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УНИВЕРСИТЕТ ПОТРЕБИТЕЛЬСКОЙ КООПЕРАЦИИ»

Кафедра иностранных языков

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ПОЯСНИТЕЛЬНАЯ ЗАПИСКА

Данное пособие состоит из восьми разделов, охватывающих широкий круг вопросов организации и функционирования финансовой системы, включая тарифы, налогообложение, банковскую систему. Пособие содержит слова и словосочетания, которые предлагаются для активного усвоения; упражнения на активизацию словаря и развитие языковой догадки.

В пособии представлены тексты и вопросы для обсуждения, упражнения на развитие навыка монологического высказывания, задания творческого характера, целью которых является развитие навыка работы с литературой по специальности.

В пособие включены аутентичные тексты, содержащие дополнительную информацию по профессии и сопровождающиеся различными заданиями, направленными на развитие навыков чтения.

Тематика и характер учебных материалов, представленных в пособии, обеспечивают формирование у студентов профессионального словаря и навыков ведения беседы и чтения в рамках профессиональной тематики.

UNIT 1. TAXES

Vocabulary List

taxation	налогообложение, взимание налогов
tax on income	подоходный налог
tax on wages	налог на заработную плату
tax on salary	налог на жалование служащих
tax on profits	налог на прибыль
tax on dividents	налог на дивиденды
tax on rent	налог на рентные платежи
tax on capital	налог на капитал
tax on interest	налог на процентный доход
indirect taxes	косвенные налоги
direct taxes	прямые налоги
double tax burden	бремя двойного налогообложения
personal income	личный доход
return	налоговые декларации
to issue a return	выдавать налоговую декларацию
to complete a return	заполнить налоговую декларацию
to submit	представить
taxable	налогооблагаемая прибыль
value-added tax	налог на добавленную стоимость
avoidance	уклонение
excise tax	акцизный налог
tax allowance	налоговая льгота
tax deferment	отсрочка налога

Task 1. Read and translate the text.

TAXES

Taxes are a compulsory financial contribution by a person or body of persons towards the expenditure of a public authority. In modern economies taxes are the most important source of government revenues. Taxes on income and on capital are known as “direct taxes”. Taxes on commodities or services are known as “indirect taxes”.

Taxes are considered to have three functions:

a) *fiscal or budgetary*, to cover government expenditure, to provide the public authorities with the revenue required for meeting the cost of defence, social services, interest payments on the national debt, municipal services, etc.;

b) *economic*, to give effect to economic policy, to promote stable economic growth, to influence the rate of economic growth of the nation;

c) *social*, to increase the economic welfare of the community, to lessen inequalities in the distribution of income and wealth.

Businesses and individuals are subject to many forms of taxes. The various forms of business organization are not taxed equally. The tax situation is simplest for proprietorships and most partnerships; corporations or companies are treated differently.

In the United States of America nearly all of the federal government’s revenues come from taxes. By far the most important source of tax revenue is the personal income tax. Gross receipts from corporate income taxes yield a far smaller percentage of total federal receipts. Individual states levy their own taxes. As a result, for example, the profits of a corporation are liable to federal and sometimes state corporate income taxes. This often imposes a double tax burden. When the after-tax income is paid out to stockholders as dividends, it is then taxed again as personal income.

In the United Kingdom there is no signal code of tax law, the body of tax legislation being increased by each year's Finance Act.

Task 2. Answer the questions:

1. What are taxes?
2. What are the purposes of direct and indirect taxation?
3. Are businesses taxed equally?
4. How is taxation levied in the United Kingdom?
5. What taxes are paid to the federal budget?
6. What bodies collect taxes?
7. Do taxpayers have the right to appeal against additional tax liability?
8. What is the difference between tax evasion and tax avoidance?
9. In what situations can incomes be taxed twice?

Task 3. Give derivatives of:

tax	investment
provision	audit
influence	appeal
subject	evasion
treat	avoidance
assess	arrangement
distribute	pay

Task 4. Find English equivalents for the following Russian phrases:

подоходный налог, налог на заработную плату, налог на прибыль, налог на дивиденды, прямые налоги, косвенные налоги, налог на капитал, покрывать издержки, подлежать обложению налогом, доход после налогообложения, налоговая декларация, налог на добавленную стоимость, собирать налоги, проводить аудиторскую проверку, незаконное уклонение от налоговых обязательств, задолженность по налоговым платежам, двойное налогообложение, акцизный налог.

Task 5. Match the verbs from (a) with nouns from (b):

a) to reduce	b) economic welfare
to eliminate	a return
to improve	taxes
to correct	inequality
to increase	revenue
to check	imports
to withhold	business
to tax	adverse balance of payments
to levy	tax allowances
to complete	tax rate

Task 6. Prepare a short talk on the following:

1. The tax climate in Belarus: recent changes in tax legislation. Give your opinion on whether they are good for the health of the economy as a whole. Say what you think about the possible impact on the survival of small firms.

2. Are you the type of person who should start a small business? Explain why and why not.

3. What are in your opinion the important problems that the Taxation Ministry is facing today? What important changes do you think will take place in the future?

READING PRACTICE

Task 1. Read the text "Kinds of Taxes".

1. Give extensive answers to the discussion questions:

- What are the most important kinds of taxes?
- Why are property taxes called direct taxes?
- What are the two main types of income taxes?

2. Explain the differences between the license tax and the franchise tax.

KINDS OF TAXES

Governments levy many kinds of taxes. The most important kinds include *property taxes, income taxes,* and *taxes on transactions.*

Property taxes are levied on the value of such property as farms, houses, stores, factories, and business equipment. The property tax first became important in ancient times. Today, it ranks as the chief source of income for local governments in the United States and Canada. Most states of the United States and provinces of Canada also levy property taxes. Property taxes are called *direct taxes* because they are levied directly on the people expected to pay them.

Income taxes are levied on income from such sources as wages and salaries, dividends, interest, rent, and earnings of corporations. There are two main types of income taxes – *individual income taxes* and *corporate income taxes.* Individual income taxes, also called *personal income taxes,* are applied to the income of individuals and families. Corporate income taxes are levied on corporate earnings. Income taxes may also be levied on the earnings of estates and trusts. Income taxes generally are considered to be direct taxes.

Most nations in the world levy income taxes. In the United States, income taxes are levied by the federal government, most state governments, and some local governments. Many people and businesses in the United States also pay special income taxes that help fund social security programs. These taxes are known as *social security contributions* or *payroll taxes.* In Canada, income taxes are levied by the federal government and by the country's 10 provincial governments.

Taxes on transactions are levied on sales of goods and services and on privileges. There are three main types – *general sales taxes, excise taxes,* and *tariffs.*

General sales taxes apply one rate to the sales of many different items. Such taxes include state sales taxes in the United States and the federal sales tax in Canada. The *value-added tax* is a general sales tax levied in France, the United Kingdom, and other European countries. It is applied to the increase in value of a product at each stage in its manufacture and distribution.

Excise taxes are levied on the sales of specific products and on privileges. They include taxes on the sales of such items as gasoline, tobacco, and alcoholic beverages. Other excise taxes are the *license tax,* the *franchise tax*, and the *severance tax.* The license tax is levied on the right to participate in an activity, such as selling liquor, getting married, or going hunting or fishing. The franchise tax is a payment for the right to carry on a certain kind of business, such as operating a bus line or a public utility. The severance tax is levied on the processing of natural resources, such as timber, natural gas, or petroleum.

Tariffs are taxes on imported goods. Countries can use tariffs to protect their own industries from foreign competition. Tariffs provide protection by raising the price of imported goods, making the imported goods more expensive than domestic products.

General sales taxes and taxes on gasoline and other products are called *indirect taxes* because they tax a service or privilege instead of a person. Manufacturers and business owners pay these taxes, then add the cost to the prices they charge. These taxes may be called *shifted taxes* because manufacturers and business owners shift the cost of the tax to their customers.

