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**ИНОСТРАННЫЙ ЯЗЫК
ДЛЯ СПЕЦИАЛЬНЫХ ЦЕЛЕЙ (АНГЛИЙСКИЙ)**

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Цель данного пособия – обеспечить активное владение иностранным языком как средством формирования и формулирования мыслей в социально обусловленных сферах иноязычного общения.

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UNIT 1 ECONOMY

Vocabulary

Economy

- a system according to which the money, industry, and trade of a country or region are organized.
- a country's economy is the wealth that it gets from business and industry.
- careful spending or the use of things in order to save money.
- large-size packages of goods which are cheaper than the normal sized packages on sale.

Economic

- concerned with economics and with the organization of the money, industry, and trade of a country, region, or social group.
- relating to services, businesses, etc. that produce a profit.

Economical

- something that is economical does not require a lot of money to operate.
- using the minimum amount of time, effort, language, etc. that is necessary.

Economics

- the study of the production of wealth and the consumption of goods and services in a society, and the organization of its money, industry, and trade.

Economist

- an expert or student of economics.

Economize

- save money by spending it very carefully and not buying expensive things.

Economic Institution

- a physical or mental structure that significantly influences economic decisions

Economic policy

- an action (or inaction) taken, usually by government, to influence economic events.

Economic model

- simplified representation of reality.

Positive Economics

- the study of what is, and how the economy works.

Normative Economics

– the study of how the economy should be, from society's standpoint.

Ex. 1. *To show that you understand the words given above, choose the best word to complete the following sentences. Add noun, verb or adverb endings if necessary.*

1. Home ... is a subject studied at school and college in which students are taught how to run a house well and efficiently.
2. New England's ... is still largely based on manufacturing.
3. All Western ... are competing against each other.
4. These businesses contribute hundreds of millions of pounds to the ... of the country.
5. I switched off the lights as an ... measure.
6. If you make ..., you take action in order to save money, by not spending it on unnecessary things.
7. You'll have to travel ... class.
8. Buy our new ... packs of 100.
9. If you are really going to buy a car, we'll have to ... on other things.
10. In his works he explains the ideas of the great English ... J.M. Keynes.
11. She thought of herself as an ... wife.
12. This system was extremely ... because it ran on half-price electricity.
13. What has gone wrong with the ... system during the last ten years?
14. The book is very ... written, but very warm.
15. ... is the oldest of social sciences.

Ex. 2. *Look at the following derivatives. Use your knowledge of English and logical reasoning to explain the meaning of each word below.*

system, systematic, systematically, systematize, systemic

Use these words in the following sentences.

1. The police made a search of the building.
2. You need some ... in your work if you want to succeed.
3. I wish they'd organize themselves more
4. ... insecticides spread all through a plant and kill any insects that feed on it.
5. This method helps ... the information received.

Ex. 3. *Add appropriate words where there are blanks in the sentences below and you'll get the definitions of the words in bold. Some words can be used in their different meanings.*

imply, convey, standpoint, overall, range, scarce, free, available, utility, rate, output, environment, artifact, discretion

1. The ... is the total set of outside forces surrounding and shaping the behaviour of the organization and its members.
2. To ... information, ideas, feelings, etc. means to cause them to be known or understood by someone.
3. Someone or something that is ... is not restricted, controlled by rules, customs, or other people.
4. An ... is an object that is made by a person.
5. The ... of something is the total area or extent within which it can operate effectively, and beyond which it is no longer effective.
6. If something is ..., there is not very much of it, and there may be enough for those who want or need it.
7. If something is ..., you can have it or use it without paying for it.
8. If you ... people or things, you arrange them in a line or in lines.
9. If you ... that something is the case, you suggest that it is the case without actually saying so.
10. The ... at which something happens is the speed at which it happens over a period of time.
11. The ... of something is how useful and practical it is.
12. ... is used to describe a situation in general, including everything but not considering the details.
13. The ... of taxation is the level of it.
14. If something is ..., you are able to use it or obtain it.
15. A ... is an important service such as water, electricity, or gas provided for everyone.
16. If you ... something highly, you consider that it is important.
17. Someone who is ... is not busy and is therefore free for you to talk to.
18. A ... is a particular way of looking at or thinking about an event, situation, or idea.
19. Someone's ... is the amount of something that they make or produce.

20. ... is the quality of behaving in a quiet and controlled way without drawing attention to yourself or giving away personal or private information.

Ex. 4. Give synonyms to the following words. Be ready to give your own examples to show the difference in their meanings.

Affect, effect, aggregate, change, demand, allocate, borrow, income, seek, require, fair, refer to, scarcity, ultimate, restrict.

Ex. 5. Give the opposite meaning to each word. Make up your own sentence with each word.

Push, appear, diverse, lend, facilitate, available, output, fair, increase, completely, complicate.

Ex. 7. Make the following words negative.

Regard, responsible, desirable, respective, checked, doubt, certainty.

Ex. 8. Read the following definitions. Can you guess the word they all refer to?

1. A company or a business.
2. Something new, difficult, or important that you do or try to do.
3. A system of business, especially one in a particular country.
4. The ability to think of new and effective things to do, together with an eagerness to do them

(You can find the word in text 1, paragraph 1).

Now check your understanding. Insert the missing words. Translate the sentences into Russian.

1. He said he had doubts about the whole
2. This has done much to damage national
3. They are known to be the men of ..., energy, and ambition.
4. I admire their ... in trying to start up a new business.
5. This company is one of the largest ... of this kind.

Ex. 9. Study the following words and word-combinations. What are their Russian equivalents?

To aim at, to arrange (for), game plan, to go ahead, a means to an end, on purpose, to set up, to tackle, to take action (on), to take steps, to take the initiative.

Translate the following sentences into Russian.

1. Our products are aimed at working mothers.
2. Let's arrange for a meeting now. How about Friday, nine o'clock, your office?
3. OK, so we have arranged for finance and now we can go ahead with marketing.
4. The game plan for this morning's meeting is to finish ordinary business in the first half hour, then take time out for coffee, so that, in the second half, we can zero in on the all-important question of new product development.
5. We use special offers in order to attract bigger orders – in other words, as a means to an end.
6. We have to reduce our overhead expenses. This will lead to job losses in some departments – an unpleasant fact, I'm afraid, but the end justifies the means.
7. Although everyone has to be at the meeting on time, the chairman will be a few minutes late, as usual, He does this on purpose, just to let everyone know who's who in charge.
8. The company was set up ten years ago.
9. The government is doing all it can do to tackle the problems of housing and unemployment.
10. We need to take firm action, now, on the reduction in our market share – before matters get worse.
11. In the course of the next day or so, we shall be taking steps to put our plans into action.
12. For this job, we're looking for someone with a go-ahead attitude, a self-starter, someone who's prepared to take and maintain the initiative.

Ex. 10. *Look at the following Latin words. They may be helpful in your work with the texts on Economics and Business.*

e.g. *exempli gratia* for example

i.e. *id est* that is

etc. *et cetera* and so on

viz. *vide licet* namely

c *circa* about, around (time)

v *vide* see

et al *et ali* and others

per se in itself

qua as

vice versa the reverse

ad hoc for this particular purpose
vs versus opposed
via 1. through
2. with the help of
per capita per head
ceteris paribus other things equal
ad valorem according to value

Ex. 11. *What do the following words have in common and what do they differ in?*

Matter, problem, dilemma, trouble, alternative, predicament, difficulty.

Ex. 12. *Translate into Russian in written form.*

In 1776, the Scottish professor of philosophy, Adam Smith, published *The Wealth of Nations*. In this book, the first systematic study of capitalism, Smith described his principle of the “**invisible hand**”. This principle states that each person, pursuing his or her self-interest without interference by government, will be led, as if by an invisible hand, to achieve the best good for society.

Self-interest drives people to action, but alone it is not enough. People must understand the effects of their decision and their economic well-being. They must think rationally if they are to make the right decisions.

Because of this, economists long ago introduced the concept of **economic man**. This notion holds that each person is motivated by economic forces. In other words, each person will always attempt to obtain the greatest amount of satisfaction for the least amount of sacrifice or cost. This satisfaction may take the form of greater profits for a businessperson, higher wages or more leisure time for a worker, and greater pleasure from goods purchased for a consumer.

Of course, these assumptions are not entirely realistic. People may be motivated by forces other than self-interest. Nevertheless, the idea of economic man does deserve as a reasonable approximation of the prevailing pattern of economic behaviour in a capitalistic society. And in economics, as in other social sciences, reasonable approximations are often the best that can be made.

LET'S READ AND TALK

1. What is meant by the word «system»? How do you understand it?
2. What systems do you know? Give your examples.
3. To what systems do you belong?

TEXT 1

WHAT IS SYSTEM?

Everybody is familiar with the word system and uses it in everyday language. We speak of heating systems, communication systems, economic systems, and transportation systems. We talk of cultural and social systems. The word system is used because it conveys the idea that these things are made up of parts and that the parts somehow interact with each other for some purpose or reason. **A system is an organized or complex whole – an assemblage or combination of things or parts performing as a complex or unitary whole.**

This definition implies several ideas. First is the concept of *interdependency*. If a change occurs in one part or set of parts, it affects all other parts of the system. This affect on each part may be direct or indirect. A second implication of the definition of a system is the concept of *wholism*. This means that the system should be considered as a functioning whole. Changes in parts of the system and in the functioning of elements of the system should be considered from the standpoint of the system's overall performance.

A third concept implied by the definition is *synergism*. This refers to the interactive effect of the parts of the system working together. The actual interaction of the parts creates an effect which is greater than the effect of the parts acting separately.

We've started our work with this small text about a system because we want you to bear in mind and apply the systematic approach to everything you see, hear, read or discuss, for everything in this world belongs to this or that system. While reading the texts pay attention to the economic and business terms. They'll become the basis of your professional vocabulary.

TEXT 2

HISTORY OF ECONOMICS

In the 1500s there were few universities. Those that existed taught religion, Latin, Greek, philosophy, history, and mathematics. No economics. Then came the Enlightenment (about 1700) in which reasoning

replaced God as the explanation of why things were the way they were. Pre-Enlightenment thinkers would answer the question, “Why am I poor?” with, “Because God wills it.” Enlightenment scholars looked for a different explanation. “Because of the nature of land ownership” is one answer they found.

Such reasoned explanations required more knowledge of the way things were, and the amount of information expanded so rapidly that it had to be divided or categorized for an individual to have hope of knowing a subject. Soon philosophy was subdivided into science and philosophy. In the 1700s, the sciences were split into natural sciences and social sciences. The amount of knowledge kept increasing, and in the late 1800s and early 1900s social science itself split into subdivisions: economics, political science, history, geography, sociology, anthropology, and psychology. Many of the insights about how the economic system worked were codified in Adam Smith’s *The Wealth of Nations*, written in 1776. Notice that this is before economics as a subdiscipline developed, and Adam Smith could also be classified as an anthropologist, a sociologist, a political scientist, and a social philosopher.

Throughout the 18th and 19th centuries economists such as Adam Smith, Thomas Malthus, John Stuart Mill, David Ricardo, and Karl Marx were more than economists; they were social philosophers who covered all aspects of social science. These writers were subsequently called Classical economists. Alfred Marshall continued in that classical tradition, and his book, *Principles of Economics*, published in the late 1800s, was written with the other social sciences in evidence. But Marshall also changed the question economists ask; he focused on the questions that could be asked in a graphical supply-demand framework. In doing so he began what is called *neo-classical economics*.

For a while economics got lost in itself, and economists learned little else. Marshall’s analysis was downplayed, and the work of more formal economists of the 1800s (such as Leon Walras, Francis Edgeworth, and Antoine Cournot) was seen as the basis of the science of economics. Economic analysis that focuses only on formal interrelationships is called Walrasian economics.....

1. The text you’ve read gives a very brief view of the history of Economics. What other names (schools, theories) can you give to continue the story?

TEXT 3

Read the text. Define the main idea of each paragraph.

THE ECONOMIC SYSTEM

There are many forms of economic order, ranging from the mixed private enterprise system to partially or completely controlled economies. Regardless of their form, however, **economic system is the system that a society uses for allocation and distribution of scarce resources**. Private enterprise means that decisions about what and how much to produce are left to the discretion of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency. There is, of course, no economy today that is completely free of governmental influence, nor is this condition necessarily undesirable. There are many beneficial services and protections available from government. The question then is a matter of degree. Irrespective of the form of economic order, it performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of **resource allocation**. In a private enterprise this function is basically performed by the price mechanism. This simply means that **demand for** and **supply of** goods and services interact to set their market price. In the case of regulated utilities, there are governmental agencies such as public service commissions that determine the rates that may be charged by utility companies. These rates are set at the level that will allow a fair return on investments made by the companies. This form of regulated monopoly is considered, on balance, preferable to unchecked competition. This is true because of efficiency reasons. In taking actions in the area of employment, government is attempting to control the economy in such a fashion as to help the business community operate at the level of production that will yield full employment.

Without a **system of distribution** economy simply could not exist. A major part of this distribution system is credit. Economy flourishes on credit or extended methods of payment. Such a system literally affects every link in the distribution chain from the supplier of raw materials to the ultimate consumer. Without this vital financing function being performed, the economy would doubtless be forced to a lower order of production.

Economic goals for a nation include **price stability, full employment, economic growth, and equitable distribution of income**. Price stability contributes to the efficient allocation of resources and facilitates long-term planning. Full employment means that jobs are

available for those seeking work. Higher standards of living require increased output per person (economic growth per capita). An equitable distribution of income means that the fruits of the economy are divided in a way that seems fair to the majority of the people. With the long-run trend toward a more sophisticated, highly integrated economic system, it is becoming increasingly important for an individual decision maker to be aware of the macroeconomic environment.

1. What is a system?
2. What are three main concepts of a system? What do they imply?
3. What is an economic system?
4. What functions does economic order perform?
5. What do economic goals for a nation usually include?

TEXT 4

Read the text. Make up the plan and retell the text using your plan.

PROLOGUE TO ECONOMICS

There is almost universal agreement that economies are becoming more complex every year and that an understanding of how an economy works is more important than ever before. For someone who is just beginning to study economics, the task indeed appears to be a difficult one. Economics is the study of the way in which mankind organizes itself to solve the basic problem of scarcity. All societies have more wants than resources, so that a system must be devised to allocate these resources between competing ends. In a very real sense, the complexity of the economy makes it difficult to decide exactly where to start. Simultaneously, production is taking place, goods and services are being allocated, and a great number of market participants are being motivated by a diverse set of goals. In addition, there is the complex financial system in which individuals, firms, and governments borrow and lend funds.

Economics is divided into two major branches: macroeconomics and microeconomics. **Macroeconomics is the study of behavior of the economy as a whole with emphasis on the factors that determine growth and fluctuations in output, employment, and the level of prices.** Macroeconomics studies broad economic events that are largely beyond the control of individual decision makers and yet affect nearly all firms, households, and other institutions in the economy. Specialists in macroeconomics are particularly interested in understanding those factors that determine **inflation, unemployment, and growth** in the production of goods and services. Such an understanding is necessary in order to develop

policies that encourage production and employment while controlling inflation.

The other major branch of economics is microeconomics. **Microeconomics is the study of behavior of individual units within the economy.** The division of economics has resulted from the growing complexity and sophistication of economic research.

These two approaches and the topics they include are in fact interdependent. Individuals and firms make their decisions in the context of the economic environment, which has an impact on the constraints the decision makers face as well as their expectations about the future. At the same time, when taken as a whole, their decisions determine the condition of the overall economy. A good understanding of economic events and an ability to forecast them require knowledge of both individual decision making and the way in which individuals react to changes in the economic environment.

1. Economies are becoming more complex every year. Why?
2. What is the main division of economics?
3. What is macroeconomics «responsible for»?
4. What does microeconomics deal with?

UNIT 2 MANAGEMENT

Vocabulary

Management

– the control and organizing of a business or other organization;
– those staff within the firm who exert control over its activities on behalf of owners.

Top management

includes the chief executive of an organization, his or her deputy or deputies, the board of directors and the managers in charge of the divisions or departments of the organization.

Middle management

consists of the managers to whom top management delegates the day-to-day running of the organization.

Managing director

– company director responsible for the day-to-day running of a company. Second in the hierarchy only to the chairman, if there is one; the managing director is the company's chief executive.

Manager

– a person controlling or administrating a business or part of a business.

Ex. 1. *Do you know the meaning of the following derivatives? Show it with the help of your own sentences.*

to manage; manageable; management; manager; manageress; managerial.

Translate the following sentences. Pay attention to the words in italics.

1. The reserved the right to make *managerial* decision.
2. What you need is advice from your bank *manager*.
3. I wish you could *manage* the time to come and to talk to us.
4. Private banks are being nationalized, and are to be *managed* with workers' participation.
5. They are part of my *management* team.
6. The baby can be greatly influenced by the parents' *management*.
7. She has been working as the *manageress* of a bookshop.
8. It is perfectly *manageable* task to tackle systematically.

Ex. 2. *Match the definitions with the words given below.*

fee, executive, insure, skill, capacity, profile, applicant, charisma, ensure, guideline, superior.

1. Ability to do something well.
2. Short biographical or character sketch.
3. Payment made for professional advice or services.
4. Person or body with managerial or administrative responsibility.
5. Make certain.
6. Secure compensation in the event of loss or damage by advance regular payments.
7. In a higher position; of higher rank.
8. Principle directing action.
9. Power to certain, receive, experience, or produce.
10. The ability to attract, influence, and inspire people by your personal qualities.
11. Someone who formally asks to be given something, such as a job or a place at a college or university.

Ex. 3. Give the Russian equivalents to the following.

Involved in management; production oriented; impose regulations, ever-more-complex environment; encompasses both science and art; business executives; code of conduct; develop the body of knowledge; with respect to the second criterion; the issue is much less clear-out; is consistent with their interest; self-interest or concern for others; decision-making machinery; cross-cultural skills; consulting fee; character attributes; compare against the places set earlier; authority.

Ex. 4. Translate the following text into Russian in written form.

People working for a company are referred as its workforce, employees, staff, or personnel and are on its payroll.

In some context, especially more conservative ones, employees and workforce refer to those working on the shopfloor of a factory actually making things. Similarly, staff is sometimes used to refer only to managers and office-based workers. This traditional division is also found in the expressions white-collar and blue-collar.

Another traditional division is that between management and labor.

Personnel departments are usually involved in finding new staff and recruiting them, hiring them, or taking them on, in a process of recruitment. Someone recruited is a recruit, or in American English only, a hire.

They are also involved when people are made to leave the organization, or fired. These responsibilities are referred to, relatively informally, as hiring and firing. If you leave the job voluntarily, you quit.

Middle-managers are now most often mentioned in the context of re-engineering, delaying, downsizing, or rightsizing: all these expressions describe the recent trend for companies to reduce the numbers of people they employ, often by getting rid of layers of managers from the middle of hierarchy. An organization that has undergone this process is lean and its hierarchy is flat.

Read the text once again and in turn explain, in your own words, the meaning of the following terms:

1. workforce, employee, staff, personnel, a recruit, a hire, layer, labour.
2. white-collar, blue-collar.
3. to recruit, to employ, to hire.
4. to fire, to quit, to get rid of.

Do you know any other synonyms to the words given above?

LET'S READ AND TALK

TEXT 1

ART OR SCIENCE?

Management is the art and science of making appropriate choices. To one degree or another, we are all involved in managing and are constantly *making decisions* concerning how to spend or use our resources.

Like most things in our modern, changing world, the function of management is becoming more complex. The role of the manager today is much different from what it was one hundred years, fifty years or even twenty-five years ago. At the turn of the century, for example, the business manager's objective was to keep his company running and to make a profit. Most firms were *production oriented*. Few constraints affected management's decisions. Governmental agencies imposed little regulations on business. The modern manager must now consider the environment in which the organisation operates and be prepared to adopt a wider perspective. That is, the manager must have a good understanding of management principles, an appreciation of the current issues and broader objectives of the total economic political, social, and ecological system in which we live, and he must possess the ability to analyze complex problems.

The modern manager must be sensitive, and responsive to the environment – that is he should recognize and be able to evaluate the needs of the total context in which his business functions, and he should act in accord with his understanding.

Modern management must possess the ability to interact in an ever-more-complex environment and to make decisions that will allocate scarce resources effectively. A major part of the manager's job will be to predict what the environment needs and what changes will occur in the future.

Organizations exist to combine human efforts in order to achieve certain goals. Management is the process by which these human efforts are combined with each other and with material resources. Management encompasses both science and art. In designing and constructing plans and products, management must draw on technology and physical science, of course, and, the behavioral sciences also can contribute to management. However much you hear about «scientific management» or «management science», in handling people and managing organizations it is necessary to draw on intuition and subjective judgment. The science portion of management is expanding, more and more decisions can be analyzed and

programmed, particularly with mathematics. But although the artistic side of management may be declining in its proportion of the whole process it will remain central and critical portion of your future jobs. In short:

- Knowledge (science) without skill (art) is useless, or dangerous;
- Skill (art) without knowledge (science) means stagnancy and inability to pass on learning;

Like the physician, the manager is a practitioner. As the doctor draws on basic sciences of chemistry, biology, and physiology, the business executive draws on the sciences of mathematics, psychology, and sociology.

1. The function of management is becoming more complex. Why?
2. What must management possess nowadays?
3. Management encompasses both science and art. In what can we see it?

TEXT 2

PRINCIPLES OF THE MANAGEMENT

Different scholars offer different sets of principles of management. The most famous are the following fourteen. But the main principle should be read as follows: «there is nothing rigid or absolute in management affairs, it is all a question of proportion». Accordingly if you view the following list of these principles as a set of important topics and sometimes applicable guidelines for managers, you will be keeping close to the spirit in which they were originally suggested.

