) welfare.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. Will the economic crisis in post-COVID days be similar to the Great Depression of 1930s and the Global economic recession of 2007–2009?

2. You are a crisis manager. Imagine yourself being in the midst of a major issue such as your food company potentially selling products that have E. coli or the cars that your corporation manufactures have a major defect that led to dozens of automobile accidents. What would you do in your position? How should you and your team handle it?

3. Imagine yourself in the role of a city manager, CEO, or spokesperson during a crisis situation. Get prepared for a simulated news conference. Your speech should include a description of your crisis, and steps which you are going to take to manage the crisis. Prepare three tricky questions that the reporters may ask you in this particular situation. Provide your planned answers to these tricky questions.

SUPPLEMENTARY MATERIAL

THE SUEZ CRISIS

In the midst of a whirl of activity, it is easy to forget history. Nearly forty years before the pre-Christmas speculative attack on the Mexican peso, the IMF was drawn into its first international crisis, one that had many of the same aspects of speed and speculation that we recognize today as hallmarks of the globalization of financial markets. In this sense, did the twenty-first century really begin in 1956?

On July 26, 1956, Egypt nationalized the Suez Canal Company. France, Israel and United Kingdom initiated joint military action, with Israel invading the Sinai on October 29, 1956. The military action lasted two months and in the midst of the turmoil and uncertainty, a financial crisis erupted.

All four countries were soon seeking IMF financial assistance. It also had a lot of political consequences, Egypt's independence, Israel's survival as a Nation, and a devastating blow to Britain's Victorian aspirations. The Suez Canal was closed for 6 months resulting in trade diversion, cost increases and delivery delays impacting the current account balances of all four countries.

In September – October 1956, Egypt, Israel and France approached the IMF with financing requests, to overcome temporary balance of payments problems arising from the current account. In 1956, Britain had a significant current account surplus. The pound sterling came under heavy speculative pressure and United Kingdom witnessed short-term capital outflows. The United Kingdom did not qualify for financial assistance from the IMF. The Bank of England had enough resources to credit and fend off the outflow without IMF

assistance. That said, the IMF financed all 4 countries with on a stand-by basis. This involvement gave IMF the role of an International Crisis Manager. The Suez Crisis was the first major financial crisis of the post-war era.

Exercise 9. Check your knowledge on the subject. Choose the correct answer.

1. What event is generally considered to be the start of the Great Depression?

- a) Prohibition;
- b) Stock market crash;
- c) New Deal;
- d) Bonus Army March.

2. Who was the President of the United States at the start of the Great Depression?

- a) Herbert Hoover;
- b) Harry Truman;
- c) Woodrow Wilson;
- d) Franklin D. Roosevelt.

3. What president was elected when he promised Americans a «New Deal»?

- a) Herbert Hoover;
- b) Harry Truman;
- c) Woodrow Wilson;
- d) Franklin D. Roosevelt.

4. What was the «New Deal»?

- a) a radio show put on by the president;
- b) a series of laws and programs to help end the Great Depression;
- c) the name of the Federal Bank;
- d) none of the above.

5. What were the shanty towns where many homeless lived called during the Great Depression?

- a) Roosevelt Towns;
- b) Hoovervilles;
- c) Herbertlands;
- d) Wilsonboroughs.

6. What event brought an end to the Great Depression?

- a) Korean War;
- b) World War I;
- c) World War II;

- d) Vietnam War.
- 7. The economic crisis of 2007-2009 originated in the following country:
 - a) Greece;
 - b) Ukraine;
 - c) Japan;
 - d) The USA.
- 8. The fourth biggest U.S. investment bank that collapsed during the economic crisis of 2007–2009 and filed the largest bankruptcy in U.S. history was:
 - a) Morgan Stanley;
 - b) Bank of America;
 - c) Lehman Brothers;
 - d) Arthur Anderson.
- 9. During the economic crisis of 2007-2009, which financial instruments commonly came to be called «Toxic Assets»?
 - a) S&P Stocks;
 - b) Treasury Bills;
 - c) Government Bonds;
 - d) Mortgage-Backed Securities.
- 10. The period of economic downturn that ensued after the economic crisis of 2007-2009 and affected many countries world-wide is called:
 - a) the Great Depression;
 - b) Black Friday;
 - c) the Great Collapse;
 - d) the Great Recession.

SELF-STUDY

1. Read the article by Jan Babecký et al. «Banking, Debt, and Currency Crises. Early Warning Indicators for Developed Countries». As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch the documentary «The Last Days of Lehman Brothers» (2009). What caused Lehman Brothers collapse? How did Lehman Brothers affect the economy? What did Lehman Brothers do wrong?

Unit 4

TAXES

APPROACHING THE TOPIC

Read the quotes. How do you understand them? Which of these quotes do you agree with? Which do you disagree with? Why?

«In this world nothing can be said to be certain, except death and taxes», – Benjamin Franklin.

«Death, taxes and childbirth! There's never any convenient time for any of them», – Margaret Mitchell.

«The invention of the teenager was a mistake. Once you identify a period of life in which people get to stay out late but don't have to pay taxes – naturally, no one wants to live any other way», – Judith Martin.

«There is no worse tyranny than to force a man to pay for what he does not want merely because you think it would be good for him», – Robert A. Heinlein.

Answer the questions and share your ideas with the group.

1. Why do we even pay taxes in the first place?
2. Where does our tax money go?
3. What happens if we don't pay taxes?
4. Do you think taxes in your country are too high/low?
5. If you were the ruler of your country, what would you do to change the taxation system?

ACTIVE VOCABULARY: aggregate demand, aid, burden, compulsory, customs duty, exchange, income tax, levy, net-worth tax, property, rebellion, revenue, sales tax, sizable, spending, tax, taxation, tax breaks, tax code, tax evasion, tax haven, taxpayer, to impose, transit duty, turnover tax, value-added tax.

READING

THE NATURE OF TAXATION

In modern economies taxes are the most important source of governmental revenue. Taxes differ from other sources of revenue in that they are compulsory levies; they are generally not paid in exchange for some specific thing, such as a particular public service, the sale of public property, or the issuance of public debt.

Although taxation has a long history, it played a relatively minor role in the ancient world. Taxes on consumption were levied in Greece and Rome. As a means of raising additional funds in time of war, taxes on property would be temporarily imposed. In Greece free citizens had different tax obligations from slaves, and the tax laws of the Roman Empire distinguished between nationals and residents of conquered territories. Early Roman forms of taxation included consumption taxes, customs duties, and certain «direct» taxes.

In the Middle Ages many of these ancient taxes, especially the direct levies, gave way to a variety of obligatory services and a system of «aids». The main indirect taxes were transit duties (a charge on goods that pass through a particular country) and market fees. During the later Middle Ages some German and Italian cities introduced several direct taxes: head taxes for the poor and net-worth taxes or, occasionally, crude income taxes for the rich.

Taxes have been a major subject of political controversy throughout history, even before they constituted a sizable share of the national income. A famous instance is the rebellion of the American colonies against Great Britain, when the colonists refused to pay taxes imposed by a Parliament in which they had no voice – hence the slogan, «No taxation without representation». Another instance is the French Revolution of 1789, in which the inequitable distribution of the tax burden was a major factor.

Wars have influenced taxes much more than taxes have influenced revolutions. Many taxes, notably the income tax (first introduced in Great Britain in 1799) and the turnover (Germany, 1918; Great Britain, 1940), began

as «temporary» war measures. Similarly, the withholding method of income tax collection began as a wartime innovation in France, the United States, and Britain. World War II converted the income taxes of many countries from upper-class taxes to mass taxes.

In the literature of public finance, taxes have been classified in various ways according to who pays for them, who bears the ultimate burden of them, the extent to which the burden can be shifted, and various other criteria. Taxes are most commonly classified as either direct or indirect, an example of the former type being the income tax and of the latter the sales tax. There is much disagreement among economists as to the criteria for distinguishing between direct and indirect taxes, and it is unclear into which category certain taxes, such as corporate income tax or property tax, should fall. It is usually said that a direct tax is one that cannot be shifted by the taxpayer to someone else, whereas an indirect tax can be.

Taxes can be distinguished by the effect they have on the distribution of income and wealth. A proportional tax is one that imposes the same relative burden on all taxpayers – i.e., where tax liability and income grow in equal proportion. A progressive tax is characterized by a more than proportional rise in the tax liability relative to the increase in income, and a regressive tax is characterized by a less than proportional rise in the relative burden. Thus, progressive taxes are seen as reducing inequalities in income distribution, whereas regressive taxes can have the effect of increasing these inequalities.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. Give your own definition of taxation.
2. What are the classifications of taxes?
3. Which tax is a progressive tax?
4. What can you tell about the history of tax?
5. What are the main peculiarities of taxes?

Exercise 2. Read the sentences and correct them if necessary:

1. Taxes are voluntary levies.
2. Taxation played a major role in the ancient world.
3. The income tax was first introduced in France in the 19th century.
4. Transit duties and market fees are known as direct taxes.
5. Wars have no influence on taxes.

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. In 2011, the country of Romania was trying to pull itself out of a steep recession, decided to add a new profession to the country's labor code, making it subject taxation. The profession? Witchcraft.

2. According to Marc Roche, co-founder and CEO of Annuities HQ, there are more words in the US tax code than there are in the Bible. The tax code is about 4 million words long.

3. When Christopher Columbus left in search of the New World, he was looking for routes for developing trade and commerce for Queen Isabella of Spain. A noble motive indeed! But times have changed. When the explorers of the New World leave their shores now, they are often looking for routes to new tax havens. Their motive is to avoid paying taxes.

4. In 2019, the highest income earners in Sweden pay a whopping 57,19%, more than anywhere else in the world. This is significantly more than the OECD average of 41,65%. In general, income taxes are higher in the Nordic countries. The highest taxes being in Denmark, Finland, and Iceland with respectively, 55,89%, 53,75% and 46,24%.

5. Legendary gangster Al Capone is thought to have killed between 300 and 500 people. But when he was finally sent to prison in 1922, it wasn't for murder, as the government had insufficient evidence that he had murdered anyone. Instead, the Federal government tried and convicted Capone of income tax evasion.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. Every time we buy something in the supermarket or receive any service, we pay 20% from the cost of the goods as ...-.... ... (PDV in Ukrainian).

