

PROFESSIONAL DISCOURSE IN ECONOMICS

**Elena Kleimenova
Lubov Kulik
Tatiana Artemenko**



**Moscow
2018**

Клейменова Е. П., Кулик Л. В., Артеменко Т. В. Professional Discourse in Economics. — М.: ТЕИС, 2018. — 136 с.

ISBN 978-5-7218-

Учебное пособие *Professional Discourse in Economics* предназначено для бакалавров и магистров экономических специальностей, владеющих английским языком на уровне Upper-intermediate/Advanced. Целью пособия является дальнейшее развитие и совершенствование навыков профессионального общения, заложенных в первой части учебно-методического комплекса *English for Senior Students of Economics*.

В настоящем пособии предлагается инновационный подход к работе со специальной лексикой, которая организуется вокруг базовых концептов, представляющих ядро определенной области экономики. Комплекс заданий к каждому тексту направлен на развитие навыков как устной, так и письменной речи, необходимых будущему экономисту для критического анализа и интерпретации экономического дискурса, а также для участия в дебатах и панельных дискуссиях. В качестве учебного материала используются новейшие аутентичные медиа-ресурсы и тексты по актуальным макроэкономическим проблемам.

Пособие включает четыре Приложения: Glossary, в котором представлены наиболее частотные для современного экономического дискурса словосочетания с переводом; Signposting Language, включающий в себя функционально организованный список речевых оборотов, необходимых и достаточных для эффективной академической коммуникации; Basic Terminology Guide, в котором предлагаются толкования основополагающих концептов макроэкономики, рассматриваемых в рамках представленных текстов. В разделе Abstracts приводятся образцы аннотаций, наиболее типичные для современного формата научных публикаций.

К Пособию прилагается CD с записью материалов различных международных экономических форумов, отражающих жанровое многообразие профессиональной коммуникации.



*Нашим Учителям —
профессорам филологического факультета МГУ
посвящается*

CONTENTS

Unit 1. Developments in the Global Economy and Financial Markets	7
Task 1. Reading to identify the main aspects	8
Task 2. Building Vocabulary	9
Task 3. Critical Thinking	10
<i>Signposting Language</i>	10
Task 4. Video: commentary and analysis “ <i>IMF says: Uneven Global Growth Disappoints</i> ”	12
<i>Spoken Punctuation</i>	12
Unit 2. The Global Economy: Shifting Growth Contributions	13
Task 1. Reading to identify the main aspects	14
Task 2. Building Vocabulary	16
Task 3. Critical Thinking	16
Task 4. Video: commentary and analysis “ <i>IMF says: Global Growth Patterns are Shifting</i> ”	17
Task 5. Reading to identify the specific aspects	18
<i>Box 1. Russia: weathering the storm</i>	18
Task 6. Rendering the text	20
<i>Box 2. Последние тенденции экономического развития:</i> <i>преодоление трудностей</i>	20
Task 7. Critical thinking	21
<i>Box 3. Russia: searching for a way out of recession</i>	21
Task 8. Video: commentary and analysis “ <i>IMF says: a Stronger but Uneven Global Recovery</i> ”	22
<i>Hedging Language</i>	22
Task 9. Vocabulary Check-Up	24
Unit 3. Global Impact and Challenges of Unconventional Monetary Policies	25
Task 1. Reading to identify the main aspects	26
Task 2. Building Vocabulary	27
Task 3. Video: commentary and analysis “ <i>IMF warns of New Risks to Financial Stability</i> ”	28
Task 4. Critical thinking	29
Task 5. Reading to identify the specific aspects	29
<i>Box 4. Policies for more robust and sustainable growth</i>	29
Task 6. Vocabulary check-up	30
Unit 4. Lagarde: Monetary Policies Have Bought Time – Use It Wisely	31
Task 1. Reading to identify the main aspects	32
Task 2. Building Vocabulary	35
<i>Reporting verbs and nouns</i>	35
Task 3. Mastering the arte of quoting	37
Task 4. Critical thinking	38
Task 5. Vocabulary check-up	39
Unit 5. Monetary Policy in Developing Countries: The Way Forward	41
Task 1. Reading to identify the main aspects	42
Task 2. Building Vocabulary	44
Task 3. Critical Thinking	44

Task 4. Video: commentary and analysis “Four Factors Shaping the Global Economy”	45
Task 5. Reading to identify the specific aspects	46
<i>Box 5. Policies to fix three global challenges</i>	46
Task 6. Video: commentary and analysis “IMF Warns of Threats to Financial Stability”	48
Task 7. Reading to identify the specific aspects	49
<i>Box 6. China can manage transition</i>	49
Task 8. Vocabulary check-up	50
Unit 6. World Economy Needs Smart Fiscal Policies	51
Task 1. Reading to identify the main aspects	52
Task 2. Building Vocabulary	54
Task 3. Critical Thinking	55
Task 4. Reading to identify the specific aspects	55
<i>Box 7. The Need to Address Fiscal Pressures</i>	55
<i>Box 8. Решение бюджетных проблем</i>	56
Task 5. Critical thinking	57
Task 6. Vocabulary Check-Up	58
Unit 7. Strong and Equitable Growth: Fiscal Policy Can Make a Difference	59
Task 1. Reading to identify the main aspects	60
Task 2. Building Vocabulary	62
Task 3. Critical Thinking	63
Task 4. Vocabulary Check-Up	64
Unit 8. Imagine What Fiscal Policy Can Do For Innovation	65
Task 1. Reading to identify the main aspects	66
Task 2. Building Vocabulary	69
Task 3. Critical Thinking	70
Task 4. Video: commentary and analysis “Davos 2017: Maintaining Innovations”	71
Task 5. Critical thinking - Video	72
Task 6. Reading to identify the specific aspects	78
<i>Box 9. Russia explores the new digital frontier</i>	78
<i>Box 10. Переход России к цифровой экономике</i>	80
Task 7. Critical thinking	81
Task 8. Vocabulary Check-Up	81
Unit 9. Growth Is Key to Job Creation	82
Task 1. Reading to identify the main aspects	84
Task 2. Building Vocabulary	86
Task 3. Critical Thinking	86
Task 4. Reading to identify the specific aspects	87
<i>Box 11. Tackling Non-Inclusive Growth</i>	87
<i>Box 12. The economy should serve society</i>	89
Task 5. Critical thinking	90
Task 6. Video: commentary and analysis “Inclusive Growth and the Social Market Economy”	91
Task 7. Critical thinking	92
Task 8. Vocabulary Check-Up	92

Unit 10. Structural Reforms Are Key to Sustained Growth	93
Task 1. Reading to identify the main aspects.....	94
Task 2. Building Vocabulary.....	96
Task 3. Critical Thinking	97
<i>Box 13.</i> IMF favors three structural reforms in India	98
Video “ <i>China’s economy under five years of structural reforms</i> ”	98
Task 4. The Art of Panel Discussion.....	100
Video: commentary and analysis	100
Video 1: How to Moderate a Panel Discussion: Definition of a Panel	100
Video 2: How to Moderate a Panel Discussion: Moderator’s Role.....	100
Video 3: Panel Discussion – Digital Transformation.....	101
<i>Ideas for Debates and Panel Discussions</i>	104
Supplement I. Glossary	107
Supplement II. Signposting Language	113
Supplement III. Basic Terminology Guide.....	119
Supplement IV. Abstracts. Samples	131

Unit 1

Developments

in the global economy

and financial markets

UNIT 1 Developments in the Global Economy and Financial Markets

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

debt ceiling extension
set the stage for normalization of monetary policy (MP)
reduce tail risks
substantial improvements in market confidence
abating deflationary pressures
to experience several bouts of volatility
legacy of the crisis
orderly exit from unconventional monetary policy
shadow banking system
repair of bank and corporate balance sheets
expose vulnerabilities
rapid building of leverage
balance sheet mismatches

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the key terms in bold type. Discuss how crucial they are in global and Russia's environment.

Developments in the Global Economy and Financial Markets

1. As 2014 drew to an end, the world economy was gradually turning the corner of the Great Recession. The recovery was gaining momentum and global financial stability was improving. Yet growth remained too slow and too weak for comfort, and millions of people were still out of jobs. Rising geopolitical risks had injected new concerns.
2. Policy actions in 2014 helped stabilize the global economy. The United States has adopted a budget and debt ceiling extension, and a strengthening economy has set the stage for normalization of monetary policy. These steps removed important uncertainties that were clouding the outlook. In Europe, greatly reduced tail risks due to the implementation of policies at the national

and regional levels and the return of growth in almost all countries led to substantial improvements in market confidence in both sovereigns and banks. In Japan, **Abenomics** was making a good start as deflationary pressures were abating and confidence was rising. And emerging market economies, after having experienced several bouts of volatility, were adjusting policies in the right direction.

3. Yet global financial stability was facing new challenges, even as the legacy of the crisis was receding. *The United States needed to ensure an orderly exit from unconventional monetary policy and to contain emerging vulnerabilities in the shadow banking system.* In the euro area, high unemployment and incomplete repair of bank and corporate balance sheets continued to be a drag on the recovery. And in emerging market economies, tighter external financial conditions could expose vulnerabilities from rapid buildup of **leverage** and balance sheet mismatches and precipitate financial instability. As such, the recovery remained modest and fragile.

©IMF Annual Report

TASK 2 Building Vocabulary

- 1 In the Text underline English equivalents for the following word-combinations.

Набирать обороты; предельно допустимая величина долга; создавать условия для нормализации монетарной политики; устранять факторы неопределенности; снижать риски возникновения критических ситуаций; значительное укрепление доверия к рынку; снижающееся дефляционное давление; последствия кризиса; упорядоченный процесс; отказ от нетрадиционных мер монетарной политики; теневая банковская система; незавершенное восстановление балансов банков и предприятий; выявлять проблемные места; быстрое наращивание доли заемных средств; диспропорции в банковских балансах.

- 2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

To turn the corner of the Great Recession; to inject new concerns; to remove uncertainties; to cloud the outlook; to adjust policies; to contain emerging vulnerabilities; to be a drag on the recovery; tighter external financial conditions; to precipitate financial instability; modest and fragile recovery.

- 3 Consult special dictionaries for most frequently used phrases with Core Concepts. Make up a list of them and provide their Russian variants.

TASK 3 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

debt ceiling

monetary policy

market confidence

crisis

bank

leverage

- 2 Interpret the passages in *italics* in the Text paying better attention to small details. Using the *Signposting Language* below, provide your line of reasoning.
- 3 Evaluate the strengths and weaknesses of the major line of reasoning and supporting evidence.

Signposting Language

Function	Structuring the line of reasoning
Introducing the line of reasoning	
1. Introducing the issue	<i>First of all I will start by...; The basic issue is...; Our first main goal is to...; As you'll see, the problem here is...; Overall, what do we think about...?</i>
Developing the line of reasoning	
2. Indicating sequence or order	<i>It's useful to begin by looking at...; Let's take these explanations in turn & look at them one at a time...; Here is the first problem...; First, we are going to focus on.../to think about...; A final issue is that...;</i>
3. Developing, supporting and emphasising the viewpoint	<i>Clearly..., Remember...; More specifically...; In other words; For one thing ... for another; That is to say; But the real problem lies with...; Let me try & explain the main reasons why...; Let's get a little more concrete about...; But here is my key point...; Let me give you a couple of reasons why I think...; I also want to emphasize that...;</i>
4. Presenting various viewpoints	<i>Similarly; In the same way; Conversely; Besides; At the same time...; To put it differently...; To put this point another way...; But the studies also show that...; It's worth noting that...; Others argue that...; it might be argued that...; There's also controversy over whether... ; Recent studies show that...;</i>

5. Providing examples and explanations	<i>For example, imagine...; We have a vivid example of this in recent years...; A classic example of this would be... ; Let me give you one last example...; Those are examples of what we call...; The figures clearly show that...; To give you sense of how it works, let me describe...;</i>
6. Referencing	<i>As we noticed/ discussed earlier...; In one study...; According to the latest research...; As I pointed out earlier...; Let me quote to you from a well-known current economist...; There's a number of studies by ... which tend to show that...; OK, let's just go back a step, and remind ourselves about...;</i>
7. Indicating a transition	<i>Further...; Now we're going to talk about...; What I want to do is look at...; The discussion shifts to...; Now, let's shift over & look at...; Let's now switch over & think about the idea of...</i>
8. Recapping/ Summing up	<i>After all...; More broadly...; Overall...; Hence; As a result; Let's just recap on...; Again, I repeat...; Let's remember that...; To give a quick overview...; So, where are we now? My basic lesson here, by giving numerical examples, is that...; This indicates...; This suggests that...</i>
9. Concluding	<i>Ultimately...; Finally...; A final issue is that...; The real point I want to leave you with here is that...; From this we can infer that...; Thus we can see...;</i>

- 4 Formulate the thesis of the Text in ONE sentence. Compare your sentence with those of your peers. Choose the one that covers the essentials of the Text.
- 5 Develop the thesis and summarize the essence of the Text. Make your summary coherent by a sparing use of connectors.

TASK 4 Video: commentary and analysis

Spoken Punctuation

- Spoken punctuation is the best technique used by all effective speakers. It includes:
- stress to emphasize key words/phrases
 - falling intonation to show the end of a phrase
 - pausing before and after important words and ideas

IMF Says: Uneven Global Growth Disappoints

Content words: *job-creating growth; economic recovery; unemployment; inflation; investment.*

- 1 Using the content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video paying attention to the techniques of spoken punctuation. Mark these techniques in the script.
- 3 Contextualize the Content words to briefly overview the ongoing economic processes.
- 4 Watch the video again and select information necessary to complete the Table.

Essential background information	
Key arguments	
Supporting arguments	1 2 3

- 5 Drawing on the information selected, formulate and present the baseline scenario for advanced economies' growth and evidence of stagnation. Use the techniques of *Spoken Punctuation*.

Unit 2

The Global Economy:
shifting growth contributions

UNIT 2 The Global Economy: Shifting Growth Contributions

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

growth contributions
drivers of growth
implement a common fiscal backstop
surge in activity
supportive monetary conditions
tighter external financial conditions
monetary easing through unconventional measures
sustain **quantitative easing**
rising corporate leverage
heightened market **volatility**
a less forgiving external financial climate
preempt the risk of contagion
lingering risks
systemic **liquidity** mismatches

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the key terms in bold type. Discuss how crucial they are in global and Russia's environment.

The Global Economy: Shifting Growth Contributions

1. Global activity strengthened in 2013, largely due to improvements in advanced economies. The pace of global activity picked up in the second half of 2013 to 3% percent at an annual rate. The drivers of growth continued to shift, with advanced economies accounting for much of this uptick. Emerging market and developing economies continued to contribute more than two-thirds of global growth, even if at a slower pace than in the past.
2. In advanced economies, activity picked up but at varying speeds. Growth was strongest in the United States, supported by robust private demand and easing financial conditions, setting the

stage for normalization of monetary policy. Even so, putting in place a durable medium-term fiscal plan remained critical.

3. In the euro area, a modest but uneven recovery was taking hold – stronger in the core but weaker in the stressed economies, where high debt, high unemployment, and credit constraints were holding back momentum. Yet implementing a common **fiscal backstop** was a work in progress. Longer-term concerns about productivity and competitiveness lingered despite progress on structural reforms.
4. Japan also saw a stimulus-induced surge in activity, which is projected to moderate as the effects of the necessary consumption tax increase unfold. However, for growth to be sustained, the remaining two arrows of Abenomics—structural reforms and a concrete medium-term fiscal plan—still needed to be shot.
5. Activity in emerging market and developing economies, which had been slowing, picked up slightly in the latter part of 2013, driven by stronger demand from advanced economies. At the same time, tighter external financial conditions and continued investment weakness were a drag on domestic demand.
6. *While acute risks had receded, some old challenges persisted and new ones emerged.* Among the new risks was that of prolonged low inflation in advanced economies, especially the euro area. This could suppress demand and output, depress growth and jobs, and make the process of restoring competitiveness in stressed economies even harder. Further **monetary easing**, including through unconventional measures, was needed in the euro area to help achieve the European Central Bank’s price stability objective. **Quantitative easing** was also recommended to be sustained in Japan.
7. The second new risk was in emerging market economies. Corporate leverage had been rising, and there was the added risk of heightened market volatility associated with monetary policy normalization in the United States, all against the background of a less forgiving external financial climate. Previous bouts of volatility affected countries with larger domestic and external imbalances. *Strong policy responses by those economies would likely be the best safeguard against turbulence and preempt the risk of contagion and broad-based financial stress.*
8. Thirdly, new geopolitical risks emerged which could have significant spillovers. *These risks could potentially affect commodity prices, supply chains, and financial flows.*
9. At the same time, some lingering risks still needed to be fixed. As highlighted in the April 2014 *Global Financial Stability Report*, financial system reform was incomplete and *the financial system remained at risk, with systemic liquidity mismatches and limited progress in tackling the too-big-to-fail problem.* Many countries still faced the challenge of reducing high deficits and debts while safeguarding growth. Unemployment remained unacceptably high and inequality was rising.

© IMF Annual Report

TASK 2 Building vocabulary

1 In the Text underline English equivalents for the following word-combinations.

Факторы, способствующие экономическому росту; использовать общий механизм бюджетной поддержки; всплеск деловой активности; благоприятные денежно-кредитные условия; ужесточение внешних финансовых условий; тормозить рост потребительского спроса в стране; затянувшийся период низкой инфляции; динамика инвестиционной активности; продолжать дальнейшее смягчение монетарной политики за счет нетрадиционных мер; политика количественного смягчения; растущая доля заемных средств предприятий; повышенная волатильность рынка; всплески волатильности; предотвратить риск цепной реакции; сохраняющиеся риски; системная просчеты в объемах ликвидности; удерживать экономический рост на прежнем уровне.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

Robust private demand; easing financial conditions; durable medium-term fiscal plan; to hold back momentum; a stimulus-induced surge in activity; consumption tax; tighter external financial conditions; to suppress demand and output; quantitative easing; to restore competitiveness in stressed economies; to preempt the risk of broad-based financial stress; to tackle the too-big-to fail problems.

3 Consult special dictionaries for most frequently used phrases with Core Concepts. Make up a list of them and provide their Russian variants.

TASK 3 Critical thinking

1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

growth

quantitative easing

volatility

liquidity

2 Interpret the passages in *italics* in the Text paying better attention to small details. Using the *Signposting Language*, provide your line of reasoning.

3 Present the essence of the Text in TWO sentences. Formulate the thesis in the 1st sentence and support it with major aspects in the 2nd one.

4 Develop the thesis into a brief summary of the Text. Make your summary coherent by a sparing use of connectors.

TASK 4 Video: commentary and analysis

IMF Says: Global Growth Patterns are Shifting

www.youtube.com/watch?v=xxCMODa5qtQ

Content words: *emerging markets; advanced economies; household wealth; bank lending; monetary stimulus; full-fledged Banking Union; growth-friendly policy.*

- 1 Using the content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video and contextualize the Content words to overview the ongoing economic processes.
- 3 Watch the video again and select information necessary to complete the Table.