1. *Division of work.* Within limits, reduction in the number of tasks a worker performs or the number of responsibilities a manager has can increase skill and performance.

2. *Authority.* Authority is the right to give orders and enforce them with reward or penalty. Responsibility is accountability for results. The two should be balanced, neither exceeding nor being less than the other.

3. *Discipline.* Discipline is the condition of compliance and commitment that results from the network of stated or implied understandings between employees and managers. Discipline is mostly a result of the ability of leadership. It depends upon good supervisors at all levels making and keeping clear and fair agreements concerning work.

4. *Unity of command.* Each employee should receive orders from one superior only.

5. *Unity of direction.* One manager and one plan for each group of activities having the same objective is necessary to coordinate, unify, and focus action.

6. *Subordination of individual interests to general interest.* Ignorance, ambition, selfishness, laziness, weakness, and all human passion tend to cause self-serving instead of organization-serving behavior on the job. Managers need to find ways to reconcile these interests by setting a good example and supervising firmly and fairly.

7. *Remuneration of personnel.* Various methods of payment may be suitable, but amounts should reflect economic conditions and be administered to reward well-directed effort.

8. *Centralization.* Like other organisms, organizations need direction and coordination from a central nervous system. But how much centralization or decentralization is appropriate depends upon the situation. The degree of centralization that makes best use of the abilities of employees is the goal.

9. *Scalar chain* (line of authority). The scalar chain is the chain of command ranging from the top executive to the lowest ranks. Adhering to the chain of command helps implement unity of direction, but sometimes the chain is too long, and better communications and better decisions can result from two or more department heads solving problems directly rather than referring them up the chain until a common superior is reached.

10. *Order.* Both equipment and people must be well chosen, well placed, and well organized for a smooth-running organization.

11. *Equity.* Kindliness and justice will encourage employees to work well and be loyal.

12. *Stability of tenure of personnel.* Changes in employee assignments will be necessary, but if they occur too frequently they can damage morale and efficiency.

13. *Initiative.* Thinking through a plan and carrying it out successfully can be deeply satisfying. Managers should set aside personal vanity and encourage employees to do this as much as possible.

14. *Esprit de corps.* Build teamwork.

1. Dwell on the importance of each principle in the work of a manager. Try to exemplify your answer.

TEXT 3

SCIENTIFIC MANAGEMENT

No one has had more influence on managers in the 20th century than Frederick W. Taylor, an American engineer. He set a pattern for industrial work which many others have followed, and although his approach to management has been criticized, his ideas are still of practical importance.

Taylor founded the school of Scientific Management just before the 1914-18 war. He argued that work should be studied and analyzed systematically. The operations required to perform a particular job could be identified, then arranged in a logical sequence. After this was done, a worker's productivity would increase, and so would his/her wages. The new method was scientific. The way of doing a job would no longer be determined by guesswork and rule-of-thumb practices. If the worker followed the prescribed approach, his/her output would increase.

Taylor's solutions to the problems were based on his own experience. When he was with Bethlehem Steel, Taylor criticized management and workers. He conducted many experiments to find out how to improve their productivity. He felt that managers used not the right methods and the workers did not put much effort into their job. They were always 'soldiering' – taking it easy. He wanted both groups to adopt a new approach to their work. The new way was as follows:

1. Each operation of a job was studied and analyzed;
2. Using the information, management worked out the time and method for each job, and the type of equipment to be used;
3. Work was organized so that the worker's only responsibility was to do the job in the prescribed manner;
4. Men with the right physical skills were selected and trained for the job.

UNIT 3

BUSINESS ORGANIZATION

Vocabulary

Business

- work relating to the production, buying, and selling of goods and services;
- an organization which produces and sells goods, or which provides a service;
- important matters that you have to discuss or deal with.

Businessman, Businesswoman – a person engaged in trade or commerce.

Business cycle

– process by which investment, output, and employment in an economy tend to fluctuate up and down in a regular pattern causing boom and depression, with recession and recovery as intermediate stages.

Organization

– a large group of people that has particular aims.

Organizer

– the person who makes all the arrangements for something and makes sure that happens as planned.

Ex. 1. *Study the following words and word combinations and translate the sentences given below into Russian. Consult a good dictionary if necessary.*

mean business, none of one's business, go out of business, businesslike, be busy with, have no business to do, be in business, like nobody's business, mind one's own business

1. Mother has *busied* herself with our affairs for too long.
2. When traveling *on business* I take my tiny travel kit.
3. Let's get down to business.
4. She *had no business* to publish his letters to her.
5. 50% of these stores *were not in business* five years ago.
6. They are working away *like nobody's business*.
7. Umbrella sellers *went out of business*.
8. Stop teaching me! It's *none of your business*.
9. Listen to me! I *mean business*!
10. The visit to Copenhagen was brisk and *businesslike*.

Ex 2. *The words given below are the synonyms to the word **organization**. In what do they differ? Give your own definition to each of them.*

Institution, council, body, entity, fund, trust, party, club, society, association, league, federation, union.

Ex. 3. *Match the words listed below with the dictionary definitions which follow.*

accountability, effort, pattern, requirement, accomplish, existence, consumer, foster, affect, establish, benefit, involve

1. Create or set it up in a way that is intended to be permanent.
2. Help its development or growth by encouraging people to do or think about it.
3. Something that you must do or possess in order to be allowed to do some other thing.
4. The state of being real, alive, or actual.
5. Energy in the form of thought, action, time, or money that people use in their work.
6. It influences someone or something or causes them to change in some way.
7. Succeed in doing or finishing something.
8. Being responsible for and prepared to justify one's actions.
9. A good result of something.
10. A person who buys things or uses services.
11. A particular, recognizable way in which something is done or organized.
12. To include somebody or something as a necessary part or use them in some way.

Ex. 4. *Make the following words negative. Use prefixes -un, -in, -mis, -dis, -ir, and so forth.*

Human, existence, enable, realized, regard, responsible, careful, systematic, effective, mature, aware, understand, loyal, formal, direct, continuous.

Ex. 5. *Give the opposites to the following words. Use each of them in your own sentence.*

Flexible, voluntary, to share, to adhere to, enjoy, confidential, consensus, versus.

Ex. 6. *Be sure you know the meaning of the words given below. Give their derivatives.*

Existence, accomplishment, benefit, authority, obligation, responsibility, extend, consider, favour, perception, value, equal, assume, conscious.

Ex. 7. *Give the synonyms to the following words. Make up your own sentences to show the shades in their meaning.*

To handle, to accomplish, goal, benefit, coerce, to achieve, to purchase, output, affect, to establish, to enhance, power.

Ex. 8. *Translate into Russian. Pay attention to the economic and business terms.*

1. Business is the production, buying, and selling of goods and services.
2. A business, company, or firm is an organization that sells goods or services.
3. A business is also may be referred to as an enterprise to emphasize its adventurous, risk-taking qualities, and business in general may be referred to as free enterprise and private enterprise.
4. Large companies are referred to as corporations, especially in the US.
5. Large companies operating in many countries are multinationals.
6. An entrepreneur is usually someone who builds up a company from nothing: a start-up company.
7. The people legally responsible for a company are its board or board of directors.
8. When a private company is bought by the state and brought into the public sector, it is nationalized.
9. When the state returns a company to the private sector in a sell-off, it is privatized.
10. A holding or holding company is one that holds stakes in one or more subsidiaries.
11. A holding company's relationship to its subsidiaries is that of parent company.

What words and word combinations from ex. 8. do you consider to be economic and business terms? Explain what they mean.

Ex. 9. *Translate the following text in written form.*

The Interdependence of Society and Organizations

Modern societies have been called *organizational*. Unlike so-called primitive societies, modern ones produce most of their goods and services through special-purpose organizations that are, in the main, neither familial nor tribal. Some of the organizations of a modern society are meant to earn a profit and some are «not-for-profit».

The organizational mode of conducting society's affairs means that virtually everyone in modern societies depends mightily upon how well organizations function. We look to them for goods and services of adequate quantity, quality, and a low enough price. We look to them for jobs to earn the money to buy what we need. We depend upon them for decent and healthful environments on and off the job.

In turn, organizations depend upon the contributed talent and effort of people who work in them. Every organization must obtain these contributions and other resources and convert them into some outputs that yield sufficient rewards to keep the organization alive and functioning. In a word, the relationship of society and organizations is one of interdependence. But what kind of interdependence?

Managerialism (the ideological principle on which the economic, social and political order of advanced industrialized societies is actually based) proclaims that the society is made up of organizations, corporations, associations, and so forth – not individuals. Social decisions are a consequence of the interactions of the managers of the social units – not the will of the people, the demands of consumers, or the needs of workers.

1. Do you share the point of view of the author of the text?

LET'S READ AND TALK

1. Why do people try to «organize» themselves?
2. What formal and informal organizations do you know?
3. “Informal groups develop in order to meet a variety of individual needs which are not met by the formal organization.” Do you share this opinion?

TEXT 1

Read the text. Define the main idea of each paragraph. What are the key sentence(s) of each paragraph?

ORGANIZATION

Early in human existence people learned that their individual efforts often fell short of success. They found that they were unable to accomplish many tasks that require more than individual effort. The result was that only limited goals could be attained. Therefore the necessity of group activity was discovered relatively early in human existence.

Group activity could be aimed at some higher, more complex set of goals and could thus bring greater benefits to all concerned. This quality of group activity must be counted as one of the chief requirements for success. Cooperation is a prime element of a group of people who want to achieve more than they can acting individually. A system of group relationships built upon and fostering cooperation, then, is basically the meaning of an organization.

This system of cooperation consists of several parts: the human element, the physical element, the work element, and the coordination

element. All of these elements, taken collectively, can be thought of as an organization. Today, this system of cooperation is much more complex than it was in the first attempts at organization.

Thus, **organization is an open, dynamic, purposeful social system of cooperation designed to enhance individual effort aimed at goal accomplishment; consists of the human element, the physical element, the work element, and the coordination element; transforms resources into outputs for users.**

It is important to examine the various parts or components of organization theory in order to outline its broad scope. These components are: *goals, work, power and authority, delegation, structure.*

It was stated earlier that organizations were established to enable an individual to accomplish more in a group than he could as an individual. In other words, organizations are devices for pooling talent and ability into an effective whole that can accomplish some desired objective. Every organization is initially built to accomplish some goal. **The goal or purpose** is an unrealized state or condition that the members do not possess but which they deem desirable. It is imperative that organizational goals be clearly defined and communicated to all organization members who are to be affected by them. Goals are the starting point for the design and maintenance of the organization itself. At the same time, these goals must meet a need that society has defined as important. Thus, consumer needs play a crucial role in organization.

Once the goal of an organization is established, it is time for the members to decide on the type of work activity that will be necessary to accomplish these goals. Basically, any organization must perform two fundamental types of work: primary and secondary. **The primary work** (it also commonly referred to as line work) consists of production and distribution of goods and services that will satisfy consumer needs. **The secondary work** (it is often termed staff work) consists of all those activities that support and extend the operations of primary work. For example, in a manufacturing firm, the secondary work would include accounting, personnel and quality control.

No theory of organizations would be complete without a treatment of the roles that power and authority play in organizational activity. These two components of theory help explain the network of relationships that tie the other components of an organization together into some logical pattern.

Power is the ability to influence others successfully. It comes from any single or combination of possible sources. For example, one can have power over others because of one's intelligence, skill, or money.

Regardless of its source, power enables its holder to exercise one's will over others. Thus, in order to understand the total workings of an organization, one must have an appreciation of the role that power plays in these workings.

Authority can be defined as power that has been given official recognition by the organization. Once an organization legally authorizes an individual to act on its behalf, that person is said to possess authority. Every member of the organization has some amount of authority to take action necessary to carry out his responsibility. The concern of the theorist is to understand how authority comes to be officially recognized by the organization and what considerations should be made regarding its use.

Organizations that enjoy any measure of success find it necessary to increase their membership and to assign duties to these additional members. The process that is used to add members to the organization will result in the necessity to divide the work of the organization into sub-units or groups. Each of these groups will be under the direction of a manager or managers. In order for these managers to perform their managerial duties properly, they must be granted appropriate responsibility and authority. The means for making these assignments is termed delegation. In general, **delegation** may be defined as the process of transferring an obligation (responsibility) and an accompanying right (authority) from a superior to a subordinate position in the organization. It is this basic process that enables an organization to grow. Without delegation, an organization simply cannot exist and prosper.

The patterns of work divisions and their hierarchical arrangements constitute the basic components of structure. **Structure**, then, is the hierarchical pattern of authority, responsibility, and accountability relationships designed to provide coordination of the work of the organization. It is basically a managerial tool that aids in guiding the organization towards its goals and can be considered the skeleton of the organizational body. The idea of hierarchy of authority, the division of organization by function, the differentiation of responsibility of the line (doers) and the staff (the advisors) are all inventions of the church and military leaders who were faced with the need to manage large aggregations of human, technical, and material resources. Organizations create an officially sanctioned structure known as the *formal organization* or *de jure* organization.

A formal organization is only half the story, for superimposed on these relationships is a whole series of *informal or de facto* relationships that are not sanctioned by the organization. These include informal work

groupings of employees, informal leaders, informal channels of communication and informal power and status differentials. Usually the structure of an organization is rather permanent and stable but in some cases a temporary, ad hoc, organization may be created. The organization exists to reach a certain goal or set of goals and disbands once the goal is achieved.

1. What did people find early in human existence?
2. What is the meaning of the organization?
3. What is an organization?
4. What are the components of organization theory?
5. What role do power and authority play in building every organization?
6. What is the starting point for the design of an organization?
7. What is delegation and why is it necessary in today's organization?
8. Which is more important: formal or informal structure?
9. Can you give any example of an ad hoc organization?

TEXT 2

Read the text and be ready to answer what theory you would follow as a manager. Give your reasons.

PEOPLE IN ORGANIZATION

If there is any one characteristic of people which is universally valid and important, it is that they differ. To say that all persons are created equal is a statement of human rights under the law. It communicates nothing at all about human nature. As a matter of fact, people differ greatly in intelligence, aptitudes, physical strength, manual dexterity, knowledge, skill, interests, personality traits, motivation, and many other attributes which potentially influence behavior and productivity.

We are rational – but only to a point. We plan, set goals, think, reason, and live by creeds and values. But we also become frustrated and behave in ways that can be perceived as rational only by someone who understands all our deeply embedded, sometimes conflicting needs, aspirations, and perceptions. In many situations our motivation is unconscious so that not even we understand our own actions.

The fact that one's environment strongly influences behavior is indisputable. A number of prominent psychologists have assumed that human freedom is an illusion. Human choices are thought to be totally determined. This, of course, is an assumption. Many people do not

subjectively perceive themselves in this way. It is significant that behavior and expectations are strongly influenced by what a person believes to be true. Individuals feel responsible for their actions. Also, people consciously believe that their choices are real, regardless of any awareness of philosophical arguments to the contrary. Organizations cannot function optimally without these pragmatic assumptions.

There are, of course, innumerable statements which one might make about human nature, but they would not all have a direct influence on how people should be dealt within the work environment. The late Douglas McGregor did an excellent job of conceptualizing some of the assumptions about human nature which are relevant to organizational behavior. He labeled these, *Theory X*, the classical or traditional view, and *Theory Y*, a progressive view upon which he believed a new model for human relations in organizations could be developed.

Theory X. This theory holds that the average person inherently dislikes work, is innately lazy, irresponsible, self-centered, and security oriented, and consequently is indifferent to the needs of the organization. Because of these characteristics, the average person must be threatened, coerced, and controlled. In fact, most people prefer to be directed and controlled. They seek security above all, prefer to avoid responsibility, and both want and need external control in the work situation. Because people are basically cunning and immature, management should experience little difficulty in using a highly directive and manipulative style of supervision.

Theory Y. Experience has shown that Theory X assumptions result in a great deal of difficulty for management although they remain popular with some managers. McGregor's Theory Y makes the opposite assumptions. People do not inherently dislike work and are not inherently lazy. Rather they have learned to dislike work, to be lazy, and to be irresponsible because of the nature of their work and supervision. They have a high capacity for developing an intrinsic interest in their work, for committing themselves to organizational objectives, and for working productively with a minimum of external controls.

Two points should be made with reference to these theories. First, the Theory X characteristics are said to be inherent or innate. To be such, they would necessarily apply to everyone, which is obviously absurd. On the other hand, under Theory Y, people are said to have the potential or capacity for the responsible behavior and attitudes described. If anyone possesses these qualities, and a great many people do, then everyone has the potential for them. Second, Mc Gregor speaks of assumptions about the

average person, and one must ask, “Average on what dimensions?” Are we talking about intelligence? education? experience? Average is a statistical concept. The average person is nonexistent, hypothetical construct. When we make assumptions about the average person, at best we are referring to most people, and in doing so must recognize that there are exceptions.

TEXT 3

Here is one more text about people in organization. Read it and say whether you can take the information seriously.

When might you need to give blood for a personality test? The answer to that question may puzzle you more than the question itself: when you apply for a job. What’s more, your blood group could seriously influence your career prospects. Some people believe your blood group hides no secrets. It reveals the “real you” – a person who gets things done, a good salesman, a creative person or a problem-solver – that is why you could be asked to state your blood group when completing a job application form. This growing trend was first used in Japan and now management consultant firms in other parts of the world have joined in. Someone, somewhere has spent some time working out statistics regarding who’s who in the blood group system. The owners of certain group tend to be particularly good or bad at certain tasks. In fact, one major Japanese firm is so well informed about blood groups that the company is quite specific about its needs: “We must have 30per cent of blood group A and 15 per cent of AB, 25 per cent of blood group 0, and 30 per cent of blood group B among echelons of our management personnel”. Apparently, if you belong to blood group 0 you get things done and sell the goods. Blood group A are thinkers, while blood group B are highly creative. And if you got problems, ask the Abs to solve them.

TEXT 4

What is meant by «organizational climate»? Why is it important? What part does an organization’s culture play in the daily lives of its members?

Read the text and be ready to discuss each point of cultural values. Can you add any more?

ORGANIZATIONAL CLIMATE

Although the concept of organizational climate is somewhat nebulous, it is valuable in understanding several aspects of organizational behavior. Organizational climate is the overall favourability of member

attitudes and perceptions with reference to specific activities and features of an organization.

Organizations tend to have their specific culture: a peculiar mix of values, attitudes, norms, habits, traditions, behaviors and rituals. Some organizations are well aware of their culture and regard it as a powerful strategic tool, used to orient all units and individuals toward common goals, mobilize employee initiative, ensure loyalty, and facilitate communication. They aim at creating a culture of their own and making sure that all employees understand it and adhere to it. The specific cultural values of an organization may concern, for example:

- the organization's mission and image (high technologies, innovative spirit, superior quality);
- seniority and authority (respect for seniority; seniority as a criterion of authority);
- the treatment of people (concern for people and their needs, equitable treatment or favoritism, privileges, respect for individual rights, training and developing opportunities, how people are motivated);
- the importance of different management positions and functions (authority of personnel department; importance of different vice-presidents' positions; respective role and authority of research and development);
- work organization and discipline (voluntary versus imposed discipline; punctuality; use of time clocks; flexibility in changing roles at work; use of new forms of work organization);
- decision making process (who decides; who has to be consulted; individual or collective decision making; need to reach consensus);
- circulation and sharing of information (employees amply or poorly informed; information readily shared or not);
- communication pattern (preference for oral or written communication; rigidity or flexibility in using established channels, use of meetings; who is invited to what meeting; established behaviour in the conduct of meeting);
- ways of handling the conflicts (desire to avoid conflict; preference for informal or formal ways; involvement of higher management);
- performance evaluation (confidential or public; by whom carried out; how results are used);
- socialization patterns (who socializes with whom during and after work; facilities such as separate dining rooms or reserved clubs);

- management and leadership style (paternalism; authoritative, consultative or participative style; flexibility and adaptability);
- identification with the organization (manager and staff adherence to company objectives and policies; enjoying working with organization).

TEXT 5

Read the text and be ready to define: 1. what a business entity is and 2. three main types and forms of business organizations.

TYPES AND FORMS OF BUSINESS ORGANIZATION

A business organization is frequently referred to as a business entity. **A business entity is any business organization that exists as an economic unit.** Business entities can be grouped according to the type of business activity they perform.

1. *Service companies* perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.

2. *Merchandising companies* purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.

3. *Manufacturing companies* buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses – single proprietorship, a partnership, and a corporation.

A *single (sole) proprietorship* is business owned by an individual and often managed by that same individual. Single proprietors include physicians, lawyers, electricians, and other people who are ‘in business for themselves’. In a single proprietorship, the owner is responsible for all debts of the business. Operating as a proprietorship is the easiest way to get started in a business activity. Other than the possibility of needing a local license, there are not any prerequisites to beginning operations.

A *partnership* is a business owned by two or more persons associated as partners. Partnerships are created by an agreement. Included in the agreement are such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Accountants, attorneys, and other professionals frequently operate their firms as partnerships.

A corporation is a business owned by a few persons or by thousands of persons. The owners of the corporation are called shareholders or stockholders. They buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owner are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a board of directors to represent their interests. The board of directors select the president and vice president, who manage the corporation for the stockholders.

TEXT 6

WHY ARE COMPANIES REFERRED TO AS LTD., INC., GMBH, OR S.A.?

An individual, like Henry Ford, might want to begin a small enterprise and personally retain total responsibility and liability, but once it starts to grow, a partnership or a «company» – such as Ford Motor Company – would need to be formed. The key factor in owning any company is the guarantee called *limited liability*: the owners of a company never have to pay more than they have invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills.