2. Ukraine has a relatively low 18% individual (PDFO). On the contrary, the top level of this tax can be up to 50% in the European countries and the USA.

3. An already ... tax cut from one Republican senator evolved into one that is even bigger – and particularly generous toward the highest earners.

4. Economic activities in industrial zones located in settlements are increasing because of several incentives, including, low rents and low labor costs.

5. From Gandhi to the Suffragettes, tax ... happen when it becomes clear that the social contract between the governed and the government is broken.
6. Taxes are ... in the sense that governments impose an obligation on taxpayers to pay particular amounts.
7. High levels of public ... naturally require high levels of taxation.
8. When supply is more elastic than demand, the tax ... falls on the buyers.
9. However, for a country of destination to ... a tax on incoming tourists will merely divert tourists to other destinations.
10. There is no such thing as public money. There is only ... money.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: aggregate demand, aid, customs duty, exchange, levy, rebellion, revenue, sales tax, tax code, taxpayer.

1. a set of numbers and letters used by the tax authority to show the amount of income tax that someone should pay, depending on their income and personal situation;
2. a person who pays tax;
3. a tax paid by people when they buy goods or services;
4. a tax paid on goods that are imported;
5. an amount of money, such as a tax, that you have to pay to a government or organization;
6. help or support;
7. money that a company receives, especially from selling goods or services;
8. the act of giving something to someone and them giving you something else;
9. the total demand for goods and services within an economy;
10. violent action organized by a group of people who are trying to change the political system in their country.

Exercise 6. Complete the following text with the correct prepositions:

LAFFER CURVE

The Laffer Curve is a relationship ... economic activity and the rate ... taxation which suggests there is an optimum tax rate which maximises total tax

revenue. The Curve is named ... U.S. economics professor Arthur Laffer, who developed it ... 1974. The Laffer Curve concept infers that a tax rate cut could lead ... an increase ... tax revenue, or a decrease ... tax revenue, depending whether you have already passed the «optimal tax rate». The curve is an important part ... what's called «supply side economics», a belief that economic growth is spurred ... low tax policies that encourage productivity and investment. There is a solid Keynesian explanation ... some aspects of the Laffer Curve – cuts ... direct and indirect taxes increase real disposable income and therefore lead ... higher consumer spending and aggregate demand. Critics contend that the curve, if followed, would raise taxes ... lower-income and middle-income workers, while giving tax breaks ... higher-income earners.

Exercise 7. Match the idioms with their definitions:

1. pink tax;
2. sin tax;
3. tax-and-spend;
4. fat tax.
 - a. a tax or surcharge that is placed upon fattening food, beverages or on overweight individuals;
 - b. a tax on items considered harmful and non essential, such as cigarettes and alcohol;
 - c. spending freely and taxing heavily;
 - d. the higher price often applied to products or services that are for or are marketed to women, especially when such products are similar or nearly identical to products or services for or marketed to men.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. If your taxes doubled, would you change your spending? If yes, what would you cut out?
2. Once a state makes «sin taxes» a significant part of its revenue stream, it has an incentive to keep people smoking and drinking. If everyone quits smoking, the state does not get any cigarette tax revenue. Is it really a good idea to fund public services on the back of citizens' addictions? Do you think cigarettes should be outlawed, taxed heavily, or left for market forces to decide? Should «sin taxes» be added to sugary sodas and other fatty foods?

3. Property taxes are based on the assessed value of a person's property. They are one of the oldest forms of taxation, rooted in the belief that property values correspond to a person's overall wealth and ability to pay. Is this still true? Does the size of a person's home or the amount of acreage that they own necessarily correspond with their wealth and ability to pay?

SUPPLEMENTARY MATERIAL

THE CASE OF CONSTANTIN BRANCUSI VS THE USA

How the case came to court:

...When I brought Brancusi's sculpture «Bird in Space» back home with me to the U.S. New York Customs withheld the work and refused me the regular tax exemption allocated to works of art. The sculpture was registered as a banal object to be imported and put into the same category as domestic utensils or surgical instruments. I thus had to pay a tax of about \$600 [in fact \$240]. I _____ . A few days later I was with some friends, recounting my mishap where completely by chance I met Mrs. Harry Payne Whitney, founder of the Whitney Museum of American Art. She quickly understood that this could set a precedent and she asked me to let her lawyers take charge of the affair. I was very touched by her proposal and accepted immediately. Edward Steichen

The subject of the case was a yellow piece of metal, the identification of which had left the American authorities perplexed. Its form, 135 cm high, polished all over like a mirror, suggested to some a manufactured object – the purpose of which, however, remained a mystery – and to others a work of art, as good as any others in the great museums of the world. So began in New York, in 1927, one of the most famous cases on the definition of a work of art: Brancusi vs USA.

Jacob Epstein, called as a witness by the plaintiff having taken the oath, made the following disposition. Questioning by Mr C. J. Lane

Mr. Epstein, are you acquainted with one Constantin Brancusi?

Yes, I have known Constantin Brancusi's works for the last fifteen years.

Are you acquainted with his work? 2. _____ Is Constantin Brancusi a sculptor? In my opinion, yes, decidedly so.

Is he so considered in the world of art?

He is considered so in the world of art.

Mr. Epstein, will you look at the exhibit one in this case and tell the Court whether in your opinion that is a work of art.

In my opinion it is a work of art.

When you say you consider that a work of art will you kindly tell me why?

Well, it pleases my sense of beauty, gives me a feeling of pleasure, made by a sculptor, it has to me a great many elements but consists in itself as a beautiful object. To me it is a work of art.

So if we had a brass rail, highly polished, curved in a more or less symmetrical and harmonious circle, it would be a work of art?

It might become a work of art.

Whether it is made by a sculptor or made by a mechanic?

3. _____

Do you mean to tell us that exhibit one if formed up that a mechanic, that is, a first class mechanic, with a file and polishing tools could not polish that article up?

He can polish it up but he cannot conceive of the object. That is the whole point. He cannot conceive those particular lines which give it its individual beauty. That is the difference between a mechanic and an artist, he cannot conceive as an artist.

It is suggested that you might enlighten the court as to whether you would think that object (exhibit one) a bird?

I would of course start off with that artist's title, and if the artist called it a bird I would take it seriously, if I have any respect for the artist whatever. It would be my first endeavor to see whether it was like a bird. In this particular piece of sculpture there are the elements of a bird, certain elements.

What elements?

If you regard the piece of sculpture in profile, you see there, it is like the breast of a bird, especially on this side.

All breasts of birds are more or less rounded?

Yes.

Any rounded piece of bronze then in other words could represent a bird?

That I cannot say.

If Mr Brancusi called this a fish it would be then to you a fish?

4. _____

If he called it a tiger it would change your mind to a tiger?

No.

In your thirty years experience you have met many other sculptors and artists?

Yes, sir.

You have seen their works?

Yes.

5. _____

There are other artists that do work similar, not absolutely like Brancusi, but of that character.

So he stands practically alone and isolated in this particular class of art?

No, he is related to a very ancient form of sculpture; I should say even to the Egyptian. He does not stand absolutely alone. He is related to the fine ancient sculpture like the early Egyptian three thousand years old. If you would like me to bring into court a piece of sculpture, ancient sculpture, which I happen to have I can illustrate. (Witness leaves the stand to get the sample.)

What is that piece you have there?

That is a hawk.

Will you show it to the court so as to illustrate your answer?

6. _____

You can see some similarity in form, with what you understand to be a hawk?

An ornithologist might not find it, I see the resemblance to a bird, the feathers are not shown, the feet are not shown.

The wings and the feet are not shown, still you get the impression it is a hawk?

Yes.

Exercise 9. Six sentences have been removed from the text above. Put the missing sentences into the right place:

- a) This is an ancient Egyptian hawk, three thousand years ago.
- b) I was frightfully offended and decided to register a complaint.
- c) Do any of them do works of this class and character?
- d) A mechanic cannot make a beautiful work.
- e) If he called it a fish, I would call it a fish.
- f) Very well acquainted.

SELF-STUDY

1. Read the article by Martha Lagace «The Height Tax, and Other New Ways to Think about Taxation». What are some problems with the current tax policy that concern you the most? In your opinion, should tall people pay higher taxes than the rest of us?

2. Watch the film «Shawshank redemption» (1994). Which tax advice the protagonist Andy gives to the head guard? Did it provide a tax shelter for Captain Hadley's inheritance? Which type of tax is gift tax?

Unit 5

MULTINATIONAL BANKS AND CORPORATIONS

APPROACHING THE TOPIC

Read the quote:

«You know, who tells the stories of a culture really governs human behavior. It used to be the parent, the school, the church, the community. Now it's a handful of global conglomerates that have nothing to tell, but a great deal to sell», – George Gerbner

Answer the questions and share your ideas with the group.

1. Why do banks and companies go global?
2. Can you name the 10 largest banks and corporations in the world?

What are their countries of origin?

3. How did the global economic crisis of 2007–2009 affect multinationals?

ACTIVE VOCABULARY: acquisition, branch, currency, to expand, expansion, entrant, headquarter, home country, host country, impetus, merger, overseas, precious metals, salary, securities, subsidiary, takeover, to overcome, to prohibit, trade.

READING

MULTINATIONAL BANKS

Multinational banks, by definition, are those that physically operate in more than one country. For instance, Citibank operates offices in more than 90 countries around the world.

Multinational, also sometimes called transnational, banking is of relatively recent origin. Its development coincided and accelerated with the technological improvements and cost-reductions in international travel and communications in the post-war period. This type of banking involves the physical presence of a bank abroad.

Multinational banks have experienced rapid growth in the past few decades. Access to new markets in Central and Eastern Europe and financial deregulation elsewhere has helped to accelerate the growth of multinational banks operations. The most rapid growth of multinational banks loans has been in Eastern Europe, thanks to the opening of the former East Bloc countries. Latin America has also experienced a rapid increase in multinational banks loans over the years, following financial deregulation and bank privatizations.

Multinational banking encompasses a variety of activities, including trading in currencies, derivative securities, gold, and precious metals; borrowing and lending; and financing international trade.