Essential background information	
Key arguments	
Supporting arguments	1 2 3

- 4 In small groups discuss current economic developments in different areas of the globe.
- 5 Make up a list of measures to be undertaken by the European Union. Comment on them and say if they are relevant in Russia's economic environment. Use the techniques of *Signposting Language* and *Spoken Punctuation*.

TASK 5 Reading to identify the *specific* aspects

- 1 Look through *Box 1* to find English equivalents for the phrases given in the *Vocabulary Box* and underline them.
- 2 Read *Box 1* and make up a list of recent economic developments in Russia.

BOX 1

Russia: weathering the storm

Russia's recession deepened in the first half of this year, as the ongoing contraction in domestic demand accelerated. The economy continues to ride the waves of the 2014 terms-of-trade shock and the implications of geopolitical tensions and continuing international sanctions. Oil and gas prices remained low through the first half of 2015, further underscoring Russia's vulnerability to global commodity markets. However, imports adjusted to reflect the depreciation of the real effective exchange rate, as the Central Bank of Russia successfully transitioned to a free float, which eased pressure on Russia's external balances. Meanwhile, measures to support the financial sector appear to have contained systemic risks, and there are early signs of stabilization.

Nevertheless, the pass-through effect of the December 2014 depreciation boosted inflation to levels not seen since 2002. Despite the deepening recession, controlling inflation became the central bank's main policy challenge in the first half of 2015 as double-digit inflation rates eroded real wages and incomes. Real wage and income trends illustrate the depth of the recession and its negative impact on household consumption, which has dropped at a record pace. The decline in real wages was also the primary mechanism through which the labor market adjusted to lower demand, and unemployment increased only slightly. The decline in real incomes increased poverty rates and exacerbated the vulnerability of households in the bottom 40 percent of the income distribution.

Vocabulary Box

преодоление трудностей
продолжающееся сокращение внутреннего спроса
шок, вызванный ухудшением условий торговли
уязвимость России, связанная с ситуацией на мировых сырьевых рынках
корректировать объемы импорта
отражать падение реального валютного курса
перейти к плавающему курсу
ослаблять давление на внешнеторговый баланс
сдерживать рост системных рисков
ограничение уровня инфляции
глубина рецессии
сокращаться рекордными темпами
корректировать с учетом снижения спроса
усугублять уязвимость домохозяйств

- 3 Scan the text in *Box 1* to find logical connectors. Explain their functions.
- 4 Look at your list of recent economic developments in Russia and present them in a logical way. Use appropriate cohesion devices.

TASK 6 Rendering the text

- 1 Render the text below focusing on *specific* aspects in Russia's economic landscape.

BOX 2

Последние тенденции экономического развития: преодоление трудностей

В первом полугодии текущего года спад в России углубился по мере снижения внутреннего спроса. В экономике по-прежнему ощущается влияние 2014 года, вызванное ухудшением условий внешней торговли и последствиями геополитической напряженности, а также сохранением международных санкций. На протяжении первого полугодия 2015 года цены на нефть и газ оставались низкими, что еще больше повысило уязвимость России к колебаниям на мировых сырьевых рынках. Вместе с тем, под влиянием снижения реального валютного курса в условиях перехода ЦБ к плавающему курсу резко сократился импорт, что ослабило давление на платежный баланс. В то же время меры по поддержке финансового сектора позволили сдержать рост системных рисков, и появились первые признаки стабилизации. Тем не менее, девальвация рубля в декабря 2014 резко повысила инфляцию до беспрецедентного с 2002 года уровня. Даже в условиях углубления рецессии основной стратегической задачей ЦБ в первом полугодии 2015 году стал контроль инфляции. Динамика реальных зарплат и доходов свидетельствует о глубине рецессии и о ее негативном влиянии на потребление, которое продемонстрировало рекордный спад. Снижение реальных доходов также стало главным механизмом, с помощью которого рынок труда адаптировался к снижению спроса при незначительном росте уровня безработицы. На фоне обесценения реальных доходов существенно повысился уровень бедности, что сделало более уязвимыми 40% наименее обеспеченных домохозяйств.

TASK 7 Critical thinking

- 1 Look through *Box 3* and identify the characteristics of the Recession in Russia.
- 2 Compare the situation in the Russian economy in 2014 (*Box 1*) with that in 2015 (*Box 3*).
- 3 Drawing on the analysis of economic developments in Russia and using the IMF regional forecasts, determine Russia's place in global economic landscape.
- 4 Offer the strategy for a way out of the recession. Use the technique of "reading between the lines".

BOX 3

Russia: searching for a way out of the recession

In 2015 the Russian economy began its difficult adjustment to the combined impact of the economic sanctions regime imposed in July 2014 and the collapse of global oil prices later in the year. These twin shocks sharply decreased national income and depressed both consumer and investment demand, causing Russia's real GDP to contract by an estimated 3.7 percent in 2015. Following a brief rally, a second drop in global oil prices in August 2015 delayed the anticipated economic recovery. Persistently low oil prices contributed to a dramatic depreciation of the ruble, but the country's flexible exchange rate enabled a swift adjustment in imports, protected the central bank's foreign-currency reserves and limited the negative impact on fiscal revenues. However, pass-through effects resulted in double-digit inflation, undermining household purchasing power and contributing to a rapid drop in consumption, as real wages declined sharply. The deterioration of real incomes coupled with rising food prices resulted in a significant increase in poverty in 2015. Efforts to manage inflationary pressures slowed the pace of monetary easing, and the central bank has kept its key policy rates at 11 percent since August 2015. Meanwhile, economic sanctions against Russia were extended, depressing economic confidence and cutting off Russian businesses and banks from global financial markets. A lack of affordable credit and plummeting consumer demand caused investment to contract for the third consecutive year. Despite regulatory forbearance and a massive recapitalization program, the financial sector remains vulnerable. While the government announced its commitment to fiscal consolidation, continued budget overruns will further deplete the already shrinking Reserve Fund.

TASK 8 Video: commentary and analysis

Hedging language

Listening for maximizing and minimizing language will help you understand how certain the speaker is about the point.

To **maximize** your message, you can use:

- Modal verbs like *must, should, have to, need to*.
- Adverbs like *certainly, clearly, absolutely, completely, entirely*.
- Phrases like *The first thing to say is..., It's crucial/ critical to..., It's clearly ..., It's also true..., Fortunately...*

To **minimize** or soften what you say to avoid sounding too certain, you can use:

- Modal verbs like *may, might, can, could*.
- Verbs like *seem, appear, happen*.
- Adverbs like *maybe, probably, not necessarily, perhaps, unfortunately*.
- Phrases like *To some extent..., It is likely..., It looks like..., It is a bit...*

IMF Says: a Stronger but Uneven Global Recovery

<https://www.youtube.com/watch?v=2GEVhrMD5K4>

Content words: *recovery, advanced economies, emerging market economies, deflation, growth rate, inequality.*

- 1 Using the content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video and contextualize the content words to overview the ongoing economic processes.
- 3 Watch the video again and select information necessary to complete the Table.

Essential background information	
Key arguments	
Supporting arguments	1. 2. 3.

- 4 Using *Hedging Language*, provide your reasoning and comments concerning the following issues:**
- How does the economic landscape in advanced economies affect economic trends in emerging economies?
 - What is underpinning the recovery trend in advanced economies?
 - What is the difference in the economic situation in the euro core and periphery?
 - Why is deflation both a symptom and a cause of economic ill health?

TASK 9 Vocabulary Check-Up

1 Render the text using the word-combinations on the right.

Риски для прогноза мирового роста в ближайший период представляются в целом сбалансированными, но они по-прежнему смещены в сторону снижения темпов роста в среднесрочной перспективе. Что касается положительных моментов, то циклическое восстановление роста может оказаться более значительным в ближайшей перспективе, поскольку ускорение роста и смягчение финансовых условий усиливают друг друга. Негативным фактором является то, что высокие цены активов на рынках и очень низкие премии за срок повышают вероятность коррекции на финансовых рынках, которая может ослабить рост и уверенность. Возможным триггером является более быстрое, чем ожидается, повышение базовой инфляции и процентных ставок в странах с развитой экономикой при ускорении роста спроса. Если настроения в мировой экономике останутся позитивными, а инфляция умеренной, то финансовые условия могут оставаться мягкими в среднесрочном плане, что приведет к накоплению факторов финансовой уязвимости как в странах с развитой экономикой, так и в странах с формирующимся рынком. Политика замкнутости, геополитическая напряженность, а также политическая неопределенность в некоторых странах также создают риски того, что прогноз не оправдается.

- to appear broadly balanced
- to remain skewed to the downside
- on the upside/downside
- the pickup in activity
- easier financial conditions
- rich asset valuations
- compressed term premiums
- financial market correction
- dampen growth and confidence
- accelerate demand
- global sentiment
- to mute inflation
- loose financial conditions
- a buildup of financial vulnerabilities
- inward-looking policies
- to pose downside risks

Unit 3

Global impact and challenges of
unconventional monetary policies

UNIT 3 Global Impact and Challenges of Unconventional Monetary Policies

TASK 1 Reading to identify the *main* aspects

- 1 Before you read the text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-Combinations

set monetary policy in the context of an established framework
downturn in the real **economy**
risk of **deflation**
optimal short-term **interest rate**
short-term policy rate
loosen monetary conditions
turn to unconventional monetary policy (UMP)
restore market functioning and intermediation
zero lower bound
complacency in the reform agenda
central bank credibility
lay the foundation for sustained growth
reduce the burden on UMP
exit from UMP
have significant spillovers to the rest of the world
entrench the **recovery**

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the key terms in bold type. Discuss how crucial they are in global and Russia's environment.

Global Impact and Challenges of Unconventional Monetary Policies

1. Prior to the crisis, central banks in major advanced economies set monetary policy in the context of an established framework, largely built on a stable banking system. *With the downturn in the real economy and risks of **deflation**, optimal short-term interest rates became negative.* Central banks could thus no longer rely on their traditional instrument—the short-term policy rate—

to loosen monetary conditions and provide needed support for demand. *Central banks turned to unconventional monetary policies (UMPs) to restore market functioning and intermediation, and to provide support to economic activity at the zero lower bound on short-term interest rates.*

2. However, continued UMP of this type was associated with risks: complacency in the reform agenda, financial stability, and central bank credibility. It also presents policy challenges for many emerging markets that have been struggling with the management of large and volatile flows of capital following the global financial crisis. Stronger structural, financial, and fiscal reforms were needed in UMP and non-UMP countries to lay the foundation for strong and sustained medium-term growth, and to reduce the burden on UMP. *While UMP had been and remained critical, it could not substitute for other policies and reforms of a more structural nature.*
3. Exit from UMP to support market functioning and **intermediation** should by and large occur seamlessly as markets normalized. *Exit from policies to support activity, eventually leading to rate hikes, was not yet warranted given economic conditions at that time.* Exit would lead to some normal interest rate changes, both in UMP and non-UMP countries, but there could be additional volatility due to market reactions beyond the control of the central bank. This **volatility** could have significant spillovers to the rest of the world, with risks to macroeconomic and financial stability. International policy coordination could in principle improve global outcomes by mitigating negative cross-border externalities from UMP. The IMF could support UMP policy implementation and exit by providing a global perspective on these policies through surveillance, policy buffers to avoid potential side effects, and objective analysis of the potential gains from international policy cooperation.

©IMF Annual Report

TASK 2 Building vocabulary

1 Find in the Text English equivalents for the following word-combinations.

Проводить монетарную политику в контексте существующей системы; спад реальной экономики; ослаблять денежно-кредитные условия; обращаться к нестандартным мерам монетарной политики (НМП); восстанавливать функционирование рынка и финансовое посредничество; нулевая нижняя граница краткосрочных процентных ставок; самоуспокоенность в отношении программы реформ; доверие к центральному банку; управление крупными и изменчивыми потоками капитала; закладывать основу для устойчивого роста; уменьшать нагрузки на НМП; отход от НМП; реакция рынка, неконтролируемая ЦБ; значительные побочные эффекты; избегать возможных побочных эффектов.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

Risk of deflation; global impact and challenges of UMP; UMP countries; market reactions beyond the control of the Central Bank; significant spillovers with risks to macroeconomic and financial stability; to take measures to safeguard stability and preparation for exit; to use buffers; to mitigate negative cross-border externalities.

3 Consult special dictionaries for most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian variants.

TASK 3 Video: commentary and analysis

IMF Warns of New Risks to Financial Stability

www.youtube.com/watch?v=BNNDNRDEDoE

Content words: *large-scale asset purchases, long-term interest rates, financial stability, financial environment, global regulatory reform, systemic risk.*

- 1 Using the content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video and contextualize the content words to overview the ongoing economic processes.
- 3 Watch the video again and select information necessary to complete the Table.

Introductory information for analysis	
Key arguments	1 US Fed policies 2 European authorities policies

- 4 Using the Table, make up a list of policies to be undertaken by the Fed and the European authorities. Comment on them with the help of the Signposting Language.
- 5 Decide if these policies are relevant in Russia's economic environment.
- 6 Try to identify maximizing and minimizing language which indicates the position of the analysts.

TASK 4 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

economy
policy rate

deflation
recovery

- 2 Interpret the passages in *italics* in the Text paying better attention to small details. Using the *Signposting Language*, provide your line of reasoning.
- 3 Formulate the thesis of the Text and make it the opening sentence of your abstract. (For reference see Supplement IV).

TASK 5 Reading to identify the *specific* aspects

- 1 Look through *Box 4* to find English equivalents for the phrases given in *Vocabulary Box* and underline them.

BOX 4

Policies for more robust and sustainable growth

Pulling the global economy out of a protracted period of subdued economic performance will require, first and foremost, advanced economies to address old challenges, and also emerging market and developing economies to steer through their growth transitions with credible policies.

For advanced economies, the WEO reinforces many of the messages provided in earlier reports. The euro area needs to repair its financial systems and adopt a credible banking union supported by a common backstop. The United States should resolve its political standoff relating to fiscal policy, and promptly raise the debt ceiling. In addition, the Federal Reserve should carefully manage the process of monetary policy normalization, taking into consideration prospects for growth, inflation, and financial conditions. Both Japan and the United States need to accomplish medium-term fiscal adjustment and reform of their social safety net programs. And Japan and the euro area should adopt structural reforms to boost potential output.

The appropriate policy mix and the pace of adjustment will differ across emerging market economies. But many economies share common policy priorities. Policymakers should allow their exchange rates to respond to changes in the environment and act as shock absorbers, while avoiding disorderly market conditions. In economies where monetary policy frameworks are less credible, efforts may need to focus more on providing a strong nominal anchor. Financial regulation and prudential actions should be taken to guard against financial instability. Fiscal adjustment should continue to rebuild buffers, unless downside risks materialize and funding conditions allow fiscal easing.

A new round of structural reforms is a must for many emerging market economies, including investment in infrastructure, to reignite potential growth. China needs to rebalance growth away from investment toward consumption to make way for more balanced and sustainable domestic and global growth.

Vocabulary Box

низкие экономические показатели
акцентировать внимание на основных положениях
восстанавливать финансовую систему
создавать надежный банковский союз
единый механизм поддержки
преодолевать существующее расхождение во взглядах
проводить процесс нормализации денежно-кредитной политики
завершать среднесрочную бюджетную корректировку
реформировать систему социальной защиты
обменные курсы, действующие в качестве амортизаторов
обеспечивать прочный номинальный якорь

- 2 Read *Box 4* and highlight the strategies required for more robust and sustainable growth in the regions under consideration.

TASK 6 Vocabulary Check-Up

- 1 Render the text using the word-combinations on the right.

Третьей важнейшей сферой является приведение в соответствие глобальной финансовой архитектуры с учетом Повестки дня в области устойчивого развития до 2030 года. Для этого требуются создание новых правил обеспечения устойчивого финансирования и постепенный переход от задачи быстрого извлечения прибыли к долгосрочной цели создания добавленной стоимости. Меры макропруденциального регулирования в сочетании с мерами денежно-кредитной, налогово-бюджетной и валютной политики могут способствовать достижению этих целей посредством обеспечения финансовой стабильности и ограничения накопления финансовых рисков. Наконец, неэффективное управление и политическая нестабильность остаются основными препятствиями на пути достижения целей, сформулированных в Повестке дня в области устойчивого развития на период до 2030 года. В то же время более уверенного роста мировой экономики как такового недостаточно, чтобы облегчить участь лиц, пострадавших от конфликтов, когда существует мало возможностей для достижения реального прогресса на пути к устойчивому развитию. В число приоритетных задач должна входить активизация усилий в поддержку предотвращения и регулирования конфликтов, а также устранение институциональных недостатков, лежащих в основе многих из этих проблем.

- realigning the global financial architecture
- to shift gradually
- a target of long-term value creation
- to contain the build-up of financial risks
- weak governance
- to be afflicted by conflict situations
- meaningful progress
- redoubling efforts
- to support conflict prevention and resolution
- to tackle the institutional deficiencies

Unit 4

Lagarde:

Monetary Policies

have bought time —

use it wisely

UNIT 4 Lagarde: Monetary Policies Have Bought Time – Use It Wisely

TASK 1 Reading to identify the *main aspects*

.....

- 1 Before you read the text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

lay the foundation for lasting growth
take the full range of actions
lessen **risks** of financial turmoil
pace of **recovery**
balance the need for stability and risk-taking
hunt for higher yields
unhealthy risk-taking
initiation of UMP
foreign exchange exposure
corporate leverage
be alert to the risks of renewed financial instability
affect economic outcomes
communicate clearly the risk
capital flow management
be complemented by a broader spectrum of policies
make progress on fiscal reforms
put the global recovery at risk
place the economy on a path of sustainable growth

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the key terms in bold type.
- 4 Focus on the following issues:
 - basics of monetary policy;
 - tight monetary policy and its implications;
 - loose monetary policy and its implications.

Lagarde: Monetary Policies Have Bought Time – Use It Wisely

1. The unconventional monetary policies of central banks have bought global policymakers the time and space to carry out the reforms needed to lay the foundation for lasting growth, IMF Managing Director Christine Lagarde told an audience of top officials at the Jackson Hole Economic Symposium.
2. These policies—such as the purchase of assets by central banks to support financial stability and boost activity—have allowed the global economy to lift itself out of the depths of the financial crisis. Lagarde called for policymakers to “use this time wisely,” emphasizing two points.
3. First, the need for policymakers to work better together to take into account more fully the impact of these unconventional policies—local *and* global—and how that affects the path of exit. Second, that “*all* policymakers, *within* countries and *across* countries—have a responsibility to take the full range of actions needed to restore growth and stability.”

Impact on global economy

4. The IMF’s assessment is that the impact of UMP so far has been positive, Lagarde said. On balance, all countries benefited, first from lessened risks of financial turmoil, then from increased growth.
5. *Estimates suggest that quantitative easing, the purchase of assets by the U.S. Federal Reserve, boosted world output by more than 1 percent.* Although the major gains were in the early phases, UMP has been a success, she said.
6. While emphasizing that there should be “no rush to exit,” Lagarde said that the period of exceptionally **loose monetary policy** must eventually end. But when exactly this happens will depend on country circumstances. “*In Europe, for example, there is a good deal more mileage to be gained from UMP.* In Japan, too, exit is very likely some way off,” she said.
7. “One thing we can say for certain: The path to exit will and should depend on the pace of recovery,” Lagarde added.