The worst that can happen to investors in a limited liability company is losing their initial investment if the company fails. By limiting the downside risk for shareholders, companies are able to attract *equity investors* and raise large amounts of funds called *equity capital* through sales of shares rather than by borrowing money at potentially high interest rates.

The names of companies around the world reflect this guarantee of limited liability. The abbreviations «GmbH» in Germany, «Inc.» in the United States, or «Ltd.» in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The «S.A.» in French – and Spanish-speaking countries also refers to limited liability by defining shareholders as «anonymous». Since the identity of shareholders can be kept secret, the creditors of a bankrupt company have no right to pursue them for the company's unpaid debts.

Many countries make a clear distinction between public and private companies, with separate designations, such as AG and GmbH in Germany, or Plc and Ltd. in Britain. Generally, «public» companies are those large enough to have their shares traded on stock exchanges, while

smaller unquoted companies are said to be «private», even though their shares can be held by the public at large. In some countries, a large company is said to be privately owned if its shares are not available to the general public. In the United States, where little distinction is made between public and private companies, most companies simply bear the title «Incorporated».

1. What do the names of companies around the world reflect?

TEXT 7

JOB SPECIFICATION

An interesting feature of the labour markets is that many organizations do not specify the type of person they require instead they will give the details of a job in a job specification. The Department of Employment has given the following definitions of a job description and job specification:

Job description: a broad statement of the purpose, scope, duties and responsibilities of a particular job.

Job specification: a detailed statement of the physical and mental activities involved in the job. The specification is usually expressed in terms of behaviour: what the worker does, what knowledge he uses in doing it, the judgments he makes and the factors he takes into account when making them.

The great variety of job specifications which exists in business illustrates the range of specification in occupation. The five categories given below do not cover this wide range, but can become a guide to the role of manpower in organization.

1. *Unskilled.* Many jobs do not require any training or previous experience, for example manual labour or assembly work. These occupations are often highly repetitive and boring, as well as being poorly paid.

2. *Mechanical or motor skills.* There are some tasks in business which are performed by machines which require an operator. The more complicated the machine, then generally the more the operator must be.

3. *Intelligence and knowledge.* Occupations which require a high level of motor skill sometimes also demand a high level of intelligence and aptitude. But there are jobs which do not need mechanical skills but make demand on people's knowledge.

4. *Administrative or managerial skills.* The ability to organize other people is a rare skill. It not only requires knowledge and understanding of

the functions within an organization, but also the ability to motivate people. In addition managers must be able to organize nonhuman resources using techniques of forecasting, planning, coordinating and controlling. These are techniques which require judgment as well as knowledge.

5. *Decision-making skills and initiative.* Decision-making is an everyday occurrence for everyone. We decide what to eat, what to wear, where to go, and so on. Similarly, decisions are part of an organization's everyday activities. The higher one goes up the hierarchy, the more necessary is the skill of decision. The risks which all organizations face mean that organizations have to be run by people who have the ability to diagnose and assess the risk, and the capacity to decide on the correct strategy. Business is constantly changing and organizations require people with enterprise and initiative in order to survive.

1. Give your own examples of a trade or profession illustrating each category of the job specification.

TEXT 8

ENTREPRENEURS

Entrepreneur is a person who organizes and manages a business. This is a French word that has been accepted into the English language. Its popularity probably has something to do with its grand sound which befits anyone who has the initiative to create and run a business.

Entrepreneurs are a mystery to some people, especially those who are only comfortable with a nine-to-five existence and assured weekly paychecks and fringe benefits. The entrepreneur is a business person who prefers to take calculated risks in order to be his or her own boss.

Sometimes the entrepreneur is regarded as a business person who takes risks. This is not so. An entrepreneur is a business person who minimizes risks. He or she does this by advance planning, research, and meticulous consideration of all factors that could affect and possibly endanger her or his enterprise. When the entrepreneur forgets to do advance investigation and preparation, then he or she is a gambler at best, and a failure statistic at worst.

Speaking about entrepreneurship, Professor K. Vesper of the University of Washington says that "Businesses continue to be launched by people who didn't make it the first time around. A driving force in entrepreneurship... is addictiveness. Once people have a taste of freedom in a business of their own, they like it. They don't want to go back to working for someone else".

While the percentage of growth for men entering into business independence could be measured in the teens, women's increase in a single decade was 69 percent. There is no mystery here. Women go into business for the same reason men do – to make money and to be their own bosses. The rise in female entrepreneurship is reminiscent of what the early-20th-century immigrants did – and the more recent waves of immigrants from different parts of the world. Entrepreneurship is regarded to be the first track to success. Rather than to take low-wage, big-industry job, people opt to use their wits and energy to climb the ladder of independence the entrepreneurial way.

The American magazine *Venture* attempted to dissect entrepreneurs and to see what makes them tick. They conducted a survey to which 2,740 readers responded. Here is what they had in common:

1) Typically they were firstborn children who had a positive relationship with their father. (2) They held jobs before they were 15 and started their first businesses by the time they reached 20. (3) They borrowed money to launch their enterprises and made themselves personally liable. (4) Most of them are college graduates, consider themselves demanding of others, and start work early in the day (82 percent start work before 9 a.m.). (5) Twenty percent described themselves as successful; another 53 percent claimed moderate success; 27 percent reported the expectation of success.

While these entrepreneurs are intrepid adventurers on the business sea, they still seek the approval of others – often after they have launched an action. Respondent Richard M. Ask, president of the 2000-member National Association of Entrepreneurs, wrote, «I go out and do what I damn well please, and then I look around for approval to reinforce the action».

How old are the people who start new businesses? The majority are 30 to 34, with the biggest segment (70 percent) between 25 and 44.

With what do entrepreneurs start up new businesses? How much money do they invest? Most businesses require between \$20,000 and \$50,000 in cash. The vast majority of business start-ups (87 percent) are in the range of a few thousand dollars to \$100,000.

Which businesses are the most popular? There is no doubt that retailing is number one. Nearly half of all new business start-ups are retail shops.

1. Do you belong to the people who are comfortable with a nine-to-five existence? Are there many people of this type among your friends, relatives, colleagues?
2. "Calculated risk" – what is it?
3. Give your variant of an entrepreneur profile (age, traits of character, business, backgrounds, etc.)

TEXT 9

THE FIELD OF INTERNATIONAL BUSINESS

International business includes all business transactions that involve two or more countries. Such business relationships may be private or governmental. In the case of private firms the transactions are for profit. Government-sponsored activities in international business may or may not have a profit orientation.

There are three major motivations for private firms to pursue international business. These are to expand sales, to acquire resources, and to diversify sources of sales and supplies.

Sales expansion. Sales are limited by the number of people interested in a firm's products and services and by customers' capacity to make purchases. Since the number of people and the degree of their purchasing power is higher for the world as a whole than for a single country firms may increase their sales potentials by defining markets in international terms.

Ordinarily higher sales mean higher profits. If, for example, each sales unit has the same mark-up, more volume translates to more profits. Lucas film, for example, receives a percentage of the sales made by companies marketing *Star Wars* merchandise; thus Lucas film's revenues increase with each additional toy that Parker Kenner sells in the United Kingdom. In fact, profits per unit of sales may increase as sales increase. *Star Wars* cost approximately \$10 million to produce; as more people see the film, the average production cost per viewer decreases.

International sales are thus a major motive for firms' expansion into international business. A United Nations study indicated that among the largest industrial firms in the world, about 40 percent of their sales come from outside their home markets.

Resource acquisition. Manufacturers and distributors seek out products and services as well as components and finished goods produced in foreign countries. Sometimes this is to reduce their costs: for example, Lucas film used studios in the United Kingdom in the filming of *Star Wars*

and Kenner manufactures its Laser Pistol in Hong Kong. The potential effects on profits are obvious. The profit margin may be increased, or cost savings may be passed on to consumers, thereby permitting more people to buy the products.

Diversification. Companies usually prefer to avoid wild swings in their sales and profits; so they seek out foreign markets and procurement as a means to this end. Lucas film has been able to smooth its yearlong sales somewhat because the summer vacation period (the main season for children's film attendance) varies between the northern and southern hemispheres. It has also been able to make large television contracts during different years for different countries. Many other firms take advantage of the fact that the timing of business cycles differs among countries. Thus while sales decrease in one country that is experiencing a recession, they increase in another that is undergoing recovery. Finally by depending on supplies of the same product or component from different countries, a company may be able to avoid the full impact of price swings or shortages in any one country that might be brought about, for example, by a strike.

1. How would you define the concept 'international business'?
2. What are the main motives for a firm to join international business?

TEXT 10

Read the text and be ready to speak about the main types of international business. Explain the meanings of the words and word combinations which have been highlighted.

TYPES OF INTERNATIONAL BUSINESS

Merchandise exports are goods sent out of a country whereas **merchandise imports** are goods brought in. Since these are tangible goods that visibly leave and enter countries, they are sometimes referred to as visible exports and imports. The terms *exports* or *imports* are used frequently yet in reality the reference is only to the merchandise exports or imports.

Exporting and importing of goods are the major sources of international revenue and expenditure for most countries. Among companies engaged in some form of international business, more are involved in importing and exporting than in any other type of transaction.

Importing and/or exporting is usually but not always, the first type of foreign operations in which a firm gets involved. This is because at an early stage of international involvement these operations usually take the

least commitment and least risk of a firm's resources. Exporting or importing are not typically abandoned when firms adopt other international business forms. Although this may sometimes occur, exporting and importing usually continue, either by business with other markets or to complement the new types of business activities.

Service exports and imports refer to international earnings other than those from goods sent to another country. Receipt of these earnings is considered a service export, whereas payment is considered a service import. Services are also referred to as invisibles. International business comprises many different types of services.

Travel, tourism, and transportation. Earnings from transportation and from foreign travel can be an important source of revenue for international airlines, shipping companies, reservations agencies, and hotels. On a national level, such countries as Greece and Norway depend heavily on revenue collected from carrying foreign cargo on their ships. The Bahamas earns much more from foreign tourists than it earns from exporting merchandise.

Performance of activities abroad. Fees are payments for the performance of certain activities abroad, such services as banking, insurance, rentals (e.g., the *Star Wars* film), engineering, and management. Engineering services are often handled through turn-key operations, contracts for the construction of operating facilities that are transferred to the owner when the facilities are ready to begin operations. Fees for management services are often the result of management contracts, arrangements through which one firm provides management personnel to perform general or specialized management functions for another firm.

Use of assets from abroad. Royalties are the payment for use of assets from abroad, such as for trademarks, patents, copyrights, or other expertise under contracts known as licensing agreements. Royalties are also paid for franchising, a way of doing business in which one party (the franchisor) sells an independent party (the franchisee) the use of a trademark that is an essential asset for the franchisee's business. In addition, the franchisor assists on a continuing basis in the operation of the business, such as by providing components, managerial services, or technology.

Firms often move to foreign licensing or franchising after successfully building exports to a market. This move usually involves a greater international commitment than in the early stages of exporting. The

greater involvement occurs because the firm commonly has to send technicians to the foreign country to assist the licensee or franchisee in establishing and adapting its production facilities for the new product.

Direct investments. Direct investment takes place when control follows the investment. This can amount to a small percentage of the equity of the company being acquired, perhaps even as little as 10 percent. The ownership of a controlling interest in a foreign operation is the highest type of commitment to foreign operations in the given country. Direct investment operations may be set up in order to gain access to certain resources or access to a market for the firm's product.

When two or more organizations share in the ownership of a direct investment, the operation is known as a **joint venture**. In a special type of joint venture, a **mixed venture**, a government is in partnership with a private company.

The **multinational enterprise**, or MNE, has a worldwide approach to foreign markets and production and an integrated global philosophy encompassing both domestic and overseas operations. The term **multinational corporation**, or MNC, is also quite common in the literature of international business. Another term sometimes used interchangeably with MNE, especially by the United Nations, is **transnational corporation**, or TNC.

Ex. 10. *Translate the following into English.*

Индивидуальные усилия; не достигают успеха; достичь цели; неспособные выполнить; относительно рано; первичный элемент; в своей первой попытке; отвечать потребностям; деятельность, которая поддерживает; сеть отношений; способствовать сотрудничеству; официальное признание; от своего имени; обладать властью; выполнять обязанности; официально признан; необходимость разделить работу; обозначается термином; процесс передачи обязательств; от выше стоящего к подчиненному; не может существовать и процветать; иерархическая организация; составляют основные компоненты; управленческий инструмент; разделение по функциям; которые сталкивались с необходимостью; большие скопления ресурсов.

Ex. 11. *Add an appropriate preposition to each of the following sentences where indicated.*

Organizational controls

An organization can best achieve its objectives when its members require a minimum ... supervision because they are competent and goal-oriented. Nevertheless, even ... optimal conditions of individual commitment and self-control, organizations need formal controls. The control function of organizations consists ... the following:

1. *Establishing standards ... which all aspects of organizational life are evaluated.*

Most organizations have formal standards relating ... spending, production, sales, product quality, safety, inventory, personnel selection, acceptable employee behavior, and so forth.

2. *Establishing feedback system by which actual performance is compared ... predetermined standards.*

These are best exemplified ... management reports which show, often ... a daily basis, expected and actual performance.

3. *Taking appropriate action to ensure that substandard performance is improved and that standards will be met ... the future.*

It is common practice to refer ... the standards and feedback systems as controls although it should be obvious that they serve a control function only if managerial action is involved. They are not a substitute ... supervision, but they minimize requirements for personal supervision.

Read the text once again and answer the following question: What are the control functions of organization?

Ex. 12. *Read the text. Fill in the gaps with the missing words given below.*

Monitor, interrelate, integral, report, exaggerate, law, impact, flow of cash, resources, customers, stock, range, information, activity, prerequisite, process, subject, nervous.

Communication in organization

Effective communication is a ... for the achievement of organizational objectives. The importance of communication problems has at times been ... – there are, after all, other types of problems – but the ... of poor communication can be enormous.

The ... of communication is illusive because it is intertwined with so many other subjects. Effective communication is, for example, an ... part

of effective leadership, decision making, motivation, the management organizational conflict, etc.

Communication in organization is here defined as the process by which ... is transmitted from one person to another.

Money is the lifeblood of an organization: if organizations do not receive a ... they go out of business. Information plays a similar role. The flow of facts, figures and words through an organization's administration is its ... system.

The nature and flow of information determines how «sensitive» an organization to its ..., employees, changes in the market, and so on. The purpose in ... information is to plan, record, control and report the activities of the organization.

Planning. Managers need information to be able to plan how an organization's ... are to be used. This can be a complex process since each department's plan must ... with the other departments.

Recording. Firms are obliged to keep financial information under the ...

Controlling. There are many activities in business where immediate or «real time» information is necessary so that the ... can be controlled directly. These activities include ... control, quality control, and budgetary control.

Reporting. Many different kinds of ... exist in business. They ... from weekly sales reports to financial reports at an Annual General Meeting. Every function within an organization is constantly ... and reported on.

Read the text once again and summarize it in 5-7 sentences.

Ex. 13. *Insert the missing words given below. Don't forget about Grammar.*

organization, to adopt, carefully, change, input, condition, service, decision making, harmony, turbulent, adapt, output.

In order to be successful the organization must ... with the environment because it supplies the organization with ... (in the form of resources, information, and so forth) that are necessary for the determination of the kinds of the products and ... to be produced. It also receives the ... (product and services) produced by the organization. To maintain this ... with the environment, the organization must ... define and maintain a boundary system capable of gathering the necessary inputs for effective ... and ... and for distributing organizational outputs.

Today's organization exists in a ... environment characterized by what has been termed as discontinuousIf it is to survive and prosper, the organization must be capable of adjusting all of its component parts to ... for this change. Additionally, it must ... a philosophy and strategy to support the process of adaptation and change.

Ex. 14. *Make up the sentences. Put them down into notebooks. The beginning of each sentence is given to you.*

When negotiations fail, impartial, third, are, often, however, parties, brought, to help, the dispute, settle, in. **This may be**, arbitration, or, mediation, the form, conciliation, in, of. **Conciliation**, try, their, means, a third, disagreement, together, will, party, that, to bring, to work out, on their own, management, and, labour. **Mediation**, it, setting, for, suggestions, make, and, the dispute, of, who, listen to, will, both, sides, by, party, requires, the third, involvement, greater. **The suggestions**, will, management, or, on, either, labour, binding, not, however, be. **Under arbitration**, binding, and, a third, hand down, that, is, party, final, listen to, will, both, (an arbitrator), a decision, sides, and.

Ex. 15. *Give the English equivalents to the following.*

Неспособны выполнить задания, которые требуют не только индивидуальных усилий; групповая деятельность может быть направлена на более высокие, более сложные цели; все эти элементы, взятые вместе, рассматриваются как организация; организации были созданы для того, чтобы помочь индивиду достичь больше; цели должны отвечать потребностям, которые общество определило как важные; организации могут быть сгруппированы по типу деловой активности; партнерство создается по соглашению; владельцы корпораций называются акционерами; эффективная коммуникация – предпосылка успеха в бизнесе; информация помогает быть чувствительными к покупателям, служащим, изменениям на рынке; каждая организация стремится иметь собственный, особенный климат; культурные ценности – это мощный стратегический инструмент; среднестатистический работник имеет высокий потенциал развития; прежде всего работник ищет безопасности и избегает ответственности.

Ex.16. *Translate the text in written form.*

Business is the exchange of goods and services, and money, on an arm's length (objective) basis, that results in mutual benefit or profit for both parties involved. An individual engages in business because he or she believes that the rewards, or possible future benefits, of business are greater than risks, or possible future sacrifices, of business.

Business activities are events that involve making and carrying out the operating, investing, and financing decisions that deal with business assets or obligations.

In a profit-seeking business, there are three types of business activities that correspond to the three types of business decisions. Operating activities are the profit-making activities of the enterprise. They include those business activities that generate revenues, such as selling merchandise for cash or on credit or providing services for a fee. They also include activities that result in increased expenses, such as purchasing goods for manufacture or resale, paying wages, or combining goods and labour to manufacture products.

Investing activities include the purchase and a sale of long-term assets in addition to other major items used in a business' operations.

Financing activities are activities that involve obtaining the cash or using other non-cash means to pay for investments in long-term assets, and to repay money borrowed from creditors, and to provide a return to owners.

SPEAK AND WRITE

1. Why are there so many organizations in today's society?
2. Why is it important for managers to be knowledgeable about the macro environment?
3. How will tomorrow's organizations be different from those today?
4. Do all organizations need structure? Give your reasons.
5. Define the terms authority and tell how it is related to formal and informal organizations.
6. Explain how responsibility, authority, and accountability should be related to each other in the ideal organization.
7. Take an organization with which you are familiar and see if you can explain the way it works (principles, goals, structure, objectives, climate, and so forth).
8. List each organization you belong to. Do they have any impact on your life? List and discuss each impact.

9. One successful sales company had a unique organization layout. At the top of the chart was the most important person in the whole operation – the customer. This labeled «customer» was linked with lines to boxes of functions dealing directly with the customer – sales person, technical service, order clerk, credit clerk, etc. Try to draw your own organization chart, starting with the customer.

10. Enumerate all the factors you would consider in creating a culture of your own business.

11. Because of its broad global environment, a number of disciplines (geography, history, law, economics, political science, anthropology) are useful to help explain the conduct of international business. Prove it with your own examples.

12. Do you agree with the adage: “You can’t get rich working for someone else?”

13. What should be regulated by government and what should be left to the private sector (education, health care, housing, social security, defense, public transport, sale of alcohol, tobacco, press, broadcasting, entertainment)? Why? Give your reasons.

14. Summarize the information of the Unit to be ready to speak on the topic “Organization”. The first step to be done is to write the plan of your future report.

15. Choose any question (problem, topic) relating to Organization and make a 7-10 minute report in class. Refer to different additional sources to make your report instructive, interesting and informative.

UNIT 4 INVESTMENT

VOCABULARY

1. Invest

to invest a sum in the Eurodollar market – размещать какую-либо сумму на рынке евродолларов

2. loan

to cancel a call loan – аннулировать ссуду до востребования
to request a loan of 50,000 against the security of – обратиться с просьбой о предоставлении ссуды в размере 50 тыс. долларов под обеспечение чего-либо

3. account

commodity account – счет депо
checking account (Am.), current account (Br.) – текущий счет
to run (about an account) – (здесь) быть действительным
to place a sum in an account – поместить кому-либо сумму на счет
to buy gold on one's commodity account – приобретать золото, используя чей-либо счет депо
to clear one's account – оплатить чей-либо счет

4. cheque

to make out a cheque – выписать чек
syn. *to draw up a cheque*
to cash a cheque – получать деньги по чеку
to credit a cheque to smb – выписать чек на имя кого-либо

5. share

to check the market price of shares – посмотреть, проверить, какова рыночная цена акций
to acquire Standard Oil shares at \$19¹/₄ from a floor broker – приобретать у брокера акции компании по цене 19¹/₄ доллара за акцию
to stand at \$23 (about shares) – достичь цены в 23 доллара

6. trade

to trade shares – осуществлять биржевые операции с акциями
to expect heavy trading in Standard Oil shares – ожидать активную торговлю акциями компании "Стандарт Ойл"

7. market

bear market – "рынок медведей"; рынок с тенденцией к снижению курсов
bull market – "рынок быков"; рынок с тенденцией к повышению курсов
to place large sums on the market – размещать крупные суммы на рынке
to master a market – изучить рынок, овладеть конъюнктурой рынка

8. draft

to issue a draft for \$50.000 – выписать платежное поручение на сумму в 50 тыс. долларов
syn. *to make out a draft to smb for smb* – выписать платежное поручение на имя кого-либо
overdraft – (O/D) – превышение кредита, овердрафт
to clear one's overdraft – оплатить кредит по овердрафту

9. broker

floor broker – брокер, посредник

brokerage charges – комиссия (куртаж), взимаемая биржевым брокером с клиента

WORD-COMBINATIONS

1 *to be worth \$25 million* – иметь капитал в 25 млн. долларов, располагать средствами в 25 млн. долларов

2 *to make a fortune* – сделать, составить состояние

3 *to grant permission* – предоставить разрешение

4 *to turn down permission* – отказать в разрешении

5 *to sell short* – продавать на срок ценные бумаги, которых нет в наличии, продавать без покрытия

6 *to stand smb in good stead* – сослужить кому-либо хорошую службу

7 *to turn smth into liquid assets* – обращать что-либо в ликвидные активы

"Jorg, expect \$7 million from Credit Parisian in the No. 2 account by 6 pm tonight. Central European time, and place it with first-class banks and triple "A" commercial names. Otherwise," invest it in the overnight Euro-dollar market. Understood?"