Other taxes include *estate taxes, inheritance taxes,* and *gift taxes.* An estate tax is applied to the value of property before it has been given to heirs. An inheritance tax is levied on the value of property after it has been given to heirs. A gift tax is applied to the value of property that is given away during a donor's lifetime. The donor pays the tax.

In the United States, the federal government and some state governments levy estate and gift taxes. Only state governments levy inheritance taxes. In Canada, only the province of Quebec levies gift and inheritance taxes. Canada has no estate taxes.

Task 2.
1. Look through the text below and say what principles of taxation are described in it.
2. Reread the text more carefully and explain:

a) what the principle of elasticity means;
b) the difference between two kinds of equity.

PRINCIPLES OF TAXATION

A good tax system must satisfy several general principles of taxation. The main principles include *productivity, equity,* and *elasticity.*

Productivity. The chief goal of a tax system is to generate the revenue a government needs to pay its expenses. When a tax system produces such revenue, it satisfies the principle of productivity. If a tax system fails to produce the needed revenue, the government may have to add to its debt by borrowing money.

Equity. Most people agree that a tax system should be *equitable* (fair) to the taxpayers. Economists refer to two kinds of equity – *horizontal* and *vertical.* Horizontal equity means that taxpayers who have the same amounts of income should be taxed at the same rate. Vertical equity implies that wealthier people should pay proportionately more taxes than poorer people. This is sometimes called the principle *of ability to pay.*

Governments often try to achieve tax equity by making their taxes *progressive.* A progressive tax has a rate that depends on the sum to which it is applied. The rate increases as that sum increases. For example, the US individual income tax is a progressive tax because it applies a higher rate to larger taxable incomes than it does to smaller ones.

Elasticity. A tax system should be *elastic* (flexible) so that it can satisfy the changing financial needs of a government. Under an elastic system, taxes help stabilize the economy. For example, taxes increase during periods of economic growth and thus help limit *inflation* (rapid price increases). Increasing taxes would leave less money for consumers to spend to send prices up. Similarly, taxes decrease during a decline in economic activity to help prevent a recession. This action would leave consumers more money to spend and encourage economic growth.

Other principles of taxation. People agree that taxes should be convenient and easy to pay, and that they should be inexpensive for governments to collect. In addition, taxpayers should know in advance when a tax has to be paid, so that they can save enough money to cover the payment.

Some economists believe a tax system should also satisfy the principle of *neutrality.* According to this principle, tax laws should not affect taxpayers' economic decisions, such as how to spend, save, or invest their money. But other economists believe a tax system must defy the principle of neutrality to achieve tax equity or to stabilize economic growth. Still other economists believe a tax system should play an active role in redistributing wealth. They support taxing the wealthy at highly progressive rates and using the collected revenue to finance services for the poor.

Task 3. Read the text and say:

a) what you have learned about the system of tax administration in the USA;
b) what taxes Canada's federal and provincial governments levy.

TAXATION IN THE UNITED STATES AND CANADA

The Constitution of the United States gives Congress the sole right to levy federal taxes. Congress first used its tax powers in 1789, when it began to levy a tariff. Tariffs were the chief sources of federal revenue until the outbreak of the Civil War in 1861. Then the cost of the war prompted the government to levy a series of excise taxes and other new taxes.

In 1894, the federal government levied a tax on individual incomes. But the tax was abolished in 1895 because it violated a section of the Constitution that required any direct tax to be *apportioned* (divided) among the states according to population. In 1913, the 16th Amendment removed this restriction. Later that year, the first modern income tax took effect.

During the early 1900's, the income tax became the main source of federal revenue. Local governments relied chiefly on property taxes. State governments also depended heavily on property taxes during the early 1900's. But by the 1930's, state governments received a rapidly growing percentage of their tax revenue from income taxes and sales taxes.

During the Great Depression of the 1930's, the role of the federal government grew tremendously. The New Deal program of President Franklin D. Roosevelt greatly increased federal services and activities in order to help bring economic relief to the country.

The federal government continued to expand its activities during and after World War II (1939–1945). As a result, the nation's tax system also grew to pay for the new federal programs. For example, during the 1920's, revenue from local taxes was about half of the total US tax revenue. But today, local taxes account for only about a sixth of the country's tax revenue, while federal taxes account for about two-thirds of the total. The main federal taxes are individual and corporate income taxes and social security contributions. Some revenue from these taxes goes to state and local governments to finance such projects as road building and public housing.

The individual income tax ranks as Canada's chief source of federal revenue. The federal government also levies corporate income taxes, a general sales tax, tariffs, and excise taxes on such items as gasoline, alcohol, and tobacco. Canada's 10 provincial governments also rely most heavily on individual and corporate income taxes. The provinces also levy property taxes, sales taxes, and excise taxes on gasoline, tobacco, and motor vehicle licenses. Some provinces tax gifts, lodging, and healthcare programs. Local governments get most of their revenue from property taxes.

Task 4.

1. Look through the text "Income Tax" and say what issues of income tax systems are still the subject of frequent debate.

2. Describe the differences in the system of income taxes in the USA and Canada mentioned in the text.

INCOME TAX

Income tax is a tax on the earnings of individuals, corporations, estates, and trusts. Nearly all nations levy income taxes. Various levels of government use income taxes. In the United States, income taxes are levied by the federal government, most state governments, and some local governments. In Canada, the federal government and all 10 provinces levy income taxes.

The income tax came into wide use during the early 1990's Since then, many people have questioned the fairness of income taxes and their effect on economic activities. Today, people still debate these issues. Debates often arise over the definitions of taxable income and the taxpaying unit. Other current issues concern the effect of inflation on income taxes and the effect of income taxes on the economy.

The two major kinds of income taxes are *individual income taxes* and *corporate income taxes.* Individual income taxes, also called *personal income taxes,* are levied on the income of individuals. Corporate income taxes are applied to the earnings of corporations. Some governments also tax a percentage of the income earned by estates and trusts.

Income taxes are levied on *taxable income,* which is the amount left after certain items have been subtracted from total earnings. An income tax may be either *progressive or proportional.* A progressive income tax has a rate that increases as taxable income increases. Many people and governments favor the use of progressive income taxes because they believe income taxes should be based on a person's *ability to pay.* That is, they believe people with large incomes should pay more taxes than people with smaller incomes.

Many state governments levy individual and corporate income taxes, and many local governments also collect an individual income tax. In some states, corporate and individual income taxes are the chief source of revenue for the state. State and local income taxes have become increasingly important as governments try to meet citizens' demands for various services.

State and local income tax rates are lower than the federal rates, with tax rates that are either progressive or proportional. In most communities that have a local income tax, the tax rates are proportional.

The federal government of Canada levies both individual and corporate income taxes. It collects the individual income tax for itself and for all the provinces except Quebec. It collects the corporate income tax for itself and for all the provinces except Quebec, Ontario, and Alberta.

The individual income tax ranks as the Canadian government's chief source of revenue. It is a progressive tax, with rates that range from 6 per cent on the first $1,238 of taxable income to 34 per cent on taxable income of $59,424 or more. Each year, individuals may deduct an amount called the *federal tax reduction* from their income tax. This amount is a flat rate of $200 but may rise to $400 due to special circumstances.

The corporate income tax levied by the federal government is also a major source of revenue. It is levied at a rate of 46 per cent. However, by using deferments and credits, companies rarely pay the full amount.

The 10 provinces also levy taxes on the income of individuals and corporations. In all the provinces except Quebec, the individual income tax is levied as a percentage of the federal income tax. Quebec collects its tax at its own progressive rates.

Task 5. Read the text and say what you have learned about the history of the US income taxes.