Uncharted territory

8. Just as for entry, *exit from UMP will take the world into uncharted territory*, said Lagarde. “Therefore, the Fund and policymakers need to start thinking about what exit will eventually look like.” The IMF Managing Director highlighted a few aspects:
9. **Balance of stability and risk taking:** One focus of the IMF’s work is on *how best to balance the need for stability and risk-taking*. On the one hand, Lagarde said, *long periods of very loose monetary policy and ultra-low interest rates mixed with the hunt for higher yields could prove to be a recipe for unhealthy risk-taking*. On the other hand, if UMP had not been implemented, the result might have been lower growth and greater risk of financial distress.
10. **Spillovers:** The IMF is also looking at the spillover effects on other countries, Lagarde said, such as the episodes of rising capital flows as well as increases in asset prices, corporate leverage, and foreign exchange exposure seen in some emerging market countries following the initiation

of UMP. She stressed the need to be alert to the risks of renewed financial instability going forward, adding that “the situation can turn quickly—as we have seen in recent days in some emerging market economies.”

11. However, she also noted the difficulty of disentangling the effects of UMP from other factors affecting economic outcomes. “Not everyone agrees about the size, or even direction, of spillovers. Bridging or even narrowing these differences is an important step toward deciding the future course of policy,” Lagarde said.
12. **Sequencing of exit:** It will be important to define exactly what is meant by exit, Lagarde observed, as conventional and unconventional monetary policies are often lumped together. Exit will involve reversing both, yet *it is likely that the more “conventional” aspects (such as guidance on the future path of policy rates or the rate of future asset purchases) will be done first.* As a result, “exit is likely to be slower and longer than is often portrayed, and feared,” Lagarde said.
13. **Clear communication:** *It is also imperative that central banks communicate clearly “the risks to recovery from exiting too soon and the risks to financial stability from exiting too late,”* Lagarde said. “Even if well managed, exit from UMP may well present other, non-UMP countries with an arduous obstacle course.” But they have the tools to deal with it, she said, referring to the use of macro and micro prudential measures, capital flow management measures, and exchange rate flexibility.

A better mix of policies

14. While monetary policy has been part of the solution to the ongoing crisis, “it cannot provide all the answers,” Lagarde said. Unconventional policies need to be complemented by a broader spectrum of policies needed for durable, balanced growth. She also warned that the hard work of central banks could be wasted if not enough is done on other fronts.
15. In the advanced economies pursuing unconventional monetary policies, this means making progress on medium-term fiscal, financial, and structural reforms.
16. In the other countries, deeper reforms are also needed for durable medium-term growth, a reality highlighted by recent concerns about the slowing growth potential of emerging markets.

Coordination can improve outcomes

17. “Policies and policy coordination are not yet where they need to be,” Lagarde observed. “Failing to act at the global level, with each country playing its part, could put the global recovery at risk. With action, however, we can place the world economy on a path of strong, sustainable, and balanced growth.”
18. “We all need to work better together,” Lagarde said. “In today’s interconnected world, the spillovers from domestic policies—UMP included—may well feed back to where they began,” she added, noting that looking at the wider interest is thus in everyone’s interest.
19. The annual Jackson Hole Economic Symposium, held at a mountain resort in the western U.S. state of Wyoming, brings together central bankers, policy experts, and academics to focus on emerging issues and trends. This year’s topic is the global dimensions of UMP.

© IMF Survey Magazine

TASK 2 Building vocabulary

1 Find in the Text English equivalents for the following word-combinations.

Заложить основу долгосрочного роста; выйти из глубокого финансового кризиса; предпринимать все необходимые меры; восстанавливать рост; снизить риск финансовых потрясений; количественное смягчение; резко увеличивать мировой объем производства; темпы восстановления экономики; привести мир в состояние неопределенности; соблюдать баланс между стабильностью и рисками; стремление к большей доходности; введение нетрадиционной денежной политики; идти на неоправданный риск; использование компанией заемных средств; выход на валютные рынки; опасаться риска возобновления финансовой нестабильности; влиять на экономические результаты; четко объяснять риски; управление потоками капитала; дополняться широким спектром мер; достигать прогресса в фискальных реформах; подвергать риску восстановление мировой экономики; выводить экономику на путь устойчивого сбалансированного роста.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

To buy the time to carry out reforms; to use the time wisely; more mileage to be gained from UMP; to take the world into uncharted territory; to be a recipe for unhealthy risk-taking; financial distress; corporate leverage; spillovers from domestic policies.

3 Consult special dictionaries for most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian equivalents.

Reporting Verbs in Academic Discourse

In academic discourse, you will often need to refer to the publications of others, also called secondary sources. *A reporting verb* is a word which is used to discuss or comment on the works of other people. Reporting verbs can be very effective in showing different shades of meaning.

Nouns are often used in academic discourse to present other people's ideas.

Function	Verbs
Addition	<i>add, remind</i>
Agreement	<i>agree, admit, accept, acknowledge, confirm, recognize, support</i>
Argument	<i>argue, interpret, justify, insist, prove, promise</i>
Believing	<i>believe, hope, claim, declare, express, maintain, insist</i>
Disagreement	<i>disagree, doubt, criticize, deny, dispute, object, oppose, reject, question,</i>
Discussion	<i>discuss, comment, examine, explore, reason</i>
Emphasis	<i>emphasize, underscore, highlight, focus</i>
Evaluation	<i>analyze, assess, compare, consider, contrast, evaluate, examine, estimate, investigate</i>
Explanation	<i>articulate, clarify, explain, illustrate</i>
Presentation	<i>announce, comment, define, describe, identify, imply, inform, list, mention, outline, point out, present, remark, report, reveal, show, state, study, use</i>
Suggestion	<i>advise, advocate, assert, postulate, propose, suggest, recommend, urge</i>
Conclusion	<i>conclude, find, infer, realize</i>
	Nouns
	<i>study, statement, implication, argument, claim, assertion, assessment, assumption, emphasis on, stress on, demonstration of, proof of, finding</i>

- 4 Scan the Text and make up a list of all the *reporting verbs* used in it.
- 5 Using the Table, determine the functions of the chosen verbs and put them under the corresponding headings.
- 6 Identify the functions of the verb ‘said’ in the Text and replace the verb with appropriate synonyms from the Table.
- 7 Turn the direct quotations from the Text into indirect ones using the *Reporting Verbs*.
- 8 Provide the corresponding reporting nouns for some verbs in the Table.

The Art of Direct & Indirect Quoting

Task 3 Mastering the art of quoting

1 Read the text below and identify the specific features of the two types of quoting.

Direct quotations are the exact words of someone else woven into your writing. When used correctly and sparingly, direct quotes make an impression that strengthens your words. Direct quotes are always offset with quotation marks. (See the proper way to punctuate and present direct quotes toward the bottom of this article.) Below is an example of a direct quote:

E.g. In the words of George Washington Carver, “When you do the common things in life in an uncommon way, you will command the attention of the world.”

Indirect quotes are paraphrases or summaries of the words of someone else worked into the text of your writing. Essentially, indirect quotes carry the meaning of a speaker or writer’s original words **without using the exact words**. Indirect quotes are not offset by quotation marks. Below is an example of an indirect quote:

E.g. George Washington Carver believed that the world takes notice when your everyday actions are done extraordinarily. (Paraphrase of the previous example of a direct quote.)

Giving credit where it is due

While using a direct or an indirect quotation, you must always give credit to the person whose words you are using. This is easily achieved by including the author or speaker’s name as a lead-in to the quote for both direct and indirect quotations. When you do not give the appropriate credit where it is due, you are plagiarizing. Below are a few ways you can lead in to both types of quotations:

- According to [the author or speaker], ...

- [The author or speaker] says/said, claims/claimed, reports/reported that...
- In the words of [the author or speaker], ...

Choosing which to use

While both types of quotations are useful to add more color to your writing, you might sometimes struggle with which to use. Sometimes an original author or speaker’s words are so powerful that using an indirect quote where you are summarizing or paraphrasing reduces the effectiveness or loses the passion, conviction or strength with which the words are used. In these cases, stick with the direct quote to have the maximum effect on your readers. Similarly, if you are trying to paraphrase or summarize something that is confusing or that you do not understand well enough to do so, use the direct quote instead so that the meaning is not lost in your translation of the words.

Another important consideration is the type of writing you are doing. If you are writing something scientific, the general practice is **to use direct quotations as little as possible**. Instead, paraphrasing is preferred except in cases where the information is very precise, eloquent or peculiar. Similarly, if you are writing about literature, direct quotes are often preferred because the exact words are what you are discussing or to what you are referring.

Shifting between the two types

When incorporating quotations, it is okay to use a mix of both direct and indirect quotes. In fact, it is even advised to do so. Using all direct quotes or all indirect quotes can create bland,

repetitive content. Indirect quotes are useful when you simply need to summarize events, processes or details from an original source. Direct quotations are useful for incorporating coined phrases and passionate, precise or flavorful words of someone else.

Overusing quotations

It is easy to overuse both types of quotations; however, you should avoid doing so in every situation. Writing is about conveying **your** thoughts, ideas, knowledge and more **through your own words**. When you use too many words from the mouths of others, it is no longer your own work. Strive to incorporate only those quotes, both direct and indirect, that strengthen, back up or demonstrate an idea or thought.

Direct quotes and commas

Direct quotes are often offset by commas following the last word that precedes

the quotation mark. Likewise, a comma follows when the sentence continues after the direct quotation has ended. Consider the following example:

E.g.: Sun-Tzu said long ago, “Keep your friends close and your enemies closer,” which drives home the fact that staying aware of your enemies can give you a distinct tactical advantage during times of war.

Direct quotes and interruptions

Sometimes you might choose to present a direct quotation with the credit given to the original author or speaker in the center of a sentence. In this case, the beginning of the first part of the quotation requires a capitalized first word; however, when the quotation is continued after an interruption, the first word is not capitalized. Consider the example:

E.g.: “A little learning,” according to English poet Alexander Pops, “is a dangerous thing.”

© View Worksheet

TASK 4 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

risk

recovery

corporate leverage

capital flow

foreign exchange

- 2 Interpret the passages in *italics* in the Text. Provide your line of reasoning using the *Signposting Language*. Follow the principle: main argument plus supporting arguments.
- 3 Give your assessment of the interplay of direct and indirect quotes in the Text. What is prevailing? Why?
- 4 Find the cases of *Hedging Language* (modal verbs, impersonal structures, adverbials) in Lagarde’s analysis. Comment on the author’s stance, implications or message.
- 5 Select a few short quotations from the Text that might be relevant for your future research.

TASK 5 Vocabulary Check-Up

1 Render the text using the word-combinations on the right.

Хотя многие факторы уязвимости, сохранявшиеся после глобального финансового кризиса, уже не столь очевидны, ряд факторов риска все еще сохраняются. Отсутствие четкой политики делает более туманными перспективы, касающиеся мировой торговли, помощи в целях развития, решения проблем миграции и изменения климата и может затормозить процесс оживления инвестиционной активности и рост производительности в мировой экономике. Рост геополитической напряженности может привести к односторонним действиям и изоляции. Продолжительный период избытка ликвидности на мировых рынках и низкой стоимости заемных средств способствовали дальнейшему росту долговой нагрузки и финансовых диспропорций. Это связано также с нынешним высоким уровнем цен на активы, который может свидетельствовать о том, что в текущих ценах недостаточно учитываются имеющиеся риски. Многие развивающиеся страны, особенно страны с более открытыми рынками капитала, уязвимы перед лицом резкого повышения восприимчивости к риску, нерегулируемого сокращения ликвидности на мировых рынках и внезапного вывода капитала. К таким резким изменениям может привести нормализация кредитно-денежной политики в странах с развитой экономикой. Действия центральных банков развитых стран осуществляются в совершенно новых для них условиях. Поэтому финансовые рынки будут менее предсказуемо реагировать на любые изменения политики, чем во время прошлых периодов экономического подъема, и поэтому становится выше риск стратегических просчетов.

- loom on the horizon
- policy uncertainty
- cloud prospects
- development aid
- delay a more broad-based rebound
- unilateral and isolationist policies
- abundant global liquidity
- a build-up of financial imbalances
- an under-pricing of risk
- remain vulnerable to spikes in risk aversion
- a disorderly tightening of global liquidity conditions
- sudden capital withdrawal
- trigger a spike
- uncharted territory
- amplify the risks
- policy errors



Unit 5

Monetary Policy in
developing countries:
the way forward

UNIT 5 Monetary Policy in Developing Countries: the Way Forward

TASK 1 Reading to identify the *main aspects*

.....

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

implement modern monetary policy frameworks
anchor **inflation**
reduced fiscal dominance
increased exposure to global capital markets
sound forward-looking MP
price stability as the primary objective of MP
effective operational framework
inflation-targeting framework
interest-rate based operating framework
standing facilities
reserve requirements
enhance analytical capacity

- 3 Read the Text and identify its main aspects. Using Supplement III, give definitions of the terms in bold type. Discuss how crucial they are for developing countries.

Monetary Policy in Developing Countries: the Way Forward

1. Many low- and lower-middle income countries are seeking to implement modern monetary policy frameworks that better anchor inflation and promote macroeconomic stability and growth, according to a new study from the International Monetary Fund.
2. There has been significant progress made toward the liberalization and deepening of financial markets over the past twenty years. But according to the IMF, *greater central bank independence, reduced fiscal dominance, and increased exposure to global capital markets have put pressure on an increasing number of lower income countries to modernize their policy frameworks.*

Sound principles of monetary policy still apply

3. The study by IMF staff, *Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries*, aims to provide guidance to this group of countries, and uses the same set of principles that characterize effective monetary policy frameworks in countries with scope for independent monetary policy.
4. These principles, according to the report, include:
 - a clear mandate and operational independence to pursue its goals;
 - price stability as the primary objective of monetary policy over the medium term;
 - a medium-term inflation objective that guides monetary policy actions and
 - communications;
 - macroeconomic and financial stability considerations when determining policy;
 - clear and effective operational framework aligned with market conditions and policy stance;
 - transparent forward-looking policy strategy;
 - clear communications, which enhance the overall effectiveness of monetary policy.
5. While these principles are consistent with an inflation-targeting framework, the paper emphasizes that these frameworks are not the only way to implement them. “For one thing, the meaning of the term ‘**inflation targeting**’ varies and has evolved over time. The principles stated in the paper stress the primacy of a medium-term inflation objective, but do not require an unduly narrow focus on inflation at the expense of considering the impact on the real economy and the financial system,” the study says.

Price stability – a critical first step in reform agenda

6. The report also emphasizes the importance of price stability as a primary objective in a country’s reform agenda — as it moves to an interest-rate based operating framework and greater exchange rate flexibility. *The development of analytical tools for policy making and techniques for effective communication are also critical to help anchor **inflation expectations***, the paper says.
7. Enhancing analytical capacity should also be part of the modernization process, the report says. Improving the central bank’s capacity to interpret data helps produce coherent medium-term forecasts and analysis, and provides policy recommendations consistent with current and expected state of the economy and the policy objectives. This requires the development of quantitative frameworks for monetary policy analysis and forecasting, including the development of a quarterly projection model.
8. Another important goal in the modernization process, according to the study, is to *increase control over short-term interest rates, by establishing appropriate central bank monetary instruments (which typically combine **standing facilities**, **open market operations**, and **reserve requirements**)*. While the move toward interest-rate based frameworks can be swift, the report says, the end point should be a framework where policy is signaled with a “policy rate” that anchors interest rates in the financial system.

TASK 2 Building vocabulary

1 Find in the Text English equivalents for the following word-combinations.

Реализовывать современную систему мер монетарной политики; сдерживать инфляцию; способствовать макроэкономической стабильности; снижение фискального преимущества; более широкий доступ к мировым рынкам капитала; взвешенная дальновидная монетарная политика; ценовая стабильность как первостепенная задача монетарной политики; эффективная система мер; система инфляционного таргетирования; система мер с учетом процентной ставки; существующий механизм регулирования; повышать аналитический потенциал.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

To modernize policy frameworks; countries with scope for independent monetary policy (MP); macroeconomic and financial stability considerations; transparent forward-looking policy strategy; exchange rate flexibility; commitment to the primacy of price stability; to produce coherent medium-term forecasts; reserves requirements; policy recommendations consistent with the state of the economy.

3 Consult special dictionaries for the most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

inflation

price

reserve requirements

- 2 Interpret the passages in italics in the Text. Develop your line of reasoning using the Signposting Language.
- 3 Identify the markers of indirect quotes in the Text. Using the *Reporting Verbs*, paraphrase the sentences.
- 4 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Use the technique of 'reading between the lines'.
- 5 Formulate the thesis of the Text. Make it the opening sentence of your abstract. You may find most typical patterns of abstracts in Supplement IV.

TASK 4 Video: commentary and analysis

.....

Four Factors Shaping the Global Economy

www.youtube.com/watch?v=y0z9H3k8Ne0

Content words: substantial increase, advanced economies, emerging and developing economies, debt levels, fiscal consolidation, buffers, exchange rate movements.

- 1 Drawing on the title of the video, content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video and contextualize the Content words to overview the ongoing economic processes.
- 3 Watch the video again and select information necessary to complete the Table.

Essential background information	
Arguments supporting each factor	1. Growth remains uneven 2. Weak banks and high debt levels weigh on growth 3. Oil prices have declined 4. The US dollar is strengthening

- 4 Prepare a 3-minute presentation on the factors shaping global economy after the Recession.

TASK 5 Reading to identify the *specific* aspects

- 1 Look through *Box 5* to find the English equivalents for the phrases given in the *Vocabulary Box* and underline them.

BOX 5

Policies to fix three global challenges

The IMF said policymakers need to deliver additional measures to create a more balanced and potent mix of policies to reduce risks and support growth. If not, market turmoil could recur and intensify, and could create a pernicious feedback loop of fragile confidence, weaker growth, tighter financial conditions, and rising debt burdens. This could tip the global economy into economic and financial stagnation. In such a scenario, the report estimates that world output could be almost 4 percent lower than the baseline over the next five years.

To avoid this downside scenario, policymakers must tackle a triad of pre-existing global challenges: namely crisis legacy issues still unaddressed in advanced economies, elevated vulnerabilities in emerging markets, and systemic market liquidity risks. By tackling these challenges, world output could be as much as 1.7 percent above the baseline by 2018.

First, policymakers in advanced economies need to tackle crisis legacies, particularly banks, as they play a key role in financing the economy. Banks in advanced economies are now safer, according to the IMF. However, they came under significant pressure from financial markets at the start of the year, as the economic outlook weakened and became more uncertain.