"Yes, Harvey."

"Place \$1 million in the Banco do Minas Gerais, Rio de Janeiro, in the names of Silverman and Elliot and cancel the call loan at Barclays Bank, Lombard Street. Understood?"

"Yes, Harvey."

"Buy gold on my commodity account until it reaches \$10 million and then hold until you receive further instructions. Try and buy in the troughs and don't rush – be patient. Understood?"

"Yes, Harvey."

Harvey Metcalfe realised that the last instruction was unnecessary. Jorg Birrer was one of the most conservative bankers in Zurich and, more important to Harvey, had over the past twenty-five years proved to be one of the shrewdest.

"Can you join me at Wimbledon on Tuesday, June 25th at 2 pm, Centre Court, my usual debenture seat?"

"Yes, Harvey."

The telephone clicked into place. Harvey never said goodbye. He had never understood the niceties of life and it was too late to start learning now. He picked up the phone, dialed the seven digits, which would give him the Lincoln Trust in Boston, and asked for his secretary.

"Miss Fish?"

"Yes, sir."

"Remove the file on Prospecta Oil and destroy it. Destroy any correspondence connected with it and leave absolutely no trace. Understood?"

"Yes."

The telephone clicked again. Harvey Metcalfe had given similar orders three times in the last twenty-five years and by now Miss Fish had learnt not to question him.

Harvey breathed deeply, almost a sigh, a quiet exhalation of triumph. He was now worth at least \$25 million, and nothing could stop him.

In Harley Street, Bond Street, the King's Road and Magdalen College, Oxford, it was 6.20 pm. Four men, unknown to each other, checked the market price of Prospecta Oil in the final edition of the London *Evening Standard*. It was £3.70. All four of them were rich then, looking forward to consolidating their already successful careers; tomorrow they would be penniless.

Making a million legally has always been difficult. Making a million illegally has always been a little easier. Keeping a million when you have made it is perhaps the most difficult of all. Henryk Metelski was one of those rare men who had managed all three. Even the million he had made legally came after the million he had made illegally, Metelski was still a yard ahead of the others; he had managed keep it all.

Henryk Metelski was born on the Lower East Side of New York on May 17th, 1909, in a small room that already slept four children. He grew up through the Depression, believing in God and one meal a day. His parents were from Warsaw and had emigrated from Poland at the turn of the century. Henryk's father was a baker by trade and had soon found a job in New York, where immigrant Poles specialised in baking black rye bread and running small restaurants for their countrymen. Both parents would have liked Henryk to be an academic success, but he was never destined to become an outstanding pupil at his high school. His natural gifts lay elsewhere. A cunning, smart little boy, he was far more interested in the control of the underground school market in cigarettes and liquor than in stirring tales of the American Revolution and the Liberty Bell. Little

Henryk never believed for one moment that the best things in life were free, and the pursuit of money and power came as naturally to him as the pursuit of mouse to a cat.

When Henryk was a pimply and flourishing fourteen-year-old, his father died of what we now know to be cancer.

His mother outlived her husband by no more than a few months, leaving the five children to fend for themselves. Henryk, like the other four, should have gone into the district orphanage for destitute children, but in the mid-1920s it was not hard for a boy to disappear in New York – though it was harder to survive. Henryk became a master of survival, schooling, which was to prove useful to him later in life.

He knocked around the Lower East Side with his belt tightened and his eyes open, shining shoes here, washing dishes there, always looking for an entrance to the maze at the heart of which lay wealth and prestige. His first chance came when his room-mate Jan Pelnik, a messenger boy on the New York Stock Exchange, put himself temporarily out of action with a sausage garnished with salmonella. Henryk, deputed to report his friend's mishap to the Chief Messenger, upgraded food-poisoning to tuberculosis, and talked himself into the ensuing vacancy. He then changed his room, donned a new uniform, lost a friend, and gained a job.

Most of the messages Henryk delivered during the early twenties read "Buy". Many of them were quickly acted upon, for this was a boom era. He watched men of little ability make fortunes while he remained nothing more than an observer. His instincts directed him towards those individuals who made more money in a week on the Stock Exchange than he could hope to make in a lifetime on his salary.

He set about learning how to master the way the Stock Exchange operated, he listened to private conversations, opened sealed messages and found out which closed company reports to study. By the age of eighteen he had four years' experience of Wall Street: four years which most messenger boys would have spent simply walking across crowded floors, delivering little pink pieces of paper; four years which to Henryk Metelski were the equivalent of a Master's Degree from the Harvard Business School. He was not to know that one day he would lecture to that august body.

One morning in July 1927 he was delivering a message from Halgarten & Co., a well-established brokerage house, making his usual detour via the wash-room. He had perfected a system whereby he could lock himself into a cubicle, study the message he was carrying, decide

whether the information was of any value to him and if it was, immediately telephone Witold Gronowich, an old Pole, who managed a small insurance firm for his fellow countrymen. Henryk reckoned to pick up an extra \$20 to \$25 a week for the inside knowledge he supplied. Gronowich, in no position to place large sums on the market, never let any of the leaks lead back to his young informant.

Henryk began to realise that this time he was reading a message of considerable importance. The Governor of Texas was about to grant the Standard Oil Company permission to complete a pipeline from Chicago to Mexico, all other public bodies involved having already agreed to the proposal. The market was aware that the company had been trying to obtain this final permission for nearly a year, but the general view was that the Governor would turn it down. The message was to be passed direct to John D. Rockefeller's broker, Tucker Anthony, immediately. The granting of this permission to build pipeline would open up the entire North to a ready supply of oil, and that could only mean increased profits. It was obvious to Henryk that Standard Oil Stock must rise steadily on the market once the news had broken, especially as Standard Oil already controlled 90 per cent of the oil refineries in America.

In normal circumstances Henryk would have sent on this information direct to Mr Gronowich, and was about to do so when he noticed rather overweight man drop a piece of paper. As there was no one else about at the time, Henryk picked it up thinking that at best it would reveal another piece of information. In fact, it was a cheque for 50,000 made out to cash from a Mrs. Rose Rennick.

Henryk thought quickly. He left the washroom at speed and was soon standing outside on Wall Street itself. He made his way to a small coffee-shop on Rector Street and sat there pretending to drink a Coca-Cola while he carefully worked out his plan. He then proceeded to act on it.

First, he cashed the cheque at a branch of the Morgan Bank on the south-west side of Wall Street, knowing that in his smart uniform as messenger at the Exchange he would easily pass as a carrier for some distinguished firm. He then returned to the Exchange and acquired from a floor broker 2,500 Standard Oil shares at $\$19\frac{7}{8}$ leaving himself \$126.61 change after brokerage charges. He placed the \$126.61 in a Checking Account with the Morgan Bank. Then, waiting in tense anticipation for an announcement from the Governor's office, he put himself through the motions of a normal day's work, too preoccupied with Standard Oil even to make a detour via the washroom with the messages he carried.

No announcement came. Henryk could not know that the news was being held up until the Exchange had officially closed at 3 pm in order to allow the Governor himself to buy shares anywhere and everywhere he could lay his grubby hands on them, Henryk went home that night petrified that he had made a disastrous mistake. He had visions of losing his job and everything he had built up over the past four years. Perhaps he would even end up in jail.

He was unable to sleep that night and became steadily more restless in his small open-windowed but airless room. At 1 am he could stand the uncertainty no longer, so he jumped out of bed, shaved, dressed and took a subway to Ground Central Station. From there he walked to Times Square where with trembling hands he bought the first edition of the Wall Street Journal. For a moment he couldn't take in the news, although it was shrieking at him in banner headlines:

GOVERNOR GRANTS OIL PIPELINE RIGHTS TO
ROCKFELLER

Henryk hurried home, giddy and elated, and changed into his uniform. He arrived at the Stock Exchange at 8 am and went through the motions of a day's work, thinking only of how to carry out the second part of his plan.

When the Stock Exchange opened officially, Henryk went over to the Morgan Bank and requested a loan of \$50,000 against the security of his 2,500 Standard Oil shares, which had opened that morning at \$21¹/₄. He placed the loan in his Checking Account and instructed the bank to issue him a draft for the \$50,000 to be made out to Mrs. Rose Rennick. He left the bank and looked up the address and telephone number of his unwitting benefactor.

Mrs. Rennick, a widow who lived off the investments left by her late husband, lived in a small apartment on 62nd Street, which Henryk knew to be one of the most fashionable parts of New York. The call from a Henryk Metelski, asking to see her on an urgent private matter, came as something of a surprise to her, but a final mention of Halgarten & Co. gave her a little more confidence and she agreed to see him at the Waldorf-Astoria at 4 pm that afternoon.

Rose Rennick arrived a few minutes after four, accompanied by two small dogs and wearing an outrageously large hat.

Mrs. Rennick ordered tea while Henryk recited his well-rehearsed story: there had been an unfortunate mistake with her cheque, which had been wrongly credited to his firm at the Stock Exchange on the previous day; his boss had instructed him to return the cheque immediately and to say how much they regretted the unfortunate error. Henryk then passed over the draft for \$50,000 and added that he would lose his job if she insisted on taking the matter any further, as he had been entirely responsible for the mistake. Mrs. Rennick had, in fact, only been informed of the missing cheque that morning and did not realise that it had been cashed, as it would have taken a few days to check her account. Henryk's perfectly genuine anxiety as he tumbled through his talk would have convinced a far more critical observer of human nature than Mrs. Rennick. Readily she agreed to let the matter drop, only too pleased to have her money returned; as it was in the form of a draft from the Morgan Bank, she had lost nothing. Henryk breathed a sigh of relief and for the first time that day began to relax and enjoy himself.

After a respectable period of time had passed, Henryk explained that he must return to work, thanked Mrs. Rennick for her co-operation, paid the bill and left.

The next morning Henryk returned to work as usual. He knew he had only five days' grace to sell the shares and clear his debt with the Morgan Bank and the stockbroker, as an account on the New York Stock Exchange runs for five business days or seven calendar days. On the last day of the account the shares were standing at $\$23\frac{1}{4}$. He sold at $\$23\frac{1}{8}$, and cleared his overdraft of \$49,625 and, after expenses, realized a profit of \$7,499, which he left deposited with the Morgan Bank.

Over the next three years, Henryk stopped ringing Mr. Gronowich, and started dealing for himself, in small amounts to begin with, but growing larger as he gained in experience and confidence. Times were still good, and while he didn't always make a profit, he had learnt to master the occasional bear market as well as the more common bull. His system in the bear market was to sell short – not a practice considered to be entirely ethical in business. He soon mastered the art of selling shares he didn't own in expectation of a subsequent fall in their price. His instinct for market trends refined as rapidly as did his taste for clothes, and the guile learnt in the backstreets of the Lower East Side always stood him in good stead. Henryk soon discovered that the whole world was a jungle – sometimes the lions and tigers wore suits.

When the stock market collapsed in 1929 Henryk had turned his \$7,400 into \$51,000 of liquid assets, having sold on every share he possessed the day after the Chairman of Halgarten & Co. jumped out of one of the Stock Exchange windows. Henryk had got the message. With his newly acquired income he had moved into a smart apartment in Brooklyn and started driving a rather ostentatious red Stutz. Henryk realised at an early age that he had come into the world with three main disadvantages – his name, background and impecunity. The money problem was solving itself, and now the time had come to expunge the other two. To that end, he had made an application to change his name by court order to Harvey David Metcalfe. When the application was granted, he ceased all further contact with his friends from the Polish community, and in May 1930 he came of age with a new name, new background, and very new money.

NOTES

1. *triple "A"* – classification of common stocks according to risk issued by Standard and Poor's Corporation. The top four grades are called investment grades AAA, AA, A and BBB

2. *to buy in the troughs* – to buy when prices go down

3. *a debenture seat* – a seat at Wimbledon granted to Metcalfe by his partner in return for the services rendered

Problem questions:

1. What do you make of Harvey Metcalfe judging by the Prologue? Support your point of view.

2. Do you share the author's opinion that Henryk Metelski was a master of survival? Bear out your statement.

3. Would you say that Harvey Metcalfe had all the makings of a born financier? Expand on your answer.

4. Do you believe the proverb "all is fair in love and war" can be applied to the world of finance?

Do you think that Harvey Metcalfe's story proves that the US is a country of equal opportunities?

UNIT 5 MARKET

1. market

stock market – фондовая биржа ,

money market – рынок краткосрочного капитала, валютный рынок (не путать с валютной биржей)

market place – рынок, место торговли

market order – "рыночный приказ" (о немедленном совершении сделки по наилучшей текущей цене)

market value – рыночная (биржевая) стоимость ценной бумаги (в отличие от номинальной)

market price – рыночная цена, т. е. последняя цена, по которой была заключена сделка на рынке

over-the-counter market (OTC) – внебиржевой рынок ценных бумаг

syn. *unlisted, off-board*

to buy (sell) at the market – покупать (продавать) "по наилучшей цене"

to size up the market – оценить конъюнктуру рынка

to make a market – "делать рынок": постоянно котировать цены продавца и покупателя с готовностью вступить в сделки по ним

2. exchange

stock exchange – фондовая биржа

commodity exchange – товарная биржа

labour exchange – биржа труда

NYSE (the Big Board, the Exchange) – Нью-йоркская фондовая биржа

AMEX – Американская фондовая биржа

exchange member – член фондовой биржи

syn. *registered representative (RR)*

to have a membership (a seat) on an exchange – быть членом биржи, иметь членство на бирже

to trade (sell, buy) on an exchange – проводить операции на бирже

to run an exchange – руководить деятельностью биржи

3. commitment

to make commitments – брать на себя обязательства

to break commitments – нарушать обязательства

to stick to one's commitments – выполнять обязательства

to change commitments – изменить взятые на себя обязательства

to commit oneself to smth doing smth – см. *to make commitments*

4. trade

volume of trading – объем торговли, заключенных сделок, биржевой оборот ценных бумаг

unit of trading – единица торговли, число акций в основе одного биржевого контракта

odd lot – нестандартная сделка, одлот

round lot – стандартная сделка, круглый лот

the trading floor – торговый зал биржи

the trading crowd – дилеры, интересующиеся конкретными ценными бумагами группирующиеся в определенном месте биржи

trading post – торговый пост

to be assigned to a trading post – быть закрепленным за торговым постом

trading hours – торговая сессия

to execute trade – осуществлять операции с ценными бумагами

to trade shares (stocks, bonds) on an exchange – см. *to execute trade*

5. profit

ant. loss

non-for-profit organization – некоммерческая организация, неприбыльная организация

to make profits for smb – приносить прибыль кому-либо

to dispose of smth at a profit – реализовывать что-либо с прибылью

to fix a profit at – установить прибыль на каком-либо уровне

to sell at a profit – являться прибыльным

to yield a profit of – приносить прибыль в каком-либо размере

to profit by smth/doing smth – получить выгоду от чего-либо

to be profitable – быть прибыльным

6. price

to come up in price – подниматься в цене

to come down in price – падать в цене

to buy (sell) smth at a price – покупать (продавать) по какой-либо цене

to set a price for – определить цену на что-либо, устанавливать цену на что-либо

to bargain for a better price – требовать, добиваться более приемлемых цен

to accept the price – согласиться на какую-либо цену

to price stocks – устанавливать цену на акции

7. list

to list the stock on the exchange – официально зарегистрировать акции на бирже, допускать к котировке

listed company (stock, securities) – компания, акции которой котируются на фондовой бирже, "списочная компания"

listing – допуск; котировка; листинг

syn. *quotation*

quotation list – котировочный бюллетень

MARKET PLACE

The stock market. To some it's a puzzle. To others, it's a source of profit and endless fascination. The stock market is the financial nerve centre of any country. It reflects any change in the economy. It is sensitive to interest rates, inflation and political events. In a very real sense, it has its fingers on the pulse of the entire world.

Taken in its broadest sense, the stock market is also a control centre. It is the market place where businesses and governments come to raise money so that they can continue and expand their operations. It is the market place where giant businesses and institutions come to make and change their financial commitments. The stock market is also place of individual opportunity.

The phrase "the stock market" means many things. In the narrowest sense, a stock market is a place where stocks are traded – that is bought and sold. The phrase "the stock market" is often used to refer to the biggest and most important stock market in the world, the New York Stock Exchange, which is as well the oldest in the US. It was founded in 1792. NYSE is located at 11 Wall Street in New York City. It is also known as the Big Board and the Exchange. In the mid.1980s NYSE-listed shares made up approximately 60% of the total shares traded on organized national exchanges in the United States.

AMEX stands for the American Stock Exchange. It has the second biggest volume of trading in the US, Located at 86 Trinity Place in downtown Manhattan, the AMEX was known until 1921 as the Curb Exchange, and it is still referred to as the Curb today.

Early traders gathered near Wall Street. Nothing could stop those outdoor brokers. Even in the snow and rain they put up lists of stocks for sale. The gathering place became known as the outdoor curb market, hence the name the Curb. In 1921 the Curb finally moved indoors. For the most part, the stocks and bonds traded on the AMEX are those of small to medium-size companies whose shares are traded with the huge companies whose shares are traded on the New York Stock Exchange.

The Exchange is a non-for-profit corporation run by a board of directors. Its member firms are subject to a strict and detailed self-regulatory code. Self-regulation is a matter of self-interest for stock exchange members. It has built public confidence in the Exchange. It is also required by law. The US Securities and Exchange Commission (SEC) administers the federal securities laws and supervises all securities exchanges in the country. Whenever self-regulation doesn't do the job, the SEC is likely to step in directly. The Exchange doesn't buy, sell or own any securities nor does it set stock prices. The Exchange merely is the marketplace where the public, "acting through member brokers, can buy and sell at prices set by supply and demand.

It costs money to become an Exchange member. There are about 650 memberships or "seats" on the NYSE, owned by large and small firms and in some cases by individuals. These seats can be bought and sold; in 1986 the price of a seat averaged around \$600,000. Before you are permitted to buy a seat you must pass a test that strictly scrutinizes your knowledge of the securities industry as well as a check of experience and character.

Apart from the NYSE and the AM EX there are also "regional" exchanges in the US, of which the best known are the Pacific, Midwest, Boston and Philadelphia exchanges.

There is one more market place in which the volume of common stock trading begins to approach that of the NYSE. It is trading of common stock "over-the-counter" or "OTC" – that is not on any organized exchange. Most securities other than common stocks are traded over-the-counter. For example, the vast market in US Government securities is an over-the-counter market. So is the money market – the market in which all sorts of short-term debt obligations are traded daily in tremendous quantities. Like-wise the market for long- and short-term borrowings by state and local governments. And the bulk of trading in corporate bonds also is accomplished over-the-counter.

While most of the common stocks traded over-the-counter are those of smaller companies, many sizable corporations continue to be found on the "OTC" list, including a large number of banks and insurance companies.

As there is no physical trading floor, over-the-counter trading is accomplished through vast telephone and other electronic networks that link traders as closely as if they were seated in the same room. With the help of computers, price quotations from dealers in Seattle, San Diego, Atlanta and Philadelphia can be flashed on a single screen. Dedicated

telephone lines link the more active traders. Confirmations are delivered electronically rather than through the mail. Dealers thousands of miles apart who are complete strangers execute trades in the thousands or even millions of dollars based on thirty seconds of telephone conversation and the knowledge that each is a securities dealer registered with the National Association of Securities Dealers (NASD), the industry self-regulatory organization that supervises OTC trading. No matter which way market prices move subsequently, each knows that the trade will be honoured.

VOCABULARY PRACTICE

Ex. 1. *Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.*

market order, OTC, odd lot, market value, listed company, round lot, seat, market price, make a market, RR

1. Last reported price at which a security was sold on an exchange.
2. A term used to describe membership on an exchange.
3. Generally accepted unit of trading on a securities exchange.
4. An order to buy or sell a stated amount of security at the most advantageous price obtainable after the order is represented in the trading crowd.
5. Securities trade made for less than the normal trading unit.
6. Current market price of a security – as indicated by the latest trade recorded.
7. An employee of a stock exchange who accepts buy and sell orders from customers.
8. Maintain firm bid and offer prices in a given security by standing ready to buy or sell round lots at publicly quoted prices.
9. Market in which securities transactions are conducted through a telephone and computer network connecting dealers in stocks and bonds rather than on the floor of an exchange.
10. A company whose securities are traded on an organized exchange.