HISTORY OF US INCOME TAXES

Some states levied an individual income tax before 1850. The federal government first collected an income tax in 1863. Congress had passed individual income tax laws in 1861 and 1862 because the Union government needed revenue to pay the cost of the Civil War (1861–1865). The tax ended in 1872. Congress passed another income tax law, patterned after the Civil War laws, in 1894. The Supreme Court had declared the Civil War laws constitutional in 1881. But the new income tax law was declared unconstitutional. The court based this decision on a statement in the Constitution that any tax levied directly on individuals must be levied in proportion to a state's population. That is, a higher total tax had to be collected from a state with a large population than from one with fewer people.

During the 1890's, a few states showed a new interest in a state income tax. Wisconsin passed a state individual income tax law in 1911. The success of this tax led to the enactment of similar laws in other states.

In 1909, Congress passed a law providing for a kind of corporate income tax. The Supreme Court declared the law constitutional. To avoid future court decisions, backers of an individual tax worked to amend the Constitution. In February 1913, the 16th Amendment removed the requirement that an income tax be levied in proportion to state population. The Underwood Tariff Act, enacted in October 1913, included an income tax section.

Since 1913, the income tax laws have changed many times, and income tax rates have increased greatly. For example, the pay-as-you-go system began in 1943. Simplified returns and standard deductions came into use in 1944. In 1948, new provisions allowed exemptions for blindness and old age, and split-income joint returns for married couples. The Tax Reform Act of 1969 was a major revision of the income tax laws. It eliminated some situations in which corporations and wealthy individuals could legally avoid paying income taxes.

The Tax Reform Act of 1986 was probably the most important change in income tax legislation since the 1940's. The act sharply reduced the number and level of tax rates. It also greatly increased the tax base by restricting deductions and exclusions. The act established two basic rates of 15 and 28 per cent for the individual income tax. These rates replaced 14 rates ranging from 11 to 50 per cent. The act also increased the size of personal exemptions for individuals, spouses, and dependents. In 1990, Congress established a third individual income tax rate of 31 per cent, which applied to people with the largest incomes. In 1993, Congress added individual income tax rates of 36 and 39.6 per cent, again raising rates for people with the largest incomes. It also raised the rate for some corporations.

Task 6. Read the text and explain how income tax is calculated.

FIGURING THE INDIVIDUAL INCOME TAX

To determine income subject to tax, a taxpayer first subtracts items that are not defined as income by law and are therefore not taxable. Certain items, called exclusions or nontaxable income items, have been defined this way. They include interest on certain state and municipal bonds, gifts, inheritances, veterans' benefits, welfare benefits, and certain social security payments. The amount left after a taxpayer has subtracted such exclusions is called gross income. The taxpayer may also subtract certain expenses, such as some business expenses and moving costs, to determine adjusted gross income.

Next, the taxpayer claims any deductions – expenses that taxpayers are allowed to subtract in figuring their taxable income. For example, certain interest payments, state and local taxes, and a percentage of medical expenses may be deducted. Additional amounts may be deducted if a taxpayer or spouse is blind or over age 65.

In general, taxpayers are divided into four categories for filing purposes: (1) single people; (2) married people filing jointly – that is, a married couple who pay one income tax on their combined income; (3) married people filing separately – that is, the husband and wife each pay a separate income tax; and (4) heads of households (single taxpayers who maintain a household for a certain other person or persons). There is a separate tax table for each filing status.

Paying the individual income tax. Some individuals pay all or part of their income tax directly to the government. But many taxpayers pay most of their tax indirectly. Those who work for a salary or wages have a withholding tax collected from each paycheck. The majority of taxpayers pay most of their income tax through this pay-as-you-go system. Their employers send the money to the Internal Revenue Service (IRS). This agency of the US Department of the Treasury is responsible for collecting federal internal revenue taxes.

Each year, taxpayers fill out a tax return. They state how much taxable income they received during the previous year and how much they have already paid in withholding tax. If, according to the tax rate schedule, they have paid too little tax, they send the additional money to the IRS. If they have paid too much, they request and receive a refund from the government.

The law requires most people to submit their tax return for the year by April 15 of the next year. Those who owe additional tax money must send their payment with their return. If they do not do so, they must pay a fine, plus interest on their late payment.

In addition to their regular tax return, many taxpayers must fill out an estimated tax return for the coming year and send it to the IRS by April 15. Taxpayers must file such a return if they estimate that (1) their taxable income for the year will be above a certain level, and (2) their withholding taxes for the year will not cover the total tax they will owe. For example, they may have to file an estimated tax return if they will receive considerable taxable income from which no withholding taxes will be collected. In an estimated tax return, taxpayers estimate their taxable income for the coming year and determine how much tax they will owe. They subtract the withholding taxes they will pay from the total tax they will owe. The difference is their estimated tax. They may pay this tax in one sum or in quarterly payments. Taxpayers who make late payments or underestimate their tax by an excessive amount must pay a penalty.

Processing income tax returns. The Internal Revenue Service uses computers to process income tax returns. The IRS computer system consists of a number of service centers linked electronically with the National Computer Center in Martinsburg, W. Va. The IRS handles about 100 million individual tax returns each year. Each individual tax return is checked for mistakes in arithmetic and for failure to report such income as dividends from stock or interest received from banks. The computers compare each taxpayer's return with the IRS records on that person. Disagreements between taxpayers and the IRS are handled by the US Tax Court. People who try to evade the tax by underreporting income or exaggerating deductions may receive stiff penalties, including prison terms.

Task 7. Look through the text and prepare a short talk on the influence of inflation on progressive income taxes.

CURRENT ISSUES OF INCOME TAXES

Defining Taxable Income. In order to levy an income tax, a government must define taxable income. Such a definition often must deal with such concerns as deductions, capital gains, and changing incomes.

Under many tax structures, expenses necessary to the earning of income may be deducted from taxable income. But it is often difficult to determine what constitutes a necessary expense. For example, the cost of a business trip may be a necessary expense and, therefore, a legal deduction. But should a taxpayer be allowed to deduct the cost of a luxurious hotel room used during the trip if less expensive lodgings were available? Many people have questions of this nature and are often dissatisfied with answers given by tax laws.

In some countries, serious problems also arise over the taxation of capital gains. Capital gains are the profits earned from the sale of stocks, real estate, or other income-producing property. In the United States, the Tax Reform Act of 1986 eliminated a distinction between capital gains and other incomes. Previous United States tax laws had favored capital gains. Now, at all but the highest income levels, capital gains are taxed just like any other income.

Another problem concerns incomes that significantly rise or fall during a certain number of years. This problem frequently affects professional athletes, writers and others who may earn high incomes for a few years and much lower incomes for many more years. Governments use several methods when taxing the income of individuals. One method applies the tax to each individual, so that each member of a family is taxed separately. Other methods allow some or all family members to split their income. This means the family members may pay taxes as though they have each earned equal portions of their combined income. For example, if a husband's taxable income is $10,000 and his wife's is $30,000, they may pay taxes as though they have each earned half of their total income of $40,000, or $20,000. This method lowers the rate applied to their income under a progressive tax system and reduces the tax they owe.

In the United States, husbands and wives may split their income even if only one of them earns an income. France and some other countries allow income splitting between husbands, wives, and their children. Some countries permit no form of income splitting.

Effects of inflation. Many people are concerned about the influence of inflation on progressive income taxes. This is because an increase in their income during a period of inflation does not necessarily mean an increase in their wealth. For example, if prices generally rise 10 per cent and a worker receives a 10 per cent raise, the worker can buy as much as he or she could buy before the inflation occurred. But under a progressive income tax, such a raise may cause the worker's income to be taxed at a higher rate even though the worker's buying power remains the same. To solve this problem, the Canadian and US federal governments, some state governments in the United States, and governments in some other countries adjust their tax laws based on changes in price indexes. This method of adjustment helps keep inflation from causing a rise in the amount of tax people must pay. However, adjustments that solve the problem for ordinary income do not keep inflation from distorting the measurement of capital gains. For this reason, many tax experts favor special treatment of capital gains.