But banks also face important structural challenges in adapting to the new post-crisis realities that continue to depress their profitability. Many banks in advanced economies face significant business model challenges. In the euro area, market pressures also highlight long-standing legacy issues. Banks urgently need to tackle elevated nonperforming loans using a comprehensive strategy. Over time, they will also need to address overcapacity in some banking sectors. Finally, Europe must also complete the banking union and establish a common deposit guarantee scheme.

Second, policymakers in emerging markets need to bolster their resilience to global headwinds. The sharp fall in commodity prices has exacerbated both corporate and sovereign vulnerabilities, keeping economic and financial risks elevated. After years of growing indebtedness, emerging economies face a difficult combination of slower growth, tighter credit conditions, and volatile capital flows. So far, many emerging market economies have shown remarkable resilience to this difficult environment, thanks to the judicious use of buffers accumulated during the boom years. But buffers are depleting, with some countries running out of room to maneuver, the IMF said.

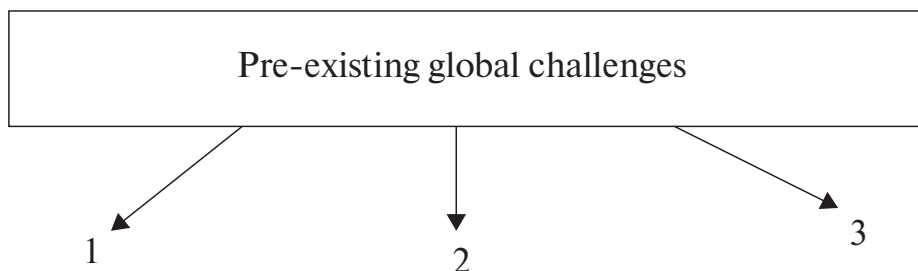
Third, as the health of the corporate sector deteriorates, especially in commodity exporting countries and commodity related sectors, refinancing pressures may become more acute. This can generate spillovers to the sovereign, as many weaker corporates are state owned. Bank buffers are generally adequate in many emerging markets but may be tested by increasing nonperforming loans. These interlinkages underscore the importance of close monitoring of corporate vulnerabilities, swift and transparent recognition and management of nonperforming assets, and strengthening the resilience of banks.

© IMF Survey Magazine

Vocabulary Box

эффективный набор политических мер
 разрушительный цикл обратной связи
 подтолкнуть мировую экономику к финансовой стагнации
 базисный сценарий
 сценарий, предусматривающий снижение роста
 триада существовавших ранее глобальных проблем
 решать проблемы, возникшие в результате кризиса
 экономические перспективы
 негативно сказываться на рентабельности банков
 понизить высокий уровень невозвратных кредитов
 решать проблему избыточного потенциала некоторых банковских секторов
 создать общую систему страхования вкладов
 факторы, сдерживающие рост мировой экономики
 разумное использование буферных резервов
 терять пространство для маневра
 тщательный мониторинг

- 2 Read *Box 5* and highlight the recommendations for policymakers in advanced and emerging markets. Pay special attention to the modality of the analysis presented in the text.
- 3 Comment on the steps necessary to tackle a triad of pre-existing global challenges.



TASK 6 Video: commentary and analysis

IMF Warns of Threats to Financial Stability

www.youtube.com/watch?v=ntgB3Itlo00

Content words: *macroeconomic risks, emerging markets, advanced economies, banking sector, market-based financial system, structural reforms.*

- 1 Drawing on the title of the video, content words and your background knowledge, try to predict what issues will be raised in the video.
- 2 Watch the video and contextualize the content words to overview the ongoing economic processes.
- 3 Watch the video again and select information necessary to complete the Table.

Essential background information	
Key arguments	1. 2. 3.
Supporting arguments	1. 2. 3.

- 4 Give a brief analysis of the threats to global financial stability.

TASK 7 Reading to identify the *specific* aspects

- 1 Look through the text to find the English equivalents for the phrases given in the *Vocabulary Box* and underline them.
- 2 Read *Box 6* and highlight the primary goal for the Chinese authorities.

BOX 6

China can manage transition

Among emerging economies, the most important one is China. China continues to navigate a complex transition to a slower and more balanced pace of growth and a more market-based financial system. The Chinese authorities have advanced reforms but the transition remains inherently complex, according to the IMF.

The corporate-bank nexus is also critical. Despite progress on economic rebalancing, corporate health in China is declining due to slowing growth and lower profitability. This is reflected in the rising share of debt held by firms that do not earn enough to cover their interest payments. This measure, which the IMF labels “debt at risk,” has increased to 14 percent of the debt of listed Chinese companies, more than tripling since 2010.

Increased strains in Chinese firms are important to Chinese banks. The report estimates that bank loans to companies potentially at risk in China could translate into potential bank losses of approximately 7 percent of GDP.

“This may seem like a large number, but it is manageable given China’s bank and policy buffers and continued strong growth in the economy,” said IMF Financial Counsellor . “Equally important, the Chinese authorities are aware of these vulnerabilities and are putting in place measures to deal with the over indebted corporates.”

The IMF said the magnitude of these vulnerabilities calls for an ambitious policy agenda: addressing the corporate debt overhang; strengthening banks; and upgrading the supervisory framework to support an increasingly complex financial system.

© IMF Survey Magazine

Vocabulary Box

страны с формирующимся рынком
контролировать процесс перехода к устойчивым темпам роста
продвигаться по пути реформ
связь между предприятиями и банками
ситуация в компании
показатель, называемый «долг, подверженный риску»
усиление напряженности в компаниях
предприятия с чрезмерным уровнем долга
степень уязвимости
масштабная программа мер
проблема избыточного долга предприятий
усовершенствовать систему надзора
все более сложная финансовая система

3 Discuss the strategies of the Chinese authorities to achieve the primary goal.

TASK 8 Vocabulary Check-Up

1 Render the text using the word-combinations on the right.

В нынешних макроэкономических условиях представители директивных органов должны уделять основное внимание четырем конкретным областям. В первую очередь нужно упомянуть давно назревшую необходимость диверсификации экономики тех стран, которые по-прежнему сильно зависят от нескольких основных сырьевых товаров. Этот тезис подтверждают недавние тяжелые экономические трудности, вызванные приведением в соответствие цен на сырьевые товары. Для обеспечения сбалансированного и устойчивого роста в будущем чрезвычайно важно также остановить рост неравенства и принять меры для решения этой проблемы. Для этого требуется принять краткосрочные меры для повышения уровня жизни наиболее обездоленных групп населения и более долгосрочные стратегии, направленные на обеспечение равных возможностей, таких как расширение доступа к услугам в области здравоохранения и образования, а также инвестиции в строительство дорог и электрификацию.

- current macroeconomic backdrop
- long-standing need for basic commodities
- commodity price realignments
- stem and redress the rise in inequality
- the deprived
- address inequalities in opportunity
- broadening access

Unit 6

World economy needs
smart fiscal policies

UNIT 6 World Economy Needs Smart Fiscal Policies

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

smart fiscal policies
encompass structural reforms
have sizeable **costs**
offset the adverse short-term impact of reforms
facilitate political consensus on reforms
value public **investment** .
use targeted measures
reform fatigue
fiscal sustainability
keep overall **budget** deficit in check
rising contingent **liabilities**
looming risks
policy room for maneuver
scale up growth-enhancing **infrastructure**
strengthen fiscal **governance**

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the terms in bold type. Discuss how crucial they are in global and Russia's environment.

World Economy Needs Smart Fiscal Policies

1. Fiscal policies can help support job creation, though designing the right policies will depend on conditions in individual countries.
2. Job creation sits atop the policy agenda globally. High and persistent levels of unemployment call for a broad policy response, generally encompassing structural reform and other economic policies. While fiscal policy cannot substitute for comprehensive reforms, it can support job creation in a number of ways, according to the IMF's latest Fiscal Monitor.

3. According to the International Labor Organization, global unemployment exceeds 200 million people, and an additional 13 million people are expected to be unemployed by 2018. In order to address the high and persistent levels of unemployment, the IMF is calling for a multipronged policy response, where fiscal policy works in tandem with broader structural reform efforts to support job creation.
4. “Under certain conditions, the fiscal decisions taken by countries can help promote labor market reforms,” said Vitor Gaspar, Director of the IMF’s Fiscal Affairs Department. “Labor market reforms can have sizeable costs. A higher deficit or slower pace of deficit reduction can absorb these costs and offset the adverse short-term impact of reforms on output and employment. It can also facilitate political consensus on reform, for instance, by compensating groups that may be adversely affected by the change. Smart fiscal policy also values public investment.”
5. Policymakers can use targeted measures—cuts in employers’ social contributions or reform of pension systems—as part of an arsenal of policies designed to help fix some of the current weaknesses in labor markets, such as high youth unemployment and low participation in the labor force by women and older workers. Measures targeted to specific labor market trouble spots are more cost effective than blanket ones.

Advanced economies’ efforts on track

6. In advanced economies, a slowing pace of deficit reduction should provide support to economic activity. Fiscal efforts over the past five years in many of these countries have helped to stabilize debt-to-GDP ratios, though the average debt-to-GDP ratio across all advanced economies is expected to exceed 100 percent of GDP at the end of the decade. Hesitant recovery and risks of low inflation and reform fatigue call for fiscal policies that carefully balance support for growth and job creation with **fiscal sustainability**.
7. With continued uncertainties regarding the strength of the recovery, fiscal policies now often include measures aimed at increasing competitiveness, employment, and long-term growth. The challenge, according the *Fiscal Monitor*, is how to absorb the costs associated with these measures in such a way so as to keep overall budget deficit in check. This could be achieved by cutting spending in other areas or shifting to other forms of taxation.

Emerging markets on guard

8. Although budget deficits and **debt ratios** remain moderate on average, fiscal positions and risks vary widely across emerging market and middle-income economies. While immediate pressures on public finances have eased, the IMF sees lower potential growth, prospects of tighter financing conditions, and rising contingent liabilities as looming risks.
9. In emerging market and middle-income economies, debt ratios and deficits remain generally moderate, although on average above pre-crisis levels. The prospect of increasing risks calls for rebuilding the policy room for maneuver that was used during the last few years.
10. Geopolitical conflicts in Ukraine and the Middle East could also raise fiscal risks, but the report acknowledges these are difficult to measure at this point in time.

Developing countries on uneven ground

11. As for low-income developing countries, with a few exceptions, immediate fiscal risks are generally moderate. A key policy challenge in low-income developing countries is to scale up the provision of social public services and growth-enhancing infrastructure, health, and education.
12. Looking forward, efforts should focus on improving fiscal outcomes through revenue mobilization, budget prioritization, and greater efficiency of public spending. Another important policy challenge is strengthening **fiscal governance**, especially for the growing number of low-income developing countries that are gaining access to global financial markets.

TASK 2 **Building vocabulary**

.....

1 Find in the Text English equivalents for the following word-combinations.

Разумная налогово-бюджетная политика; охватывать структурные реформы; нести значительные издержки; компенсировать краткосрочные неблагоприятные последствия реформ; способствовать достижению политического согласия по вопросу реформ; потенциальные риски; отводить важную роль государственным инвестициям; использовать адресные меры; следовать намеченным курсом; неустойчивое экономическое восстановление; нежелание продолжать реформы; устойчивость бюджета; покрывать издержки; сдерживать общий бюджетный дефицит; рост незапланированных задолженностей; потенциальные риски; возможности для маневра в экономической политике; развивать инфраструктуру, способствующую росту; усиливать бюджетный надзор.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

To sit atop policy agenda globally; fiscal policy working in tandem with broader structural reforms; to facilitate political consensus on reforms; cuts in employer's social contribution; to stabilize debt-to-GDP ratios; to shift to other forms of taxation; to scale up the position of social public services; to improve fiscal outcomes; budget prioritization; greater efficiency of public spending.

3 Consult special dictionaries for most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

costs
liabilities

investment
infrastructure

budget
governance

- 2 Interpret the passages in *italics* in the Text. Develop your line of reasoning using the *Signposting Language*.
- 3 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Comment on the author's stance, implications or message.
- 4 Formulate the thesis of the Text covering its key aspects. Make it the opening sentence of your abstract expanding on the key aspects in the body.

TASK 4 Reading to identify the *specific* aspects

- 1 Look through the text to find the English equivalents for the phrases given in the *Vocabulary Box* and underline them.
- 2 Read *Box 7* and describe the economic landscape in Russia after the crisis.

BOX 7

The Need to Address Fiscal Pressures

Uncertainty about fiscal policy represents a significant risk to Russia's medium-term growth prospects, just as the volatility of oil revenues has complicated medium-term fiscal planning. Russia has a disproportionately large public sector: a significant share of the workforce is employed by the public administration or by state-owned enterprises (SOEs), banks, and other financial institutions', and many households are directly dependent on wages from public employment. Because Russia has a relatively generous social welfare system, transfers and pensions also constitute a substantial share of household income, and the state is also entrusted to provide basic services, notably health and education. Given the state's prominent role in the economy, many private firms rely on public contracts. Thus, fiscal planning strongly affects public views on the economy and has major implications for employment, household incomes, service delivery, and economic growth. The prospects for a tighter fiscal policy, uncertainty about fiscal priorities, and long fiscal planning horizons (although the budget horizon was reduced to one year in 2015 and 2016) significantly heighten economic uncertainty for households and firms. A clear, well-sequenced plan for eliminating the deficit over the next few years would allow them to make better consumption and investment decisions.

© The World Bank

Vocabulary Box

нестабильность нефтяных доходов
непропорционально большой государственный сектор
государственная служба
госпредприятия
система социального обеспечения
составлять существенную долю доходов населения
зависеть от государственных заказов
серьезно отражаться на занятости
планирование бюджета на длительную перспективу
усугублять экономическую неопределенность
последовательный план по устранению дефицита

- 3 Look through the text to find Russian equivalents for the phrases given in the *Vocabulary Box 8* and underline them.

BOX 8

Решение бюджетных проблем

В рамках среднесрочной бюджетной политики следует и далее предусматривать расходы на стратегические государственные инвестиции, обеспечивая при этом защиту бедных и уязвимых слоев населения от последствий ужесточения бюджета. Чтобы равномерно распределить нагрузку, связанную с оптимизацией бюджета, и провести консолидацию в бюджетной сфере с учетом долгосрочного роста производительности, вероятно, потребуется комплексная переоценка приоритетных направлений расходов с особым вниманием к ключевым направлениям, таким как оборонный комплекс, экономические субсидии, социальные программы и пенсии. Инвестиционные решения должны приниматься на основе прозрачного анализа, с учетом оценки финансовой целесообразности, которая бы гарантировала, что ограниченные финансовые ресурсы обеспечат достаточно высокую отдачу в долгосрочной перспективе. Обеспечить отдачу от проектов можно с помощью совершенствования управления государственными инвестициями. Рост эффективности расходов поможет государству с максимальной выгодой использовать свои ресурсы, однако эти выгоды могут оказаться недостаточными, чтобы компенсировать растущий структурный дисбаланс. Необходимо пересмотреть налоговую политику, чтобы разработать стратегию повышения ненефтяных доходов и стабильного снижения ненефтяного дефицита.

Vocabulary Box

provide for continued spending on strategic public investments
 shield poor and vulnerable households
 brunt of the fiscal adjustment
 be equitably distributed
 national defense
 assessment of financial viability
 generate long-term returns
 strengthening management of public investments
 generate value for money
 improvements in expenditure efficiency
 lower the non-oil deficit

- 4 Scan *Box 8* and list the steps necessary to combat fiscal pressures.

TASK 5 Critical thinking

- 1 **Comment on the pivotal issues concerning smart fiscal policies formulated by the IMF analysts. Build up your line of reasoning using the *Signposting Language*:**
 - Smart fiscal policy could support jobs, bring public debt to safer levels
 - Fiscal policy can help achieve needed structural reforms
 - Targeted fiscal steps can tackle youth unemployment, labor market problems
- 2 **Discuss country-specific features of fiscal policy in an economy of your choice.**
- 3 **Prepare a 3-minute talk on “The challenges faced by post-crisis Russia and the strategies proposed”.**

TASK 6 Vocabulary Check-Up

1 Render the text using the word-combinations on the right.

Основная задача, стоящая перед директивными органами, заключается в обеспечении того, чтобы повышение финансовой уязвимости оставалось в приемлемых рамках, а денежно-кредитная политика продолжала поддерживать мировой подъем. В противном случае усиление долговой нагрузки и чрезмерно завышенные цены на активы могут в перспективе подорвать доверие рынков и привести к таким последствиям, которые способны создать опасность для мирового экономического роста. В настоящем докладе рассматривается сценарий снижения темпов роста, в котором переоценка рисков ведет к резкому повышению стоимости кредита, падению цен на активы и выводу средств из стран с формирующимся рынком. Экономическое воздействие такого ужесточения финансовых условий в мире будет значительным (в размере примерно одной трети влияния мирового финансового кризиса) и более обширным (мировой объем производства упадет на 1,7 процента по сравнению с базисным прогнозом ПРМЭ с неоднородным распределением эффектов между странами). Тенденция к нормализации денежно-кредитной политики повернет вспять в США и приостановится в других странах. Непропорционально сильные последствия испытают страны с формирующимся рынком, что, по оценкам, приведет к уменьшению потоков портфельных инвестиций на 100 млрд. долларов за четыре квартала. Наибольший удар по капиталу банков будет иметь место в случае чрезвычайно высокой доли заемных средств, и при их максимальном участии в жилищном и корпоративном секторах.

- challenge confronting policymakers
- contain financial vulnerabilities
- rising debt loads
- overstretched asset valuations
- repercussions
- downside scenario
- repricing of risks
- credit costs
- pullback from emerging markets
- go into reverse
- be disproportionately affected
- portfolio flows
- take the biggest hit
- leverage
- exposed to the housing and corporate sectors

Unit 7

Strong and equitable growth:

fiscal policy can make a difference

UNIT 7 Strong and Equitable Growth: Fiscal Policy Can Make a Difference

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

enter a prolonged period of mediocre growth
contribution of **labour** to growth
take-home **pay**
the design of **social benefit** programs
jeopardize investment
return on **savings** for individuals
undermine **revenue** collection
boost enrollment rate
on the revenue side
eliminate tax exemptions
lower the government wage bill
improve revenue administration
R&D-intensive industries

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the terms in bold type. Discuss how crucial they are in global and Russia's environment.

Strong and Equitable Growth: Fiscal Policy Can Make a Difference

1. Amid a recovery from the financial crisis that continues to disappoint and growing fear that the global economy is entering a prolonged period of mediocre growth, a new IMF study says that fiscal policy can actually lift potential growth.

Anatomy of successful fiscal reforms

2. Fiscal reforms can influence growth through four main channels, according to the study.
3. **Employment.** A number of fiscal policy measures can promote employment and thus increase the contribution of labor to growth. For instance, cutting **labor taxes**, especially when they are high, increases take-home pay—and thereby increases incentives to work. *Improving the design*

of social benefit programs and active labor market programs can strengthen work incentives and better assist job seekers. Germany, for example, increased its labor force participation by 8 percentage points between 2000 and 2013 through active labor market programs and other labor market reforms. *Targeted measures to support labor market participation of specific groups, such as women, youth, older workers, and low-skilled workers, are often important tools.* For instance, India applies a lower **effective tax rate** on women's labor income, and most advanced economies subsidize the hiring of unemployed youth.