Ex. 2. *Look through this excerpt and then fill the spaces with words from the box.*

securities market, listed companies, listing, are traded, made commitments, list

More than 1700 companies from around the world ... (1) their shares on the New Stock Exchange. ... (2) their shares for sale to the public makes it possible for these companies to raise capital for a wide variety of productive purposes. ... (3) are the essence of the NYSE. Without them, there would be no shares and no shareholders. The shares of ... (4) allow all investor, both large and small, to participate in the growth and vitality of the economy. Since the shares of many foreign companies ... (5) on the NYSE, investors also have the opportunity to share in economic growth world-wide.

UNIT 6 SECURITY

Associate, benefit, cash, own, asset, credit, outbid, value

Harvey met Arlene Hunter in the winter of 1949. She was the only daughter of the President of the First City Bank of Boston. Until then Harvey had never taken any real interest in women. His driving force had always been making money, and although he considered the opposite sex a useful relaxation in his free time, on balance he found them an inconvenience. But having now reached what the glossy magazines referred to as middle age and having no heir to leave his fortune to, he calculated that it was time to find a wife who would present him with a son. As with everything else that he had wanted in his life, he considered the problem very carefully.

Harvey had first run into Arlene when she was thirty-one: quite literally, when she had backed her car into his new Lincoln. She could not have been a greater contrast to the short, uneducated, overweight Pole. She was nearly six feet tall, slim and although not unattractive, she lacked confidence and was beginning to think that marriage had passed her by. Most of her school friends were already on their second divorces and felt

rather sorry for her. Harvey's extravagant ways came as a welcome change after her parents' prudish discipline, which she often felt was to blame for her awkwardness with men of her own age.

Arlene's father did not approve of Harvey, and showed it, which only made him more attractive to her. Her father had not approved of any of the men she had associated with, but on this occasion he was right. Harvey on the other hand realised that to marry the First City Bank of Boston with the Lincoln Trust could only be of long-term benefit to him, and with that in mind he set out, as he always did, to conquer. Arlene didn't put up much of a battle.

Arlene and Harvey were married in 1951 at a wedding more memorable for those who were absent than those who attended. They settled into Harvey's Lincoln home outside of Boston and very shortly afterwards Arlene announced she was pregnant. She gave Harvey a daughter almost a year to the day after their marriage.

They christened her Rosalie, and she became the centre of Harvey's attention. He sent Rosalie to Bennetts, the most expensive girls' school in Washington, and from there she was accepted at Vassar to major in English. This even pleased old man Hunter, who had grown to tolerate Harvey and adore his grand-daughter. On gaining her degree, Rosalie continued her education at the Sorbonne, after a fierce disagreement with her father concerning the type of friends she was keeping, particularly the ones with long hair who didn't want to go to Vietnam – not that Harvey had done much during the Second World War, except to cash in on every shortage. The final crunch came when Rosalie dared to suggest that morals were not to be decided only by length of hair or political views. Harvey missed her, but refused to admit the fact to Arlene.

Harvey had three loves in his life: the first was still Rosalie, the second was his paintings, and the third his orchids. The first had started the moment his daughter was born. The second was a love that had developed over many years and had been kindled in the strangest way. A client of Sharpley & Son was about to go bankrupt while still owing a fairly large sum of money to the company. Harvey got wind of it and went round to confront him, but the rot had already set in and there was no longer any hope of securing cash. Determined not to leave empty-handed, Harvey took with him the man's only tangible asset – a Renoir valued at \$10,000.

Harvey's intention was to sell the picture quickly before it could be proved that he was a preferred creditor, but he became so entranced with the fine brushwork and the delicate pastel shades that his only desire was

to own more. When he realised that pictures were not only a good investment, but that he actually liked them as well, his collection and his love grew hand in hand. By the early 1970s, Harvey had a Manet, two Monets, a Renoir, two Picassos, a Pissarro, a Utrillo, a Cezanne, as well as most of the recognized lesser names, and he had become quite a connoisseur of the Impressionist period. His one remaining desire was to possess a Van Gogh, and only recently he had failed to acquire L'Hopital de St Paul a St Remy at the Sotheby-Parke Bernet Gallery in New York, when Dr Armand Hammer of Occidental Petroleum had outbid him – \$1,200.000 had been just a little too much for Harvey.

Earlier, in 1966, he had failed to acquire Lot 49, Mademoiselle Ravoux, from Christie, Manson & Woods, the London art dealers; although the Rev. Theodore Pitcairn, representing the Lord's New Crush in Bryn Athyn, Pennsylvania, had pushed him over the top, he had only whetted his appetite further. The Lord giveth, and on that occasion the Lord had taken away. Although it was not fully appreciated in Boston, it was already recognized in the art world that Harvey had one of the finest Impressionist collections in the world, almost as widely admired as that of Walter Annenberg, President Nixon's Ambassador to London who, like Harvey, had been one of the few people to build up a major collection since the Second World War.

Harvey's third love was his prize collection of orchids, and he had three times been a winner at the New England Spring Flower Show in Boston, twice beating old man Hunter into second place.

VOCABULARY NOTES

1. associate

to associate with smb – общаться с кем-либо

to associate oneself with smb/smth – солидаризироваться с кем-либо/чем-либо

ant. *to dissociate oneself from smb/doing smth* – отмежеваться от кого-либо/чего-либо

2. benefit

to be of (a) long term benefit to smb – приносить кому-либо долгосрочную выгоду

to benefit from smth/doing smth – получать выгоду от чего-либо

3. cash

to cash in on smth (shortage, difficulties) – наживаться на чем-либо

to secure cash – получить деньги (наличными)

4. owe

to owe smth to a company – задолжать что-либо компании

to owe smb smth – задолжать что-либо кому-либо

5. asset

tangible asset – материальные активы

6. credit

to be in credit – пользоваться доверием

preferred creditor – кредитор, обладающий преимущественными правами

7. outbid

to outbid smb – предложить более высокую цену, перебивать цену

8. value

to be valued at \$ 10,000 – оцениваться в 10,000 долларов

WORD-COMBINATIONS

1. *to leave one's fortune to an heir (heiress)* – оставить свое состояние наследнику (наследнице)

2. *to run into smb/smth* – столкнуться с кем-либо/чем-либо

3. *to set out to do smth* – приступить к чему-либо

4. *to put up a battle (resistance)* – оказывая сопротивление

5. *to go bankrupt* – обанкротиться

6. *to get wind of smth* – узнать о чем-либо, пронюхать о чем-либо

7. *to build up a collection* – собрать коллекцию

8. *to beat smb into second place* – оставить кого-либо на втором месте

Problem questions:

1. How can you account for financial terms used by the author to describe Harvey Metcalfe's relations with women, his future wife included?

2. Was Arlene Hunter a good match? Was it a marriage of love or convenience?

3. How can you explain Harvey Metcalfe's love for paintings and orchids? Did he refine over the years?

VOCABULARY NOTES

1. security

gilt-edged security (about bonds) – первоклассные, особо надежные ценные бумаги

syn. *blue chip (about stocks)*

convertible security – конвертируемые ценные бумаги

listed security – ценные бумаги, допущенные на биржу, зарегистрированные ценные бумаги

off-board security – ценные бумаги, не зарегистрированные на бирже

syn. *unlisted security*

negotiable security – обратимые ценные бумаги

non-negotiable security – необратимые ценные бумаги

government security – правительственные (казначейские) ценные бумаги

government agency issue – ценные бумаги, выпущенные правительственными учреждениями

2. stock

authorized stock – разрешенные к выпуску акции, номинальный капитал

issued stock – выпущенные акции, выпущенный капитал

unissued stock – невыпущенные акции, невыпущенный капитал

outstanding stock – выпущенные акции в руках держателей

treasury stock – выпущенные акции в собственности компании-эмитента

common stock – обыкновенная акция

syn. *ordinary share*

preferred stock – привилегированная акция

growth stock – акция роста

cyclical stock – циклическая акция

stock company – акционерная компания

stock certificate – акционерный сертификат, свидетельство на акцию

to go up (down) – подниматься (падать) в цене

to drop in price – упасть в цене

to hold a stock in – владеть акциями какого-либо предприятия

to own (buy, sell) stock – владеть акциями; продавать, покупать акции

stockholder – акционер

syn. *shareholder*
investor

3. bond

to issue bonds – выпускать облигации

to come to maturity – выходить в тираж

syn. *to reach maturity*

to redeem a bond on a maturity date – погашать облигации с наступлением срока

bondholder – облигационер

4. invest

to invest in smth – инвестировать, вкладывать во ч-л

to invest smth at short term (long term) – осуществлять, краткосрочные (долгосрочные) инвестиции

to invest in the order of – осуществлять инвестиции в размере

to invest for fixed income – вкладывать капитал с целью получения фиксированного дохода

long-term (short-term) investment – долгосрочные (краткосрочные) инвестиции

to be a reasonable (profitable) investment – являться оправданным (разумным) капиталовложением

investment company – инвестиционный трест

investment fund – инвестиционный фонд

institutional investor – институциональный инвестор, учреждение-вкладчик

5. trust

to act in trust for smb – осуществлять операции по доверенности

to hold smth in trust for smb – распоряжаться чем-либо по доверенности

to keep stocks in trust for smb – управлять акциями по доверенности

trust company – трастовая компания

a trustee – попечитель

6. liability

limited liability – ограниченная ответственность

to be liable for one's obligations (to the extent of one's property) – отвечать по своим обязательствам (всем принадлежащим имуществом)

7. legal entity

to be a legal entity – являться юридическим лицом
syn. *to have legal personality*

8. liquidate

to go into liquidation – заявлять о ликвидации

to be put into liquidation – быть ликвидированным

to publish notice of liquidation – поместить объявление о
ликвидации

9. owner

to be part owner of smth – быть совладельцем ч-л

syn. *to be co-owners*

to be joint owners

to be state-owned – являться государственным предприятием

to be privately-owned – являться частным предприятием

to be domestically-owned – являться национальным предприятием

SECURITIES. CATEGORIES OF COMMON STOCK

There is a lot to be said about securities. Security is an instrument that signifies (1) an ownership position in a corporation (a stock), (2) a creditor relationship with a corporation or governmental body (a bond), or (3) rights to ownership such as those represented by an option, subscription right, and subscription warrant.

People who own stocks and bonds are referred to as investors or, respectively, stockholders (shareholders) and bondholders. In other words a share of stock is a share of a business. When you hold a stock in a corporation you are part owner of the corporation. As a proof of ownership you may ask for a certificate with your name and the number of shares you hold. By law, no one under 21 can buy or sell stock. But minors can own stock if kept in trust for them by an adult. A bond represents a promise by the company or government to pay back a loan plus a certain amount of interest over a definite period of time.

We have said that common stocks are shares of ownership in corporations. A corporation is a separate legal entity that is responsible for its own debts and obligations. The individual owners of the corporation are not liable for the corporation's obligations. This concept, known as limited liability, has made possible the growth of giant corporations. It has allowed millions of stockholders to feel secure in their position as corporate owners. All that they have risked is what they paid for their shares.

A stockholder (owner) of a corporation has certain basic rights in proportion to the number of shares he or she owns. A stockholder has the right to vote for the election of directors, who control the company and appoint management. If the company makes profits and the directors decide to pay part of these profits to shareholders as dividends, a stockholder has a right to receive his proportionate share. And if the corporation is sold or liquidates, he has a right to his proportionate share of the proceeds.

What type of stocks can be found on stock exchanges? The question can be answered in different ways. One way is by industry groupings. There are companies in every industry, from aerospace to wholesale distributors. The oil and gas companies, telephone companies, computer companies, auto companies and electric utilities are among the biggest groupings in terms of total earnings and market value. Perhaps a more useful way to distinguish stocks is according to the qualities and values investors want.

Growth Stocks. The phrase "growth stock" is widely used as a term to describe what many investors are looking for. People who are willing to take greater-than-average risks often invest in what is often called "high-growth" stocks – stocks of companies that are clearly growing much faster than average and where the stock commands a premium price in the market. The rationale is that the company's earnings will continue to grow rapidly for at least a few more years to a level that justifies the premium price. An investor should keep in mind that only a small minority of companies really succeed in making earnings grow rapidly and consistently over any long period. The potential rewards are high, but the stocks can drop in price at incredible rates when earnings don't grow as expected. For example, the companies in the video game industry boomed in the early 1980s, when it appeared that the whole world was about to turn into one vast video arcade. But when public interest shifted to personal computers, the companies found themselves stuck with hundreds of millions of dollars in video game inventories, and the stock collapsed.

There is less glamour, but also less risk, in what we will call – for lack of a better phrase – "moderate-growth" stocks. Typically, these might be stocks that do not sell at premium, but where it appears that the company's earnings will grow at a faster-than-average rate for its industry. The trick, of course, is in forecasting which companies really will show better-than-average growth; but even if the forecast is wrong, the risk should not be great, assuming that the price was fair to begin with.

There's a broad category of stocks that has no particular name but that is attractive to many investors, especially those who prefer to stay on the conservative side. These are stocks of companies that are not glamorous, but that grow in line with the economy. Some examples are food companies, beverage companies, paper and packaging manufacturers, retail stores, and many companies in assorted consumer fields.

As long as the economy is healthy and growing, these companies are perfectly reasonable investments; and at certain times when everyone is interested in "glamour" stocks, these "non-glamour" issues may be neglected and available at bargain prices. Their growth may not be rapid, but it usually is reasonably consistent. Also, since these companies generally do not need to plow all their earnings back into the business, they tend to pay sizable dividends to their stockholders. In addition to the real growth that these companies achieve, their values should adjust upward over time in line with inflation – a general advantage of common stocks that is worth repeating.

Cyclical Stocks. These are stocks of companies that do not show any clear growth trend, but where the stocks fluctuate in line with the business cycle (prosperity and recession) or some other recognizable pattern. Obviously, one can make money if he buys these near the bottom of a price cycle and sells near the top. But the bottoms and tops can be hard to recognize when they occur; and sometimes, when you think that a stock is near the bottom of a cycle, it may instead be in a process of long-term decline.

Special Situations. There's a type of investment that professionals usually refer to as "special situations". These are cases where some particular corporate development – perhaps a merger, change of control, sale of property, etc. – seems likely to raise the value of a stock. Special situation investments may be less affected by general stock market movements than the average stock investment; but if the expected development doesn't occur, an investor may suffer a loss, sometimes sizable. Here the investor has to judge the odds of the expected development's actually coming to pass.

VOCABULARY PRACTICE

Ex. 1. *Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.*

authorized stock, gilt-edged security, growth stock, listed security, maturity, common stock, investment company, preferred stock, liability, trust company, legal entity

1. Stock of a corporation that has exhibited faster-than-average gains in earnings over the last few years and is expected to continue to show high levels of profit growth.

2. Claim on assets of a company or individual.

3. Class of capital stock that pays dividends at a specified rate and has preference in the payment of dividends. It does not ordinarily carry voting rights.

4. Stock or bond of a company that has demonstrated over a number of years that it is capable of earning sufficient profits to cover dividends on stocks and interest on bonds with great dependability.

5. Units of ownership of a public corporation. Stockholders are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings.

6. Stock or bond that has been accepted for trading by one of the organized and registered securities exchanges.

7. Date on which the principal amount of a debt instrument becomes due and payable.

8. Organization, usually combined with a commercial bank, which is engaged as a trustee for individuals and businesses.

9. Firm that, for a management fee, invests the pooled funds of small investors in securities appropriate for its stated investment objectives.

10. Person or organization that has the legal standing to enter into a contract and may be sued for failure to perform as agreed in the contract.

11. Maximum number of shares of any class a company may legally create under the terms of its article of incorporation.

Ex. 2. *Look through this excerpt and then fill the spaces with words from the box. Translate the text into Russian.*

limited liability, jointly owned, separate legal entity, invest at short term, shares of stock, put into liquidation, are not liable, stockholders

Small businesses are often owned by an individual, or by a partnership consisting of two or more people, that is ... (1). Ownership in a corporation is represented by ... (2). A corporation is ... (3) responsible for its own debts. The individual owners, called ... (4), ... (5) for corporate obligations. This concept, known as ... (6) has made possible the growth of giant corporations.

UNIT 7 STOCKS

Application, resident, licence, tax, strike, share, regulation, allocate

Although Harvey had mellowed over the years and cut down on his more dubious deals, he could never resist the chance to take a risk if he thought the reward was likely to be big enough. One such golden opportunity presented itself in 1964 when Her Majesty's Government invited applications for exploration and production licences in the North Sea. At that time neither the British Government nor the civil servants involved had any idea of the future significance of the North Sea oil, or the role it would eventually play in British politics. If the Government had known that in 1978 the Arabs would be holding a pistol to the heads of the rest of the world, and the British House of Commons would have eleven Scottish Nationalist Members of Parliament, it would surely have reacted in a totally different way.

On May 13th, 1964, the Secretary of State for Power laid before Parliament 'Statutory Instrument – No. 708 – Continental Shelf – Petroleum'. Harvey read this particular document with great interest, thinking that it might well be a means of making an exceptional killing. He was particularly fascinated by Paragraph 4 of the document, which read:

"Persons who are citizens of the United Kingdom and Colonies and are resident in the United Kingdom or who are bodies corporate incorporated in the United Kingdom may apply in accordance with these Regulations for:

- (a) a production licence; or,
- (b) an exploration licence."

When he had studied the Regulations in their entirety, he had to sit back and think hard. Only a small amount of money was required to secure a production and exploration licence. As Paragraph 6 went on to point out:

"(1) With every application for a production licence there shall be paid a fee of two hundred pounds with an additional fee of five pounds for every block after the first ten in respect whereof that application is made.

(2) With every application for an exploration licence there shall be paid a fee of twenty pounds."

Harvey couldn't believe it. How easy it would be to use such a licence to create the impression of a vast enterprise! For a few hundred dollars he could be alongside such names as Shell, BP, Total, Gulf and Occidental.

Harvey went over the Regulations again and again, hardly believing that the British Government could release such potential for so small an investment. Only the application form, an elaborate and exacting document, now stood in his way. Harvey was not a British subject, none of his companies was British and he realised he would have problems of presentation. He decided that his application must therefore be backed by a British bank and that he would set up a company whose directors would win the confidence of the British Government.

With this in mind, early in 1964, he registered at Companies House in England a firm called Prospecta Oil, using Malcolm, Bottnick and Davis as his solicitors and Barclays Bank, who were already the Lincoln Trust's representatives in Europe, as his bankers. Lord Hunnisett became Chairman of the company and several distinguished public figures joined the Board, including two ex-Members of Parliament who had lost their seats when the Labour Party won the 1964 Election. Prospecta Oil issued 2,000,000 10-pence shares at one pound, which were all taken up for Harvey by nominees. He also deposited \$500,000 in the Lombard Street branch of Barclays Bank.

Having thus created the front, Harvey then used Lord Hunnisett to apply for the licence from the British Government. The new Labour Government elected in October 1964 was no more aware of the significance of the North Sea oil than the earlier Conservative administration. The Government's requirements for a licence were a rent of ?12,000 a year for the first six years, 12 1/2 per cent revenue tax, and a further Capital Gains tax on profits; but as Harvey's plan was to reap profits for himself rather than the company that presented no problems.

On May 22nd, 1965, the Minister of Power published in the London Gazette the name of Prospecta Oil among the fifty-two companies granted production licences. On August 3rd, 1965, Statutory Instrument No. 1531

allocated the actual areas. Prospecta Oil's was 51°50'00" N: 2°30'20" E, a site adjacent to one of BP's holdings.

Then Harvey sat back, waiting for one of the companies which had acquired the North Sea sites to strike oil. It was a longish wait but Harvey was in no hurry, and not until June 1970 did BP make a big commercial strike in their Forties Field. BP had already spent over \$1 billion in the North Sea and Harvey was determined to be one of the main beneficiaries. He was now on to another winner, and immediately set the second part of his plan in motion.

Early in 1972 he hired an oil rig which, with much flourish and advance publicity, he had towed out to the Prospecta Oil site. Having hired the rig on the basis of being able to renew the contract if he made a successful strike, he engaged the minimum number of workers allowed by the Government Regulations, and then proceeded to drill to 6,000 feet. After this drilling had been completed he released from the company's employment all those involved, but told Reading & Bates, from whom he had rented the rig, that he would be requiring it again in the near future and therefore would continue to pay the rental.

Harvey then released Prospecta Oil shares on to the market at the rate of a few thousand a day for the next two months, all from his own stock, and whenever the financial journalists of the British Press rang to ask why these shares were steadily rising, the young public relations officer at Prospecta Oil's city office would say, as briefed, that he had no comment to make at present but there would be a press statement in the near future; some newspapers put two and two together and made about fifteen. The shares climbed steadily from 10 pence to nearly 12 under the guidance of Harvey's chief executive in Britain, Bernie Silverman, who, with his long experience of this kind of operation, was only too aware of what his boss was up to. Silverman's main task was to ensure that nobody could show a direct connection between Metcalfe and Prospecta Oil.

In January 1974 the shares stood at £3. It was then that Harvey was ready to move on to the third part of his plan, using Prospecta Oil's enthusiastic new recruit, a young Harvard graduate called David Kesler, as the fall-guy.