Effects on the economy. Economists often disagree about the effect of income taxes on such economic activities as personal saving, investment, and work effort. Some economists think income taxes limit economic growth. They point out that an economy needs investment to grow, but that people have less money to invest because of income taxes. Other economists doubt that income taxes affect savings and investment decisions. Some economists also think that people will not invest money if income gained from such investments will be taxed at high progressive rates. They argue that investors would keep only a small part of potential earnings because of such rates. Some experts also claim that progressive income taxes discourage taxpayers from working hard to earn additional income because that income would be heavily taxed.

UNIT 2. TARIFFS

Vocabulary List

establish (v)	prohibit (v)
revenue	reduce (v)
demand (v)	balance of trade
income	boost
eliminate (v)	levy (v)
preferential	ad valorem
production	rate
competition	customs union

Task 1. Read and translate the text.

TARIFFS

Tariff is a tax placed on goods that one nation imports from another. Many nations use tariffs to protect their industries from foreign competition. Tariffs provide protection by acting to raise the price of imported goods. Thus, tariffs encourage domestic firms to increase their production, and consumers are forced to pay higher prices for the protected goods. Tariffs on exports from the United States are prohibited by the US Constitution. But such tariffs are sometimes used in other countries to raise revenue. A nation may also use tariffs to influence, or protest against political or economic policies of other countries.

Nations set their tariff rates in various ways. They may have commercial treaties that include a *most-favored-nation* (MFN) clause. Under an MFN clause, each nation's lowest regular tariff rates apply to all countries that sign the treaty. *Preferential tariffs,* which are lower than MFN tariffs, may be applied to favor imports from less developed countries. Nations that form a *customs union* eliminate tariffs on trade among themselves. These nations also have a common set of tariffs that cover their trade with nonmember countries. A *common market* has the same tariff policies as a customs union but provides for greater economic cooperation among its members. Nations that form a *free trade area* have no tariffs among themselves, but each member may set its own tariffs on goods produced by nonmembers.

Main kinds of tariffs. Tariffs may be classified according to their purpose. Tariffs levied to restrict imports are called *protective tariffs*. Those levied to increase government revenue are known as *revenue tariffs.* Many governments used revenue tariffs in the past. But today, income taxes and sales taxes are the main sources of government revenue, and revenue tariffs are seldom used. Protective tariffs are used more often. However, protective tariffs have also been reduced substantially in the United States and many other major countries since World War II.

Tariffs may also be classified according to the way in which they are levied. *Specific tariffs* are levied as a certain sum of money per unit of the product imported. For example, a government may levy a specific tariff on a product at a rate of 10 cents per pound or 25 cents per liter. Many specific tariffs are levied against such raw materials as iron ore and rubber and such food products as sugar, wheat, and wine. *Ad valorem tariffs* are levied as a percentage of the value of a product. For example, a rate of 5 per cent may apply to imports of such manufactured products as automobiles.

Task 2. Answer the questions:

1. What is a tariff?
2. How do nations set their tariff rates?
3. What are the main kinds of tariffs?
4. How do nations use tariffs?

Task 3. Single out the main points of the text. Use the following opening phrases:

1. The text deals with the issue of … .
2. It is clear from the text that … .
3. The problem of … is of great importance.
4. One of the main points to be singled out is … .
5. Great importance is also attached to … .
6. In this connection I'd like to say … .

Task 4. Think of the verbs that are commonly used with:

taxes, goods, production, tariff, revenue, trade, prices.

Task 5. Give derivatives of:

protect, consume, prefer, cooperate, restrict, eliminate, apply, reduce.

Task 6. Find English equivalents for the following Russian phrases from the text:

налог на товары, защищать от иностранной конкуренции, увеличить производство, платить более высокие цены, увеличить доход, влиять на экономическую политику, тарифная ставка, таможенный союз, устанавливать тарифы, подоходный налог, поощрять импорт, свободная экономическая зона.

Task 7. Sum up the contents of the text:

a) make a plan of your summary;
b) make a list of key words which you may need.

READING PRACTICE

Task 1. Read the text and explain why tariffs are levied.

WHY TARIFFS ARE LEVIED

Tariffs are often levied (1) to protect domestic jobs, (2) to protect new industries, (3) to offset unfair trade practices of other countries, or (4) to prevent dependence on foreign products.

Protecting domestic jobs. Firms and workers sometimes have difficulty competing with imports when foreign firms and workers are more efficient. The affected groups may promote tariffs to increase or maintain company profits and keep wages high.

Protecting new industries. In some instances, a new industry cannot compete successfully with established industries in other countries. A protective tariff may shield the new industry from foreign competition until its workers and firms become more productive.

Offsetting unfair trade practices. Some governments use tariffs to protect their industries from the effects of *export subsidies* and *dumping.* Export subsidies are support payments paid by a government to its export industries. Such payments are designed to allow the industries to sell their goods for less overseas. Dumping involves pricing items below their production cost to drive competitors out of an import market. For example, computer manufacturers in one country may sell their products so cheaply in another country that computer firms in the importing nation cannot compete successfully. As a result, those firms may go out of business. The importing nation would then have to depend on foreign manufacturers for computers. The foreign firms could then raise prices far above their original levels.

In some cases, export subsidies or dumping may not harm an importing country's industries. In such cases, if no tariff is imposed, consumers may benefit from the lower prices that result from these practices.

Preventing dependence on foreign products. Many nations do not want to depend on other countries for such essential products as petroleum, steel, or food. Supplies of these products from foreign sources may be cut off or disrupted in time of war or international tension. Thus, some nations use tariffs to protect industries that produce these goods.

Task 2. Read the following text and give arguments against tariffs.

ARGUMENTS AGAINST TARIFFS

Arguments against tariffs include the belief that they result in (1) high prices, (2) industrial inefficiency, and (3) unfair support for some industries. Tariffs may reduce trade, and so many economists believe they lower the standard of living in trading nations.

Higher prices. Many people believe tariffs waste a nation's supply of labor and natural resources and thus raise prices. A country wastes money if it tries to produce everything it needs. Therefore, it should produce chiefly what it makes best and most economically. If a country has excellent factories but poor farmland, for example, it should export manufactured products and import most of its food. If such a nation tries to expand its farming by placing a tariff on imported food, its people will have to pay high prices for food. In addition, many people who believe that certain industries must be protected think that it is better to support them with direct subsidies than with tariffs. Unlike tariffs, subsidies do not raise consumer prices.

Industrial inefficiency. Tariffs may encourage inefficiency by protecting industries from competition. Without competition, an industry will lose business to those of more efficient countries. Many economists claim that tariffs themselves cannot make or keep a nation prosperous by protecting inefficient industries from competition.

Unfair support for some industries. Tariffs may help some industries – but only at the expense of others. If a high tariff protects a nation's aluminum industry, for example, aluminum might cost more in that country than it would without a tariff. All domestic industries that use aluminum would save money if they could buy the imported product at a lower price. But the tariff forces those industries to pay the higher price.

Task 3. Read the text and:

a) explain how nations have changed their tariff policies throughout history;
b) write down 4–6 questions about the text.

THE HISTORY OF TARIFFS

Tariff policies reflect the economic and political conditions within various countries. Throughout history, nations have changed their tariff policies to keep in step with their economic and political goals.

The first tariffs. In early times, nations did not have well organized foreign trade nor formal tariffs but they did collect such taxes. Most tariff collectors simply charged merchants the highest duties they thought they could get.

From about 1100 to 1300, the Christian military campaigns called the Crusades brought increased trade between Europe and the Middle East. The rise in trade led to formal tariffs during this period. The first tariff agreements were made by Italian trading cities, such as Genoa and Venice, with various commercial partners in Africa and Asia.