4. **Investment.** Investment is a key driver of growth, and tax policies, in particular, can influence private investment decisions. For example, Ireland saw investment surge after it streamlined and reduced its **corporate income tax** structure. *Taxing all capital income potentially jeopardizes investment, as these taxes reduce the return on savings for individuals and the rate of return on investment projects for corporate investors.*
5. While **tax incentives** are often used to attract investment, appropriate targeting is crucial to their effectiveness. *Incentives that directly reduce the cost of capital (such as **investment tax credits**) should be favored over open-ended and profit-based incentives (such as **tax holidays**).* Evidence shows that the latter erode the **tax base** and undermine revenue collection—without providing noticeable benefits for investment or growth.
6. **Human capital.** A key ingredient of an economy's growth potential is the talent of its workforce. Fiscal policy is vital in ensuring that all citizens have an equal opportunity to reach their full potential. *The education and health outcomes of the poor tend to be better in a more equal society, and this can lead to faster accumulation of human capital.* Thus, improving access to health care and education, especially for disadvantaged groups—through increasing investment in primary education, providing a basic health care package, and reducing user charges for poor households—is a priority. Tanzania increased its education spending significantly over 1998–2005, from 1.8 percent of GDP to 3.5 percent of GDP. The reforms helped boost enrollment rates and spur sustained economic growth.
7. **Innovation.** Innovation enhances productivity, which in turn increases growth. *When carefully designed, targeted tax incentives, such as **tax credits and deductions**, can promote investment in new technologies.* In particular, tax incentives for research and development (R&D) have been shown to have some positive impact on productivity in advanced economies, especially in R&D-intensive industries, such as pharmaceuticals and telecommunications.

How to pay for growth-friendly reforms

8. Implementation of growth-friendly fiscal reforms will sometimes require additional resources, which need to be made available in a way that is the least harmful for growth. On the revenue side, *preferred measures include: broadening the tax base by eliminating **tax exemptions** and **preferential tax rates** for certain types of income; shifting the **tax composition** from **direct taxes** to **indirect** and **property taxes**; and improving revenue administration.*
9. Expenditures can be reduced by improving the targeting of spending and increasing its efficiency. For instance, countries may aim to lower the government wage bill while protecting the quality of public services, as did Germany, Ireland, Malaysia, and the Netherlands among the countries studied.

The “how” matters

10. How fiscal reforms are designed and implemented is an important determinant of their success in generating strong and sustained growth. First, inclusion of fiscal measures in a package with other complementary reforms increases the likelihood of success. In the majority of the countries studied, successful fiscal reforms were implemented together with other structural reforms and macroeconomic policies. For example, to boost employment, countries combined strengthened work incentives with labor market reforms aimed at facilitating job creation, such as streamlined hiring and firing procedures, changes in wage bargaining, and minimum wage cuts.
11. Second, social dialogue with relevant stakeholders enhances the likelihood of reforms being implemented and sustained, especially where they may be politically difficult. Watershed social partnership agreements in the Netherlands in 1982 and Ireland in 1987, for example, helped pave the way for fundamental economic turnarounds. A number of strategies can help foster public support. For example, effective communication with stakeholders that emphasizes the intended benefits of reforms—or the cost of maintaining the status quo—can help mitigate resistance to reforms.

TASK 2 Building vocabulary

1 In the Text underline the English equivalents for the following word-combinations.

Вступить в длительный период незначительного экономического роста; согласно данному исследованию; сокращать налог на заработную плату; реальная зарплата; разработка программ социального обеспечения; люди, ищущие работу; целенаправленные меры; неквалифицированные рабочие; реальный подоходный налог; реальная зарплата; стимулировать найм безработной молодежи; ставка корпоративного налога; ставить под угрозу инвестиции; доходы от сбережений частных лиц; резко понижать поступления в бюджет; налоговые льготы на инвестиции; с точки зрения бюджетных поступлений; расширять доступ к медицинскому обслуживанию и образованию; наиболее уязвимые слои общества; упразднить освобождение от налогов; снизить зарплату служащих государственного аппарата; улучшить распределение налоговых поступлений; наукоемкие отрасли.

2 Find the following word-combinations in the Text and contextualize them. Think of corresponding Russian equivalents.

Contribution of labour to growth; a risk-free rate of return; appropriate targeting of investment; tax holidays; growth-friendly fiscal reforms; to broaden the tax base; to simplify taxpayer forms; streamlined hiring and firing procedures; wage bargaining; to assist job seekers; to boost enrollment rates; government wage bill; to maintain the status quo; disadvantaged groups; a basic health care package.

3 Consult special dictionaries for most frequently used word-combinations with the term ‘tax’. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

labour

pay

social benefit

savings

revenue

- 2 Interpret the passages in *italics* in the Text. Build up your line of reasoning using the *Signposting Language*.
- 3 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Comment on the way they change the author's stance, implications or message.
- 4 Analyze the four main channels through which fiscal measures can influence growth. Trace their interdependence. Make a wide use of the *Signposting Language*.
- 5 Formulate the thesis of the Text incorporating all its key aspects. Make it the opening sentence of your abstract expanding on these aspects in the body.

- 6 Give your interpretation of growth-friendly fiscal reforms.
- 7 Prepare a 3-minute brief on any of the concepts concerning *taxation* which are mentioned in the Text. Speak on the implications of the chosen concept globally and locally (in Russia's environment).

TASK 4 Vocabulary Check-Up

1 Render the text using the word-combinations on the right.

Низкая волатильность на финансовых рынках, снижение уязвимости банковского сектора, восстановление некоторых сырьевых отраслей и улучшение глобальных макроэкономических перспектив привели в целом к формированию более благоприятного инвестиционного климата. В целом ставки финансирования остаются низкими, отражая снижение надбавок за рискованные операции в странах с развивающейся рыночной экономикой. Это способствует все большему притоку капитала в страны с формирующейся рыночной экономикой, в том числе оживлению трансграничного кредитования, и росту объемов кредитования как в развитых, так и в развивающихся странах. Формирование более благоприятных условий способствовало умеренному росту капиталовложений в производственную деятельность в некоторых развитых экономиках. Ускорение глобальной экономической активности в последние годы примерно на 60 процентов происходило за счет валового накопления основного капитала. Однако эти результаты следует рассматривать исходя из того понимания, что они были достигнуты по сравнению с низкими начальными показателями, обусловленными двухлетним периодом очень низких темпов роста капиталовложений и длительным периодом застоя в глобальной инвестиционной деятельности. Более уверенному и масштабному оживлению инвестиционной деятельности могут препятствовать отсутствие четкой торговой политики, отсутствие корректировки балансов основных центральных банков, а также рост уровня задолженности и рост факторов, способствующих финансовой нестабильности в долгосрочной перспективе.

- banking sector fragilities
- solid global macroeconomic outlook
- financing costs
- risk premia
- cross-border lending
- gross fixed capital formation
- low starting point
- standstill in investment activity
- rebound in investment activity
- to be deterred
- elevated levels of trade policy uncertainty
- balance sheet adjustment
- build-up of longer-term financial fragilities

Unit 8

Imagine what fiscal policy
can do for innovation

UNIT 8 Imagine What Fiscal Policy Can Do For Innovation

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

boost **innovation**
reduce the cost of private **R&D**
foster private R&D investment
determine quality of life
adopt foreign **technologies**
catching-up growth
grant R&D **tax** credits
provide targeted R&D subsidies
create negative impact on the tax base
tax distortions
be **cost** effective
preferential treatment
target fiscal support
offset taxable losses
simplify tax rules

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the terms in bold type. Discuss how crucial they are in global and Russia's environment.

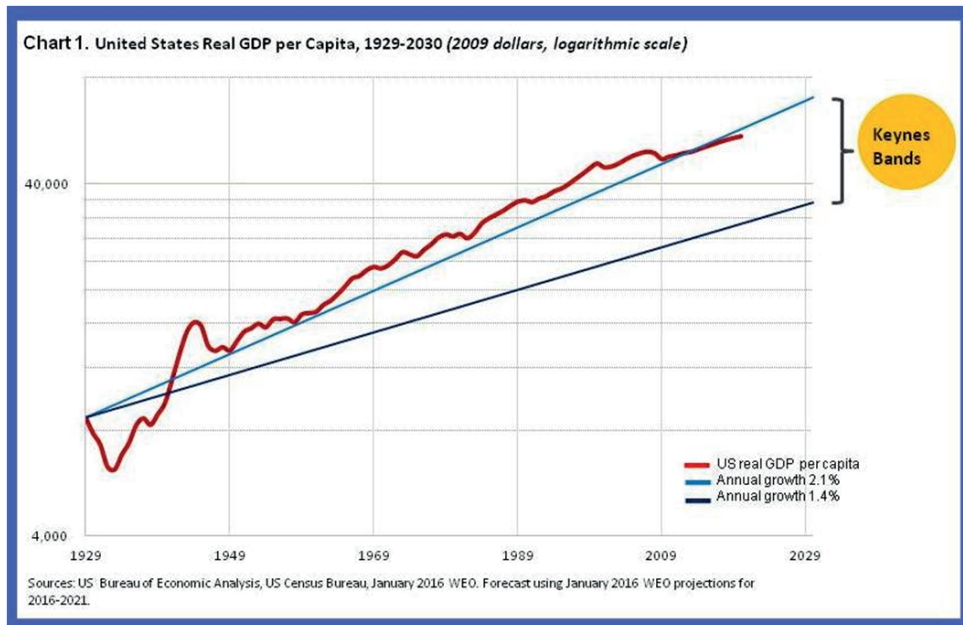
Imagine What Fiscal Policy Can Do For Innovation

- 1 *Imagine how three-dimensional printing, driverless cars and artificial intelligence will change our future.* Or think of how developments in information technology, e-commerce and the sharing economy are already changing the way we learn, work, shop, and travel. Innovation drives progress and, in economic terms, determines productivity growth. And productivity growth, in turn, determines prosperity. It impacts our lives and well-being in fundamental ways: it determines where and how long we live; it determines our quality of life.
- 2 In the spring 2016 *Fiscal Monitor*, we look at innovation as shaped by effort and incentives. That makes innovation highly dependent on government policies. We find that *a little government*

support can go a long way in boosting innovation and growth. For example, we document that public policies that would reduce the cost of private R&D by 40 percent will lead to increases in private sector effort by the same percentage, and increase GDP by 5 percent over the long run.

A case against pessimism

- 3 After the start of the Great Depression in 1929, the world was dominated by pessimists. In 1941, Joseph Schumpeter summarized the state of the debate: “The explanation that has been offered by all sorts of sources and accepted by economists of very high standing is that this depression and unsatisfactory recovery was not due to the unfavorable circumstances of the particular case but had a deeper meaning. It has held to be a symptom that paralysis was slowly creeping upon the economic system of capitalism and that the depressive conditions of capitalism had come to stay; ... we may as well put the theory in the form of decreasing investment opportunity.” It is interesting that more than ten years earlier, in 1930, in his *Economic Possibilities for Our Grandchildren*, John Maynard Keynes argues vigorously against pessimism. He writes: “I would predict that the standard of life in the progressive countries one hundred years hence will be between four and eight times as high as it is today.”
- 4 If we simplify the prediction and take progressive countries to mean the United States (the country that defined the technological frontier during the relevant decades) we can picture Keynes’s prediction as in Chart 1. The chart shows in log scale the upper and the low-end of the range indicated by Keynes. Perhaps ironically the initial performance was not inspiring. But, since the early 1950s, the U.S. economy has actually performed *above* the upper end of Keynes’s bands. We interpret this story as indicating that, while the details of innovation are fundamentally unpredictable, innovation is determined by human incentives and can be anticipated in broad outline.



Source: US Bureau of Economic Analysis, US Census Bureau, 2016

Why fiscal support?

- 5 Research and development is a key driver of innovation. Governments play a critical role in funding higher education and basic research, the basis upon which firms can build their own R&D. *But fiscal policies are also important to foster private R&D investment.*
- 6 Private firms by themselves don't invest enough in R&D for two reasons. First, they often find it difficult to finance risky R&D investment projects, even if the projects are expected to yield high returns. This is especially so during **recessions** when liquidity constraints are more prevalent. Our new analysis finds that *fiscal policies that help stabilize output do significantly raise private R&D investments and support productivity growth.*
- 7 Second, R&D investments by firms benefit the wider economy. For example, researchers in technological hot spots such as California's Silicon Valley exchange knowledge and ideas; technologies embodied in new products or equipment can be imitated by others or can inspire follow-on innovations. But a single firm will not take these spillovers into account when deciding how much to invest in R&D.
- 8 International spillovers add to these domestic R&D spillovers. *Adopting foreign technologies is a key component for **catching-up growth** that is critical for emerging markets and developing economies.* Estimates suggest that R&D undertaken in the G7 countries yield productivity gains in other economies of about 25 percent of the G7's own return. Taking that into account, global R&D should rise by 50 percent and global GDP could increase by about 8 percent in the long term.

Design and implementation are the key

- 9 While fiscal incentives can be a powerful tool to encourage private R&D, their design and implementation is critical.
- 10 Fiscal incentives to encourage R&D vary widely. Australia and Korea, for instance, grant R&D tax credits that effectively reduce the costs of extra R&D investment by nearly 50 percent. Other countries sometimes grant **labor-cost relief** for researchers or provide targeted R&D subsidies, although in most countries at rates of less than 50 percent. Overall, these policies seem to have worked well, provided that their implementation was effective.
- 11 Not all fiscal incentive policies are well designed. Several countries have recently introduced so-called patent box regimes, which reduce corporate tax burdens on income from patents. In many cases, **patent boxes** are simply part of an aggressive tax competition strategy, creating negative impact on the tax base of other countries.

Focus on the entrepreneurs

- 12 Many radical innovations result from small entrepreneurial ventures engaging in experimentation. Innovation therefore depends critically on an efficient process of entrepreneurial entry, growth and exit. However, in many countries this process is hampered by obstacles, such as permits and licenses, labor-market regulations, financial constraints and tax barriers.
- 13 In the *Fiscal Monitor* April 2017, we explore the importance of **tax distortions** and find evidence of some adverse effects of high corporate income taxes on entrepreneurship. Governments

in some countries try to neutralize these tax distortions by offering special tax incentives for small companies. However, these incentives are not cost effective and can even discourage firms from growing due to a so-called small-business trap. For example, lower taxes for small firms lead to “bunching”, an accumulation of small firms all trying to remain just below the income level at which the preferential treatment is phased out. This constrains rather than supports productivity growth.

- 14 Instead of providing incentives to small firms, governments should target fiscal support to new firms. Countries such as Chile and France have developed effective policy initiatives to support young innovative start-ups. In addition, to minimize tax distortions to the entrepreneurial process, governments can provide generous provisions to offset taxable losses and simplify tax rules to reduce the compliance burden for firms.
- 15 Innovation and change are the key drivers of long run standards of living and prosperity. R&D, a key driver of innovation, responds to economic incentives and public policies. IMF research shows that well-designed public support can go a long way. For example, we show that fiscal support to R&D, justified by domestic spillovers, and costing 0.4 percent of GDP can deliver 5 percent higher GDP in the long run. If international considerations are taken into account the cost would increase to 0.5 percent of GDP, but the benefits would increase proportionally even more, to 8 percent. Smart fiscal policies matter. They matter a lot. Public and private sectors can work together in complementary ways to boost innovation and growth.
- 16 Can you imagine Keynes and Schumpeter smiling together?

TASK 2 Building vocabulary

1 In the Text underline English equivalents for the following word-combinations.

Стимулировать инновации; снижать издержки компаний на НИР; определять качество жизни; способствовать частным инвестициям в НИР; влиять на благосостояние; снижение инвестирования; изначальные показатели; приносить значительную отдачу; ограничения ликвидности; воплощенные в новых продуктах технологии; инициировать последующие инновации; заимствовать зарубежные технологии; наверстывающий рост; предоставлять налоговые льготы на НИР; негативно влиять на налоговую базу; корпоративный подоходный налог; малые предприятия, занятые экспериментальной деятельностью; режим наибольшего благоприятствования; нарушение налогового регулирования; быть рентабельным; компенсировать потери от уплаты налогов; направлять бюджетную поддержку; упростить правила налогообложения; продуманная государственная поддержка.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

Artificial intelligence; sharing economy; quality of life; to perform above the upper end of Keynes's band; catching-up growth; follow-on innovations; corporate income tax on entrepreneurship; to provide targeted R&D subsidies; to introduce patent box regime; to offer special tax incentives; to grant labor-cost relief for researchers; entrepreneurial entry; innovative start-ups.

3 Consult special dictionaries for most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

innovation

R&D

technologies

cost

tax

- 2 Interpret the passages in *italics* in the Text. Maintain your line of reasoning using the *Signposting language*.
- 3 Provide your interpretation of Schumpeter's and Keynes's viewpoints upon the Great Depression of 1929 (paragraph 3).
- 4 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Comment on the author's tone and message.
- 5 Formulate the thesis of the text embracing its key aspects. Make it the opening sentence of your abstract expanding on them in the body.

- 6 Make up a list of word-combinations with the concept 'tax' and its derivatives from Units 7 and 8. Draw a mind map illustrating their correlation.
- 7 Discuss all possible ways to provide preferential treatment to businesses. Find real life examples of various approaches to taxation in advanced economies and Russia.
- 8 Think of 2 or 3 burning issues in the sphere of taxation. Send them to your group Forum and choose those that are most appealing for further discussion. The appointed moderator should use them as a springboard for the round-table discussion (see *English for Senior Students of Economics*, pp. 61 – 63).

TASK 4 Video: commentary and analysis

Davos 2017: Maintaining Innovations

https://www.youtube.com/watch?v=zd6J_AweAjQ

1 Sum up the viewpoint of each panelist drawing on the content words.

Alice Gast, President, Imperial College, London, UK

Content words: *environment, resources and people; American unicorns; immigrant genius; to collaborate internationally, outlandish ideas.*

W. Patrick McCray, Professor of History, University of California, Santa Barbara, USA

Content words: *to rediscover innovation; holistic and inclusive view; gains and losses; disruptive/incremental innovation.*

L. Rafael Rief, President, MIT (Massachusetts Institute of Technology), USA

Content words: *Uber-like innovation; science-based innovation; to move a solution to a market place; risk capital; patient capital.*

Martin Stratmann, President, Max-Planck Institute, Germany

Content words: *basic/fundamental, applied research; look for insight; curiosity-driven/goal-driven research; trust in science.*

Andrew Thompson, Co-Founder and CEO, Proteus Digital Health, USA

Content Words: *to sell outcomes, fast/ slow intelligence, digital society.*

2 Watch the video again. Working in groups, write down:

- word partners for concepts *innovation, technology, research, knowledge.*
- clichés used by the panelists to keep the ball rolling during the discussion.
- idioms used by the panelists.