When establishing a physical presence in an offshore market, a bank can choose from a range of possible organizational structures (branches, correspondent banks subsidiaries etc.). Each of these structures offers different combinations of advantages and disadvantages, some of which will depend on the particular host country regulations. In some countries certain organizational structures may be prohibited.

A number of reasons have been advanced to explain why banks expand offshore. The most frequently discussed idea is that banks expand offshore in order to follow their clients. This is usually characterized as defensive expansion. This approach argues that banks must follow their clients abroad in order to retain (defend) their bank-client relationship. If the bank does not follow its clients abroad, the client will establish a new banking relationship in the host country. Since multinational banks operate in a wide array of countries and regions, multinational corporations become their natural clients. When multinational corporations establish new operations, multinational banks often follow.

It is argued that entrants to a foreign market must possess some special advantage if they are to overcome domestic banks' home-territory advantage. Consistent with this general framework, banks from developed financial markets have skills and expertise that can be applied to overseas markets at relatively low marginal costs.

Other examples of firm specific advantages that provide an impetus for offshore expansion include comparative advantage in the production of bank products, parent size, and international experience. Comparative advantages in

multinational banking are considered in terms of lower cost of capital, lower interest costs, and lower non- interest costs. Banks with lower costs of capital have the ability to provide bank products (deposits and loans) at a lower cost than their competitors.

As of 2020, the largest multinational bank in the world in terms of total assets is the Industrial and Commercial Bank of China Ltd. This institution provides credit cards and loans, financing for businesses, and money management services for companies and high net worth individuals. Though this is a commercial bank, it is state-owned.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. How do you define multinational banks?
2. Can you provide an example of a multinational bank?
3. Why do banks follow their clients abroad?
4. What are the basic activities of multinational banks?
5. What overseas organizational structures of a multinational bank do you know?

Exercise 2. Read the sentences and correct them if necessary:

1. Multinational banks are those that physically operate in no less than three continents.
2. The rapid growth of multinational banks in Eastern Europe was the result of the recession in developed countries.
3. If the bank does not follow its clients abroad, the client will not go abroad either.
4. Banks with higher costs of capital have the ability to provide bank products at a lower cost than their competitors.
5. Multinational banking activities include managing national and public funds, implementing of tax policy.

Exercise 3. Read the information about multinational corporations and extend your knowledge on the subject:

1. The East India Company is known as the first multinational corporation. It was formed in 1600 to establish a British presence in the lucrative Indian spice trade, which until then had been monopolized by Spain and Portugal. Like the modern multinationals, it was eager to avoid the mere interplay of supply and demand. The company eventually became an immensely

powerful agent of British imperialism in South Asia and the de facto colonial ruler of large parts of India. The East India Company controlled its own army, which by 1800 comprised some 200,000 soldiers, more than twice the membership of the British Army at that time. The company used its armed force to subdue Indian states and principalities with which it had initially entered into trading agreements, to enforce ruinous taxation, and to protect its economic exploitation of both skilled and unskilled Indian labor.

2. Nestle is the world's largest food corporation with over 400 factories in 86 countries. It is headquartered in Switzerland. By the way, the word «Nestle» can actually be translated from German as «a nest». Nestle was founded in 1866 and the very first product of the company was infant cereal. Nestle deals with a wide range of products that range from baby food to snacks. But the company sells the highest number of products in the powdered and liquid beverages segment, followed by milk products and ice creams. Nescafe, which is now one of the company's most popular brands, was brand new at the beginning of World War II. During that time, it became one of the U.S. military's staple drinks.

3. As of 2020, the most valuable publicly-traded company is Microsoft. Bill Gates, the founder of the company, was officially the youngest billionaire when he reached this astounding feat in 1987 at the humble of 31. Microsoft holds 48,313 patents. The average Microsoft employee, or «Softie» as they call themselves, is a 38- year-old male with the average salary for a developer coming in at \$106,000. All companies have their little in-house traditions, and Microsoft is no exception. Each anniversary, a Microsoft employee is expected to provide one pound of M&Ms for every year they've worked. Microsoft has a reputation in the industry for asking off-beat, off-the-wall questions during its job interview. The most oft-quoted question is: «Why is a manhole cover round?».

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

MULTINATIONAL CORPORATIONS

1. A multinational corporation is a company that operates in its, as well as in other countries around the world.

2. In the current global market, many companies even the well-established multinational corporations are finding it hard to ... to foreign markets.

3. Multinational corporations have to buy or sell foreign ... as part of their daily business. Therefore, these companies face foreign exchange risk every day.

4. Multinational corporations and their foreign affiliates account for one third of world output and GDP and two-thirds of international

5. One negative impact of a multinational corporation on a may be that local firms will be forced out of business because they can't compete.

6. Local governments can be assisted by central government controls which ..., restrict or permit access of multinational corporations to domestic sectors.

7. The largest investment projects in the world are concentrated in multinational corporations, which are a major ... for the development of countries in which all the capacities of multinational corporations are located.

8. Companies acquire capital through the sale of ... in financial markets such as the New York Stock Exchange or the London Stock Exchange.

9. Emerging country multinational corporations do not have access to big amounts of capital as many developed country multinational corporations. These companies can decide to engage in ... and acquisitions with those of the other emerging country multinational corporations in order to increase their profitability and competitiveness.

10. The bank offers a wide range of products, including gold bars, gold coins, silver bars and platinum, etc.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: acquisition, currency, entrant, headquarter, host country, impetus, precious metals, takeover, to prohibit, trade.

1. a company that starts selling a particular product or service, for the first time;

2. a country where a company that is based in another country has business activities;

3. a metal that is valuable and usually rare;

4. a situation in which a company gets control of another company by buying enough of its shares;

5. something such as a building, another company, or a piece of land that is bought by a company, or the act of buying it;

6. something that encourages a particular activity;
7. the main offices of an organization such as the army, the police, or a business company;
8. the money that is used in a particular country at a particular time;
9. to officially forbid something;
10. the activity of buying and selling, or exchanging, goods and/or services between people or countries.

Exercise 6. Complete the following text with the correct prepositions:

CONTEMPORARY ISSUES IN MULTINATIONAL BANKING

The global economic crisis has definitely led ... a reassessment of the potential pros and cons of bank globalization. Many observers perceive multinational banks to have been ... charge ... shocks transmission across borders during the recent economic crisis. Multinational banks' activities may contribute ... faster growth, greater welfare, and enduring stability. Depending ... the conditions, however, multinational banking may also lead ... costs. Risk sharing will inevitably expose host countries to systemic risks ... time ... time. Multinational banks have been criticized ... playing a role in the transmission of shocks ... borders during the global financial crisis

The main contemporary trends in multinational banking are as follows: the rise of South–South banking, regionalization, the shift ... alternative sources ... funding, dramatic increase ... bank size, adopting increasingly restrictive policies, expansion ... Chinese banks. Post-crisis supervisory and regulatory reforms intended ... enhance bank balance sheets and financial stability. More stringent capital requirements for banks and macroprudential regulations have been partially responsible ... these changes. In addition, the crisis highlighted the need ... greater cooperation ... resolving troubled banks.

Exercise 7. Using the given words, make up sentences and write them down:

1. co-founders, originally, Apple, had, three.
2. money, of, than, successful, Apple, is, so, twice, Treasury, the, amount, the, it, has, U.S.
3. logo, physics, Apple's, featured, a, of, the, father, of, Sir, first, Isaac, drawing, company, Newton.

4. to, digital, was, color, Apple, make, a, camera, the, first.
5. by, Space, name, The, iPod, was, inspired, Odyssey, the, movie.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. If you were starting up a new company, what product or service would it offer? What would you include in your business plan to try to convince venture capitalists to invest?
2. Do you prefer to go to the local branch of your bank, or to use the Internet or the telephone? Why? Why do you think most customers still prefer to go to the bank?
3. Do you believe that corporate culture is important? If yes, how do corporations steer clear of negative company culture aspects as listed on the board?

SUPPLEMENTARY MATERIAL

MCDONALD'S CORPORATION

McDonald's, in full McDonald's Corporation, American fast-food chain that is one of the largest in the world, known for its hamburgers. However, McDonald's first originally sold hot dogs, not hamburgers. Its headquarters are in Oak Brook, Illinois. The first McDonald's restaurant was started in 1948 by brothers Maurice («Mac») and Richard McDonald in San Bernardino, California.

A basic hamburger cost 15 cents, about half the price charged by competing restaurants. The self-service counter eliminated the need for waiters and waitresses; customers received their food quickly because hamburgers were cooked ahead of time, wrapped, and warmed under heat lamps.

The public face of McDonald's was created in 1963 with the introduction of a clown named Ronald McDonald, while the double-arch «m» symbol became McDonald's most enduring logo in 1962. Interesting fact: Paris is the only place where the McDonald's arches are white instead of golden. Other products and symbols would define the McDonald's brand, including the Big Mac (1968), the Egg McMuffin (1973), Happy Meals (1979), and Chicken McNuggets (1983).

The chain continued to expand domestically and internationally, extending to Canada in 1967, reaching a total of 10,000 restaurants by 1988, and operating more than 35,000 outlets in more than 100 countries in the early 21st century. Growth was so swift in the 1990s that it was said a new McDonald's opened somewhere in the world every five hours. It effectively became the most popular family restaurant, emphasizing affordable food, fun, and flavors that appealed to children and adults alike. McDonald's largest market outside the U.S is Japan, with over 3,000 restaurants. In Japan Ronald McDonald is called Donald McDonald due to a lack of a clear «r» sound in the Japanese language. In India, there are 179 McDonald restaurants – a country where people do not eat beef.

The success of McDonald's brought increased criticism, much of which concerned its perceived association with a global increase in obesity. McDonald's responded by adding healthy items to its menu, and in 2017 it released McVegan, a plant-based hamburger, which was only available in certain markets. Two years later it began testing another vegan hamburger, the P.L.T. During this time McDonald's also eliminated supersized portions, and its U.S. and Canadian restaurants stopped using trans-fat oil in a number of items. Such measures, however, did little to stem health concerns. In addition, as one of the world's largest private employers, McDonald's faced numerous calls to increase wages. The term McJob was added to the Merriam-Webster dictionary to mean «low-paying job».