Beginning in the 1490's, the explorations of Christopher Columbus, Vasco da Gama, and other Europeans resulted in a great increase in foreign trade. European trading nations began to follow an economic policy called *mercantilism.* This policy involved the use of high tariffs to limit imports, so that exports would exceed imports. An excess of exports over imports produced a *favorable balance of trade and* boosted the size of a nation's treasury. Mercantilism flourished until the 1700's.

The changing role of tariffs. During the late 1700's, the beginning of industrialization in Europe led to a major change in the role of tariffs. The production of goods increased in the industrial nations, such as Belgium and Great Britain. As a result, these nations wanted to sell more products to other countries. Many industrial nations, in an effort to increase trade, sought lower tariffs with their trade partners. But nations that were just beginning to industrialize kept tariffs high to protect their new industries. Efforts to reduce tariffs increased as industrialization progressed during the 1800's and the 1900's.

Modern tariff policies. By the 1950's, three major trading groups had developed. These groups were (1) the chief Western industrialized countries, (2) the less developed countries, and (3) the Communist nations. The major Western industrialized countries sought to increase their trade by reducing existing tariffs through international negotiations. These negotiations took place under a treaty called the General Agreement on Tariffs and Trade (GATT). Since the late 1950's, Western European countries have eliminated almost all tariffs on each other's goods as members of the European Community or the European Free Trade Association. Many developing countries in Africa, Asia, and Latin America continue to use high tariffs to protect their industries.

Task 4. Read the text below carefully and underline the parts of it giving basic ideas about the history of the United States tariffs.

UNITED STATES TARIFFS

United States tariffs have played a major role in the nation's history. The US government has changed its tariff policies many times through the years.

Many people in the American Colonies resented the tariffs that Great Britain put on goods that they imported. They sought independence partly to free themselves from British tariffs.

Soon after the Revolutionary War ended in 1783, many Americans demanded that the government establish a tariff. They argued that a tariff would (1) protect the nation's industries, (2) raise government revenue, and (3) encourage other nations to grant fair tariffs to the United States. The first Congress passed the Tariff Act of 1789, which set up US tariffs.

The 1800's. The nation's first tariffs were low, but most of them rose during the early 1800's. People in various parts of the country called for different tariff policies. For example, people in the New England and Middle Atlantic states sought high tariffs to protect their manufacturing industries. But Southerners, whose income came chiefly from agriculture, demanded low tariffs. They wished to buy European products, which were better and cheaper than those made in the United States. Westerners, whose income also came mostly from agriculture, at first opposed high tariffs. But they came to accept a plan called the "American System" proposed by Representative Henry Clay of Kentucky. This plan included a protective tariff. In 1824, Congress boosted most tariffs as a result of Clay's proposals.

Many people, especially Southerners, protested the rising tariffs, particularly what they called the "Tariff of Abominations" of 1828. This tariff again increased the cost of foreign products needed by farmers. To satisfy those who wanted to eliminate all tariffs, Clay helped work out the Compromise Tariff of 1833. This law maintained some high duties but included a plan to reduce tariffs gradually until 1842. However, poor economic conditions resulted in a new and higher tariff in 1842. In 1846, after the economy had improved, Congress lowered tariffs with the Walker Tariff Act. Further reductions were made in 1857, but the Morrill Tariff Act of 1861 once again raised tariffs.

The tariff disagreement between the North and South helped cause the Civil War, which began in 1861. Southerners felt betrayed when the Westerners and Northerners joined in support of high tariffs.

During the Civil War, the government raised tariffs to new highs. Most tariffs remained high throughout the 1800's. Several attempts to lower them failed. For example, the Mills bill of 1888 included President Grover Cleveland's proposal to lower tariffs. The House of Representatives passed the bill, but the Senate never voted on it. The McKinley Tariff Act of 1890 raised the average level of tariffs to a new high.

During the early 1900's many people in the United States wanted to increase the nation's trade by lowering tariffs. The Payne-Aldrich Tariff of 1909 changed many tariff rates, but it failed to lower the average level of tariffs. In 1913, the Underwood Tariff Act generally reduced tariffs. However, a decline in shipping during World War I (1914–1918) cut trade and limited the effects of the lower tariffs. In 1922, the Fordney-McCumber Tariff Act raised tariff rates sharply. United States tariffs reached an all-time high under the Smoot-Hawley Tariff Act of 1930.

In 1934, during the Great Depression, Congress passed the Reciprocal Trade Agreements Act in an effort to increase trade. This law made the most significant change in the history of the nation's tariffs. It authorized the President to cut tariffs for certain nations by as much as half. It also enabled him to make agreements setting the exact tariff rate for each product. Formerly, Congress had set the rates.

After World War II ended in 1945, a number of countries made further efforts to lower tariffs. In 1947, the United States and 22 other nations signed the General Agreement on Tariffs and Trade. This treaty reduced tariffs and provided for the settlement of trade disputes. The GATT also sought to limit the circumstances in which its members restricted imports from other member nations.

Beginning in the 1950's, Congress passed a series of laws that enabled the United States to participate in negotiations under the GATT. The negotiations were designed to further reduce tariffs and other trade barriers. Since then, several major rounds of GATT negotiations have taken place. As a result of these talks, the tariff rates of the United States and other major industrialized countries have been reduced substantially. By the early 1990's, more than 100 nations had signed the GATT.

Many industrialized countries, including the United States, have had difficulty adjusting to competition from imports. This difficulty has resulted in an increase in attempts to protect domestic industries by means of non-tariff measures that are not clearly illegal under the GATT. These measures include special import quotas and voluntary export restraints. Such measures have been used to restrict the importation of automobiles, raw materials, textiles and clothing, footwear, steel products, electronic goods, and some good products. For many products, nontariff restrictions have become more important than tariffs in the United States and other major industrialized countries.

In GATT negotiations, efforts have been made to design acceptable rules governing conditions for the use of nontariff restrictions on trade. But it has proven difficult to define the circumstances in which protection should be used.

UNIT 3. INVESTMENT AND POLICY

Task 1. Read and translate the text.

INVESTMENT AND POLICY

"Dollar Diplomacy" favored American investments in parts of the world that had a strategic interest for American policy-makers.

Not surprisingly, the American business presence has received a mixed welcome in the rest of the world. Many people – especially those who are critical of United States foreign policy see American business activities as an extention of its diplomacy. Critics charge American firms with using their economic power to influence foreign governments into adopting policies that serve United States political and economic interests rather than local interests.

On the other hand, many people in other countries have welcomed investment by American firms as a means of raising their own standards of living. Foreign investments, whether by American firms or by companies from other nations, help the spread new technology and promote economic growth on a worldwide scale. By investing abroad, American businesses have provided many new jobs and new products for people who lacked access to the benefits of modern industrial society. They have opened up new avenues for advancement and new outlets for the ideas and energies of millions of people.

By injecting new capital into other countries, American investors are doing what British, French and other European investors did for the United States in the last century. They are improving the local economy and setting in motion powerful forces – economic forces that transcend the immediate goals of investors and policymakers. Once in motion, such forces take on a life of their own. Their ultimate effect is completely unpredictable.

Indeed, some Americans are concerned by the thought that, in investing abroad, American businesses are merely building up the competition that industries in the United States must face. They note that American government policies after World War II fostered the economic resurgence of Japan. American business firms helped out by sharing technology and by sending experts to Japan to teach such practices as quality control – practices that the Japanese have since carried to new and profitable heights.

American industries have had to face mounting competition from producers in the rest of the world in recent years. The competitiveness of the worldwide economy can be expected to intensify in the years ahead.

Task 2. Answer the following questions:

1. Why has American business presence received a mixed welcome in the rest of the world?
2. How do foreign countries benefit from American investment?
3. What is the relation between investment and competition?
4. How did American business help Japan after World War II?
5. Why can competitiveness of the worldwide economy be expected to intensity in the future?