TASK 5 Critical thinking – Video

- 1 Read the quotes from the experts who present the vision of various universities and businesses upon the future of innovations. Work in small groups and give your comments, understanding or interpretation. (The phrases in the blue boxes will make your comments well-structured). Share your ideas with the peers.

Alice Gast, President, Imperial College, UK

“Innovation requires an environment, resources and people. The great environment really includes really strong basic research but it also includes the unfettered ability to pursue new ideas even if there are challenges at status quo”.

First, let’s look at...
It’s also true that...
These observations raise the issue of...
The other big issue is...
What this means is...

The problem here is that...
Let’s start off with talking about...
My point here is...
It’s worth noting...
Let me give you a couple of reasons...
Let’s get a little more concrete about...

“Resources are critically important. But mostly it’s about people when innovators come as individuals or as groups and we bring the right people together and give them the right opportunities. ... Innovators could be lone individuals but it’s often a creative collaboration of very different people. So it is not only moving, it is collaborating internationally because we all bring our own cultures, our backgrounds, our intellectual perspective to collaborations”.

Patrick McCray, Professor of History, University of California, Santa Barbara, USA

What exactly do we mean by..
It's true that..
My point is that..
The key question here is how...

"Innovation needs to be rediscovered in two different ways. One of it is that we need a more holistic and inclusive view of who does innovation and how that happens. But, second of all, going back to the idea of rediscovering innovation, we need to put basic research back into the innovation system".

"Innovation is a neutral term that refers to the spread of new things and new practices. We have seen many examples of organizations and products that are innovative: terrorist organizations, drug cartels - very innovative but not necessarily good things. And in the world of healthcare innovation brings gains and losses, and the question is, for whom are these gains and for whom are these losses?"

To put this point in another way..
So the argument is that..
I want to illustrate the situation with..
We have a vivid example of this ...

L. Rafael Reif, President, MIT, USA

"It's essential to highlight two different flavors of innovation. One is the Uber-like innovation — an extremely creative idea, brilliant, based on an existing platform. ... That kind of innovation happens with creative people working together imagining a future. Then there is a science-based innovation, the tough innovation, the one that really changes the need in creating the future. ... For that you need a whole continuum of basic research which is the mother of all innovation".

It's not just clear that..
Let's remember that..
There're really two reasons: one is... and the other would be..
One of the concerns is that...

What I want to do is to look at..
Now we need to think about..
Let's now shift to the problem of..
More broadly, ...

"If we focus on problem solving and identify the right big problem to solve, innovation comes side of that, just finding a solution that you want to move to the market".

Martin Stratmann, President, Max-Planck Institute, Germany

“If you talk on basic research, fundamental research, and applied research - it’s more than methodology which is different. In basic research it is curiosity driven: you want to understand things. The goal of what you all do is understanding, insight. If you talk on applied research, it’s goal driven: you want to improve a certain issue for a certain factor.

It’s useful to begin by looking at...
The basic argument here is that...
Let’s shift over and look at...
For example,...
Clearly,...

First look at...
I just want to emphasize that...
There are a lot of famous examples...
We need to consider...

“Another comment I would like to make is what the role of real fundamental research is. And sometimes we have the feeling it’s just the crazy guy who has a certain idea and he turns the world around. And this happens from time to time: we all have some stories like this but in the end fundamental research is much more important — it’s real insight and understanding”.

“The most important part of all is the people, who will see during their PhD that their minds have changed and cognitive features of these people are changing. These people are going then to industry and they are the ones who combine knowledge with the direct need of industrial environment”.

The basic issue here is that...
It’s worth remembering that...
But there is an even bigger problem ...
That will give us a chance to discuss...

We need to consider...
The difficulty is that...
Finally, it’s worth pointing out...
Let me try and explain the reasons why...

“The prime target of what we are doing, what we say in the academies, in the universities is not to look for innovation — it’s looking for insight. If you are only innovation driven, then we miss the goal because many times we find something beside the road”.

“We need trust if you want to let people go. If you want them to either do an insight or invention, we need trust because we do not know where that is being found. There is no guided path: I cannot tell them where to go, what to do and how they can come to that result”.

The problem here is that...
What that means is, in effect,
It's also true that...
Well, there are several big reasons for...

We are going to define...as...
Just to be clear on the definition...
It's not quite clear...
I also want to emphasize...
So, what does that mean exactly is ...

“You have to keep your eyes open because you do not know what is popping up in which part of the unknown universe. And I think we're talking here of the unknown unknowns. Sometimes there is a feeling that the program you are mentioning is the known unknown, but you are also talking of the unknown unknowns”.

Andrew Thompson, Co-Founder and Chief Executive Officer, Proteus Digital Health, USA

“The first thing you need to do is to solve a problem and then figure out how to make money and how to sell it. If you focus on expanding and understanding the universe, then you need to do it in the research institution. In my view the really important rule of thumb there is ‘don't back great projects, back great people’ and let them go off and find the world and find things that are completely unexpected”.

Let's think about...
There is also an issue of what we call...
To put it differently, ...
The basic implication here is...
I want to pull together a few big things...

- 2 **Examine the controversial assumptions below. In small groups discuss the viewpoints on innovations from different angles. Use the phrases which will help you make your agreement/ disagreement strong, neutral or partial.**

“If we are entering an era of backlash against globalization we need to make sure we enhance mobility for creative genius and for the academics, the scientists, the students and the innovators”.

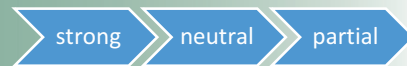
“Innovation isn’t always a good thing”.

“A huge driver for the emergence of the PC-computing industry in the 1970s was the amateur hobbyists who were a huge catalyst in getting this off the ground”.

“We all agree on the importance of fundamental science. But there is a second side of that medal and that is industrial side”.

“The danger we may see on the horizon is that industry is giving up R&D to some extent, thinking that others may do so”.

Agreement

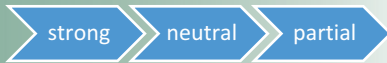


I entirely agree with this point.
I couldn't agree more.
That's a good point.
That's for sure.

It's true that...
I think I can accept this point of view.

I agree in principle but....
By and large I would accept this point of view but...
It's only partly true that...
It's not necessarily so.
I would agree on the whole but...
To some extent I agree with...

Disagreement



I totally disagree with ...
 I don't agree at all.
 I entirely disagree with the point that...
 I am of a different opinion.
 I cannot share this view.
 I really can't agree with...
 I can't accept this point of view.

I don't quite agree with...
 That's not always the case.
 That's not always true.
 I can't say that I share this point of view.

I agree up to a point but...
 To a certain extent, I agree but...
 I'm afraid I can't agree with...
 Not necessarily.

"It's most important that we all call to publish our data very openly... so that in any part of the world you have access to latest technology".

"If we don't sell products, we sell outcomes".

"We focus too much on fast intelligence and not enough on slow intelligence".

"Many of solutions that create innovations can find capital, some of them not".

There's a huge gap in terms of how we value and look at people and how they think.

TASK 6 Reading to identify the *specific* aspects

- 1 In Box 9 find the English equivalents for the phrases given in the *Vocabulary Box* and highlight them.

BOX 9

Russia explores the new digital frontier

Digitization now affects all aspects of development as the digital revolution spans the entire globe, with half of the world's population connected to the Internet. Russia has made significant strides in its own digital transformation process. Fixed-broadband penetration has reached 56.5%, while mobile penetration is at 81.6%. Internet access is affordable and fast. Russia has the highest number of fiber connections in Europe. A high 60% of the population now owns smartphones, while the number of users of online government and municipal services has doubled in just one year to reach 40 million. A network of over 2,600 E-government service centers has been set up and a new national education platform has been established to deliver open online courses. In B2B transactions, Russia is on par with the ASEAN region. E-commerce is also growing, as Russia comes close to the EU average and pulls ahead of Korea, Brazil, Mexico, South Africa, the ASEAN region and its Eurasian Economic Union neighbors in B2C sales. Financial inclusion in Russia is also advanced at 67.4% of residents having accounts in formal financial institutions, compared to other countries in Europe and Central Asia at 51.4%.

Over the last 5 years, ICT exports have doubled, reaching over US\$7 billion in 2016, while several Russian ICT companies have emerged as global players. These include well-established firms like Yandex and Kaspersky labs as well as relative newcomers in ICT services, business-process automation and security. The use of emerging technologies such as data analytics, cloud computing, 3D printing, blockchain, etc. are also quickly gaining ground.

Despite these strides, however, today Russia is not among the global leaders of Digital Transformation.

The World Bank divided countries into three groups, depending on their level of development of digital technologies: emerging, transitioning, and transforming. Russia today is in the "transitioning" group of countries.

There are several factors at play here. Despite the solid technical education foundation remaining from Soviet times, broad, high-level ICT skills are still lacking and the alignment between the educational system and industry's requirements needs to be improved. Business usage of ICT tools by Russian companies still lags that of global leaders like Singapore, Finland, Denmark and the US. This in turn negatively affects the innovation and entrepreneurial environment.

Vocabulary Box

цифровизация экономики
 выходить на новые рубежи
 добиваться значительных успехов в процессе цифровизации
 распространение фиксированной широкополосной связи
 распространение мобильной связи
 доступное подключение к Интернету
 оптоволоконные соединения
 электронный доступ к госуслугам
 предлагать онлайн обучающие курсы
 находиться на уровне стран ACEAN
 повышать финансовую грамотность
 новые участники рынка ИКТ
 автоматизация бизнес-процессов и обеспечение безопасности
 анализ данных
 облачные технологии
 уровень становления, перехода и трансформации на основе цифровой технологии

2 Scan the text in Box 9 and comment on the areas which digitization affects most.

area _____	
area _____	
area _____	
area _____	

3 In Box 10 find the Russian equivalents for the following word-combinations:

Speeding up the digital transformation process; analogue and digital foundations of Digital Transformation; to draw on international best practices; to prioritize changes in the legal and regulatory framework; investments in digital infrastructure and cybersecurity; strict programme management requirements; initiatives in E-government, Smart Cities and E-health; funding allocated in the federal budget; the Digital Agenda of the Eurasian Economic Union; creation of a single digital space across Eurasia.

BOX 10

Осознавая неотложность ускорения перехода к цифровой экономике, российское правительство приступило к реализации ряда ключевых инициатив.

В мае 2017 года Россия приняла новую программу «Цифровая экономика» с ежегодным предполагаемым бюджетом в 1,8 млрд долларов США на период до 2025 года, направленную на устранение факторов, не позволяющих России перейти в группу стран-лидеров цифровых преобразований. Эта комплексная программа нацелена на развитие как аналоговых, так и цифровых основ перехода к цифровой экономике и учитывает правовые, технические, организационные и финансовые аспекты этого процесса. Основываясь на передовом международном опыте построения цифровой экономики, авторы выделили в качестве приоритетных задач изменение нормативно-правовой базы, развитие навыков цифровой экономики, системы цифрового образования и НИОКР, предложили инвестиции в цифровую инфраструктуру и кибер-безопасность и предложили конкретные инициативы, такие как электронное правительство, умные города и электронное здравоохранение. Эта программа позволит России добиться существенного прогресса в переходе к цифровой экономике.

Программа также предусматривает участие России в «*Цифровой повестке*» Евразийского экономического союза, которая является еще одной ключевой инициативой в рамках перехода к цифровой экономике, объявленной в 2017 году. Эта повестка нацелена на создание единого цифрового пространства в Евразии. Она направлена на использование цифровых технологий для устранения препятствий для экономического сотрудничества в Евразии. Согласно совместному исследованию, проведенному Евразийской экономической комиссией и Всемирным банком, эта программа обеспечит всем странам-членам ЕАЭС конкретные выгоды в вопросах роста ВВП, создания новых рабочих мест и преобразования сферы услуг. При этом Россия, являясь крупнейшей экономикой Союза, получит наибольшие конкурентные преимущества

Потенциальные цифровые дивиденды для России огромны. Учитывая приоритетное значение, которое государство с недавнего времени придает цифровизации экономики, у страны есть все возможности для того, чтобы перейти из категории стран, находящихся на этапе перехода к цифровой экономике, в категорию стран-лидеров в цифровой экономике.

TASK 7 Critical thinking

- 1 Analyze the existing level of B2B transactions, E-commerce, and B2C sales in advanced and developing economies (*Box 9*). Illustrate your analysis with the help of a bar or pie chart.
- 2 Examine the factors which put Russia in the “transitioning” group of countries.
- 3 Comment on the key initiatives launched by the Russian government to speed up the digital transformation process.
- 4 What stands behind the Digital Agenda of the Eurasian Economic Union?
- 5 Study the experience of the countries belonging to global leaders in business usage of ICT tools (e.g. Singapore, the Netherlands, Denmark, the US) and make their comparative analysis.
- 6 Make up a 5-minute presentation on the potential areas where Russia may benefit from digitization.

TASK 8 Vocabulary Check-Up

- 1 Render the text using the word-combinations on the right.

Прогнозируемые темпы мирового роста в 2017–2018 годах выше роста в 2016 году, составившего 3,2 процента, но ниже, чем в среднем до кризиса, особенно в большинстве стран с развитой экономикой и в странах с формирующимся рынком, являющихся экспортерами биржевых товаров. В первой группе многие страны имеют избыточные экономические мощности, а также испытывают трудности в повышении потенциального роста, связанные со старением населения, низким уровнем инвестиций и медленным улучшением производительности труда. Ввиду низкой базовой инфляции и давления на заработную плату, следует придерживаться политики, способствующей повышению инфляционных ожиданий. Во многих странах необходимо тщательно отслеживать риски для финансовой стабильности. Экспортерам биржевых товаров следует продолжать процесс адаптации к снизившимся уровням доходов наряду с постепенной диверсификацией своих источников роста.

- projected growth rates
- pre-crisis averages
- commodity-exporting economies
- face excess capacity
- headwinds to potential growth
- in view of weak core inflation
- wage pressures
- lifting inflation expectations
- boost potential output
- close monitoring
- adjust to low revenues



Unit 9

Growth is key
to job creation

UNIT 9 Growth Is Key to Job Creation

TASK 1 Reading to identify the *main* aspects

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

soaring jobless rate
remedy **unemployment**
dwindling product markets
deviation in **output** from trend
sharply rising wealth—to—income ratios
mitigate **inequality**
mortgage default
foreclosure delays
smooth **consumption**
lengthen employment searches
exacerbate unemployment
heavily leveraged firms

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the terms in bold type. Discuss how crucial they are in global and Russia's environment.

Growth Is Key to Job Creation

1. As the jobless rate has soared in most advanced economies in the wake of the Great Recession, especially for young people, how labor markets work and how policy can influence them has taken on new urgency.
2. Participants in the Thirteenth Annual Research Conference hosted by the IMF discussed recent research on critical labor market problems. The aim was to figure out the best way to create jobs and reduce inequality.

Matching skills

3. Nobel prize winner George Akerlof argued in his opening remarks that most unemployment is caused by changes in demand, rather than by so-called structural issues pertaining to employees'

qualifications, location, and/or age. This means that “aggregate demand shocks”—changes to the economy that affect all such groups at the same time—are the key to remedying unemployment.

4. “The road to bliss is not through austerity,” concluded Akerlof.
5. This contrasts with an increasingly popular view in policy circles that the recent crisis has severed links between output and employment recovery, implying that even healthy output growth will fail to reduce unemployment to pre-crisis levels.

Stronger product markets

6. This message was aligned with recent empirical evidence on the link between dwindling product markets and rising unemployment. Professor Laurence Ball of Johns Hopkins University showed that the so-called Okun’s law—which postulates that a 1 percentage point deviation in output from **trend** leads to a ½ percentage point deviation in unemployment from its “natural” level—has been reasonably stable in the United States since 1948, and also broadly holds true for other advanced economies. Hence, rising aggregate demand and stronger product markets are a necessary condition for healthier labor markets.
7. In addition to Peter Diamond’s discussion, participants presented additional international evidence on the Beveridge curve, which measures skill mismatches by mapping the relationship between the number of job vacancies and the unemployment rate.

Taxing the wealthy

8. The income share held by the top 1 percent has risen sharply in the United States and the United Kingdom since 1980, noted Thomas Piketty of the University of Paris, presenting work he has done with Emanuel Saez of University of California at Berkeley. *The rise in income inequality has been associated with sharply rising wealth-to-income ratios, which suggests that inequality can be largely mitigated by more progressive taxation to discourage the negotiation of extremely high salaries.*
9. Oliver Coibion of the University of Texas and the IMF and his co-authors presented evidence suggesting that *monetary policy can potentially foster inequality, among other things by transferring resources (via higher real interest rates) from poorer borrowers to richer savers.*

Role of credit

10. The role of the credit channel in job creation and destruction was hotly debated at the conference. The sharp drop in house prices has played an important role, especially in the United States, in reducing available business financing. This in turn has made businesses less likely to hire.
11. *New and small businesses are particularly sensitive to housing price variations than other businesses*, according to University of Maryland professor John Haltiwanger, which explains the concentration of job losses by that group of businesses since the start of the crisis.
12. Kyle Herkenhoff investigated the roles of **mortgage** default and **foreclosure** delays in smoothing consumption and lengthening employment searches, potentially exacerbating unemployment. Tito Boeri from Bocconi University and co-authors found evidence from both sides of the Atlantic that, in a recession, more heavily leveraged firms face greater difficulties in rolling over debt and tend to cut significantly more jobs. It follows that strengthening financial intermediation is an important requisite to stable labor markets.

TASK 2 Building vocabulary

1 In the Text underline English equivalents for the following word-combinations.

Резко возрастающий уровень безработицы; насущные проблемы рынка труда; определять наилучший способ; решать проблему безработицы; отклонение объема производства от тренда; сокращать неравенство; невыполнение условий ипотечного кредитования; отсрочка в лишении права выкупа заложенного имущества; поддерживать постоянный уровень потребления; наличные средства для финансирования бизнеса; снижать стремление компаний к найму; показывать на графике соотношение между...; реагировать на изменения цен на жилье; усугублять безработицу; увеличение периода поиска работы; отодвинуть сроки погашения задолженности.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

Austerity; wealth-to-income ratio; dwindling product markets; skill mismatches; negotiation of extremely high salaries; to transfer resources; credit channel in job creation and destruction; mortgage default and foreclosure delays; heavily leveraged firms; to roll over debt.

3 Write out from the Text: (1) word-combinations meaning '*to be connected with*'; (2) word partners for noun '*evidence*'.

4 Consult English-English dictionary to find all possible synonyms for the verb '*to cause*'.

5 Consult special dictionaries for most frequently used word-combinations with Core Concepts. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

unemployment
mortgage

output

inequality
consumption

2 Interpret the passages in italics in the Text paying special attention to small details. Using the *Signposting Language*, build up your line of reasoning.

3 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Comment on the author's stance, implications or message.

4 Formulate the thesis statement of the Text encompassing its key aspects. Make it the opening sentence of your abstract expanding on these aspects in the body.

TASK 4 Reading to identify the *specific* aspects

- 1 Read *Box 11* and focus on the dimensions of non-inclusive growth patterns in developing countries and the requirements for sustained growth.