NOTES

1. *The Arabs would be holding a pistol to the heads of the rest of the world* – the Arabs being the biggest oil producer would dictate their terms to the rest of the world.
2. *BP* – British Petroleum

VOCABULARY NOTES

1. application

to invite an application for smth – объявлять конкурс на что-либо, приглашать к участию в чем-либо

syn. *to apply for smth* – обращаться за чем-либо, направлять заявление

to make an application

to back an application – поддерживать заявление, выступать гарантом

application form – бланк заявления

2. resident

to be resident in – проживать в, быть резидентом

3. licence

exploration and production licence – лицензия на поиски и разработку месторождения

to secure a licence – получить лицензию

to grant a licence – предоставить лицензию

4. tax

revenue tax – подоходный налог

capital gains tax on profits – налог на прибыль от капитала

5. strike

to strike oil – открыть нефтяное месторождение

to make a successful (commercial) strike in – открыть перспективное (промышленное) месторождение

6. share

to issue shares – выпускать акции

to release shares at the rate – продавать акции по какой-либо цене

WORD-COMBINATIONS

1. *to go over a regulation* – изучить в деталях положение

2. *to stand in smb's way* – мешать кому-либо

3. *to set up a company (a bank)* – создать компанию (банк)

4. *to win the confidence of* – заручиться поддержкой кого-либо

5. *to reap profits* – пожинать плоды

6. *to put two and two together* – оценить обстановку

7. *to set smth into motion* – привести что-либо в действие

8. *to be up to smth* – замышлять что-либо

9. *to allocate an area* – распределять участки

Problem Questions:

1. In what way from your point of view did the British Government underestimate the significance of the North Sea oil? Give your reasons.
2. Why was it of paramount importance for Harvey Metcalfe to create the impression of a vast enterprise?
3. Why did Harvey Metcalfe have to take Bernie Silverman into confidence? Why couldn't he realize the plan single-handed?
4. What possible pitfalls that might ruin his plans did Harvey Metcalfe manage to avoid? Prove your point.
5. Do you admire Harvey Metcalfe's acumen under the circumstances? Support your answer.

VOCABULARY NOTES

1. dividend

dividend-bearing securities – ценные бумаги, приносящие дивиденд

dividend in arrears – дивиденд, подлежащий выплате

deferred dividend – просроченные дивиденды

optional dividend – дивиденд, уплачиваемый деньгами или в форме акций

taxable dividend – дивиденд, подлежащий обложению налогом

preferred dividend – дивиденд по привилегированным акциям

dividend warrant – чек, по которому выплачиваются дивиденды

to pay cash dividends – выплачивать дивиденды в денежной форме

to pay share dividends – выплачивать дивиденды в форме акций

to be entitled to dividends – иметь право на получение дивидендов

to cut a dividend – выплатить меньший дивиденд

to pass a dividend – не выплатить дивиденд

2. Treasury notes – казначейские среднесрочные облигации

3. Treasury bills – казначейские краткосрочные облигации, казначейские векселя

4. bond

Treasury bond – казначейские долгосрочные облигации

corporate bond – облигации промышленных компаний

municipal bond – муниципальные облигации

convertible bond – конвертируемые облигации

syn. *convertible debenture*

tax-exempt bond – облигация, доход от которой освобожден от налогового обложения

government bond – правительственная облигация

premium bond – облигации выигрышного займа

savings bond – сберегательная облигация

optional bond – облигация с правом досрочного погашения

5. tax

after tax – после вычета налога

before tax – до вычета налога

to levy a tax on smb – вводить налог на кого-либо

syn. *to impose a tax on smb*

to collect taxes – собирать налоги

to evade taxes – уклоняться от налогов

to be exempt from tax – быть освобожденным от налога

syn. *to enjoy tax exemption*

to carry a tax advantage over smth – иметь, пользоваться налоговыми льготами

to offset tax advantages – сбалансировать налоговые льготы

6. par

par value – номинальная стоимость

syn. *nominal, face value*

to be above par – выше номинала

to be at par – по номиналу

to be below par – ниже номинала

to be on a par with smth – наравне с чем-либо

7. option

option writer – продавец опциона

to deal in options – вести биржевые операции с опционами

a call – опцион "колл", дающий право купить определенное количество ценных бумаг по фиксированной цене в течение оговоренного срока

a put – опцион "пут", дающий право продать определенное количество ценных бумаг по фиксированной цене в течение оговоренного срока

a put and call option (PAC) – "стрэддл", одновременная покупка опционов "пут" и "колл"

8. future

futures contract – фьючерский контракт

futures position – фьючерская позиция, неисполненный контракт на покупку или продажу того или иного контракта

9. warrant

subscription warrant – подписной сертификат

PREFERRED STOCKS

A preferred stock is a stock which bears some resemblances to a bond (see below). A preferred stockholder is entitled to dividends at a specified rate, and these dividends must be paid before any dividends can be paid on the company's common stock. In most cases the preferred dividend is cumulative, which means that if it isn't paid in a given year, it is owed by the company to the preferred stockholder. If the corporation is sold or liquidates, the preferred stockholders have a claim on a certain portion of the assets ahead of the common stockholders. But while a bond is scheduled to be redeemed by the corporation on a certain "maturity" date, a preferred stock is ordinarily a permanent part of the corporation's capital structure. In exchange for receiving an assured dividend, the preferred stockholder generally does not share in the progress of the company; the preferred stock is only entitled to the fixed dividend and no more (except in a small minority of cases where the preferred stock is "participating" and receives higher dividends on some basis as the company's earnings grow).

Many preferred stocks are listed for trading on the NYSE and other exchanges, but they are usually not priced very attractively for individual buyers. The reason is that for corporations desiring to invest for fixed income, preferred stocks carry a tax advantage over bonds. As a result, such corporations generally bid the prices of preferred stocks up above the price that would have to be paid for a bond providing the same income. For the individual buyer, a bond may often be a better buy.

Bonds-Corporate

Unlike a stock, a bond is evidence not of ownership, but of a loan to a company (or to a government, or to some other organization). It is a debt obligation. When you buy a corporate bond, you have bought a portion of a large loan, and your rights are those of a lender. You are entitled to interest payments at a specified rate, and to repayment of the full "face amount" of the bond on a specified date. The fixed interest payments are usually made semi-annually. The quality of a corporate bond depends on the financial strength of the issuing corporation.

Bonds are usually issued in units of \$1,000 or \$5,000, but bond prices are quoted on the basis of 100 as "par" value. A bond price of 96 means that a bond of \$1,000 face value is actually selling at \$960. And so on.

Many corporate bonds are traded on the NYSE, and newspapers carry a separate daily table showing bond trading. The major trading in corporate bonds, however, takes place in large blocks of \$100,000 or more traded off the Exchange by brokers and dealers acting for their own account or for institutions.

Bonds-U.S. Government

U.S. Treasury bonds (long-term), notes (intermediate-term) and bills (short-term), as well as obligations of the various U.S. government agencies, are traded away from the exchanges in a vast professional market where the basic unit of trading is often \$ 1 million face value in amount. However, trades are also done in smaller amounts, and you can buy Treasuries in lots of \$5,000 or \$10,000 through a regular broker. U.S. government bonds are regarded as providing investors with the ultimate in safety.

Bonds-Municipal

Bonds issued by state and local governments and governmental units are generally referred to as "municipals" or "tax-exempts", since the income from these bonds is largely exempt from federal income tax.

Tax-exempt bonds are attractive to individuals in higher tax brackets and to certain institutions. There are many different issues and the newspapers generally list only a small number of actively traded municipals. The trading takes place in a vast, specialized over-the-counter market. As an offset to the tax advantage, interest rates on these bonds are generally lower than on U.S. government or corporate bonds. Quality is usually high, but there are variations according to the financial soundness of the various states and communities.

Convertible Securities

A convertible bond (or convertible debenture) is a corporate bond that can be converted into the company's common stock under certain terms. Convertible preferred stock carries a similar "conversion privilege". These securities are intended to combine the reduced risk of a bond or preferred stock with the advantage of conversion to common stock if the company is successful. The market price of a convertible security generally represents a combination of a pure bond price (or a pure preferred stock price) plus a premium for the conversion privilege. Many convertible

issues are listed on the NYSE and other exchanges, and many others are traded over-the-counter.

Options

An option is a piece of paper that gives you the right to buy or sell a given security at a specified price for a specified period of time. A "call" is an option to buy, a "put" is an option to sell. In the simplest form, these have become an extremely popular way to speculate on the expectation that the price of a stock will go up or down. In recent years a new type of option has become extremely popular: options related to the various stock market averages, which let you speculate on the direction of the whole market rather than on individual stocks. Many trading techniques used by expert investors are built around options; some of these techniques are intended to reduce risks rather than for speculation.

Rights

When a corporation wants to sell new securities to raise additional capital, it often gives its stockholders rights to buy the new securities (most often additional shares of stock) at an attractive price. The right is in the nature of an option to buy, with a very short life. The holder can use ("exercise") the right or can sell it to someone else. When rights are issued, they are usually traded (for the short period until they expire) on the same exchange as the stock or other security to which they apply.

Warrants

A warrant resembles a right in that it is issued by a company and gives the holder the option of buying the stock (or other security) of the company from the company itself for a specified price. But a warrant has a longer life – often several years, sometimes without limit. As with rights, warrants are negotiable (meaning that they can be sold by the owner to someone else), and several warrants are traded on the major exchanges.

Commodities and Financial Futures

The commodity markets, where food stuff and industrial commodities are traded in vast quantities, are outside the scope of this text. But because the commodity markets deal in "futures" – that is, contracts for delivery of a certain good at a specified future date – they have also become the center of trading for "financial futures", which, by any logical definition, are not commodities at all.

Financial futures are relatively new, but they have rapidly zoomed in importance and in trading activity. Like options, the futures can be used for protective purposes as well as for speculation. Making the most headlines

have been stock index futures, which permit investors to speculate on the future direction of the stock market averages. Two other types of financial futures are also of great importance: interest rate futures, which are based primarily on the prices of U.S. Treasury bonds, notes, and bills, and which fluctuate according to the level of interest rates; and foreign currency futures, which are based on the exchange rates between foreign currencies and the U.S. dollar. Although, futures can be used for protective purposes, they are generally a highly speculative area intended for professionals and other expert investors.

VOCABULARY PRACTICE

Ex. 1. *Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.*

option writer, dividend payable, futures contract, dividend in arrears, corporate bond, optional dividend, optional bond, subscription warrant, par value, convertible bond

1. Agreement to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.
2. Dividend that can be paid either in cash or in stock. The shareholder entitled to the dividend makes the choice.
3. Value of a security which is worth the same cash amount it was issued for or at which it will be redeemed at maturity.
4. Accumulated dividend on cumulative preferred stock, which is payable to the current holder.
5. Bond whose principal or/and interest are payable, at the option of the holder, in one or more foreign currencies as well as in domestic currency.
6. Person or financial institution that sells put or call options.
7. Debt instrument issued by a private corporation, as distinct from one issued by a government agency or a municipality.
8. Corporate securities that are exchangeable for a set number of another form at a pre-stated price.
9. Cash amount of dividends that are to be paid as reported in financial statements.
10. Type of security, usually issued together with a bond or preferred stock that entitles the holder to buy a proportionate amount of common

stock at a specified price, usually higher than the market price at the time of issuance, for a period of years or to perpetuity.

Ex. 2. *Look through these excerpts and then fill the spaces with words from the box. Translate the text into Russian.*

carry a tax advantage, free from tax, on par with, reduced income

When a corporation ... (1) to its shareholders out of earnings, those dividends ... (2) as ordinary income, at full rates. The 1986 law did away with an "exclusion" that previously made the first \$100 of dividends completely ... (3). But the law also ... (4) across the board, so that most investors now pay lower rates of federal income tax on their dividends than they did before.

quoted, tax-exempt bond, sold at, above, below par, market value,

II. A Treasury bond may be sold to any individual or corporation. Prices are set in accordance with the level of interest rates at that time. This means that the T bond may be ... (1). If interest rates have risen above the coupon rate of the T bond, the selling price most likely would drop below the T bond's ... (2). To check the current ... (3) of a T bond, one should see the bid price in the issue one owns as ... (4) in the published securities listings.

UNIT 8 STOCKMARKETS

Deposit, invest, investment, share, cash, broker, transaction

On the train down to the university city he thought about Stephen Bradley, who had been a friend in his Harvard days and had generously helped David and other students in mathematics classes that year. Stephen, now a visiting Fellow at Magdalen College, was undoubtedly one of the most brilliant scholars of David's generation. He had won the Kennedy Memorial Scholarship to Harvard and later in 1970 the Wister Prize for Mathematics, the most soughtafter award in the mathematical faculty. Although in monetary terms this award was a derisory \$80 and a medal, it was the reputation and job offers it brought with it that made the

competition so keen. Stephen had won it with consummate ease and nobody was surprised when he was successful in his application for a Fellowship at Oxford. He was now in his third year of research at Magdalen. His papers on Boolean algebra appeared at short intervals in the *Proceedings of the London Mathematical Society*, and it had just been announced that he had been elected to a Chair in Mathematics back at his Alma mater, Harvard, to commence in the fall.

The 6.15 train from Paddington arrived in Oxford an hour later and the short taxi ride from the station down New College Lane brought him to Magdalen at 7.30. One of the College porters escorted David to Stephen's rooms, which were spacious, ancient, and comfortably cluttered with books, cushions and prints. How unlike the antiseptic walls of Harvard, thought David. Stephen was there to greet him. He didn't seem to have changed one iota. His suit seemed to hang off his tall, thin, ungainly body; no tailor would ever have employed him as a dummy. His heavy eyebrows protruded over his out-of-date round-rimmed spectacles, which he almost seemed to hide behind in his shyness. He ambled over to David and welcomed him, one minute an old man, the next younger than his thirty years. Stephen poured David a Jack Daniels and they settled down to chat. Although Stephen never looked upon David as a close friend at Harvard, he had enjoyed coaching him and always found him eager to learn; besides, he always welcomed an excuse to entertain Americans at Oxford.

"It's been a memorable three years, David," said Stephen, pouring him a second drink. "The only sad event was the death of my father last winter. He took such an interest in my life at Oxford and gave my academic work so much support. He's left me rather well off, actually. Bath plugs were obviously more in demand than I realized. You might be kind enough to advise me on how to invest some of the money, because at the moment it's just sitting on deposit in the bank. I never seem to have the time to do anything about it, and when it comes to investments I haven't a clue."

That started David off about his demanding new job with Prospecta Oil.

"Why don't you invest your money in my company, Stephen? We've had a fantastic strike in the North Sea, and when they announce it the shares are going to go through the roof. The whole operation would only take a month or so and you could make the killing of a lifetime. I only wish I had some of my own money to put into it."

"Have you had the full details of the strike?"

"No, but I've seen the geologist's report, and that makes pretty good reading. The shares are already going up fast and I'm convinced they'll reach \$20. The problem is that time is already running out."

Stephen glanced at the geologist's report, thinking he would study it carefully later.

"How does one go about an investment of this sort?" he asked.

"Well, you find a respectable stockbroker, buy as many shares as you can afford and then wait for the strike to be announced. I'll keep you informed on how things are going and advise you when I feel is the best time to sell."

"That would be extremely thoughtful of you, David." "It's the least I can do after all the help you gave me with maths at Harvard."

"Oh, that was nothing. Let's go and have some dinner." Stephen led David to the college dining hall, an oblong, oak-panelled room covered in pictures of past Presidents of Magdalen, bishops and academics. The long wooden tables at which the undergraduates were eating filled the body of the hall, but Stephen shuffled up to the High Table and offered David a more comfortable seat. The students were a noisy, enthusiastic bunch – Stephen didn't notice them, but David was enjoying the whole experience.

The seven-course meal was formidable and David wondered how Stephen kept so thin with such daily temptations. When they reached the port, Stephen suggested they return to his rooms rather than join the crusty old dons in the Senior Common Room.

Late into the night, over the rubicund Magdalen port, they talked about North Sea oil and Boolean algebra, each admiring the other for his mastery of his subject. Stephen, like most academics, was fairly credulous outside the bounds of his own discipline. He began to think that an investment in Prospecta Oil would be a very astute move on his part.

In the morning, they strolled down Addison's Walk near Magdalen Bridge, where the grass grows green and lush by the Cherwell. Reluctantly, David caught a taxi at 9.45 leaving Magdalen behind him and passing New College, Trinity, Balliol and finally Worcester, where he saw scrawled across the college wall, "c'est magnifique mais ce n'est pas la gare". He caught the 10.00 a. m. train back to London. He had enjoyed his stay at Oxford and hoped he had been able to help his old Harvard friend, who had done so much for him in the past.

"Good Morning, David."

"Good morning, Bernie. I thought I ought to let you know I spent the evening with a friend at Oxford, and he may invest some money in the company. It might be as much as \$250,000."

"That's fine, David, keep up the good work. You're doing a great job."

Silverman showed no surprise at David's news, but once back in his own office he picked up the red telephone.

"Harvey?"

"Yes."

"Kesler seems to have been the right choice. He may have talked a friend of his into investing \$250,000 in the company."

"Good. Now listen carefully. Brief my broker to put 40,000 shares on the market at just over \$6 a share. If Kesler's friend does decide to invest in the company, mine will be the only large block of shares immediately available."

After a further day's consideration, Stephen noticed that the shares of Prospecta Oil moved from £2.75 to £3.05 and decided the time had come to invest in what he was now convinced must be a winner. He trusted David, and had been impressed by the glossy geologist's report. He rang Kitcat & Aitken, a firm of stockbrokers in the City, and instructed them to buy \$250,000-worth of shares in Prospecta Oil. Harvey Metcalfe's broker released 40,000 shares when Stephen's request came on to the floor of the stock exchange and the transaction was quickly completed. Stephen's purchase price was £3.10.

After investing his father's inheritance, Stephen spent the next few days happily watching the shares climb to £3.50, even before the expected announcement. Though Stephen didn't realise it, it was his own investment that had caused the shares to rise. He began to wonder what he would spend the profit on even before he had realised it. He decided not to cash in immediately, but hold on; David thought the shares would reach \$20, and in any case he had promised to tell him when to sell.

Meanwhile, Harvey Metcalfe began to release a few more shares on to the market, because of the interest created by Stephen's investment. He was beginning to agree with Silverman that David Kesler, young, honest, and with all the enthusiasm of a man in his first appointment, had been an excellent choice. It was not the first time Harvey had used this ploy, keeping himself well away from the action while placing the responsibility on inexperienced, innocent shoulders.

At the same time, Richard Elliott, acting as the company spokesman, leaked stories to the press about large buyers coming into the market, which in itself occasioned a flood of small investors and kept the price steady.

NOTES

1. *Harvard* – American university at Cambridge, Massachusetts;
2. *a Fellowship at Oxford* – a learned society at Oxford;
3. *the Proceedings of the London Mathematical society* – the records of the activities of the London mathematical society;
4. *Chair in mathematics* – position of a professor of mathematics;
5. *a don* – a teacher, member of a university staff;
6. *an academic* – a university teacher.

VOCABULARY NOTES

1. deposit

to sit on deposit in the bank – (зд.) быть на срочном вкладе в банке

a deposit account – срочный вклад; депозитный счет

to place money on deposit – вносить деньги в депозит

bank deposit – срочный вклад

2. invest, investment

to invest some money in a company – вкладывать деньги в компанию

syn. *to put some money into a company an investment in* – инвестирование, помещение капитала в...

to talk smb into investing \$250,000 in the company – уговорить кого-то вложить \$250,000 в компанию

to go about (an investment) – приступать к (инвестированию)

3. share

to go up (down) fast (about shares) – быстро повышаться, снижаться (о цене на акцию на бирже)

syn. *to be up (down)*

to reach \$20 (about shares) – достичь \$20 (о цене на акцию)

to move from ... to (about shares) – изменяться с ... до ... (о цене на акцию)

to climb to £3.50 (about shares) – повышаться до £3.50 (о цене на акцию)

to release shares on the market – выпускать акции в продажу

syn. *to put shares on the market*

- a block of shares* – пакет акций
4. cash
to cash in – произвести окончательный расчет
to cash out – оплачивать наличными
to cash on – зарабатывать на чем-то наличные
5. broker
to brief a broker – дать поручение (инструкцию) брокеру
6. transaction
to complete a transaction – закончить сделку
cash transaction – сделка за наличный расчет
transaction account – счет сделки

WORD-COMBINATIONS

1. *in monetary terms* – в денежном выражении (*in terms of money*)
2. *not to change one iota* – ни на йоту не измениться
3. *make the killing of a lifetime* – неожиданно заработать (получить) большую сумму денег
4. *buy \$250,000 worth of shares* – купить акций на \$250,000
5. *keep oneself well away from action* – держаться на почтительном расстоянии от событий
6. *time is running out* – время уходит ...

Problem questions

1. Why do you think the author takes the reader back to David Kesler's University days?
2. What are the implications of Bernie Silverman's words, "Kesler seems to have been the right choice"?
3. Why do you think Harvey Metcalfe preferred to keep himself away from the action? What do you make of his plan?
4. Would you say that David Kesler fell a victim to a group of dishonest people? Bear out your statement.
5. Do you agree that a feeling of David's fighting a losing battle runs through the chapter?