McDonald's has released some themed sandwiches throughout the world. Take the McArabia – a flatbread sandwich with chicken, salad and garlic sauce – released in Arab countries and in Egypt to help stop a boycott of American products in response to the Iraq War. But the company made a major faux pas with a different sandwich. This one was released in Norway in 2002 and called the McAfrica. It consisted of beef and veggies in pita bread. It wasn't that it tasted bad – but it was in bad taste, according to critics. That's because McDonald's happened to release this sandwich at a time when massive famine was occurring in Africa. The irony was too glaring for people to ignore. After being attacked as insensitive, the company agreed to roll back on its plans for the sandwich and kept donation boxes for hunger-relief charities at the restaurants that did offer it.

Exercise 9. Check your knowledge on the subject. Choose the correct answer.

1. The McDonald brothers originally got into the fast food business selling which tasty items?

- a) hamburgers;
 - b) hot dogs;
 - c) milkshakes.
2. A slang word for a low-paying, low-prestige dead-end job that requires few skills and offers very little chance of intracompany advancement is:
- a) McJob;
 - b) HamburWork;
 - c) OccupationNagets.
3. McDonald's committed a major cultural faux pas by offering what item?
- a) McWoman;
 - b) McMuslim;
 - c) McAfrica.
4. An embarrassing or tactless act or remark in a social situation is called:
- a) ad astra;
 - b) faux pas;
 - c) per aspera.
5. What is the synonym for the word «obesity»?
- a) overweight;
 - b) addiction;
 - c) envy.

SELF-STUDY

1. Read the article by Fahri Murshudli and Roksolana Zapotichna «Multinational Banking in the Times of Coronavirus Outbreak: Trends and Challenges». As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch the film «The Founder» (2016) about the creation of the McDonald's fast-food restaurant chain. Which startup lessons have you learned from watching this film?

Unit 6

DEBT

APPROACHING THE TOPIC

Read the proverbs. How do you understand them? Which of these proverbs do you agree with? Which do you disagree with? Why?

«Interest on debts grow without rain», – Yiddish Proverb.

«There are four things every person has more of than they know; sins, debt, years, and foes», – Persian Proverb.

«Before borrowing money from a friend, decide which you need most», – American Proverb.

«Promises make debt, and debt makes promises», – Dutch Proverb.

Answer the questions and share your ideas with the group.

1. What images are in your mind when you hear the word «debt»?
2. Why do people get into debt?
3. What can we do to stay out of debt?
4. What advice do you have for people who are in debt?

ACTIVE VOCABULARY: anticipation, boom, bust, borrower, debt, debt overhang, capital markets, contractionary fiscal policy, crowding out effect, emerging market, enterprise, holder, interest rate, issuer, lender, maturity, negotiable, negotiations, nongovernmental organizations, obligations, pitfalls, tipping point, to borrow.

READING

PUBLIC DEBT

Public debt, obligations of governments, particularly those evidenced by securities, to pay certain sums to the holders at some future time. Public debt is distinguished from private debt, which consists of the obligations of individuals, business firms, and nongovernmental organizations. For the most part, public debt differs from private debt only in that it is an obligation of government rather than of private individuals or corporations.

The necessity for governments to borrow in order to finance a deficit budget has led to the development of various forms of public debt, which are now a central feature of all capital markets. Forms of public debt can be classified in a number of different ways: (1) according to maturity, as short-term (maturing in less than five years, often in a matter of weeks) or long-term (maturing in more than five years, up to an indefinite period), (2) by type of issuer, as direct obligations (issued and backed by the government), contingent obligations (issued typically by a governmental corporation or other quasi-governmental body but guaranteed by the government), or revenue obligation (backed by anticipated revenues from government-owned commercial enterprises such as public utilities, or transit systems, and not by taxes), (3) by location of the debt, as internal (held within the government's jurisdiction) or external (held by a foreign jurisdiction), or (4) according to marketability, as negotiable securities (marketable) or nonnegotiable securities (such as the low-denomination U.S. savings bonds).

The only way to reduce the debt is to either raise taxes or cut spending. Either of those can slow economic growth. They are two of the tools of contractionary fiscal policy: tax increases and spending cuts.

Cutting spending has pitfalls. Government spending is a component of GDP. If the government cuts spending too much, economic growth will slow down. That leads to lower revenues and a larger deficit. The best solution is to cut spending on areas that do not create many jobs.

Tax increases beyond the 50% bracket can slow growth. The industries or groups that pay higher taxes will get angry. Politically, they often end a politician's career.

As long as the debt is below the tipping point, creditors believe the government will repay them. According to studies, the tipping point for emerging market countries is 64%. If the debt-to-GDP ratio is higher, it will slow growth by 2% each year. Government bonds remain attractive than riskier

corporate bonds. When debt is moderate, government interest rates can remain low. That allows governments to keep running deficits for years.

Moderate increases in the debt will boost economic growth. But too much debt increases growth too fast. If growth is faster than the ideal range of 2–3%, it will create a boom, which leads to a bust.

The national debt becomes a sovereign debt crisis when the country is unable to pay its bills. The first sign is when the country finds it can no longer get a low-interest rate from lenders. Banks worry that the country cannot afford to pay the bonds. They fear that it will go into debt default. They require higher yields to offset their risk. That costs the country more to refinance its debt.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. How can you define public debt?
2. What is the difference between public debt and private debt?
3. Is there any relation between debt and economic growth?
4. What is the way to reduce public debt?
5. How can you define a sovereign debt crisis?

Exercise 2. Decide whether the following statements are true (T) or false (F).

Correct them if necessary.

1. Public debt consists of the obligations of individuals, business firms, and nongovernmental organizations.
2. According to maturity, public debt can be classified into internal and external.
3. If the government cuts spending too much, economic growth will slow down.
4. According to studies, the tipping point for developed market countries is 64%.
5. The national debt becomes a sovereign debt crisis when the country is unable to pay its bills.

Exercise 3. Read the information about multinational corporations and extend your knowledge on the subject:

1. For every £1 given in aid by rich countries, poor countries pay back nearly £4 in debt repayments.

2. As of 2019, Brunei is one of the countries with the lowest debt. It has a debt to GDP ratio of 2.46 percent among a population of 439,000 people, which makes it the world's country with the lowest debt. The nation with the highest debt-to-GDP ratio is Japan with a ratio of 253%.

3. Americans are anchored by credit-card debt. According to CardWeb.com, the average American household with at least one credit card has nearly \$10,700 in credit- card debt. Even more alarming, the average interest rate on these cards runs in the mid to high teens.

4. The drug lord Pablo Escobar offered to pay off Columbia's \$20 billion foreign debt in order to avoid extradition to the US.

5. The King of Pop music, Michael Jackson, reportedly died \$400 million in debt. Selling more than 61 million albums in the U.S. didn't stop the singer from borrowing, and spending, huge sums of money over his career. Numerous legal battles also contributed to his financial troubles. Shortly before his death, Jackson announced a tour with the intention of using the proceeds to pay his way out of financial disaster.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. The fundamental reason why developing and amass external debt is lack of saving and investment.

2. This increase in borrowing will, in turn, increase the, which makes the cost of borrowing for both investment and consumption more expensive, which is called a crowding out effect.

3. Closing the account before ... will result in 90 days' loss of interest. maturity

4. I look forward to such proposals in ... that they will be instrumental in achieving greater success in debt relief.

5. This unit will help provide you with knowledge and information on the ways to avoid the ... of debt consolidation loans.

6. Like businesses, sometimes need cash in the form of a loan to operate their programs effectively.

7. There's no doubt there will be a ... in debt in the coming months, as people lose their jobs, see their salaries reduced or see available work dry up.

8. Ukraine recorded a government ... equivalent to 50,3% percent of the country's Gross Domestic Product in 2019.

9. A can also be used to pay off unwanted debt.
10. Long-term interest rates, such as those on mortgages, are determined by global

Exercise 5. Substitute definitions for the words taken from the active vocabulary: *boom, borrower, bust, crowding out effect, interest rate, lender, maturity, negotiation, pitfall, tipping point.*

1. a period of slow economic activity and lack of growth;
2. a period of sudden economic growth, especially one that results in a lot of money being made;
3. a person or organization that borrows something, especially money from a bank;
4. a problem, used especially about problems that may happen in the future;
5. an economic theory arguing that rising public sector spending drives down or even eliminates private sector spending;
6. someone or something that lends money, especially a large financial organization such as a bank;
7. the percentage amount that you pay for borrowing money, or get for lending money, for a period of time, usually a year;
8. the process of discussing something with someone in order to reach an agreement with them, or the discussions themselves;
9. the time at which a change or an effect cannot be stopped;
10. the time when a financial agreement or investment becomes ready to be paid.

Exercise 6. Complete the following text with the correct prepositions:

EXTERNAL DEBT AND ECONOMIC GROWTH

Economic theory suggests that reasonable levels ... borrowing by a developing country are likely ... enhance its economic growth. Countries ... early stages ... development have small stocks ... capital and have investment opportunities with rates ... return higher than those ... advanced economies. As long as they use the borrowed funds ... productive investment and do not suffer ... macroeconomic instability, policies that distort economic incentives, or sizable adverse shocks, growth should increase and allow ... timely debt repayments.

Why do large levels ... accumulated debt lead ... lower growth? The best-known explanation comes ... «debt overhang» theories, which show that if there is some likelihood that, ... the future, debt will be larger than the country's repayment ability, expected debt-service costs will discourage further domestic and foreign investment and thus harm growth. Potential investors will fear that the more a country produces, the more it will be «taxed» ... creditors to service the external debt, and thus they will be less willing to incur costs today ... the sake of increased output ... the future.

Exercise 7. Match the idioms with their definitions:

1. debt to nature;
2. head over heels in debt;
3. out of debt;
4. owe (one) a debt of gratitude;
5. pay (one's) debt to society.
 - a. a euphemism for death;
 - b. having amassed a large amount of debt;
 - c. no longer having a debt owed to one or more other people, corporations, banks;
 - d. to serve the sentence given to one upon conviction of a crime;
 - e. to be extremely thankful or grateful to one for something one did.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. Do you think a new iPhone is the best thing to borrow money for? Tell the others reasons why. Tell them why it isn't as bad to get a loan for their things. Also, tell your group mates which is the best of these to get a loan for (and why): clothes, education or starting a business.