BOX 11

Tackling Non-Inclusive Growth

Rigorous research on the causes and consequences of unequally distributed growth is necessary to identify solutions. But the best analysis means little in the absence of hands-on consensus-building and political engagement.

Several years ago, I had the privilege of chairing a commission on growth in developing countries. Its members had significant economic, political, and social policymaking experience in the developing world, and despite their differences, they all agreed on certain crucial points. Two still stand out in my memory.

First, as we concluded in our final discussion, non-inclusive growth patterns will always ultimately fail. Such patterns cannot produce the sustained high growth that is necessary for reducing poverty and fulfilling basic human aspirations for health, security, and the chance to contribute productively and creatively to society. They underutilize and misuse valuable human resources; and they often give rise to political or social turmoil, often marked by ideological or ethnic polarization, which then leads either to wide policy swings or to policy paralysis.

Our second broad conclusion was that sustained growth requires a coherent, adaptable strategy that is based on shared values and goals, trust, and some degree of consensus. Of course, achieving that is easier said than done.

Many developing countries have experienced extended periods of slow or no growth. In some cases, a country's leaders are simply confused, and do not understand what needs to be done. In most cases, however, the ingredients of an effective "growth model" are well known, and the problem is a lack of political or social consensus about how to implement it.

Achieving a higher growth equilibrium is rarely a gradual or incremental transition. It requires a discontinuous leap in expectations and policies, and a fundamental shift in the political and social consensus. When these shifts occur, leadership plays a crucial role, by providing citizens with an alternative vision, based on common values, that all stakeholders can support. Such leadership can come from above, from below, or from a representative group. But as the persistence of low-growth equilibria in many countries shows, it often doesn't come at all.

The spillover effects of non-inclusive growth are already evident almost everywhere, to varying degrees, in the form of social polarization, policy gridlock and incoherence, and a generalized loss of public trust. In this respect, developing countries' experience holds potentially important lessons for policymakers and various stakeholders in advanced economies.

There has been some progress in identifying the factors causing economic inclusiveness to decline in the last three decades. This is important: only by understanding the nature of the challenge can we develop more effective responses to it. If we misdiagnose the problem with a flawed or rushed analysis, our response will be ineffective, and probably even counterproductive.

That said, the analyses conducted so far have not yet generated widespread awareness of the threat that non-inclusive growth poses to productivity and economic performance as conventionally measured. The adverse economic effects of non-inclusive growth grow and multiply slowly over time, and will continue to do so in the absence of collective action – usually but not necessarily manifested through government – to shift prevailing distributional patterns.

Some would disagree with this proposition, because they believe that the factors behind economic performance and dynamism are independent of distributional patterns. But I would remind them of the second lesson from developing countries' experience: non-inclusive growth patterns undermine trust and eventually governance, in turn undercutting policymakers' ability to sustain policies and strategies that support high growth.

To put it bluntly, insightful analysis has its uses, but change will not happen without a widespread social and political convergence around shared values and objectives – something that is sorely missing in many countries today. People need to trust one another and their leaders, and they need to agree on how to assess and respond to polarizing economic and social trends.

At the same time, continued inaction will fuel alienation, creating a vicious circle of distrust and paralysis that will have to be broken before effective action can occur. There are already many important initiatives dedicated to various dimensions of the inclusiveness challenge, which include not just income and wealth inequality, but also automation, artificial intelligence, and the future of work. Despite their good intentions, it remains to be seen if any of these initiatives will pave the way for effective policy responses.

The value of insightful analyses of such complex problems should not be discounted. But we cannot assume that getting the diagnosis right will be sufficient to overcome political gridlock. The other key ingredient is direct engagement. Restoring public trust will require a deep and sustained commitment, and a new consensus that is broad enough to overcome the political and social divides that are now legion across advanced economies.

- 2 Build a flow chart of challenges related to non-inclusive growth.
- 3 Support the flow chart with the list of word-combinations from the text necessary to discuss the above mentioned challenges.
- 4 These word-combinations will help you to fill in the gaps in the Russian text below. Render the text following the line of reasoning indicated by the opening phrases.

Неинклюзивный рост и что с этим делать

Тщательный анализ причинно-следственной связи неравномерного экономического роста важен для поиска решений. Члены Комитета по экономическому росту в развивающихся странах, несмотря на разногласия, были единодушны в оценке некоторых важных моментов.

Во-первых, согласно выводу, сделанному в окончательном отчете,.....

Такие модели..... Они в недостаточной мере и неправильно, что затем приводит к.....

Наш второй общий вывод заключался в том, что..... Во многих развивающихся странах наблюдаются..... В некоторых случаях..... В большинстве случаев, однако,

Достижение равновесного роста Оно требует, а также

Побочные эффекты

.....

Были достигнуты некоторые успехи в

.....

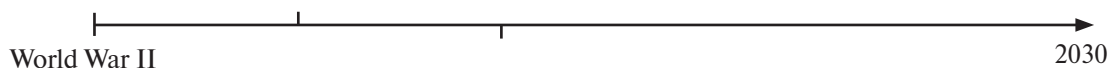
Неблагоприятные экономические последствия, и это будет продолжаться, если.....

Существует много важных инициатив,

.....

Ценность вдумчивого анализа таких сложных проблем не следует принижать.

- 5 Scan Box 12 and draw a time-line of the developments related to the fight over alternative economic systems.



BOX 12

The economy should serve society

The major battle of the post–World War II global economy was a fight over alternative economic systems: Did Communism or capitalism provide the best way of achieving growth and prosperity for all? With the fall of the Berlin Wall, that battle was over. But there is a new one emerging: What form of market economy works best.

For a long while, American democratic capitalism seemed to triumph. The United States pushed deregulation, privatization, and liberalization around the world, through a set of policies that came to be called the Washington Consensus. But then came the 2008 global financial crisis, when it was government that saved the market from its excesses. The attempt to minimize the role of the government had failed miserably, and led to the government taking unprecedented actions.

In the aftermath, many took a closer look at the U.S. economic system. With median income stagnant for more than a quarter-century, it became clear that this system was not delivering for most citizens, even if it was doing very well for those at the top. And even its political system came to be questioned: economic inequality translated into political inequality, evidenced so clearly by the ability of the banks that had brought on the crisis to resist the reforms that most economists saw as necessary to prevent a recurrence. Democracy is more than just regular elections for the choice of political leaders, and the outcomes of America's democracy seemed increasingly more in accord with "one dollar, one vote" than "one person, one vote."

French economist Thomas Piketty has argued that high levels of inequality represent the natural state of capitalism. He confirms what others have noted: the huge increase in inequality both of income and wealth in the past third of a century and the increasing importance of inherited wealth. He forecasts that these trends will continue.

I believe that this high and increasing level of inequality is not the inevitable result of capitalism, nor is it the working out of inexorable economic forces. There are countries with much lower levels of inequality—with just as strong growth—whose citizens, especially those in the bottom half, fare far better than their counterparts in the United States. Some countries have even significantly reduced inequality in recent years, namely, Brazil. The high and growing inequality in the United States is a result of its policies and politics, and those that have emulated the United States—the United Kingdom, for example—are seeing similar results. The inequality is a result of the country's ersatz capitalism—rampant with monopolies and oligopolies, government-conferred benefits on corporations and the rich, bailouts for the banks, deficiencies in corporate governance, and tax laws that allow the richest to move their money to offshore tax havens and pay far less than their fair share of taxes.

The IMF has rightly recently emphasized the adverse effects of this inequality on economic performance. In my book *The Price of Inequality*, I explained how we could simultaneously have more growth and stability and more equality—especially in those countries where inequality has reached the extremes that it has in the United States. Trickle-down economics doesn't work—as the U.S. data amply show. And this is especially true when so much of the inequality arises from rent seeking (the top appropriating a larger and larger share of the nation's pie for themselves) and from a lack of equality of opportunity, implying that those at the bottom never have a chance to live up to their potential.

The false capitalism that has emerged in the United States and some other countries is the predictable and predicted result of a flawed democracy that enables economic inequality to be easily translated into political inequality, in a vicious nexus where an increase in one form of inequality increases that of the other.

The major challenge facing the global economy in coming decades is more than just taming the excesses of the market economy—for instance, preventing the excessive risk taking, predatory lending, and market manipulation so strongly manifested by financial institutions in recent years. It entails making markets work as markets are supposed to work—with strong competition driving innovation that raises living standards, not the kind of innovation centered on how to appropriate a larger share of a nation's income and circumvent the regulations designed to make the economy function well. It entails ensuring not only strong economic growth but also shared prosperity. It entails ensuring that the economy is the servant of society, not the other way around. When economic "advances" entail large cuts in wages or public benefits for broad swaths of society, we have to ask whether we have confused means with ends.

And the major challenge facing our global politics is ensuring that democratic processes truly represent the interests of ordinary citizens. Breaking the power of money in politics will not be easy. But if we don't, we will face disappointments in our economies and our democracies.

Joseph E. Stiglitz, *Finance and Development*, 2014

Task 5 Critical Thinking

- 1 Who is the author of the text? What qualifies him to write on the subject?
- 2 Look through *Box 12* and explain how Joseph Stiglitz sees the following concepts: *democratic capitalism, ersatz-capitalism, trickle-down economics, false capitalism, flawed democracy*.
- 3 Find information to comment on the allusions and references made by the author:
 - the Berlin Wall
 - Washington Consensus
 - Thomas Piketty
 - *The Price of Inequality*

Allusion is something said or written that mentions a person or a subject indirectly.

- 4 What is the author's purpose in writing this text? What evidence is used to support the argument of the text?
- 5 Does the author include and/or critique other people's viewpoints?
- 6 Where (if anywhere) is the author's position on the topic made clear? At the beginning? The end? Only by implication?
- 7 Prepare a 5-minute speech on the following fundamental issues raised by J. Stiglitz:
 - economy as the servant of society
 - interplay of economic inequality and political inequality
 - challenges facing the global economy and global politics
 - economic '*advances*' confusing means with ends.

TASK 6 Video: commentary and analysis

Inclusive Growth and the Social Market Economy

www.youtube.com/watch?v=E8N-JdaNa5Y&T=32s

Content words: *trade-off; inclusive growth; social market economy; income inequality; human capital; advanced economies*

1. Drawing on the title of the video, content words and your background knowledge, formulate the problem that might arise in the video.
2. Watch the video to comprehend the concept of '*inclusive growth*'. Contextualize the content words given above.
3. Watch the video again and select information necessary to complete the table.

Essential background information	
Key arguments	1. 2. 3.
Supporting arguments	1. 2. 3.

4. Make up a list of word-combinations supporting the Content words.

Task 7 Critical thinking

- 1 Make up a mind map for a speech on the essential determinants of social market economy across advanced countries.
- 2 Prepare a presentation on “Policies which will help Russia to switch from non-inclusive to inclusive model of development”.

TASK 8 Vocabulary Check-Up

- 1 Render the text using the word-combinations on the right.

Несмотря на сохранение ряда факторов риска и неопределенности, в настоящее время наблюдаются синхронизация фаз цикла экономической активности, стабильность рыночной конъюнктуры и отсутствие негативных потрясений, в частности скачков цен на сырьевые товары. По мере изменения политики, благоприятствующей большей стабильности в мировой экономике, уменьшилась необходимость уделять внимание мерам, направленным на преодоление последствий экономического кризиса. Помимо улучшения инвестиционных условий, открываются более широкие возможности для смещения акцента проводимой политики на решение более долгосрочных вопросов, таких как укрепление экологической составляющей экономического роста и устранение институциональных недостатков, препятствующих развитию. Изменение акцента в проводимой политике может привести к активизации инвестиций, повышению занятости и обеспечению среднесрочного устойчивого экономического роста. Нынешние капиталовложения, в частности, в повышение устойчивости к изменению климата, повышение эффективности институтов будут способствовать экономическому росту и созданию в краткосрочной перспективе новых рабочих мест.

- alignment of the economic cycle
- commodity price fluctuations
- encourage global economic stability
- reorient policy
- strengthen the environmental quality of economic growth
- tackle institutional deficiencies
- hinder development
- generate stronger investment
- job creation
- build resilience to climate change
- improve the quality of institutions

Unit 10

Structural reforms
are key to sustained growth

UNIT 10 Structural Reforms are Key to Sustained Growth

TASK 1 Reading to identify the *main* aspects

.....

- 1 Before you read the Text, study the *Core Concepts and Word-combinations* and give their Russian equivalents.
- 2 Explain what stands behind the Core concepts highlighted in the list below. Identify the most frequently used concepts. What does this frequency indicate?

Core Concepts and Word-combinations

income levels
productivity payoffs / gains
cross-country production chains
trade and financial openness
labour utilization
reform priorities
value-added production
deepening capital market
institutions needed for market-based economic activity
foster a more skilled labor force

- 3 Read the Text and identify its main aspects. Using *Supplement III*, give definitions of the terms in bold type. Discuss how crucial they are in global and Russia's environment.

Structural Reforms Are Key to Sustained Growth

1. Despite clear progress in recent years, income levels of emerging market and developing economies are still far behind those of advanced economies. With a less favorable external environment and growing demographic challenges, continued strong economic performance in these countries will hinge on how well policymakers are able to unlock productivity growth by improving economic efficiency and a better allocation of resources in the economy.
2. Exactly how countries go about doing so will depend on their overall policy, business, and institutional environment. The reform strategy will also depend on the economy's stage of development, since reforms that generate gains in productivity at earlier stages of development may have a smaller payoff in the later stages.

3. The scope for structural reforms remains considerable in most emerging market and developing countries, and recommendations tailored to where the country is located along the development path can help focus attention where potential productivity payoffs are likely to be larger.

Recent gains

4. Growth over the past two decades was supported by a range of external factors—expansion of cross-country production chains, declines in transportation and communication costs, buoyed global trade, and easy financing conditions. However, domestic factors—such as structural reforms that gave greater play to market forces, better policymaking, and greater trade and financial openness—have also played an important role.
5. There are significant differences in the sources of growth across countries. In some countries (in Latin America), growth has been driven by increases in labor utilization. In others it is attributable to increases in labor productivity brought about by the accumulation of capital (such as in developing Asia) or improvements in total factor productivity (in Central and Eastern Europe).
6. While productivity gains can arise from the adoption of advanced countries' technologies or better use of resources within sectors of the economy, they often also reflect structural change—reallocation of resources from less productive sectors (such as agriculture) into higher-productivity ones (such as industry and services) or new activities. These changes that push up economy-wide productivity are the same channels through which advanced economies have increased their income in the past.

Varying reform priorities

7. Emerging market and developing countries have made significant progress, building stronger institutions and achieving greater and more durable economic stability. But as economies develop and external conditions change, new constraints emerge and policymakers need to adapt their reform priorities.
8. In low-income countries, there is room to raise productivity in agriculture while pursuing a shift toward higher-productivity industry and services. In emerging economies, where many structural changes have already taken place, productivity growth will depend more on climbing the technology ladder—that is, diversifying the economy toward higher value-added production and modern services.
9. The set of required policies varies given the vast differences among emerging market and developing countries. As countries get closer to the global technology frontier, payoffs from simply adopting technology diminish and innovation becomes more important. Reform measures that are effective in generating productivity payoffs for countries at earlier stages of development are thus often not appropriate for the ones that are more developed.

Policy advice

10. Reforms must be tailored to individual country circumstances. A series of recommendations for countries at three different stages of development should be taken into consideration:

- In **low-income countries**, policymakers could further reduce trade barriers, roll back distortionary agricultural subsidies and price controls, and reform the banking sector. Improving basic education and the institutions needed for market-based economic activity will also continue to be important.
- In **lower-middle income countries**, maintaining productivity growth would require continued reforms in banking and agricultural sectors, reducing barriers to foreign investment, as well as increasing competition in product markets, improving the quality of secondary and tertiary education, and alleviating infrastructure bottlenecks.
- In **upper-middle income countries**, productivity enhancements would come from deepening capital markets, developing more competitive and flexible product and labor markets, fostering a more skilled labor force, and investing in research and development and new technologies.

TASK 2 Building vocabulary

1 In the Text underline the English equivalents for the following word-combinations.

Уровень дохода; отдача, обусловленная ростом производительности; межгосударственные производственные цепочки; повышение эффективности трудовых ресурсов; заимствование технологий развитых стран; производство, нацеленное на получение добавленной стоимости; потребовать дальнейших реформ; институты необходимые для функционирования рыночной экономики; улучшить качество среднего и высшего образования; расширение рынков капитала; стимулировать создание более квалифицированной рабочей силы.

2 Find the following word-combinations in the Text and contextualize them. Think of their meaning and give corresponding Russian equivalents.

Development path; to unlock productivity growth; buoyed global trade; trade and financial openness; easy financing conditions; to push up economy-wide productivity; to adapt reform priorities; to pursue a shift toward higher-productivity industry; to climb the technology ladder; to roll back subsidies and price controls; to get closer to the global technology frontier; to adopt technologies; to be tailored to individual country circumstances; to alleviate infrastructure bottlenecks; productivity enhancements.

3 Consult special dictionaries for most frequently used phrases with Core Concepts. Make up a list of them and provide their Russian equivalents.

TASK 3 Critical thinking

- 1 Using the word-combinations from Task 1, explain the logical link between the core concepts given below.

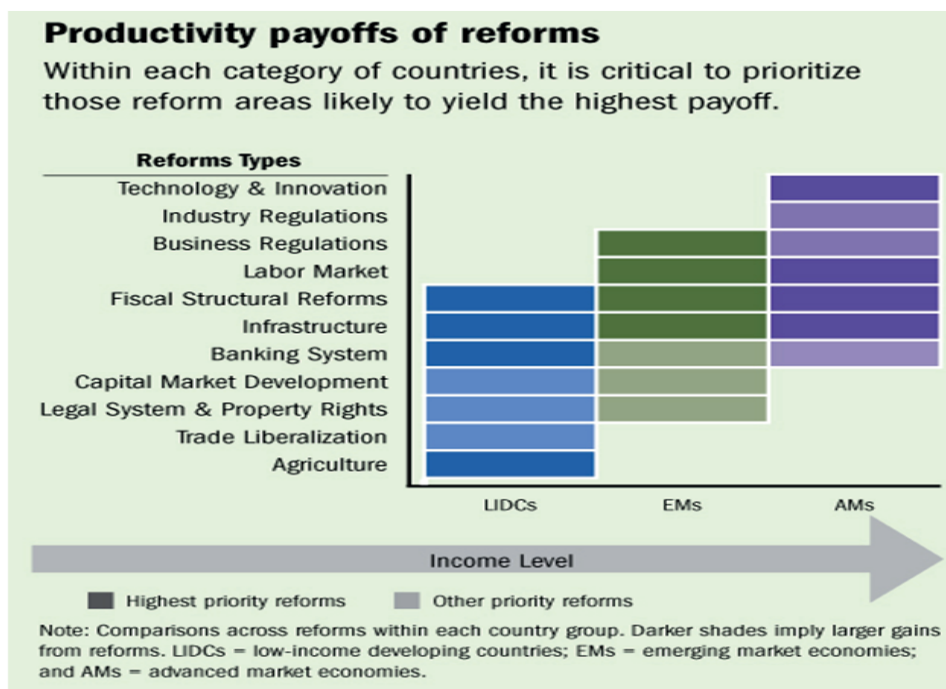
income
institutions

labour
productivity

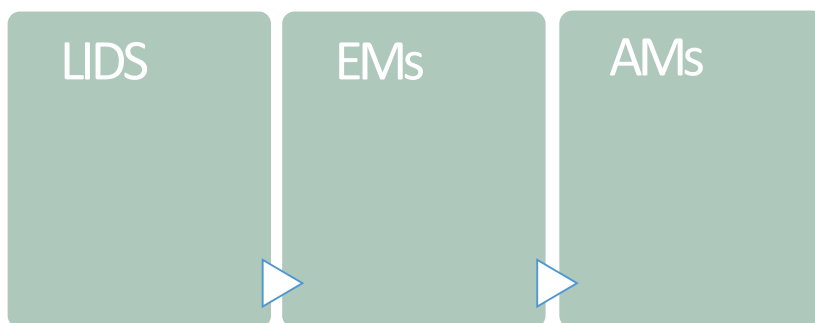
- 2 Find the cases of *hedging language* (modal verbs, impersonal structures, adverbials) in the Text. Comment on the author's stance, implications or message.
- 3 Using the Text, make up a list of word-combinations with the concept 'product' and its derivatives. Draw a mind map illustrating their conceptual correlation.
- 4 Study the definition of structural reforms. Identify the measures necessary to achieve economic health and comment on them.