Part II

derivatives, investment, Single European Market, futures, option, trading, liquidity, arrival, stamp duty

VOCABULARY NOTES

1. derivatives

financial derivatives – финансовые производные, контракты для будущих сделок с финансовыми инструментами

derivatives exchange – рынок финансовых производных

2. investment

cross-boarder investment – заграничные инвестиции

syn. *foreign investment*

domestic investment – внутренние капиталовложения

EC's investment services directive – Директивы ЕЭС по обслуживанию инвестиций

3. Single European Market – Единый Европейский Рынок

4. futures – фьючерсы, срочные сделки

futures exchange – фьючерская биржа, срочная товарная или финансовая биржа

syn. *futures market*

financial futures – финансовые фьючерсы, срочные биржевые контракты на финансовые инструменты *financial futures*

exchange – биржа финансовых фьючерсов

index futures – индексные фьючерсы

stock index futures – фьючерские контракты на основе фондовых индексов

5. option – опцион, сделка с премией, разновидность срочной сделки, которую необязательно выполнять

options exchange – опционная биржа

financial options – финансовые опционы

call option, call – опцион покупателя

syn. *buyer's option*

put option, put – опцион продавца

syn. *seller's option*

traded options – свободнообращающиеся опционы (контракты можно перепродавать)

index option – индексный опцион

to trade equity index option – совершать сделки с опционом, базирующимся на фондовых индексах

stock index option – опционный контракт на основе фондовых индексов

6. trading

quote-driven trading – продажа или покупка ценных бумаг на основе котировок (дилерская модель)

order-driven trading – продажа или покупка ценных бумаг на основе приказов (аукционная модель)

block-trading mechanism – механизм торговли крупными партиями акций

screen-based (IBIS) trading system = over the counter trading

7. liquidity

liquidity of the market – ликвидность рынка: высокий уровень активности торговли; активный рынок с уравновешенным спросом и предложением

8. arrival – появившаяся (вновь возникшая) организация

9. stamp duty – гербовый сбор

to scrap stamp duty – отказаться от гербового сбора

10. NASDAQ – НАСДАК – система компьютеризованной внебиржевой котировки акций (США) (своеобразная электронная биржа)

11. "Big Bang" – реорганизация Лондонской фондовой биржи 27 октября 1986 год

12. "SEAO" (*Stock Exchange Automated Quotation*) – электронная система информации о ценах на Лондонской фондовой бирже

13. LIFFE – Международная Лондонская финансовая биржа срочных сделок

14. insider dealing – незаконные операции с ценными бумагами на основе внутренней информации об эмитенте

EUROPEAN STOCKMARKETS – GENERAL TREND (PART I)

Competition among Europe's securities exchanges is fierce. Yet most investors and companies would prefer fewer, bigger markets. If the exchanges do not get together to provide them, electronic usurpers will.

How many stock exchanges does a Europe with a single capital market need? Nobody knows. But a part-answer is clear: fewer than it has today. America has eight stock exchanges, and seven futures and options exchanges. Of these only the New York Stock Exchange, the American Stock Exchange, NASDAQ (the over-the-counter market), and the two Chicago futures exchanges have substantial turnover and nationwide pretensions.

The 12 member countries of the European Community (EC), in contrast, boast 32 stock exchanges and 23 futures and options exchanges.

Of these, the markets in London, Frankfurt, Paris, Amsterdam, Milan and Madrid – at least – aspire to significant roles on the European and world stages. And the number of exchanges is growing. Recent arrivals include exchanges in Italy and Spain. In eastern Germany, Leipzig wants to reopen the stock exchange that was closed in 1945.

Admittedly, the EC is not as integrated as the United States. Most intermediaries, investors and companies are still national rather than pan-European in character. So is the job of regulating securities markets; there is no European equivalent of America's Securities and Exchange Commission (SEC). Taxes, company law and accounting practices, vary widely. Several regulatory barriers to cross-border investment, for instance by pension funds, remain in place. Recent turmoil in Europe's exchange rate mechanism has reminded cross-border investors about currency risk. Despite the Maastricht treaty, talk of a common currency is little more than that.

Yet the local loyalties that sustain so many European exchanges look increasingly out-of-date. Countries that once had regional stock exchanges have seen them merged into one. A single European market for financial services is on its way. The EC's investment services directive, which should come into force in 1996, will permit cross-border stock broking without the need to set up local subsidiaries. Jean-Francois Theodore, chairman of the Paris Bourse, says this will lead to another European Big Bang. And finance is the multinational business par excellence: electronics and the end of most capital controls mean that securities traders roam not just Europe but the globe in search of the best returns.

This affects more than just stock exchanges. Investors want financial markets that are cheap, accessible and of high liquidity (the ability to buy or sell shares without moving the price). Businesses, large and small, need a capital market in which they can raise finance at the lowest possible cost. If European exchanges do not meet these requirements, Europe's economy, suffers.

In the past few years the favoured way of shaking up bourses has been competition. The event that triggered this was London's Big Bang in October 1986, which opened its stock exchange to banks and foreigners, and introduced a screen-plus-telephone system of securities trading known as SEAQ. Within weeks the trading floor had been abandoned. At the time, other European bourses saw Big Bang as a British eccentricity. Their markets matched buy and sell orders (order-driven trading), whereas London is a market in which dealers quote firm prices for trades (quote-

driven trading). Yet many continental markets soon found themselves forced to copy London's example.

That was because Big Bang had strengthened London's grip on international equity-trading. SEAQ's international arm quickly grabbed chunks of European business. Today the London exchange reckons to handle around 95% of all European cross-border share-trading. It claims to handle three-quarters of the trading in blue-chip shares based in Holland, half of those in France and Italy and a quarter of those in Germany – though, as will become clear, there is some dispute about these figures.

London's market-making tradition and the presence of many international fund managers helped it to win this business. So did three other factors. One was stamp duties on share deals done in their home countries, which SEAQ usually avoided. Another was the shortness of trading hours on continental bourses. The third was the ability of SEAQ, with market-makers quoting two-way prices for business in large amounts, to handle trades in big blocks of stock that can be fed through order-driven markets only when they find counterparties.

A similar tussle for business has been seen among the exchanges that trade futures and options. Here, the market which first trades a given product tends to corner the business in it. The European Options Exchange (EOE) in Amsterdam was the first derivatives exchange in Europe; today it is the only one to trade a European equity-index option. London's LIFFE, which opened in 1982 and is now Europe's biggest derivatives exchange,, has kept a two-to-one lead in German government-bond futures (its most active contract) over Frankfurt's DTB, which opened only in 1990. LIFFE competes with several other European exchanges, not always successfully: it lost the market in ecu-bond futures to Paris's MATIF.

European exchanges armoured themselves for this battle in three ways. The first was to fend off foreign competition with rules. In three years of wrangling over the EC's investment-services directive, several member-countries pushed for rules that would require securities to be traded only on a recognised exchange. They also demanded rules for the disclosure of trades and prices that would have hamstrung SEAQ's quote-driven trading system. They were beaten off in the eventual compromise, partly because governments realised they risked driving business outside the EC. But residual attempts to stifle competition remain. Italy passed a law in 1991 requiring trades in Italian shares to be conducted through a firm based in Italy. Under pressure from the European Commission, it may have to repeal it.

VOCABULARY PRACTICE

Ex. 1. Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.

futures, financial futures, options, financial options, seller's option, buyer's option, order-driven trading, quote-driven trading, cross-border investment, Big Bang

1. Popular term for the deregulation of the London Stock Exchange on 27 October 1986.
2. Exchange traded contracts specifying a future date of delivery or receipt of a certain amount of specific tangible and intangible product.
3. A right to buy or sell a fixed amount of financial instruments.
4. Acquisition of another country's assets through investment.
5. A special transaction on the NYSE which gives the seller the right to deliver the stock or bond at any time within a specified period.
6. Stock market that reacts to the quotation of market makers rather than to the number and flow of incoming orders.
7. Futures contracts based on financial instruments.
8. A right to buy (call) or sell (put) a fixed amount of a given stock at a specified price within a limited period of time.
9. Option to buy shares (call), commodities or financial futures at an agreed price on or before an agreed future date.
10. Trading on a stock market that reacts to the now of incoming orders.

Ex. 2. Look through this excerpt and then fill the spaces with words from the box. Translate the text into Russian.

stock index, futures market, stocks, bonds, put, futures contracts (2), instruments, commitment, computers, stamp duty

In addition to the cash market for ... (1) and ... (2), the Tokyo Stock Exchange has ... (3) based on the ... (4) and government bonds.

In the stock index futures trading room, ... (5) based on TOPIX (Tokyo Stock Price Index) are traded through ... (6).

A futures contract is a ... (7) to buy or sell a specific amount of a product on a future date. The traded commodities include stock index futures and financial ... (8). The purchase or sale of the TOPIX futures on the Tokyo Stock Exchange is a commitment to participate in the overall performance of the First Section of the Exchange market rather than trading in individual stocks.

The Tokyo Stock Exchange permits not only Regular Members but also certain qualified non-members to directly participate in the TOPIX ... (9). These non-members are called "Special Participants".

*TOPIX – Tokyo Stock Price Index (daily average for a month)

UNIT 9

GENERAL TRENDS IN STOCKMARKETS

Executive, check-up, qualify, practice, administer, prescription, master

One lesson a man learns in the Harvard Business School is that an executive is only as good as his health. David never felt happy without a regular medical check-up, he rather enjoyed being told he was in good shape, but perhaps should take things a little easier. His secretary, Miss Rentoul, had therefore made an appointment for him with a Harley Street doctor.

Dr Robin Oakley was by anyone's standards a successful man. At thirty-seven he was tall and handsome, with a head of dark hair that looked as if it would never recede. He had a classic strong face and the self-assurance that came from proven success. He still played squash twice a week, which helped him look enviably younger than his contemporaries. Robin had remained fit since his Cambridge days, which he left with a Rugby Blue and an upper-second-class degree. He had gone on to complete his medical training at St Thomas's, where once again his Rugby football rather than his medical skill brought him into prominence with those who decide the future careers of young men. When he qualified, he went to work as an assistant to a highly successful Harley Street practitioner, Dr Eugene Moffat. Dr Moffat was successful not so much in curing the sick as in charming the rich, especially middle-aged women, who came to see him again and again however little seemed to be wrong with them. At fifty guineas a visit that had to be regarded as success.

Moffat had chosen Robin Oakley as his assistant for exactly those qualities which he himself displayed, and which had made him so sought-

after. Robin Oakley was unquestionably good-looking, personable, well-educated – and just clever enough. Robin settled very well into Harley Street and the Moffat system, and when the older man died suddenly in his early sixties, he took over his mantle with the ease with which a crown prince would take over a throne. Robin continued to build up the practice, losing none of Moffat's ladies other than by natural causes, and did remarkably well for himself. He had a wife and two sons, a comfortable country house a few miles outside Newbury in Berkshire, and a considerable saving in blue chip securities. He never complained at his good fortune and enjoyed life, at the same time being, he had to confess, a little bored with it all. He was beginning to find that the bland role of sympathetic doctor was almost intolerably cloying. Would the world come to an end if he admitted that he neither knew nor cared just what was causing the minute patches of dermatitis on Lady Fiona Fisher's diamond-studded hands? Would the Heavens descend if he told the dreaded Mrs Page-Stanley that she was a malodorous old woman in need of nothing more medically taxing than a new set of dentures? And would he be struck off if he personally administered to the nubile Miss Lydia de Villiers a good dose of what she so clearly indicated she desired?

David Kesler arrived on time for his appointment. He had been warned by Miss Rentoul that in England doctors and dentists cancel if you are late and still charge you.

He stripped and lay on Robin Oakley's couch. The doctor took his blood pressure, listened to his heart, and made him put out his tongue, an organ that seldom stands up well to public scrutiny. As he tapped and poked his way over David's body, they chatted.

"What brings you to work in London, Mr Kesler?"

"I'm with an oil company in the City. I expect you've heard of us – Prospecta Oil? "

"No," said Robin. "Can't say I have. Bend your legs up please." He hit David's knee-caps smartly, one after the other, with a patella hammer. The legs jumped wildly.

"Nothing wrong with those reflexes."

"You will, Dr Oakley, you will. Things are going very well for us. Watch out for our progress in the papers."

"Why?" said Robin, smiling, "Struck oil, have you?"

"Yes," said David quietly, pleased with the impression he was creating, "as a matter of fact, we've done just that."

Robin prodded David's abdomen for a few seconds. "Good muscular wall, not fat, no sign of an enlarged liver. Young man, you're in good physical shape."

Robin left him in the examination room to get dressed and thoughtfully wrote out a brief report on Kesler for his records, while his mind dwelt on deeper things. An oil strike.

Harley Street doctors, although they routinely keep private patients waiting for three-quarters of an hour in a gas-fired waiting-room equipped with one out-of-date copy of Punch, never let them feel rushed once they are in the consulting room. Robin had no intention of rushing Mr Kesler.

"There's very little wrong with you, Mr Kesler. Some signs of anaemia, which I suspect are caused by nothing more than overwork and your recent rushing about. I'm going to give you some iron tablets which should quickly take care of that. Take two a day, morning and night." He scribbled an illegible prescription for the tablets and handed it to David.

"Many thanks. It's kind of you to give me so much of your time."

"Not at all. How are you finding London?" asked Robin.

"Very different from America, I expect."

"Sure – the pace is much slower. Once I've mastered how long it takes to get something done here I'll be halfway to victory."

"Do you have many friends in London?"

"No," replied David, "I have one or two buddies at Oxford from my Harvard days, but I haven't yet made contact with many people in London."

Good, thought Robin, here is a chance for me to find out a little more about the oil game, and spend some time with a man who makes most of patients look as if they had both feet in the grave. It might even shake me out of my lethargy. He continued: "Would you care to join me for lunch later in the week? You might like to see one of our antique London clubs."

"How very kind of you." "Excellent. Will Friday suit you?" "It certainly will."

"Then let's say one o'clock at the Athenaeum Club in Pall Mall." David returned to his City desk, picking up his tablets on the way. He took one immediately. He was beginning to enjoy his stay in London. Silverman seemed pleased with him, Prospecta Oil was doing well and he was already meeting some interesting people. Yes, he felt this was going to be a very happy period in his life.

NOTES

1. *Harley Street* – London street associated with eminent and fashionable physicians and surgeons.
2. *Squash* – game, played in a small court by two persons with a soft ball.
3. *Rugby Blue* – place in team given to one chosen to represent Oxford or Cambridge University in sporting contests.
4. *St. Thomas'* – St. Thomas's Hospital in London.

VOCABULARY NOTES

1. executive – служащий, сотрудник (амер.)
the executive – исполнительная власть
Chief Executive – глава исполнительной власти (США)
2. check-up
to do (to give) smb a check-up – осматривать, производить осмотр
to have a check-up – подвергаться проверке, осмотру
annual (regular) check-up – ежегодная (очередная) проверка
3. qualify
to qualify as a doctor – готовиться стать врачом, приобретать специальность врача
to qualify for a position (rank) of – пройти подготовку, обучение на должность
to qualify to work as – обрести квалификацию (право)
4. practice – практика (медицинская, юридическая)
to take over smb's practice – (зд.) взять на себя контроль (руководство), стать преемником врача
to build up the practice – расширять практику
to be out of practice – не иметь работы
private large practice – частная, большая практика
5. administer
to administer a good doze – назначать большую (сильную) дозу
to administer smb's affairs – вести чьи-то дела
6. prescription
to write out a prescription – выписать рецепт
on smb's prescription – по чьему-то предписанию, распоряжению, рецепту
illegible prescription – нечетко, неразборчиво написанный рецепт
7. master
to master one's feelings – владеть, управлять чувствами

to master practice – приобрести большой опыт, овладеть опытом работы с пациентами

WORD-COMBINATIONS

1. *to watch out for smth* – внимательно следить за чем-то
2. *to be halfway to victory* – быть на полпути к победе
3. *to shake smb out of lethargy* – выводить кого-либо из состояния бездеятельности
4. *to dwell on smth* – сосредоточиться на чем-либо
5. *to write out a report* – сделать письменное заключение о состоянии здоровья

Problem questions:

1. Would you agree that "an executive is only as good as his health"? Bear out your statement.
2. Do you think Dr. Robin Oakley was a good physiognomist and psychologist?
3. What predetermined Dr. Oakley's erroneous choice of the business to invest his money in?

Part II

competition, red-tape, liquidity, listing, link, electronics, subject, rival, product, physical, dissemination of prices

VOCABULARY NOTES

1. competition

competition through diversity – конкуренция многообразия форм операций с ценными бумагами

outside competition – внешняя конкуренция

to meet competition – выдержать конкуренцию

syn. *to sustain competition*

competition in price – конкуренция цен

keen competition – острая конкуренция

buyers' competition – конкуренция (среди) покупателей

inter seller competition – конкуренция (среди) продавцов

2. red-tape

to cut out the red tape – упростить бюрократические процедуры

to eliminate the red-tape – уничтожить бюрократические препоны

to get caught up in the red-tape – попасть в сети бюрократизма

3. liquidity

to have cost in lower liquidity – проводить к снижению уровня ликвидности

liquidity diversity – рассредоточение, диверсификация инвестиций с целью обеспечения ликвидности

syn. *liquidity divided among exchanges*

4. listing

ant. *delisting* – лишение котировки

to meet the listing requirements – выполнять условия получения котировки

Eurolist – общая система котировки ценных бумаг на Европейских биржах

5. link (link-up)

to announce link-up – объявить об объединении

link with... – объединение с ...

bilateral links – двусторонние объединения

multilateral links – многосторонние объединения

to work (about link-up) – быть эффективным, срабатывать (об объединении)

6. electronics

to embrace electronics – внедрять электронную информационную систему

7. subject (adj)

to be subject to a single regulator – подчиняться единым правилам

8. rival

rival for/in – соперник в ...

rivalry for/in – соперничество, конкуренция в ...

to stir (up) rivalry among/between – вызвать конкуренцию между

rival company – конкурирующая фирма

business rival – деловой соперник

rival charms of immediacy – преимущества динамизма

9. product(s)

cash products – физические (наличные) товары в отличие от финансовых инструментов на срочной бирже

homogeneous exchange-traded products – традиционные товары на бирже

tailor-made over-the-counter product – схема торговли ценными бумагами на внебиржевом рынке, отвечающая потребностям инвесторов

10. physical

physical supervision (physically supervised trading floor) – традиционно-осуществляемое руководство операциями в торговом зале биржи (без компьютеров)

physical market – рынок «спот», наличный рынок

11. dissemination of prices – распространение информации о ценах на ценные бумаги

EUROPEAN STOCKMARKETS – GENERAL TREND (PART II)

Such competition-through-diversity has encouraged European exchanges to cut out the red tape that protected their members from outside competition, to embrace electronics, and to adapt themselves to the wishes of investors and issuers. Yet the diversity may also have had a cost in lower liquidity. Investors, especially from outside Europe, are deterred if liquidity remains divided among different exchanges. Companies suffer too: they grumble about the costs of listing on several different markets.

So the third response of Europe's bourses to their battle has been pan-European co-operative ventures that could anticipate a bigger European market. There are more wishful words here than deeds. Work on two joint EC projects to pool market information, Pipe and Euroquote, was abandoned, thanks mainly to hostility from Frankfurt and London. Eurolist, under which a company meeting the listing requirements for one stock exchange will be entitled to a listing on all, is going forward – but this is hardly a single market. As Paris's Mr Theodore puts it, "there is a compelling business case for the big European exchanges building the European-regulated market of tomorrow". Sir Andrew Hugh-Smith, chairman of the London exchange, has also long advocated one European market for professional investors.

One reason little has been done is that bourses have been coping with so many reforms at home. Many wanted to push these through before thinking about Europe. But there is also atavistic nationalism. London, for example, is unwilling to give up the leading role it has acquired in cross-border trading between institutions; and other exchanges are unwilling to accept that it keeps it. Mr. Theodore says there is no future for the European bourses if they are forced to row in a boat with one helmsman. Amsterdam's Baron van Ittersum also emphasises that a joint European market must not be one under London's control.

Hence the latest, lesser notion gripping Europe's exchanges: bilateral or multilateral links. The futures exchanges have shown the way. Last year four smaller exchanges led by Amsterdam's EOE and OM, an options

exchange based in Sweden and London, joined together in a federation called FEX. In January of this year the continent's two biggest exchanges, MATIF and the DTB, announced a link-up that was clearly aimed at toppling London's LIFFE from its dominant position. Gerard Pfauwadel, MATIF's chairman, trumpets the deal as a precedent for other European exchanges. Mr Breuer, the Deutsche Borse's chairman, reckons that a network of European exchanges is the way forward, though he concedes that London will not warm to the idea. The bourses of France and Germany can be expected to follow the MATIF/DTB lead.

It remains unclear how such link-ups will work, however. The notion is that members of one exchange should be able to trade products listed on another. So a Frenchman wanting to buy German government-bond futures could do so through a dealer on MATIF, even though the contract is actually traded in Frankfurt. That is easy to arrange via screen-based trading: all that are needed are local terminals. But linking an electronic market such as the DTB to a floorbased market with open-outcry trading such as MATIF is harder. Nor have any exchanges thought through an efficient way of pooling their settlement systems.

In any case, linkages and networks will do nothing to reduce the plethora of European exchanges, or to build a single market for the main European blue-chip stocks. For that a bigger joint effort is needed. It would not mean the death of national exchanges, for there will always be business for individual investors, and in securities issued locally. Mr Breuer observes that ultimately all business is local. Small investors will no doubt go on worrying about currency risk unless and until monetary union happens. Yet large wholesale investors are already used to hedging against it. For them, investment in big European blue-chip securities would be much simpler on a single wholesale European market, probably subject to a single regulator.

More to the point, if investors and issuers want such a market, it will emerge – whether today's exchanges provide it or not. What, after all, is an exchange? It is no more than a system to bring together as many buyers and sellers as possible, preferably under an agreed set of rules. That used to mean a physically supervised trading floor. But computers have made it possible to replicate the features of a physical exchange electronically. And they make the dissemination of prices and the job of applying rules to a market easier.

Most users of exchanges do not know or care which exchange they are using: they deal through brokers or dealers. Their concern is to deal

with a reputable firm such as S.G. Warburg, Goldman Sachs or Deutsche Bank, not a reputable exchange. Since big firms are now members of most exchanges, they can choose where to trade and where to resort to off-exchange deals – which is why there is so much dispute over market shares within Europe. This fluidity creates much scope for new rivals to undercut established stock exchanges.