Task 3. Complete the following passage, using suitable words from the list below:

agreement	compromise	concession
counter-proposal (s)	deal	shareholding
inflexible	investment	pull out
negotiate	dead lock	withdraw
stalemate	equity	

Many countries, such as Nigeria and India, are trying the get more control over their economies. They welcome foreign … (1) but insist that their own nationals own a percentage of the foreign company's … (2). The size of the … (3) varies, ranging from 20% to 60%, though it can be higher or lower.

When governments try to increase their nationals' equity shareholding, foreign companies are not pleased. Generally, their try … (4) with the government to keep the percentage as low as possible. They argue and haggle, make proposals and … (5), to persuade the governments to give way and make some kind of … (6). If the foreign company employs many local people, or earns a lot of foreign currency, the government may be willing to … (7).

Some governments are very … (8) and will make no concessions. In this case, the negotiations end in a … (9), with neither side giving way. The foreign company ends up by … (10) from the country. This usually leads to feelings of great bitterness on both sides. No company wants to leave a country. In general, the foreign firm will make every effort to reach … (11) or make some sort of … (12) with the host government.

Task 4. Discussion.

1. Do you think a government should encourage or discourage foreign investment?
2. Does a country lose its independence if foreign capital largely invests in its economy?
3. Should enterprises with foreign investment be granted privileges?

Task 5. Read the text and explain:

a) how money supply affects the amount of employment;
b) the difference between monetary and fiscal policy.

MONEY AND THE ECONOMY

The quantity of money in a country affects the level of prices, the rate of economic growth, and therefore the amount of employment. If the money supply increases, people have extra money to buy things, and their demand for products grows. In response to the growing demand, manufactures hire more workers to increase output. Earnings rise and spending increases, leading to further economic growth. However, if output cannot keep pace with demand, prices will increase. A continuing rise in prices is called *inflation*. Inflation may cause problems for people whose income does not keep pace with rising prices.

If the money supply shrinks, people have less to spend. Goods and services remain unsold. Prices fall. Manufacturers cut back on production, and many businesses lay off workers.

The main economic goals of nearly all nations are to promote economic growth and high employment with a minimum increase in prices. A government's chief methods of promoting these goals are by its *monetary policy* and its *fiscal policy*. Monetary policy refers to how a government manages the nation's money supply. Fiscal policy refers to a government's taxing and spending programs. To stimulate the economy, a government may increase the money supply, reduce taxes, or boost its own spending.

The value of money is defined by economists as the quantity of goods and services that the money will buy. If prices go up or down, the value of money also changes. A major aim of any government's monetary policy is to keep prices stable and thus preserve the value of money, also called its *purchasing power*. Today, people worry most about inflation, which lowers the value of money. If prices double, for example, a dollar buys only half as much as before, and so the value of money has dropped one-half. You sometimes read or hear such a statement as "A dollar today is worth 42 cents". That statement means a dollar today buys only as much as 42 cents bought at an earlier time. The earlier time chosen for comparison is called the base period. Another way of describing the same price rise is to say that prices have risen 138 per cent since the base period. The rate of inflation is the rate at which the value of money is falling. The rate of inflation is the rate at which prices in general are rising and the rate at which the value of money is falling. Rapid, uncontrolled inflation can severely damage a country's economy. Inflation has many causes. But in most cases, prices cannot continue to rise without increases in the quantity of money. There never has been severe inflation without a large extension of a nation's money supply.

UNIT 4. CHEQUES

Task 1. Read and translate the text.

THE CHEQUE CLEARING SYSTEM

In Britain a cheque may be drawn anywhere without being taken to a bank. It may be given to the payee either directly or sent by post. No signature of a bank official is needed. The payee sends or takes the cheque to his bank which credits the amount to his account and sends the cheque to be presented to the drawer's bank through the clearing system. The payee's bank also prints the amount of the cheque in magnetic ink at the bottom.

The clearing system is operated by the Clearing. House in London, of which the high street banks are members. Every day the clearing house clears millions of pounds' worth of cheques. Each cheque is fed into a machine which reads the numbers printed in magnetic ink along the bottom. The Clearing House adds up the total amount each bank owes to each other bank and reconciles the difference in the banks' accounts with the Bank of England (the central bank of the UK). The cheque is then sent to the drawer's bank which debits the drawer's account. This process from the time when the payee pays the cheque into his (her) bank until the cheque is debited to the drawer's bank account, takes three days.

Payment by some form of non-cash instrument, such as cheques, is so common in the UK that only 8 per cent of the total money supply is in the form of notes and coins. People normally use cash only for small purchases so the banks do not have to keep much cash in circulation.

Sometimes the drawer's bank may decide not to honour a cheque. It may be because there is not enough money in the drawer's account or the cheque may be incorrectly written. In such cases the drawer's bank returns the cheque to the payee's bank marked with the words "Refer to drawer".

Task 2. Match each of the banking verbs on the left with the correct explanation on the right:

credit	pass a cheque through the clearing system
debit	write a cheque
honour	make two accounts agree
present	change an account
draw	move round the country
clear	draw two liner down the midi of a cheque
cross	add money into an decant
reconcile	show and ask for payment
adjust	pay
circulate	subtract money from an account

Task 3. Complete the passage supplying one word or phrase: *sort code, cheque, limit, guarantees, signature, bank, number.*

If customers want to pay for goods or services by cheque, they can use their card to guarantee their cheques. In a shop the salesperson will ask to see the … card or cheque guarantee card. The salesperson will write down the … of the customer's bank card on the back of the … In this way the customer's bank … payment up to 50 or 100 dollars … The salesperson also makes sure that the customer's … on the cheque is the same as the signature on the bank card. The … of the bank is also on the bank card. This number and the name of the bank should be the same as on the …

Task 4. Choose the correct alternative to complete each sentence:

1. A cheque is simply an order to your bank to pay money (from, in, within, out of) your account (for, to, in favor of, at) someone else.
2. A customer can pay (with, by, in, for) cheque for goods or services.
3. With a bank card, the customer's bank guarantees payment (down to, up to, along with, over) a limit.
4. When an account holder pays a cheque (for, into, in, within) her bank, the bank credits the amount of the cheque (in, by, for, to) her accounts and sends the cheque to be presented (at, to, towards, over) drawer's bank.
5. In Britain the clearing system is operated (in, with, for, by) the Clearing House in London.
6. The Clearing House adds up the total each bank owes to each other bank and reconciles the difference (in, for, by, of) the bank's accounts (at, on, by, with) the Bank of England.
7. This process, from the time when the payee pays the cheque (at, inside, by, into) her bank until the cheque is debited (at, to in, by) the drawer's bank account, takes three days.
8. Payment (under, with, in, by) some form of non-cash instrument, such as cheques is very common in the UK.

Task 5. Complete a phone conversation between Mr. Symonds and his bank:

Clerk: London Lombard. May I help you?

Symonds: Yes, I have an account with you and I have just … a cheque to pay for a second-hand car. The engine has fallen out and I want my … .

Clerk: If you give me the … of the cheque, I can put a stop on it for you, sir.

Symonds: What do you mean?

Clerk: It's a simple matter, sir. If you want to … payment, you tell us and we refuse to pay the cheque when it is presented.

Symonds: So how can I stop my cheque?

Clerk: First, give me … .

Symonds: Yes, it is zero two one, four nine eight.

Clerk: And your account member?

Symonds: Fifteen thirty two, nineteen eighty four.

Clerk: And who was the cheque made out to?

Symonds: The … was John Gardener.

Clerk: Thank you. I also need to know … of the cheque.

Symonds: It was the 18th of June.

Clerk: Fine, you leave it to us, sir. We will … on the payment.