2. There's a big debate about what's better: paying down debt or building savings as quickly as possible. By paying down debt, you free up credit lines and pay less interest fees. By rebuilding savings, you have cash prepared for the next crisis. What do you think? Should people focus on paying down debt, or rebuilding savings when they get back to work?

SUPPLEMENTARY MATERIAL

DEBT HELP ADVICE

If you want to hit the (1)____ button on conversations at any dinner party, family outing or evening at the pub, start giving debt help advice.

Nearly every adult in the U.S. has some form of debt, but 99% of us would rather argue about religion and politics than ask for advice on debt management. Tackling debt is a (2)____subject because the American consumer is on a record-setting pace that embarrasses most of us. A recent survey said that 25% of Americans rated themselves debt free. Almost half the people surveyed said they have less debt than their closest family and friends and 72% claim that if their debts were wiped out, they would put all that money into savings!

If that's true, there is reason to be encouraged. However, if you're like most people, there is no (3) __of cash coming in your immediate future. Things like unemployment, medical emergencies, business setbacks and divorce can complicate your situation and make paying off debts a real battle even for the most frugal spenders in the population.

The good news is that there are debt-relief options available. With enough planning, hard work and persistence, consumers can find their way back to solid financial ground. Here some advice on how to take control of your finances.

The best financial option is, of course, to avoid debt entirely, rather than (4) _____ yourself out of a hole. Make a budget, and stick to it. This is by far the best way to manage your money effectively. An accurate account of spending is the best way to address debt problems.

Set realistic financial goals. Don't expect to get out of debt overnight. It usually takes a 3–4 year plan to pay off all debts and establish a solid financial foundation. If you can't pay cash, don't buy it. That goes for every purchase, except a home. Having to pull money out of your pocket is an excellent way to avoid impulse purchases.

If you use a credit card, pay on time and pay more than the minimum amount due. (5)_your credit card accounts for changes in rates or fees. When you have a mortgage or auto loan and know you'll have trouble making payments, contact your lender and ask if they will work with you. If you're prepared to make some kind of payments, they should help you get through the difficult period.

Exercise 9. Read the text above. For questions (1–5) choose the correct answer (a, b, c or d).

1.
 - a) mute;
 - b) silent;
 - c) wordless;
 - d) unspoken.
2.
 - a) heary;
 - b) smelly;
 - c) touchy;
 - d) seemingly.
3.
 - a) godsend;
 - b) windfall;
 - c) manna from heaven;
 - d) gold rush.
4.
 - a) remove;
 - b) withdraw;
 - c) dig;
 - d) tunnel.
5.
 - a) monitor;
 - b) mouse;
 - c) keyboard;
 - d) motherboard.

SELF-STUDY

1. Read the article by Nobel-winning economist Paul Krugman «Financing vs. Forgiving a Debt Overhang». As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch the documentary «In Debt We Trust: America Before the Bubble Bursts» (2006). How corporations benefit from our debt? Has the film convinced you to work hard to get out of debt?

Unit 7

CONTEMPORARY CHALLENGES FACING THE WORLD ECONOMY

APPROACHING THE TOPIC

Read the quote. How do you feel about it? Why?

«Few economic problems, if any, are difficult of solution. The difficulty is in confronting them. We know what needs to be done; for reasons of inertia, pecuniary interest, passion or ignorance, we do not wish to say so», – John Kenneth Galbraith

Answer the questions and share your ideas with the group.

1. What are some of the major issues affecting the economy today?
2. Does economic growth reduce inequality?
3. Why are some nations richer than others?
4. Why are resource-rich countries often poor?

ACTIVE VOCABULARY: acceptable, agriculture, adjustment, benchmark, deposits, distribution, food consumption basket, fortune, household, humanity, inequality, poverty, powerhouse, replacement, soil, temperate, tax, threshold, wage, wealth.

READING

POVERTY AND INEQUALITY

For over half a century, most of the world's economies have enjoyed steady growth and prosperity. While this economic growth has reduced the

number of people living in poverty, it has come with an increase in economic inequality. The gap between the «haves» and the «have-nots» in developed countries has widened, with a small proportion of the population reaping an increasingly larger share of a country's economic rewards.

Inequality and poverty are distinct but related concepts. To be poor means that an individual has insufficient resources to be able to function at a socially acceptable level. National poverty levels are generally measured as the percentage of the population that has income or wealth below a benchmark thought to represent the minimum needed for an individual to flourish. In the United States, poverty thresholds were established in the 1960s on the basis of the cost of a nutritionally adequate but plain food consumption basket. The original thresholds have been adjusted for inflation but are applied equally across the entire country despite great variation in cost of living from one city or state to the next. The World Bank has tracked global poverty levels for many years based on an original income threshold of one U.S. dollar a day. More recently, the benchmark for extreme poverty has been adjusted to reflect the purchasing power of national currencies and to take account of inflation with extreme poverty.

The inequality has to do with the way in which desirable things, such as income, wealth, prestige, well-being and so on, are distributed across a given population. Economic inequality measures the position of individuals or groups relative to others in society. In general, it will be the case that the people at the bottom of the income distribution will be both relatively and absolutely poor but one could imagine a society in which absolute poverty had been eliminated even though relative poverty (inequality) was still prevalent.

Interest in inequality is not a new phenomenon. In 1753, the Dijon Academy in France organized a competition for the best essay on the question: «What is the origin of inequality among men, and is it authorized by natural law»? The winning essay was submitted by Jean-Jacques Rousseau who argued that prior to the invention of agriculture and the subsequent creation of property and laws to protect individual property rights, human beings lived in a state of «moral equality». Rousseau observed that there could be physical differences among human beings in the state of nature but believed that moral or political inequality arose only with the creation of the state.

Many explanations for the current increases in economic inequality have been offered. Scholars point to skills-biased technological change as a major cause. Technological innovations in recent years have often led to the replacement of unskilled workers with computerized machines that require highly skilled operators. The result is that demand for skilled workers has

increased driving up their wages while the opposite effect occurs for unskilled workers increasing the disparities in labor income. Skills depend on education so wage inequalities may also reflect differences in educational opportunities. Social changes, such as assortative mating, may also contribute to rising inequality. Assortative mating is the practice of marriage between similar people. It is more likely today for a high-income earner to marry another high-income earner than was the case in the past. The result is that some households have very high income from the two highly paid people while others have to rely on the much lower earnings of one or two low-wage workers. Another social change is the decline of labor unions and the reduction of the bargaining power of workers with low or moderate skills.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. What is the difference between «inequality» and «poverty»?
2. What does the «haves» and the «have nots» mean? 3. Is interest in inequality a new phenomenon?
4. What scientific explanations for the current increases in economic inequality can be offered?
5. What is the origin of inequality among men, in your opinion?

Exercise 2. Read the following abstract from the «Discourse on the Origin and Foundations of Inequality among Men» by Jean-Jacques Rousseau. Do you agree with him? Why, or why not?

«But from the moment one man needed the help of another, as soon as it was thought to be useful for a single person to have provisions for two, equality disappeared, property was introduced, labor became necessary, and vast forests were changed into smiling fields which had to be watered with the sweat of men, and in which slavery and misery were soon seen to germinate and grow with the crops...

Metallurgy and agriculture were the two arts whose invention produced this great revolution».

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. The world's richest 1% have more than twice as much wealth as 6.9 billion people. The very top of the economic pyramid sees trillions

of dollars of wealth in the hands of a very small group of people, predominantly men, whose fortune and power grow exponentially. Meanwhile, around 735 million people are still living in extreme poverty.

2. While the richest continue to enjoy booming fortunes, they are also enjoying some of the lowest levels of tax in decades – as are the corporations that they own. Instead taxes are falling disproportionately on working people. When governments undertax the rich, there's less money for vital services like healthcare and education, increasing the amount of care work that falls on the shoulders of women and girls.

3. In most countries having money is a passport to better health and a longer life, while being poor all too often means more sickness and an earlier grave. People from poor communities can expect to die ten or twenty years earlier than people in wealthy areas. In developing countries, a child from a poor family is twice as likely to die before the age of five than a child from a rich family.

4. With less income and fewer assets than men, women make up the greatest proportion of the world's poorest households, and that proportion is growing. They are more likely to be found in poorly paid and precarious employment, supporting the market economy with cheap or free labor. They are also supporting the state through billions of hours of unpaid or underpaid care work, a huge but unrecognized contribution to our societies and economic prosperity.

5. At the same time, public services are suffering from chronic underfunding or being outsourced to private companies that exclude the poorest people. In many countries a decent education or quality healthcare has become a luxury only the rich can afford. It has profound implications for the future of our children and the opportunities they will have to live a better and longer life.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. As most poor people live in rural areas of developing countries and are dependent on ... for their livelihood, the key to eradicating current suffering must lie in the creation of dynamic rural communities founded upon prosperous farming.

2. The face of ... is primarily rural and young; 80 percent of the extreme poor and 75 percent of the moderate poor live in rural areas.

3. For international comparisons of poverty, the «...» is the only comparable income-sharing unit available for almost all nations.
4. A majority of cross-national studies define the poverty ... as one-half of national median income.
5. In most of Asia, Latin America, and Africa, daily ... are no more than one or two U.S. dollars per day.
6. When ... -zone economies are not rich, there is typically a straightforward explanation, such as decades under communism.
7. In poor agricultural settings ... fertility is a critical input to agricultural production and therefore to human welfare.
8. In some countries like Nigeria, aside from corruption, the structure of government contributes to the poverty. It makes ... of wealth resulting in increased inequality with the rich getting richer and poor getting poorer.
9. In economics, the Gini coefficient is a measure of statistical dispersion intended to represent the income or wealth ... within a nation or any other group of people.
10. While millions across the world live in poverty, rich individuals and companies, exploiting the secrecy provided by ... havens, are continuing to dodge their taxes, depriving the poorest countries from being able to provide vital services.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: adjustment, benchmark, distribution, fortune, household, humanity, powerhouse, soil, tax, threshold.