VOCABULARY PRACTICE

Ex. 1. *Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.*

diversity, physical market, dissemination of prices, quotation,

1. Unnecessary and excessive use of formalities and regulations that delay a process.
2. Spreading investments among different types of securities and various companies in different fields.
3. A measure of ease with which one can buy or sell a large amount of securities on the market without an important price fluctuation.
4. Appearance of a company's shares on the official list of the stock exchange.
5. Market in which the products sold are available for immediate delivery, known as the non-contract market.
6. Systematic and continual information of price movements.

Ex. 2. *Look through this excerpt and then fill the spaces with words from the box. Translate the text into Russian.*

"make a market", quote, list, capital, volume, listing, investors,

I. ... (1) on more than one market is a routine practice with a growing number of European companies who need to expand their potential ability to raise ... (2) After the first foreign company was listed on Madrid in 1990, the Milan and Lisbon exchanges remain the only European exchanges on which no foreign securities are listed. The Milan exchange has not imported foreign listings but has exported its own: 35 Italian companies are now listed abroad (see Table II).

The rising interest in foreign stocks, of investors in all markets, in turn, has stimulated intermediaries to ... (3) for foreign ... (4) (as is the case on SEAQ International and Freiverkehr). Today, intermediaries' initiative to ... (5) foreign stocks runs parallel to the tendency of companies to list their securities on different exchanges. Quotation on dealers' markets makes stocks accessible to a greater number of ... (6) who may then benefit from the advantages offered by high price continuity.

As far as trading in foreign stocks is concerned, London stands out, with an increase of 160% between 1987 and 1990. In particular, SEAQ International is increasingly taking on the character of a European exchange rather than a generically ... (7) exchange. In fact European securities now represent 74% of overall trading ... (8) on SEAQ International.

listing, foreign investors, the European community, diversification,
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II. Stock market globalization threatens to erode, rather than reinforce, the position of the Italian market within ... (1) This has resulted in a shift of trading Italian securities away from Italy to the foreign market without causing movement in the opposite direction. ... (2) on the Italian stock exchange remains exclusively national.

This negative trend could be reversed on two conditions: a substantial broadening of the list, offering ... (3) more opportunity for ... (4), and a "redesigning" of the market to make trading of Italian ... (5) in Italy more competitive. This could be achieved by devising and quickly implementing a ... (6) market aside with the existing auction market, itself adequately modernized.

UNIT 10 FUNDS

Findings, word, market, cheque, bonus, account

On Friday at 12.45 pm, David arrived at the Athenaeum, a massive white building on the corner of Pall Mall, overlooked by a statue of the Duke of York. David was amazed by the size of the rooms and his commercial mind could not help wondering what price they would fetch as office space. The place appeared to be full of moving waxworks who, Robin later assured him, were in fact distinguished generals and diplomats.

They lunched in the Coffee Room, dominated by a Rubens of Charles II, and talked about Boston, London, squash, and their shared passion for Katherine Hepburn. Over coffee, David readily told Robin the details of the geologist's findings on the Prospecta Oil site. The shares had now climbed to £3.60 on the London Stock Exchange, and were still going up.

"Sounds like a good investment," said Robin, "and as it's your own company, it might be worth the risk."

"I don't think there's much of a risk," said David, "as long as the oil is actually there."

"Well, I'll certainly consider it most seriously over the weekend."

They parted on the steps of the Athenaeum, David to a conference on the Energy Crisis organised by the Financial Times, Robin to his home in Berkshire. His two young sons were back from prep school for the weekend and he was looking forward to seeing them again. How quickly they had passed from babies to toddlers, to boys; soon they would be young men, he thought. And how reassuring it was to know their future was secure. Perhaps he should make that future a little more secure by investing in David Kesler's company. He could always put the money back into blue chip shares once the strike had been announced.

Bernie Silverman was also pleased to hear the possibility of a further investment.

"Congratulations, my boy. We're going to need a lot of capital to finance the pipe-laying operations, you know. Pipe-laying can cost \$2 million per mile. Still, you're playing your part. I've just had word from head office that we are to give you a \$5,000 bonus for your efforts. Keep up the good work."

David smiled. This was business in the proper Harvard tradition. If you bring home the results, you get the rewards.

"When will the strike be officially announced?" he asked.

"Some time in the next few days."

David left Silverman's office with a glow of pride.

Silverman immediately contacted Harvey Metcalfe on the red phone, and he set the routine in motion once again. Metcalfe's brokers released on to the market 35,000 shares at £3.73 and approximately 5,000 each day on to the open market, always being able to feel when the market had taken enough and thus keeping the price steady. Once again, the shares climbed when Dr Oakley invested heavily in the market, this time to £3.90, keeping David, Robin and Stephen all happy. They were not to know that Harvey

was releasing more shares each day because of the interest they had caused, and that this was now creating a market of its own.

David decided to spend some of his bonus on a painting for his little flat in the Barbican, which he felt was rather grey. About \$2,000, he thought, something that was going to appreciate in value. David quite enjoyed art for art's sake, but he liked it even more for business's sake. He spent Friday afternoon tramping around Bond Street, Cork Street and Bruton Street, the home of the London art galleries. The Wildenstein was too expensive for his pocket and the Marlborough too modern for his taste. The painting he finally picked out was at the Lamanns Gallery in Bond Street.

The gallery, just three doors away from Sotheby's, consisted of one vast room with a worn grey carpet and red faded wallpaper. As David was later to learn, the more worn the carpet, the more faded the walls, the greater the success and reputation of the gallery. There was a staircase at the far end of the room, against which some unregarded paintings were stacked, backs to the world. David sorted through them on a whim and found, to his delight, something that appealed to him.

It was an oil by Leon Underwood called "Venus in the Park". The large, rather sombre canvas contained about six men and women sitting on metal chairs at circular tea-tables. Among them, in the foreground, was a comely naked woman with generous breasts and long hair. Nobody was paying her the slightest attention and she sat gazing out of the picture, face inscrutable, a symbol of warmth and love in indifferent surroundings. David found her utterly compelling.

The gallery proprietor, Jean-Pierre Lamanns, advanced on him, adorned in an elegantly tailored suit, as befitted a man who rarely received cheques for less than a thousand pounds. At thirty-five, he could afford the little extravagances of life, and his Gucci shoes, Yves St Laurent tie, Turnbull & Asser shirt and Piaget watch left no one, especially women, in any doubt that he knew what he was about. He was an Englishman's vision of a Frenchman, slim and neat with longish, dark wavy hair and deep brown eyes that hinted at being a little sharp. He was capable of being picky and demanding, with a wit that was often as cruel as it was amusing, which may have been one of the reasons why he had not married. There certainly had been no shortage of applicants. Customers, however, saw only his charming side. As David wrote out his cheque, Jean-Pierre rubbed his forefinger backwards and forwards over his fashionable moustache, only too happy to discuss the picture.

"Underwood is one of the greatest sculptors and artists in England today. He even tutored Henry Moore, you know. I believe he is underestimated because of his dislike of journalists and the press, whom he describes as nothing more than drunken scribblers."

"Hardly the way to endear oneself to the media," murmured David, as he handed over the cheque for £850, feeling agreeably prosperous. Although it was the most expensive purchase he had ever made, he felt the picture was a good investment and, more important, he liked it.

Jean-Pierre took David downstairs to show him the Impressionist and Modern collection he had built up over many years, continuing to enthuse about Underwood. They celebrated David's first acquisition over a whisky in Jean-Pierre's office.

"What line of business are you in, Mr. Kesler?"

"I work with a small oil company called Prospecta Oil, who are exploring prospects in the North Sea."

"Had any success?", enquired Jean-Pierre, a little too innocently.

"Well, between the two of us, we're rather excited about the future. It's no secret that the company shares have gone from £2 to nearly £4 in the last few weeks, but no one knows the real reason."

"Would it be a good investment for a poor little art dealer like myself?" asked Jean-Pierre.

"I'll tell you how good an investment I think it is," said David. "I am putting \$3,000 in the company on Monday, which is all I have left in the world – now that I've captured Venus, that is. We'll shortly be making a rather important announcement."

A twinkle came into Jean-Pierre's eye. To one of his Gallic subtlety, a nod was as good as a wink. He did not pursue the line of conversation any further.

"When's the strike going to be announced, Bernie?"

"I'm expecting it early next week. We've had a few problems. Nothing we can't lick, though."

That gave David some relief, as he had taken up 500 shares himself that morning, investing the remaining \$3,000 from his bonus. Like the others, he was hoping for a quick profit.

"Rowe Rudd."

"Frank Watts, please. Jean-Pierre Lamanns."

"Good morning, Jean-Pierre. What can we do for you?"

"I want to buy 25,000 Prospecta Oil."

"Never heard of them. Hold on a minute ... New company, very low capital. A bit risky, J.-P. I wouldn't recommend it."

"It's all right, Frank, I only want them for two or three weeks, then you can sell. I've no intention of holding on to them. When did the account start?"

"Yesterday."

"Right. Buy this morning and sell them before the end of the account, or earlier. I'm expecting an announcement next week, so once they go over £5 you can get rid of them. No need to be greedy, but buy them in my company name, I don't want the deal traced back to me – it might embarrass the informant."

"Right, sir. Buy 25,000 Prospecta Oil at market price and sell before the last day of the account, or sooner if instructed."

"Correct, I'll be in Paris all next week looking at pictures, so don't hesitate to sell once they go over £5."

"Right, J.-P. Have a good trip."

The red telephone rang.

"Rowe Rudd are looking for a substantial block of shares. Do you know anything about it?"

"No idea, Harvey. It must be David Kesler again. Do you want me to speak to him?"

"No, say nothing. I've released another 25,000 shares at £3.90. Kesler's only got to do one more big one and I'll be out. Prepare our plan for seven days before the end of this Stock Exchange account."

"Right, boss. You know quite a few people are also buying in small amounts."

"Yes, just as before, they all have to tell their friends they're on to a good thing. Say nothing to Kesler."

NOTES

1. *Sotheby's* – auction-rooms in New Bond St., London

VOCABULARY NOTES

1. findings

geologist's findings – выводы геологических исследований

2. word

to send smb word – известить кого-то

to leave word for smb – оставить сообщение кому-то

to have word from head office – получить информацию из главной конторы фирмы

3. market

open market – открытый рынок

to invest heavily in the market – делать крупные инвестиции на рынке

4. cheque

to write out a cheque – выписать чек

to hand over the cheque for \$850 – вручить чек на 850 долларов

5. bonus

to spend some of one's bonus on – потратить часть полученной премии на ...

bonus stock (shares) – учредительские акции

cash bonus – премия, выплачиваемая наличными

6. account

to start (about an account) – начать биржевой цикл (операционный период)

end of the account – конец операционного периода

account day – расчетный день на Лондонской бирже

The London Stock Exchange account – операционный период на ЛФБ-(10 рабочих дней)

7. business

What line of business are you in? – Чем Вы занимаетесь?

business day – рабочий день банков, предприятий

WORD-COMBINATIONS

1. *to be looking forward to seeing smb* – с нетерпением ждать встречи с

2. *unregarded paintings* – не востребованные картины

3. *to be on to a good thing* – иметь некоторые шансы

(*You're on to smth*) – (В этом кое-что есть)

Problem questions

1. Why do you think the Prospecta Oil shares seemed to have an upward trend?

2. What reasons might Frank Watts have brought out trying to dissuade Jean-Pierre Lamanns from purchasing Prospecta Oil shares?

3. Would you say that Harvey Metcalfe's method was a sheer scheme or it was on the verge of the allowable? Bear out your statement.

4. What role in the scheme was assigned to David Kesler? Do you think Harvey Metcalfe and his right-hand man cared about him?

5. What did they have in store for him?

new issue, company, offering, prospectus, underwriter, underwriting, demand, vouch, track-records, management group, dissolve

VOCABULARY NOTES

1. *new issue* – получение капитала путем выпуска новых ценных бумаг; первый выпуск ценных бумаг данной компанией

new issues market – рынок новых эмиссий

syn. *primary market* – первичный рынок

public issue – публичный выпуск новых акций (компания фиксирует цену и через газеты приглашает широкую публику купить их. Обычно через посредничество банков)

syn. *public offering*

"hot issue" – "горячий" заем – ценные бумаги, которые будут пользоваться большим спросом

2. *company*

established company – известная компания

untested company – малоизвестная компания

public company – публичная компания

3. *offering* – публичный выпуск новых акций

syn. *public offering*

primary offering – первичное размещение ценных бумаг на рынке

syn. *primary distribution*

public offering price – цена, по которой новые ценные бумаги предлагаются инвесторам

offer for sale – предложение ценных бумаг для продажи широкой публике

the value of a new offering – стоимость новых акций

offer period – срок действия предложения о покупке

to promote a new offering – содействовать, способствовать новому выпуску

to manage offering – управлять публичным выпуском новых акций

4. *management group* – группа управления

5. *prospectus* – проспект

- syn. *offering circular*
stationary prospectus – окончательный проспект выпуска ценных бумаг
preliminary prospectus – предварительный проспект нового выпуска ценных бумаг
syn. "*red herring*" – "копченая селедка"
6. *underwriter (UW)* – андеррайтер, гарант размещения новых ценных бумаг путем их покупки для последующей продажи инвесторам
syn. *investment banker*
underwriting – гарантирование займа, гарантированное размещение ценных бумаг
underwriting agreement – соглашение между корпорацией-эмитентом и гарантийным синдикатом
underwriting commission – гарантийная комиссия, вознаграждение, которое получает гарант
underwriting liability – гарантийное обязательство
underwriting group – группа банков, синдикат андеррайтеров
7. *demand*
disappointing demand – низкий спрос
to miscalculate the demand – совершить ошибку в расчетах спроса на ценные бумаги
to sound out the demand for securities – изучать спрос на ценные бумаги
8. *vouch for* – документально подтвердить, поручиться
voucher – расписка
9. *track records* – исчерпывающая информация
10. *dissolve (about a syndicate)* – распустить, ликвидировать

NEW ISSUES

Up to now, we have talked about the function of securities markets as trading markets, where one investor who wants to move out of a particular investment can easily sell to another investor who wishes to buy. We have not talked about another function of the securities markets, which is to raise new capital for corporations – and for the federal government and state and local governments.

When you buy shares of stock on one of the exchanges, you are not buying a "new issue". In the case of an old established company, the stock may have been issued decades ago, and the company has no direct interest

in your trade today, except to register the change in ownership on its books. You have taken over the investment from another investor, and you know that when you are ready to sell, another investor will buy it from you at some price.

New issues are different. You have probably noticed the advertisements in the newspaper financial pages for new issues of stocks or bonds – large advertisements which, because of the very tight restrictions on advertising new issues, state virtually nothing except the name of the security, the quantity being offered, and the names of the firms which are "underwriting" the security or bringing it to market.

Sometimes there is only a single underwriter; more often, especially if the offering is a large one, many firms participate in the underwriting group. The underwriters plan and manage the offering. They negotiate with the offering company to arrive at a price arrangement which will be high enough to satisfy the company but low enough to bring in buyers. In the case of untested companies, the underwriters may work for a prearranged fee. In the case of established companies, the underwriters usually take on a risk function by actually buying the securities from the company at a certain price and reoffering them to the public at a slightly higher price; the difference, which is usually between 1% and 7%, is the underwriters' profit. Usually the underwriters have very carefully sounded out the demand for the securities. But if they have miscalculated, and the demand is disappointing – or if the general market takes a turn for the worse while the offering is under way – the underwriters may be left with securities that can't be sold at the scheduled offering price. In this case the underwriting "syndicate" is dissolved and the underwriters sell the securities for whatever they can get, occasionally at a substantial loss.

The new issue process is critical for the economy. It's important that both old and new companies have the ability to raise additional capital to meet expanding business needs. For you, the individual investor, the area may be a dangerous one. If a privately owned company is "going public" for the first time by offering securities in the public market, it usually does so at a time when its earnings have been rising and everything looks particularly rosy. The offering also may come at a time when the general market is optimistic and prices are relatively high. Even experienced investors can have great difficulty in assessing the real value of a new offering under these conditions.

Also, it may be hard for your broker to give you impartial advice. If the brokerage firm is in the underwriting group, or in the "selling group" of

dealers that supplements the underwriting group, it has a vested interest in seeing the securities sold. Also, the commissions are likely to be substantially higher than on an ordinary stock. On the other hand, if the stock is a "hot issue" in great demand, it may be sold only through small individual allocations to favored customers (who will benefit if the stock then trades in the open market at a price well above the fixed offering price).

If you are considering buying a new issue, one protective step you can take is to read the prospectus. The prospectus is a legal document describing the company and offering the securities to the public. Unless the offering is a very small one, it can't be made without passing through a registration process with the SEC. The SEC can't vouch for the value of the offering, but it does act to make sure that essential facts about the company and the offering are disclosed in the prospectus.

This requirement of full disclosure was part of the securities laws of the 1930s and has been a great boon to investors and to the securities markets. It works because both the underwriters and the offering companies know that if any material information is omitted or misstated in the prospectus, the way is open to lawsuits from investors who have bought the securities.

In a typical new offering, the final prospectus isn't ready until the day the securities are offered. But before that date you can get a "preliminary prospectus" or "red herring" – so named because it carries red lettering warning that the prospectus hasn't yet been cleared by the SEC as meeting disclosure requirements.

The red herring will not contain the offering price or the final underwriting arrangements. But it will give you a description of the company's business, and financial statements showing just what the company's growth and profitability have been over the last several years. It will also tell you something about the management. If the management group is taking the occasion to sell any large percentage of its stock to the public, be particularly wary.

It is a very different case when an established public company is selling additional stock to raise new capital. Here the company and the stock have track records that you can study, and it's not so difficult to make an estimate of what might be a reasonable price for the stock. The offering price has to be close to the current market price, and the underwriters' profit margin will generally be smaller. But you still need to be careful. While the SEC has strict rules against promoting any new offering, the

securities industry often manages to create an aura of enthusiasm about a company when an offering is on the way. On the other hand, the knowledge that a large offering is coming may depress the market price of a stock, and there are times when the offering price turns out to have been a bargain.

New bond offerings are a different animal altogether. The bond markets are highly professional, and there is nothing glamorous about a new bond offering. Everyone knows that a new A-rated corporate bond will be very similar to all the old A-rated bonds. In fact, to sell the new issue effectively, it is usually priced at a slightly higher "effective yield" than the current market for comparable older bonds – either at a slightly higher interest rate, or a slightly lower dollar price, or both. So for a bond buyer, new issues often offer a slight price advantage.

What is true of corporate bonds applies also to U.S. government and municipal issues. When the Treasury comes to market with a new issue of bonds or notes (a very frequent occurrence), the new issue is priced very close to the market for outstanding (existing) Treasury securities, but the new issue usually carries a slight price concession that makes it a good buy. The same is true of bonds and notes brought to market by state and local governments; if you are a buyer of municipals, these new offerings may provide you with modest price concessions. If the quality is what you want, there's no reason you shouldn't buy them – even if your broker makes a little extra money on the deal.

VOCABULARY PRACTICE

Ex. 1. *Look at the words in the box, all of which are from this unit. Match the words with the correct definition from the list below.*

new issue, red herring, offer period, hot issue, underwriter,
primary market, underwriting commission
public offering, offer for sale

1. The original sale of a company's securities.
2. Stocks or bonds sold by a corporation for the first time.
3. Market in new securities issues.
4. Issue of shares expected to sell very rapidly.
5. The middleman between the corporation issuing new securities and the public.

6. A preliminary version of the prospectus used to obtain buying indications from investors.

7. Money in return for which an underwriter takes up the shares of an issue that are not taken by the public.

8. One way a company may issue shares for sale is to sell them all to an issuing house, which then publishes a prospectus and sells the shares to the public.

9. A length of time during which an offer of shares must remain open.

Ex. 2. *Look through this excerpt and then fill the spaces with words from the box. Translate the text into Russian.*

investors, raise, offer, investment bankers, long term, issue, public,

I. Corporations ... (1) the capital they need to grow by reinvesting part of their profits, borrowing, or by selling fractional shares of ownership to ... (2). Generally, they ... (3) these shares to investors through ... (4), who, like ... (5), offer them to the ... (6) in what is called the ... (7) market. However, all of the original investors won't hold their shares over the ... (8) and, for a variety of reasons, will want to sell them.

repayable, issuer, offering, market value, par value, public, share,

II. Forms of Issuing New Shares.

Unlike bonds and bank loans, funds raised through an ... (1) of shares are not ... (2) and the size of dividends is determined by the level of after-tax profit generated by the ... (3) during a given year. New shares are issued in the following forms:

Issues Requiring the Payment of Subscription Money *

A) Issuing for Consideration.**

The issuer makes applications for subscription to new shares and asks subscribers to pay cash (or make payment in kind) for the new shares they have subscribed to. This is the most common method of increasing the capital of a corporation. The amount to be paid in is determined on the basis of the ... (4) of the new share, an appropriate price set by the issuer between its par and ... (5), or its market value prevailing on a certain designated date.

B) Combination of Issuing for Consideration and Issuing without Consideration.

This method is designed to make the issuing of new shares (A) more attractive to the investing ... (6) by combining with it issuing without consideration.

*subscription – подписка, покупка вновь выпущенных ценных бумаг на основе подачи заявок на их приобретение

**consideration – сумма, уплачиваемая одной стороной сделки другой в обмен на обязательство

stock, stockholders' equity, offer period, par value, vouch for, issue

III. Issues Not Requiring the Payment of Subscription Money.

Issuing without Consideration.

By virtue of a resolution of the Board of Directors, the company may ... (1) new shares in an amount equivalent to the legal reserves that had been incorporated into its capital or the amount of cash payment that was in excess of its ... (2) during its previous capital increase. As such, this represents a kind of ... (3) splitting without entailing any change in the par value of its shares. While such a free distribution system causes no changes in the (4), it increases the number of shares held by the recipient stockholders.

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