Symonds: Thank you. Good bye.

Task 6. Make two-word phrases:

debit	machine
cheque	information
bank	terminal
video	fee
cash	screen
account	balance
identification	statement
enquiry	number
membership	card
teller	account
credit	dispenser
charge	book
fund	holder

Task 7. Choose the best verb to complete each sentence:

The bank is (charging, providing, giving, requesting) a minimum rate of 8 per cent for the loan.
1. They wrote to the bank asking it (to provide, sell, make, offer) a credit of 10,000 dollars for one year.
2. Banks (have, give, make, offer) available various means of payment.
3. You can (obtain, become, dispense, grab) cash at any time of the day or night.
4. Some cash machines (give, make, reveal, sell) information about accounts.
5. Banks (maintain, hold, keep, guard) secret all information about their customers.
6. They (paid, awarded, gave, credited) the money to his wife’s account.
7. Nowadays it’s easier (to refund, draw, take, remove) money from your account than to pay money in.
8. She (deposited, paid, put, placed) the cheques in her account.

UNIT 5. CREDIT CARDS

Task 1. Read and translate the text.

CREDIT CARDS

When you buy something you show your credit card to the seller. The seller takes the details of your card: the number, the credit limit and the expiry date. You sign the seller’s voucher which he uses to collect payment from the credit card company. For this service the retailer pays a fee (around 4 per cent of the value of the transaction). Each month the credit card company sends the cardholder an account which lists that month’s transactions and interest charges.

The advantage of credit cards to the customer are convenience and security. They are convenient because it is possible to buy an air ticket over the telephone by giving the number of your credit card to the travel agent. You don’t have to carry so much cash around so you run less risk of being robbed or mugged. Also if your card is lost or stolen your account cannot be used by another person provided that you report the loss immediately. Another advantage with some cards is that, if you pay your account in full each month, you pay no interest. In effect you have a continuous interest-free loan.

The advantage of credit cards to retailers is that, by making credit easily available, sales can be increased, and because no money changes hands they have added security because there is less cash on the premises. On the other hand, because of the 4 per cent fee the retailer faces increased costs charged by the credit card company. This cost is added to the prices of goods. There is also an administration cost because retailers have to keep records, total up sales vouchers and pay them into their banks.

The cardholder signs three copies of each voucher – one for himself, one for the retailer and one for the bank. The bank credits the retailer's account for the value of the vouchers, debits its credit card company account and sends the vouchers to the credit card company. The system varies from bank to bank. Some banks debit the commission due on the value of the vouchers to the trader's account.

When the credit card company receives the vouchers it pays the banks through the clearing system the value of each retailer's total sales minus the commission. At the same time it debits the cardholders' accounts and sends them a statement each month.

The number of lost and stolen cards are put into a computer network which lists all lost credit cards. These lists are constantly updated and shopkeepers and other retailers on the network can quickly check if a credit card presented by a customer has been stolen or lost, by passing the card through their computer terminal.

Task 2. Match words from the left-hand column with words from the right-hand column:

card	terminal
interest	date
credit	limit
expiry	network
travel	cost
air	holder
computer	charges
administration	agent
	ticket

Task 3. Match the expressions on the left with the words of the same meaning on the right:

loan	provide
money	purpose
fee	ATM
buy	retailer
shopkeeper	place of business
bank card	cheque card
cash machine	purchase
use	charge
supply	cash
premises	credit

Task 4. Match the words on the left with the words of opposite meaning on the right:

sale	supplier
debit	disadvantage
reduce	withdraw
deposit	cost
advantage	credit
price	increase
customer	purchase

Task 5. Put the following sentences in the right order:

1. At the end of the month the credit card company sends a statement of account to the cardholder.
2. Cardholder pays by cheque or lets debt grow.
3. Bank credits the retailer's account for the value of the vouchers and debits the commission.
4. Retailer completes voucher.
5. Bank sends vouchers to the credit card company.
6. Retailer sends vouchers to his bank.
7. Credit card company pays bank minus commission.
8. Retailer checks that the signature on voucher is the same as that on the credit card.
9. Customer hands in credit card.
10. Credit card company debits cardholder's account.
11. Customer signs voucher and takes goods.
12. Retailer checks card in computer terminal to check the card has not been reported lost or stolen.

Task 6. Complete the sentences using the correct verb: *authorize, check, collect, confirm, encode, guarantee, report, swipe, select, transfer.*

1. The retailer … the card through a card reader at a terminal.
2. The information is … before being sent via the telephone system the ensure its security.
3. The Central Switch … the right bank.
4. After being paid by credit card the retailer has to … payment from the credit card company.
5. The different systems have to … payment to the seller.
6. The cardholder's bank's computer … the information it receives.
7. If everything is acceptable the computer … payment to the Central Switch.
8. The display on the terminal … payment.
9. A cardholder should … the loss of a card to the company immediately.
10. The manager of my bank has been … to another branch.

Task 7. Match the adjectives on the left with nouns on the right:

Adjectives	*Nouns*
magnetic	teller
plastic	processor
interest-free	strip
automatic	loan
central	money

Task 8. Discussion.

1. Some people argue that credit cards make it too easy for people to get into debt which they can't afford. Should a bank limit whom they issue credit cards to?
2. The cost of credit cards is added to the price of goods. This means that customers who pay cash subsidize those who do use credit cards for interest-free credit. Is this fair? If not, what can be done about it?
3. Getting money from a cash dispenser is risky. Someone might see you and rob you. How can banks give protection to customers using their cash machines at night?
4. It can be very risky to rely on plastic money: if you lose your cards you lose everything. In the UK 5,000 cards are lost or stolen each day. How can banks minimize the loses through stolen cards?

UNIT 6. DIRECT DEBITS

Task 1. Read and translate the text.

DIRECT DEBITS

Another way of making regular payments is to authorize the creditor to draw the money by direct debit – a system which was introduced in the UK a few years ago. The account holder completes a debit direct instruction and sends it to the payee.

The advantages of direct debit are mainly to the creditor (payee) rather than to the account holder. Firstly, it is cheaper to operate. So large organizations such as a telephone company which have to draw regular payments from thousands of people, can reduce their billing costs considerably. From their point of view, if they can direct debit all their customers through the banking system each month it becomes much cheaper administratively than receiving payments by standing order. It is certainly much cheaper than sending each customer a bill each month and waiting to receive payment.

Another advantage is that the creditor can vary the date of the direct debit, which can help its cash flow position, and also the amount to be debited where this is subject to variation.

If the payer disagrees with a direct debit he can simply instruct his bank to stop the payment. Then he has to settle the disagreement with the creditor.

Companies which operate direct debit billing, such as British Telecom, say that the reduction in costs adds to their efficiency and they can pass on this increased efficiency to their customers in the form of lower charges. But there is some doubt about this because it is widely felt that it is the shareholders of the company who benefit, not the consumers.

There have also been complaints about direct debiting of National Insurance, if an excess amount has been debited the payer cannot get the money back until after the end of the year.

Task 2. How are the following ideas expressed in the text?

1. An order telling an organization to draw money from your bank account.
2. The organization drawing money by direct debit.
3. The expense of obtaining payments from customers.
4. Give permission.

5. The amount of money held at any one time.
6. Person or organization to whom money is owed.
7. More output for less effort or cost.
8. People or institutions who have invested money in a company.
9. A person or organization which remains a customer over a long period.
10. The UK social security fund.
11. An overpayment.

Task 3. Use the verbs to complete the sentences: *quote, settle, trace, make out, instruct, complete, authorize, operate, draw, originate, accept, vary*.