1. a country, organization, or person with a lot of influence, power, or energy;
2. a group of people, often a family, who live together;
3. a large amount of money, goods, property, etc.;
4. a level of quality that can be used as a standard when comparing other things;
5. a slight change made to something to make it fit, work better, or be more suitable;
6. an amount of money paid to the government that is based on your income or the cost of goods or services you have bought;
7. people in general; the condition of being human;
8. the level or point at which you start to experience something, or at which something starts to happen;
9. the material on the surface of the ground in which plants grow; earth;
10. the process of giving things out to several people, or spreading or supplying something.

Exercise 6. Complete the following text with the correct prepositions:

WHY ARE SOME COUNTRIES RICH AND SOME COUNTRIES POOR?

Even a nation that is open ... trade and technological change, one that has strong institutions and growth-friendly policies, might have a hard time reaching the standard ... living of wealthier nations, because not all nations are created equal ... terms of geography and natural resources.

Consider the world's wealthiest country, the United States. There are many historical and social factors leading ... this success, but the U.S. also has two large coastlines, thousands of miles of navigable rivers, millions of acres of fertile soil and huge deposits of minerals and other natural resources. All of these factors increased the potential ... the U.S. to become the economic powerhouse it is today.

As importantly, the U.S. and Europe have temperate climates. Tropical countries must deal ... diseases that flourish in their climates, soil and ecosystems that are less ideal ... agriculture, and other problems like extreme heat and long rainy seasons. However, this point is tempered by the success of a number of nations ... warmer climates, particularly those ... Southeast Asia. Since there are other factors to growth, a country's fate is not sealed ... its geography. This is a reminder that differing perspectives should be considered together.

Exercise 7. Translate the following text into Ukrainian. Pay attention to the footnotes after the text:

LIMITATIONS OF INTERNATIONAL POLICY TOWARD DEVELOPING COUNTRY DEBT

For many heavily indebted developing countries it is now widely recognized that it makes more sense¹ to reduce the debt or the servicing of the debt than to continue to add more loans to a stock of debt that already exceeded a country's debt-servicing capacity.

Creditor country Governments endorsed the proposal under which the commercial bank debt of heavily indebted middle-income countries could

be reduced voluntarily through negotiations in which «enhancements»² would be offered to bank creditors, the cost of³ which would be underwritten by loans from the IMF and the World Bank, as well as from the reserves of debtor countries themselves. The financial markets, which had grown increasingly pessimistic about the debt problem, at first reacted positively⁴. The perception grew that more debt would be moved off the books of the banks, albeit at a discount, and that remaining debt would more likely be serviced fully. Indeed, average prices in the secondary market for the bank debt of middle-income countries rose.

However, by the end of the year, the mood of the market again soured. The banks saw a smaller buy-back of debt⁵ than expected and concern rose over the servicing of remaining debt as the official financial community seemed to grow tolerant of rising arrears to the banks. The average secondary-market bid on the debt of the debtor countries noted previously fell below one third of face value.

Footnotes:

¹ it makes more sense – it is recommended to translate this phrase with one adverb;

² «enhancements» – when translating this noun, it is recommended to give a descriptive translation and remove quotation marks;

³ the cost of – when translating this phrase can be omitted;

⁴ The financial markets, which had grown increasingly pessimistic about the debt problem, at first reacted positively – when translating this sentence, it is recommended to change its structure. Start the translation with the predicate of the main sentence, and replace it with a noun;

⁵ debt – when translating this noun, it is recommended to use the method of concretization (not the debt itself is redeemed, but specific securities).

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. There certainly is an argument to be made that no debt is good debt, but borrowing money and taking on debt is the only way many people can afford to purchase big-ticket items like homes and cars. Do you think such loans are justifiable and bring value to the person taking on the debt?

2. You've heard it before: someone runs into credit card or mortgage payment problems and needs to work out a payment plan to avoid going

bankrupt. What does an entire country do when it runs into a similar debt problem? For a number of emerging economies issuing sovereign debt is the only way to raise funds, but things can go sour quickly. How do countries deal with their debt while striving to grow?

3. Emerging markets and developing countries have about \$11 trillion in external debt and about \$3,9 trillion in debt service due in 2020. Of this, about \$3,5 trillion is for principal repayments. In your opinion, what should be done about the coming debt crisis in these countries? Do you think the coronavirus is threatening a developing- country debt crisis?

SUPPLEMENTARY MATERIAL

GLOBAL ECONOMIC CHALLENGES: THE PRESSING AND VISIBLE ISSUES?

As our international community wrestles with complex economic and social issues, citizens around the globe experience increasing hardships while their optimism for a better economic future sinks to a low level. Indeed, the deepening of the economic crisis has become a major source of disturbance for policymakers and CEOs. This has been exceptionally well captured in the headline, «Why the elites are losing sleep» in Time magazine. The changing projection of the state of the global economy by international institutions manifests not only the depth and scope of the economic crisis but also the limited capacity of human beings to realistically assess global economic challenges and creatively deal with events originating in far places and mysteriously spreading across the globe.

Many of the challenges that our international community face are not new, some have assumed new identities, and some are emerging. These are related to economic instability, fragility of regional pacts, reoccurring financial crises, chronic income inequality at national and global levels, persistent structural unemployment, the digital divide, deepening dependency of the poor countries on international assistance, dramatic climate change, persistent corporate fraud and corruption, and the failure to coordinate a global response to mounting diseases and health problems.

Meeting these challenges and eradicating economic problems are difficult tasks. The presence of economic problems and the apparent lack of progress should not frustrate those in responsible positions from seeking creative and workable solutions to ease economic growth and regain the initiative to revive

economic recovery. The international community must realize that the economic crises are genuine challenges and must be dealt with quickly and flexibly. There is a need for insightful and creative thinking free of nationalistic passion and rooted in the belief that the international community is capable of generating a progressive outlook based on shared benefits and fate. The test is to mount a reasonable response that reduces global uncertainty and limits anxiety, while pointing the path forward.

Exercise 9. Choose the correct answer:

1. The phrase «to lose sleep» means:
 - a) to worry about something;
 - b) to not know the facts of a situation;
 - c) To be extremely happy.
2. What does the term CEO stand for?
 - a) Chemor East Ocean;
 - b) Chief Executive Officer;
 - c) Central European Organisation.
3. Under the word «mounting» in the phrase «mounting disease», the author means:
 - a) gradually increasing;
 - b) very high; c) rocky.
4. What is the synonym for the word «to eradicate»?
 - a) to eliminate;
 - b) to originate;
 - c) to enhance.
5. According to the text, challenges facing international community are:
 - a) brand new;
 - b) ancient;
 - c) no correct answer.

SELF-STUDY

1. Read the article by Coimbatore Prahalad and Stuart L. Hart «The Fortune at the Bottom of the Pyramid». As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch the film «Parasite» (2019). What does this film tell us about economic inequality and wealth gap? Who, or which family, or which social class, is the «parasite», and which is the «host»? Do you think the same economic inequality exists in Ukraine, and if yes, how can it be reduced?

Unit 8

ECONOMIC CRIME

APPROACHING THE TOPIC

Read the quote. How do you feel about it? Why?

«Let me see if I've got this Santa business straight. You say he wears a beard, has no discernible source of income and flies to cities all over the world under cover of darkness? You sure this guy isn't laundering illegal drug money?», – Tom Armstrong.

«When I go to hell, I mean to carry a bribe: for look you, good gifts evermore make way for the worst persons», – John Webster.

«The difference between tax avoidance and tax evasion is the thickness of a prison wall», – Denis Healey.

«Power does not corrupt. Fear corrupts... perhaps the fear of a loss of power» – John Steinbeck.

Answer the questions and share your ideas with the group.

1. Has corruption affected your life?
2. Would you revert to bribery if your life was at stake? If your child's or one of your family members' life was threatened?
3. How does embezzlement affect the economy?
4. Is white collar crime a victimless crime?

ACTIVE VOCABULARY: advertising, asset misappropriation, bogus, bribery, capital heaven, commercial, contemporary, counterfeit, corruption, crime, criminal, database, diversity,

embezzlement, forgery, fraud, illicit, industrial spying (espionage), insurance, intelligence, money laundering, offense, perpetrator, prevention, proceeds, smuggling, to cheat, to commit, to disguise, to steal, traffic of influence, victim, violation, white-collar crime, worthless.

READING

THE NATURE AND VARIETIES OF ECONOMIC CRIME

Economic crime covers a wide range of offenses, from financial crimes committed by banks, tax evasion, illicit capital heavens, insurance fraud, bogus imports, money laundering, currencies forgery, goods smuggling, crimes committed by public officials (like bribery, corruption, embezzlement, traffic of influences, etc.) among many others. According to numerous surveys, the most common economic crime nowadays is asset misappropriation, or simply putting money or another financial product into the wrong account or otherwise falsifying its ownership.

The traditional criminal steals small sums of money and often uses brute force and conventional tools to achieve his aim. On the contrary, a criminal committing an economic crime steals large sums of money and employs technology and communications to carry out unlawful commercial transactions, disturb database or orchestrate massive frauds. Another characteristic of economic, commercial, corporate or white-collar crimes is that they are often perceived as «good business»: and good business often requires «cutting corners». Legal violations by corporations are often viewed as part of the business system, much like industrial spying or psychologically suggestive marketing techniques.

Such crimes are very costly for our society. For instance, false advertising induces the public to invest in products that do not have the desired effect. Unsafe drugs, pesticides and food additives affect the health of thousands. Exposure to industrial hazards such as unsafe equipment and poisonous materials and emissions have an adverse effect on workers' health. That is because many forms of economic crime are relatively invisible, compared with violent crime, for example. The effects on society of economic crime are hidden as public fear and concern are heightened in cases that affect personal security more directly.

The extreme diversity of economic crime means that no single institution of prevention or control will suffice. The police alone are unable to cope with economic crime; there can be no «magic bullet» or panacea. Rather, each separate type of economic crime is best addressed by a combination of countermeasures. Some of these will be governmental, some will lie in the hands of the prospective victim, and some will be at the disposal of third parties.

Forgery

Currency, negotiable instruments and a variety of other valuable documents may be forged or counterfeited. The advent of digital technology, including scanning and copying, enables almost perfect reproduction. Not only may the recipient be left holding a worthless piece of paper, but forged documents can be used to facilitate a variety of other economic crimes.