1. The other countries hoped that the disagreements between the two sides in the war could be … in Geneva.
2. His statement showed that he had … 150 dollars from his account in July.
3. For standing orders and direct debits the customer has to … forms provided by the bank.
4. Direct debiting is a system by which the payee (or creditor) … each payment.
5. The account holder has to … the bank to … the system.
6. The amount to be paid and the date of payment can be … slightly by the payee.
7. When writing to their banks, customers should … the account number or the reference number of the direct debit.
8. We … you to pay direct debits from our account at the request of the gas company.
9. The bank may refuse to … direct debits from some types of account.
10. The bank was unable to … an earlier payment.

Task 4. Are the following statements true or false according to the text?

1. The direct debit method is used to pay bills of all kinds.
2. The main advantage of direct debit is that it is more economical to operate.
3. The suppliers can vary the amount to be paid as much as they want.
4. The suppliers can vary the date in each month when the payment is carried out.
5. Direct debit payments are carried out automatically by the banks each month.
6. Each payment has to be authorized by the account holder.
7. The consumer cannot stop a direct debit payment.
8. The consumer always gets the advantage of the lower operating costs of direct debiting.
9. Direct debiting enables large companies to be more efficient.
10. The lower cost of direct debit billing is passed on to the consumer in the form of lower prices.

UNIT 7. INTERNATIONAL TRANSFERS

Task 1. Read and translate the text.

INTERNATIONAL TRANSFERS

There are four types of international transfer which are available to personal account customers – telegraphic transfers, banker's drafts, instant cash transfers and mail transfers. Instant cash transfers are only possible when the sending bank has computer links with the receiving bank. The main transfer is almost as quick because banks now use Society for Worldwide Interbank Financial Telecommunications (SWIFT) services. Where possible, they put a large number of smaller remittances on to one SWIFT transmission.

In the past, telegraphic transfers were the fastest method of sending money from one country to another – and the most expensive. If the sending and receiving banks are correspondent banks and have accounts with each other it is a simple matter for them to adjust these accounts. Otherwise another bank which is a correspondent has to be used, which can act as an intermediary between the remitting and receiving banks.

A cheaper but slower way of sending money is for the customer to buy a banker's draft and post it to the person or bank at the other end. A banker's draft is simply a cheque issued by a bank drawn on itself or on a correspondent bank in another country. It is better that a personal cheque because it has the backing of the issuing bank. Also it can be made out to pay a named account at a specific bank to give it absolute security.

The Royal Bank of Scotland and the Bank of Santander have led the way in linking themselves to each other by computer. This enables them to offer instant cash transfers between the UK and Spain.

Task 2. Answer the questions:

1. What are the main types of international transfer which are available to personal account customers?
2. What is a banker's draft?
3. How many reasons can you think of for needing to transfer a large sum from one country to another?
4. What is the charge for standing order transfer?
5. What is the relationship between Royal Bank of Scotland and the Banco Santander?

Task 3. Use suitable expressions to complete the text:

banker's drafts	backing	telegraphic transfers
issued	intermediaries	instant cash transfer
remitting	transfer	correspondent

International … of money can be carried out by … banks which have accounts with each other. A bank sending a … debits the account which it keeps of the receiving bank. The receiving bank credits the account it keeps of the … bank. If the customer wants to send the transfer to a bank which is not a … of the sending bank, other banks have to be used as… .

… are as good as money because they have the … of a bank. They can be exchanged by banks which have accounts with each other and eventually presented to the bank which originally … the draft.

The method of remitting money internationally which involves the least work is the … which is only possible between banks which are linked by computer.

Task 4. Match the phrases on the left with the expressions of equivalent meaning on the right:

fastest method	joining up
from one country to another	pioneered
sending	complete safety
act as an intermediary between	mail
post	security
the backing	internationally
absolute security	represent
led the way in	quickest method
linking themselves to each other	remitting

Task 5. Supply the missing words to complete the following sentences:

1. Instant … transfer can be made any time.
2. You can transfer … across international boundaries.
3. You may … your funds in this account.
4. You can … money from one country to another.
5. Use the account paying the … rate.
6. Your bank card will enable staff to … your transfer.
7. Payment are automatically … into local currency.
8. You may overdraw your account to an agreed … .
9. All transactions are … to British law.
10. For … information, contact London Lombard Bank.

Task 6. Match the words or phrases on the left with those of opposite meaning on the right:

free banking	saving
deposits	drawer
debit	withdrawals
payee	credit
spending	bank charges

UNIT 8. HOME BANKING

Task 1. Read and translate the text.

HOME BANKING

Home banks (sometime called remote banking) depends on electronics and a good telephone system.

The most common form of remote banking is by simple use of the telephone. Customers can telephone their banks and ask for various transactions to be carried out. Examples are: transferring money from one account to another, cancelling a standing order and stopping a cheque. Sometimes the bank asks for confirmation in writing but carries out the transaction immediately.

Some banks have made it possible for their customers to carry out certain transactions over the telephone, by talking to a computer which understands spoken words.

But the method of remote banking which has attracted most attention recently uses a television screen or computer monitor so that the account holder can actually see a statement of account at home. To use a TV screen one needs a special adapter which has a keyboard and connector to the television and telephone socket. When using a computer one needs a modem which effectively allows your computer to talk to the bank's computer via the telephone wires.

It is possible to call up details of standing orders, direct debits and statements of account over the previous three months. Also you can order new cheque books and printed statements, while one bank even allows you to open a new account. With TV or personal computer banking, the customer has to use a PIN numbers.

Task 2. Write down 3–5 questions about the text.

Task 3. Complete the sentences below:

1. Home banking depends on … .
2. The most common form of remote banking is … .
3. The method of remote banking uses … .
4. When using a computer one needs … .
5. It is possible to call up … .

Task 4. Complete the sentences, using the best choice of words:

1. When using your computer for home banking you should (take, bring, make) into account the increased cost of your telephone bill.
2. Banks have spent a lot of money (with, in, on) small business advice departments.
3. They (set up, made up, fixed up) a new company in Liverpool.
4. Another firm will carry (out, over, with) the construction.
5. The project (depends, depends to, depends on) whether we can get a license to build a factory.
6. The manager decided to talk (over, to, by) the customers himself.
7. The clerk called (over, up, on) the customer's account at the terminal.
8. They worked very hard and (built up, constructed, formed) their business in ten years.

Task 5. Give words which mean the opposite of:

closing	different	former
joint	assets	private
offer	few	borrow

Task 6. Sum up the contents of the text.

Task 7. Divide into two groups and have a debate on the pros and cons of remote banking. Use the arguments listed below but add your own.

For	*Against*
1. I don't like the staff at my branch.	1. I like calling in at my bank.
2. I have moved away from the area where my bank is and it's difficult to move my account to another branch.	2. I feel it's important to maintain personal contact with the people at the bank.
3. There are always long queues at my bank.	3. People who can't be bothered to go to their bank are just lazy.
4. I haven't enough time to call at my bank.	4. It's important to get more exercise walking to the bank.
5. My work keeps me too busy to afford the time to visit my bank.	5. It's isolating, sitting at home in front of the computer all the time. We all need human contact.
6. My bank is a long way from where I live.	6. We should not become so dependent on computers. What if there's a power failure?
7. The staff at my branch are slow and inefficient, and I can deal with my enquiries much more quickly using home banking.	7. The world is becoming less and less human. Soon the only contact we will have with other people will be via computers.
8. If I want something special, such as a loan, I can go to the bank. But for normal transactions it's more convenient to do it throught my computer.	8. With remote banking you can only deal with standard banking requirements such as standing orders, enquiring about your balance, transferring money from one account to another.
9. We have to move with the times. If we don't do home banking we will just become out of date.	9. There are a lot of things you can only do through face-to-face contact and banking is one of them. For example: a mistake in one's account, insurance, tax advice, investment advice.
10. I've got better things to do with my time than spending it getting to the bank.	10. I've fallen in love with someone in the bank. If I did all my banking through computers, this would never have happened.

Task 8. Prepare a short talk on methods of remote banking.

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