Industrial espionage

The world of international business is in some respects a jungle. Competitors at home and abroad, and nations which might be hosts to a company's investment, may have a strong interest in a company's trade secrets and other economic intelligence. The lengths to which some will go in order to acquire such information are substantial, and at times illegal. Industrial espionage by governments and private sector institutions is a fact of contemporary commercial life.

Insurance fraud

Insurance is a most important institution, enabling us to spread risk and thereby engage in activities of tremendous commercial or individual benefit. With insurance, however, comes the opportunity for fraud. The fabrication of false insurance claims is as old as the institution of insurance itself. Whether at the hands of opportunistic individuals or criminal organizations, the cost of insurance fraud is substantial.

FOLLOW-UP

Exercise 1. Answer the questions on the text:

1. What is economic crime?

2. What are some examples of economic crime?
3. Why is false advertising dangerous?
4. How new technologies affect forgery?
5. How do you think, why is the world of international business is compared with a jungle?

Exercise 2. Decide whether the following statements are true (T) or false (F). Correct them if necessary

1. According to numerous surveys, the most common economic crime nowadays is tax evasion.
2. The traditional criminal steals large sums of money and employs technology and communications to carry out unlawful commercial transactions, disturb database or orchestrate massive frauds.
3. The fabrication of false insurance claims is a brand new thing.
4. Legal violations by corporations are often viewed as part of the business system, much like industrial spying or psychologically suggestive marketing techniques.
5. Forged documents can be used to facilitate a variety of other economic crimes.

Exercise 3. Read the sentences and extend your knowledge on the subject:

1. Embezzlement is a crime, generally defined as the fraudulent misappropriation of goods of another by a servant, an agent, or another person to whom possession of the goods has been entrusted. Embezzlement is most commonly a corporate crime. There are many different ways to embezzle funds. «Skimming off the top» is when a person continually takes a small amount over a period of time. Someone may disappear after taking a large amount of funds. Managers may steal money by under-reporting income and keeping the unreported funds.
2. Smuggling flourishes wherever there are high-revenue duties (e.g., on tea, spirits, and silks in 18th-century England, coffee in many European countries, and tobacco almost everywhere) or prohibitions on importation (narcotics) or on exportation (arms and currency). Smuggling is probably as old as the first tax or regulation on trade. Attempts by the Chinese government to stop the smuggling of opium led to the opium war of the 1840s. British India in the 19th century suffered smuggling of salt between states with different tax rates, while smuggling of all kinds of dutiable goods occurred between Goa and India and between Gibraltar and Spain.

- It is estimated that around one trillion US dollars is paid in bribes each year worldwide. In the USA the majority of bribery offenders are male. The average age of these offenders at sentencing is 49 years. Over one-half of bribery offenders are public officials. The largest global corruption scandal in modern history is connected with Brazil-based company «Odebrecht». It is Latin America's largest construction firm. It doled out nearly \$800 million in bribes to individuals between 2001 and 2016. It's. Its web of bribes spread over four continents, implicated presidents and involved 12 countries. It also prompted the biggest fine ever levied by the U.S. Justice Department – \$3,5 billion.

WORD USE

Exercise 4. Complete the following sentences using the words from the active vocabulary:

1. A common form of false ... involves deceptive or misleading product descriptions, particularly claims that a product has certain features or benefits that it does not, or that it is of a higher quality than it actually is.
2. She produced some ... documents to support her application.
3. Our local hospital has become the latest ... of the cuts in government spending.
4. An example of ... is a copied version of a Picasso that someone tries to pretend is real.
5. It's important to understand that financial abuse seldom happens in isolation: in most cases ... use other abusive behaviors to threaten and reinforce the financial abuse.
6. Apart from protecting individuals and businesses from many kinds of potential risks, the ... sector contributes significantly to the general economic growth of the nation by providing stability to the functioning of businesses and generating long-term financial resources for the industrial projects.
7. The state of a country's economy is crucial to its military strength, its political development, and the conduct of its foreign policy. Consequently, ... organizations attach great importance to the collection of economic information, including data on trade, finance, natural resources, industrial capacity, and gross national product.
8. The Balance of Payments Statistics includes annual aggregate and detailed time series for balance of payments and international investment position for countries; provides world and regional tables of balance of payments components and aggregates; and descriptions of methodologies, compilation practices and data sources used by individual countries.

9. Brokers can facilitate the process of money laundering through structuring large deposits of cash in a way that ... the original source of the funds.

10. The trustee or a committee may sue to get back any money or value improperly transferred to anyone in an effort to ... the creditors and may avoid contracts and agreements.

Exercise 5. Substitute definitions for the words taken from the active vocabulary: contemporary, counterfeit, corruption, diversity, fraud, illicit, offense, prevention, proceeds, violation.

1. an action that breaks or acts against something, especially a law, agreement, principle, or something that should be treated with respect;

2. an illegal act; crime;

3. dishonest or illegal behavior involving a person in a position of power, for example, accepting money for doing something illegal or immoral;

4. existing or happening now;

5. not allowed by law, or disapproved of by society;

6. something that is made to look like the original of something else, usually for dishonest or illegal purposes;

7. the act of stopping something from happening or of stopping someone from doing something;

8. the amount of money received from a particular event or activity or when something is sold;

9. the crime of getting money by tricking or deceiving people, or a crime of this type;

10. the fact of many different types of things or people being included in something; a range of different things or people.

Exercise 6. Complete the following text with the correct prepositions:

MONEY LAUNDERING

Money laundering, the process ... which criminals attempt ... conceal the illicit origin and ownership ... the proceeds of their unlawful activities. ... means of money laundering, criminals attempt to transform the proceeds ... their crimes ... funds of an apparently legal origin. Money laundering can be either a relatively simple process, undertaken ... the local or national level, or a highly

sophisticated one that exploits the international financial system and involves numerous financial intermediaries ... a variety of jurisdictions. Money laundering is necessary ... two reasons: first, the perpetrator must avoid being connected ... the crimes that gave rise to the criminal proceeds; second, the perpetrator must be able to use the proceeds as if they were ... legal origin. ... other words, money laundering disguises the criminal origin ... financial assets so that they can be freely used.

Money laundering has devastating consequences ... the financial system and ... national security, since it provides funds ... terrorists, drug traffickers, arms dealers, and criminal groups. Criminals can rely ... dirty money to capitalize their legal entities ... criminal proceeds, which distorts competition between legal and illegal enterprises. Despite efforts to implement measures to combat money laundering, the international community and individual countries are continually confronted ... new trends ... money-laundering activities that may make such measures outdated and ineffective.

Exercise 7. Match the idioms with their definitions:

1. a kickback;
2. daylight robbery;
3. ill-gotten gains;
4. itchy/itching palm;
5. to take someone to the cleaners.
 - a. a person greedy for money, for example tips or commission;
 - b. money paid illegally for favourable treatment;
 - c. money, profit or benefits that are made in a dishonest or illegal manner;
 - d. obvious, unfair overcharging;
 - e. to cheat someone out of their money/possessions.

DISCUSSION QUESTIONS

Exercise 8. Answer the following questions and justify your answers:

1. According to the latest report by Transparency International, no country is completely free of corruption. Why do you think people are corrupt? What would the world look like without corruption? How do you think, what is the most efficient way to combat corruption? What specific steps would you take to combat corruption in your country?

2. As a backdrop to this discussion, consider the following recent white-collar crimes described in the media:

- A jury convicted [then-Baltimore mayor Sheila] Dixon . . . of embezzling about \$500 worth of gift cards donated to the city for needy families. Dixon then pleaded guilty last month to lying about thousands of dollars in gifts from her former boyfriend, a prominent developer.

- The money manager and technology investor convicted of stealing some \$22 million from clients and using his gains to support charitable causes in Colorado and elsewhere was sentenced in New York Friday to nine years in federal prison. (Harden, 2010)

- The secretary of a St. Peters business has been indicted in connection with the embezzlement of \$573,388 from her employer.

- A former Redondo Beach police officer accused of taking more than \$75,000 from a law enforcement officers' association pleaded guilty ... to one count of grand theft by embezzlement, authorities said.

- An employee at Goldman Sachs from May 2007 to June 2009 was arrested in July of 2009 and charged with illegally transferring and downloading hundreds of thousands of lines of source code for Goldman's high-frequency trading system on his last day at the firm.

Are each of these cases white-collar crimes? How often do these kinds of crimes occur? What are the consequences of these crimes? How serious do you think these crimes are? Who are the offenders in these cases?

SUPPLEMENTARY MATERIAL

Bribery is the act of promising, offering, or giving a professional or person of authority something of value (i.e. money, property, services, or favours) in order to break the rules or ethics in a given situation. Bribery is a type of corruption that can occur in a number of professional and political situations. Though any one in a place of power and authority may be subject to bribery, public and government officials, police officers, legal professionals, doctors, bankers, and other business professionals are those most likely to become the subjects of bribery.

Bribery and similar illegal transactions in the political sphere alone cost the world an estimated one trillion dollars every year. Less prosperous nations those who export oil and certain other resources have been found to be

particularly exposed to bribery and other corrupt activities, though even the wealthiest nations are not safe.

Bribery can considerably weaken the rule of law when this form of corruption takes place in the judicial system. Judges, district lawyers and other legal professionals may receive bribery offers to provide a particular decision in the briber's favour, drop or fail to press charges against a criminal or group of criminals, and similar activities. Bribery can take place in any professional industry or political practice. Bribery has significant legal consequences for those who are convicted of this offence.

Exercise 9. Choose the correct answer:

1. The aim of the text is to:
 - a) argument about bribery;
 - b) expose the issue of bribery;
 - c) explain what bribery is.
2. The last paragraph gives an example about bribery:
 - a) in politics;
 - b) in teaching;
 - c) in justice.
3. The text is:
 - a) a letter;
 - b) a report;
 - c) a newspaper article.
4. The most suitable title for the reading passage.
 - a) The importance of bribery;
 - b) The consequences of bribery;
 - c) Bribery as a criminal act.

SELF-STUDY

1. Read the article by Klaus Gründler, Niklas Potrafke «Corruption and Economic Growth: New Empirical Evidence». How can corruption be measured? Does corruption grease or sand the wheels of growth? Does corruption hinder investment? As you encounter unfamiliar words or phrases, practice using context clues to determine their meaning, and then look them up to check if you were right.

2. Watch the film «The Wolf of Wall Street» (2013). Tell your groupmates about Jordan Belfort and his involvement in a white collar penny stock scheme. What lessons can white-collar practitioners learn from the film? Do you agree that the film is glorifying fraud?

ENGLISH-UKRAINIAN DICTIONARY OF KEY ECONOMIC TERMS AND CONCEPTS

A

- Accelerate – пришвидшити
Acceptability – прийнятність
Acceptable – прийнятний, підхожий
Acquisition – придбання, набуття; здобуття
Adjustment – коригування, врегулювання, пристосування
Advertising – реклама/рекламний
Afford – дозволити (собі), мати змогу
Aggregate demand – сукупний попит
Agriculture – землеробство, сільське господарство
Aid – допомога/допомагати
Anticipation – очікування, передчуття
Approximately – приблизно
Asset misappropriation – привласнення активів
Assets – активи
Average – середній, пересічний
Avoid – уникати

B

- Balance of payment – платіжний баланс
Barter – бартер, товарообмін
Behavior – поведінка
Benchmark – орієнтир
Beverage – напій
Bill – вексель, документ з печаткою, рахунок, фактура
Bogus – фальшивий, підроблений
Boom – період швидкого економічного зростання
Borrow – позичати
Borrower – позичальник
Borrowing – запозичення
Branch – відділення, філіал; галузь
Bribery – хабарництво

Burden – тягар/обтяжувати
Bureau of Labor Statistics – Бюро статистики праці
Bust – збанкрутілий/збанкрутувати; період економічного спаду
або депресії

С

Calculation – кошторис, розрахунок
Capital – капітал
Capital inflow – приплив капіталу
Capital market – ринок капіталу
Capital outflow – відплив капіталу
Cash – готівка/платити готівкою
Cattle – велика рогата худоба
Challenge – виклик
Cheat – шахрайство/шахраювати
Co-founder – співзасновник
Coin – монета; карбувати
Coincide – збігатись, бути однаковими
Coincidence – збіг
Commercial – реклама, оголошення; торговий, комерційний
Commit – вчиняти
Commodity – товар, продукт
Competitiveness – конкурентоспроможність
Competitor – конкурент, суперник
Compulsory – обов'язковий, примусовий
Consent – дозвіл/дозволяти
Consequence – наслідок, результат
Consumer – споживач
Consumption – споживання
Contagion – зараження; поширення
Contemporary – сучасний
Contractionary fiscal policy – обмежувальна фіскальна політика
Contrivance – винахідливість
Convergence – конвергенція, зближення
Cooperation – співпраця
Correspondent bank – банк-кореспондент
Corruption – корупція, продажність
Cost – вартість/вартувати; коштувати

Counterfeit – підроблений, сфальсифікований
Crime – злочин
Criminal – злочинець; кримінальний
Crowding out effect – ефект витіснення
Currency – валюта
Custom duty – митний збір

D

Database – база даних
Debt overhang – заборгованість; борговий тягар
Debt – борг
Debt-servicing – обслуговування боргу
Deficit – дефіцит, нестача
Demand – попит; вимагати
Deposit – депозит; депонувати; завдаток/вносити завдаток; класти
в банк; вкладення
Disguise – маскуванню/маскувати, приховувати
Distribution – розповсюдження; розподіл
Divergence – дивергенція, розбіжність, відхилення
Diversity – різноманітність, відмінність
Domestic – внутрішній, вітчизняний, місцевий
Downturn – спад
Downward – донизу, по нисхідній лінії

E

Economic growth – економічне зростання
Economic recovery – економічне відновлення
Elasticity – еластичність; гнучкість
Embezzlement – казнокрадство, розтрата, привласнення майна
Emerging market – ринок, що розвивається
Employee – працівник, робітник
Employer – роботодавець
Employment – зайнятість
Enterprise – підприємство
Equilibrium – рівновага
Exchange rate depreciation – амортизація (зниження) валютного курсу,
знецінення валюти

Exchange – обмін; іноземна валюта
Expand – розширювати, збільшувати
Expansion – експансія, поширення, зростання
Expenditure – витрати
External – зовнішній; іноземний

F

Facilitate – полегшити, сприяти
Food consumption basket – споживчий кошик
Forgery – підробка, фальшивка
Fortune – багатство; доля
Fraud – шахрайство
Fuel – паливо

G

Generosity – щедрість
Gold bars – золоті злитки
Goods and services – товари та послуги
Gross domestic product (GDP) – валовий внутрішній продукт (ВВП)

H

Hardship – труднощі, негаразди
Headquarter – головний офіс, штаб-квартира
Health care system – система охорони здоров'я
Hinder – перешкода/перешкоджати
Holder – держатель; власник; володілець
Home country – країна походження (базування)
Homogeneous – однорідний
Host country – приймаюча країна, країна-реципієнт
Household – домогосподарство
Humanity – людство

I

Illicit – незаконний

Impetus – поштовх
Implications – наслідки
Impose – накладати
Incentive – стимул
Income – дохід; прибуток
Income tax – податок на прибуток
Indicator – показник
Industrial spying (espionage) – промислове шпигунство
Inequality – нерівність
Inflation – інфляція
Insurance – страхування, страховий поліс, страховка
Intelligence – розвідка
Interest rate – відсоткова ставка
Internal – внутрішній
Issuer – емітент

L

Labor – праця
Lender – позикодавець
Levy – оподаткувати/оподаткування, збір
Limitations – обмеження
Loan – позика, кредит
Long-run – довгострокова перспектива
Low-paying job – низькооплачувана робота

M

Macroeconomics – макроекономіка
Manufacturing – виробництво/виробничий
Market – ринок
Maturity date – дата погашення
Measure – міра/вимірювати
Medium – середній/середина
Merger – злиття, об'єднання, поглинання
Microeconomics – мікроекономіка
Middle-income countries – країни зі середнім рівнем доходу
Military – військовий

Money – гроші
Money laundering – відмивання грошей
Multinational bank – транснаціональний банк
Multinational company – транснаціональна компанія (корпорація)

N

Negotiable – оборотний доступний
Negotiations – переговори; передача векселя
Net-worth tax – податок на чисту вартість (майна)
Nongovernmental organization – неурядова організація

O

Obligation – боргова розписка, облігація, зобов'язання
Offense – правопорушення, злочин
Oil-exporting countries – країни-експортери нафти
Opportunity – можливість
Organization for Economic Co-operation and Development (OECD) –
Організація економічного співробітництва та розвитку (ОЕСР)
Origin – походження, джерело
Outlook – світогляд, перспектива
Output – випуск, продукція
Overcome – подолати
Overseas – за кордоном

P

Pecuniary – грошовий, фінансовий
Per capita – на душу населення
Perpetrator – злочинець, порушник
Pitfalls – підводні камені
Population – населення
Pound – фунт
Poverty – бідність
Powerhouse – електростанція
Precious metals – дорогоцінні метали
Prevention – запобігання, профілактика

Price – ціна/оцінювати
Proceeds – виторг, прибуток
Production – виробництво
Profitability – прибутковість
Profitable – прибутковий
Prohibit – забороняти
Property – власність
Prosperity – процвітання protectionism – протекціонізм
Publicly-traded company – відкрита/публічна компанія, що торгується
Purchase – купівля/купувати
Purchasing power parity – паритет купівельної спроможності

R

Rebellion – заколот, повстання
Recession – рецесія, економічний спад
Repayment – погашення боргу; відшкодування; повернення грошей
Replacement – заміна, заміщення
Require – вимагати
Restrictive policy – обмежувальна політика
Revenue – дохід
Rich – багатий, цінний Rural – сільський

S

Salary – зарплата
Sales tax – податок з продажів
Savings – заощадження
Science-based industry – наукомістка галузь (промисловість)
Securities – цінні папери
Short-run – короткий проміжок часу
Simultaneously – одночасно
Sizable – значний
Smuggling – контрабанда
Soil – ґрунт, земельна ділянка
Solution – рішення
Speculation – спекуляція, афера
Spending – витрати

Stabilization policy – стабілізаційна політика
Standard of living – рівень життя
Startup – стартап
Starvation – голод
Statistical dispersion – статистична дисперсія
Steady-state growth – економіка сталого стану
Steal – красти, розкрадати
Stock market – фондовий ринок
Stock exchange – фондова біржа
Subsidiary – дочірня компанія
Substitution – заміщення
Success – успіх, добробут
Superstitions – забобони, пересуди
Supply – пропозиція; постачати

T

Takeover – поглинання
Tax code – податковий кодекс
Tax evasion – ухилення від сплати податків
Tax haven – податковий притулок/«рай»/«сховище»
Tax – податок/податковий/оподатковувати
Taxation – оподаткування
Taxpayer – платник податків
Temperate – помірний
Temporary – тимчасовий
Threshold – поріг
Tipping point – переломний момент
Trade – торгівля/торгувати
Trading blocs – торговельний блок
Transit duty – транзитне мито
Treasury – казначейство, скарбниця
Trigger – спусковий гачок, курок, тригер
Turmoil – метушня; невизначеність
Turnover tax – податок з обороту

U

Unemployment – безробіття
Upturn – зростання, підйом

V

Valuable – цінний, коштовний, вартісний

Value – ціна/цінувати; оцінювати

Venture capital – венчурний капітал

Victim – жертва; потерпілий

Violation – порушення (правил)

W

Wage – заробітна плата

Wealth – багатство, достаток

Welfare – добробут

White-collar crime – білокомірцева злочинність, службові злочини,
корпоративна злочинність

Workforce – трудові ресурси

Worthless – нічого не вартий

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CONTENTS

ПЕРЕДМОВА.....	3
Unit 1. ECONOMIC GROWTH.....	5
Unit 2. MONEY	14
Unit 3. CRISES	23
Unit 4. TAXES	32
Unit 5. MULTINATIONAL BANKS AND CORPORATIONS.....	41
Unit 6. DEBT	50
Unit 7. CONTEMPORARY CHALLENGES FACING THE WORLD ECONOMY.....	58
Unit 8. ECONOMIC CRIME.....	67
ENGLISH-UKRAINIAN DICTIONARY OF KEY ECONOMIC TERMS AND CONCEPTS.....	76
REFERENCES.....	85

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