Structural reforms are measures that aim to raise productivity by improving the technical efficiency of markets and institutional structures, or by reducing impediments to the efficient allocation of resources. These range from measures as diverse as banking supervision reforms and property right laws to changes in tariff rates or rules on hiring and firing.

- 5 Look at the diagram and match the priorities given in the definition to reforms types.



6 Identify and comment on the areas of reforming crucial for all the three groups of countries.



7 Drawing on the diagram and *Box 13*, which illustrates country-specific areas of reforming in India, comment on the priorities for the country.

BOX 13

IMF favours three structural reforms in India

Kenneth Kang suggested reforming the market regulations in order to create a more favorable environment

The IMF has suggested a three-pronged approach for structural reform in India that includes addressing the corporate and banking sector weaknesses, continued fiscal consolidation through revenue measure, and improving the efficiency of labour and product markets.

Deputy Director Asia Pacific Department of IMF, Kenneth Kang, said the favorable outlook for Asia was an important opportunity for India to push forward with difficult reforms.

“As such, there should be three policy priorities in the area of structural reforms,” Kang, Deputy Director Asia Pacific Department IMF told reporters at a news conference here.

“First priority is to address the corporate and banking sector weaknesses, by accelerating the resolution of non-performing loans, rebuilding the capital buffers for the public sector banks, and enhancing banks’ debt recovery mechanisms,” he said.

India should continue with the fiscal consolidation through revenue measures, as well as further reductions in subsidies, he said

“And lastly, it’s to maintain the strong momentum for structural reforms in addressing the infrastructure gaps, improving the efficiency of labour and product markets as well as furthering agricultural reforms,” said Kang.

Responding to a question on labour market reforms, Kang suggested reforming the market regulations in order to create a more favorable environment for investment and

He further said that India should also focus on closing the gender gap which may help a great deal in boosting the employment opportunities for women

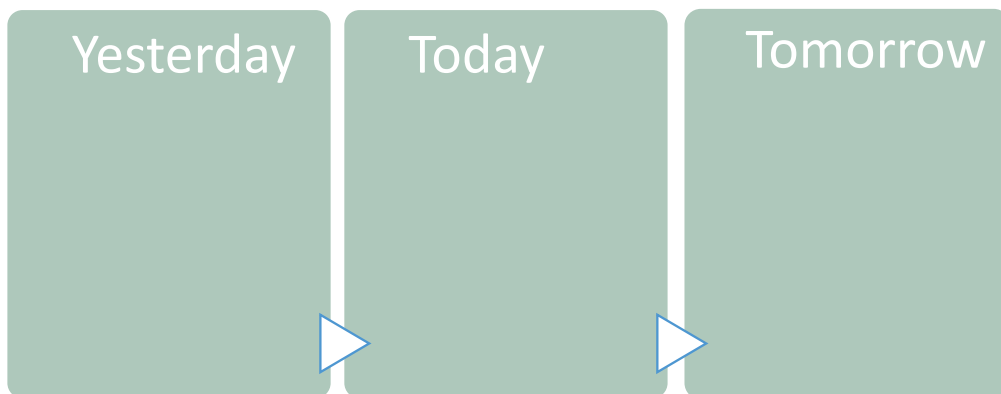
“Improvements in infrastructure can be one important way to facilitate the entry of women into the labour force. But in addition, there is a need to strengthening the implementation of specific gender regulations, as well as to invest more in gender specific training and education,” Kang said.

8 Watch the video for the discussion of China's reforming policies.

"China's economy under five years of structural reforms"

<https://www.youtube.com/watch?v=NUHSilchJFQ>

- Comment on China's current country-specific approaches to reforming.
 - Analyze China's achievements in structural reforms and compare them with the results in other emerging market economies.
 - Present the steps to be undertaken by China's government to catch up with advanced market economies.
- 9 Discuss crucial and country-specific areas of reforming in Russia needed to be calibrated to the current stage of development.
- 10 Using the table below, provide a time-line analysis of structural reforms in Russia from the early 1990s till late 2020s.



The Art of Panel Discussion

TASK 4 Video: commentary and analysis

Video 1: How to Moderate a Panel Discussion: Definition of a Panel

<https://www.youtube.com/watch?v=Kn9a0xVxJT8&index=1&list=PLTaLDJfFoTHTf8TzZ-7gzjZ7Yw3fNCKUR>

- 1 Watch the first series of a video course and write down the definition of a panel discussion.

Kristin Arnold: « A panel discussion _____

- 2 Number the basic characteristics of a panel discussion mentioned in the course.

-
-
-
-

Video 2: How to Moderate a Panel Discussion: Moderator's Role

https://www.youtube.com/watch?v=Z2u_HIAOVz0&index=2&list=PLTaLDJfFoTHTf8TzZ-7gzjZ7Yw3fNCKUR

Kristin Arnold: “The panel moderator has lots of different roles, different hats that you wear, and you need to be pretty good at multitasking all of these different roles that you’re carrying so, that the audience gets their needs met through this format.”

- 3 While listening to the lecture of Kristin Arnold on different roles of a panel moderator, fill in the gaps in the text below.

✦ So, first and foremost, you are the champion for the audience. You’ve got a good format, you’ve got good panelists, and you’re moderating the discussion. It all needs to serve the audience. The primary objective is and when your audience’s needs are not being met you need to you need to on behalf of the audience.

✦ You’re also the facilitator. You’ve designed a(n) You’re the process. ... You’re a You’re keeping because you do want to start on time you want, but most importantly,

you want to end on time. You want to honor , you want the audience, and you want to make sure that the audience gets their needs

✦ You're also a little bit of an instigator. So you need to be a little bit of an instigator and know what are, know what the are, and make sure that the panelists have points of view at the beginning. So there's a little bit of curation that you need to do. You need to be a little bit about the topic. So, there has to be a little bit of a balance but you need to a little bit if it's not getting spicy on its own.

✦ You also are providing the energizer role. Keeping it and moving and and if you have a sense of humor, which hopefully you do, you use to keep the energy up for 60 - 90 minutes. Make sure that there's lots of lots of lots of for the audience.

✦ You're also a logistician. You are not the meeting and you are not the Added-Value person. But you a lot of things ... make sure that the audience is as well as are comfortable, you're comfortable, people can hear you, people can hear the panelists, people can hear the That's all logistics. You don't have to do it all but you do need to be a bit of a logistician.

✦ And lastly you really need to be neutral and objective. Yes, you might have a lot of knowledge about And maybe the meeting who hired you, who brought you on, who asked you to moderate it, was thinking: "Oh, she knows a lot about this subject. We'll have her the panel". You know, they really don't want to hear they want to hear from the the panel of and they need you to be So, you can content but contribute content as a fallback if there isn't anything else being mentioned.

4 What set of skills is crucial for each role?

Video 3: Panel Discussion – Digital Transformation

<https://www.youtube.com/watch?v=qav1y7G15JQ>

- 5 Watch the opening speech of a panel discussion on digital transformation. Characterize the tone of the moderator.
- 6 Look at the list of functions the moderator performs. Match them with the moderator's roles.

- 7 Watch the video full-length and write down the phrases which help the moderator to perform his functions. Put them under the corresponding heading.

Function	Phrase
a. Opening an event	Hello everybody. We have a particularly remarkable panel today to discuss the issues which...
b. Explaining the focus of the discussion	We want to address not only short-term questions, but also to discuss some of the longer term structural questions ...
c. Introducing the panelists	Now let me introduce the panelists. Starting the far left is... Next to ... is ... And finally, immediately to my left is...
d. Introducing the agenda	So I'd like to start with a quick overview from...
e. Disagreeing/ interrupting	I'm not saying that's not important at all, it's of critical importance So can I jump in there quickly and ask if...
f. Keeping the discussion on track	I would like to turn to... and I would be particularly interested in how... I would certainly want to come back to talk a little bit more about... Feel free to read it out the to the audience. I know John has got something he wants to say as well. But X. is first then. I quickly want to ask X., do you have any strong views to add to this? I'm sure you do. I'll give you a chance.
g. Addressing the audience	Out of curiosity, looking at you in the audience, how many of you in the audience use...? Can I ask how many people in the room agree with...? I'd like to bring the audience in for questions. Keep your comments or questions extremely short or I will cut you off. And it will be courteous but not compulsory to identify yourself. So, who would like to ask a question? While I am on that question how many of you think that...
h. Keeping time	We've only got about ten minutes. I think we're pretty much out of time.
i. Closing an event	I want to offer you the last word before we might get a couple of questions if we're disciplined. The panel's very constructive. I am pleased to thank the panel; they have been excellent with these huge subjects. So thank you all very much indeed

8 Match the phrases below and the roles which the moderator performs during the panel discussion.

And it's a real pleasure to be with you here this morning. If you saw the crowds outside, you realize that this was quite a hot ticket... this was the second most oversubscribed panel.	
... with this amazing group of panelists up here and with a topic like digital transformation, how can it not be number one?	
This panel today is a fantastic group of people to give us five windows into how they see the world of digital transformation in their environments.	
Let me quickly introduce them. I'll just go left to right:	
We want to leave some time for the questions that are on your mind, the things that you want to raise with the group. So we'll leave a few minutes at the end to do that.	
This is a live stream discussion... And at the same time I want to encourage candor.	
And also I've told our panelists, we want to have a conversation, so people want to jump in, disagree with each other, build on each other. Well, try to make it free-flowing.	a. champion for the audience
I thought, I would start with you, sitting in the middle there.	
Could you share how you've thought about digital transition and where are the big priorities from your end?	
Can I ask you one follow-up?	b. facilitator
I've been hearing for years about how Kaiser had been such a leader in integrating IT...	
I want to come back exactly to that...	c. timekeeper
I want to come back to this I just want to pick up on one more point around this digital transformation journey...	d. instigator
... so you don't all have to jump in, but whoever - how do you know...	
I want to shift a little bit to the culture stuff before we open it up for the room for questions, because it's such a fundamental question.	e. energizer
... did you want to add anything?	f. logistician
I'm conscious I want to get to questions but...	
... if you could just both quickly talk about...	
We have time for a couple of questions. So many challenges...I think the microphone. And we'll need to keep our answers quick so we can get a couple of questions in before...	
I think the microphone.	
Any reactions particular from the very strong legacy companies that are sitting up there?	
Right. Others. Maybe, one last question.	
So, let me, time is short, we want to keep everyone on schedule.	
Could you give an example of...	
So, I'd like to close by thanking this outstanding panel. I'd like to just highlight, we heard so many great things. We don't have time to recap.	
Thank you all so much for joining us. It was wonderful to have you.	

Ideas for Debates and Panel Discussions

Use the quotes below as a springboard for debates. (You may find the publication on the e-address given below).

Inclusive Growth or Else

<https://www.project-syndicate.org/commentary/davos-inclusive-growth-model-inequality-by-sergei-guriev-et-al-2018-02>

A.

Without a strong policy response aimed at building a more inclusive growth model, rising populism and economic nationalism will impair the functioning of markets and overall economic stability — potentially cutting short the current global recovery.

When it comes to financial deregulation and the liberalization of international capital flows, there are clear equity-efficiency tradeoffs: they boost growth, but they also tend to increase inequality.

B.

The first critical area of focus for the World Economic Forum's Future Council on Economic Progress is skills training, skills upgrading, and addressing job displacement. Globalization and the so-called Fourth Industrial Revolution have increased the pace of change in labor markets, putting a premium on adaptability.

The second critical area is taxation and social protection. Policymakers should pursue cooperative efforts to stem corporate tax avoidance, tax inversions, and the use of tax shelters. Fiscal transfers should also be better targeted, in order to protect the most vulnerable groups.

The third critical reform priority is more aggressive action to regulate financial markets, especially to prevent insider trading, money laundering, and to close down illegal financial center.

The fourth and final priority is a more concerted effort to ensure fair competition and avoid crony capitalism. In industry, services, or the media, anti-trust actions to avoid capture of institutions or industries are vital to support inclusiveness.

The Global Economy in 2018

<https://www.project-syndicate.org/commentary/economic-forecast-2018-continuity-by-michael-spence-2017-11>

There are reasons to be cautiously optimistic. For starters, there remains a broad consensus across the developed and emerging economies on the desirability of maintaining a relatively open global economy.

Economic power and influence will continue to shift from west to east, without any sudden change in the pattern of job, income, political, and social polarization, primarily in the developed countries, and with no obvious convulsions on the horizon.

The Global Economy's New Rule-Maker

<https://www.project-syndicate.org/commentary/china-in-the-global-economy-by-michael-spence-2017-08>

China's position in the global economy is starting to resemble that of the United States during the post-war period, when it, along with Europe, was the dominant economic power.

In the post-war period, the advanced economies used their position to set the rules for global economic activity. They did so in such a way as to benefit themselves, of course; but they also tried to be as inclusive as possible for developing countries.

China shows every sign of moving in the same direction. It most likely will not pursue a narrowly self-interested approach, mainly because to do so would diminish its global stature and clout. China has shown that it wants to be influential in the developing world — and certainly in Asia — by playing the role of a supportive partner, at least in the economic realm.

Blockchain's Broken Promises

<https://www.project-syndicate.org/commentary/why-bitcoin-is-a-bubble-by-nouriel-roubini-2018-01>

The financial-services industry has been undergoing a revolution. But the driving force is not overhyped blockchain applications such as Bitcoin. It is a revolution built on artificial intelligence, big data, and the Internet of Things.

Already, thousands of real businesses are using these technologies to disrupt every aspect of financial intermediation. And financial institutions are making precise lending decisions in seconds rather than weeks, thanks to a wealth of online data on individuals and firms. With time, such data-driven improvements in credit allocation could even eliminate cyclical credit-driven booms and busts.

Forget about blockchain, Bitcoin, and other cryptocurrencies, and start investing in fintech firms with actual business models, which are slogging away to revolutionize the financial-services industry. You won't get rich overnight; but you'll have made the smarter investment.

Rapid advances in artificial intelligence and related technologies contributed to fears of widespread job losses and social disruptions in the coming year, giving a sense of urgency to debates about the future of work. But such discussions, though surely worth having, only scratch the surface of what society might look like.

Supplement 1

Glossary

SUPPLEMENT I

Glossary

.....

Unit 1

abating deflationary pressures
balance sheet mismatches
debt ceiling extension
experience bouts of volatility
expose vulnerabilities
legacy of the crisis
orderly exit from unconventional
monetary policy
rapid building of leverage
reduce tail risks
repair of bank and corporate balance sheets

set the stage for normalization
of monetary policy(MP)
shadow banking system
substantial improvements in market
confidence

снижающееся дефляционное давление
диспропорции в банковских балансах
предельно допустимая величина долга
испытывать всплески волатильности
выявлять проблемные места
наследие кризиса
постепенный отказ от НМП (нестандартной
монетарной политики)
быстрое наращивание заемных средств
снижать последующие риски
восстановление балансов банков
и предприятий
создавать условия для нормализации
денежной политики
теневая банковская система
значительно укрепление доверия к рынку

Unit 2

drivers of growth
heightened market volatility
implement a common fiscal backstop

lingering risks
monetary easing through unconventional
measures
preempt the risk of contagion
rising corporate leverage
supportive monetary conditions
surge in activity
sustain quantitative easing

systemic liquidity mismatches
tighter external financial conditions

факторы экономического роста
возросшая волатильность рынка
использовать общий механизм
бюджетной поддержки
сохраняющиеся риски
смягчение монетарной политики за счет
нестандартных мер
предотвратить риск распространения кризиса
растущая доля заемных средств предприятий
благоприятные денежно-кредитные условия
всплеск деловой активности
продолжать политику количественного
смягчения
системные просчеты в объемах ликвидности
ужесточение внешних финансовых условий

Unit 3

central bank credibility
complacency in the reform agenda

downturn in the real economy
entrench the recovery

lay the foundation for sustained growth
loosen monetary conditions
reduce the burden on UMP
restore market functioning and intermediation

risk of deflation
set monetary policy in the context of
an established framework
short-term policy rate
significant spillovers
turn to unconventional monetary policy
(UMP)
zero lower bound on short-term interest rates

доверие к центральному банку
самоуспокоенность относительно плана
реформ
спад реальной экономики
поддерживать процесс восстановления
экономики
заложить основу долгосрочного роста
ослаблять денежно-кредитные условия
уменьшать нагрузку на НМП
восстанавливать функционирование рынка
и финансовое посредничество
риск дефляции
выстраивать монетарную политику
в контексте существующей системы
краткосрочная ставка рефинансирования
значительные побочные эффекты
обращаться к нестандартным мерам
монетарной политики (НМП)
нулевая нижняя граница краткосрочных
процентных ставок

Unit 4

affect economic outcomes
balance the need for stability and risk-taking

be alert to the risks of renewed financial
instability
be complemented by a broader spectrum of
policies

capital flow management
communicate clearly the risk
corporate leverage
foreign exchange exposure
hunt for higher yields
initiation of UMP
lay the foundation for lasting growth
lessen risks of financial turmoil
make progress on fiscal reforms
pace of recovery

влиять на экономические результаты
соблюдать баланс между стабильностью
и рисками
опасаться риска возобновления
финансовой нестабильности
дополняться широким спектром мер
управление потоками капитала
четко объяснять риски
использование компаний заемных средств
выход на валютные рынки
стремление к большей доходности
введение нестандартной денежной политики
закладывать основу для устойчивого роста
снизить риск финансовых потрясений
достигать прогресса в фискальных реформах
темпы восстановления

place the economy on a path of sustainable growth
put the global recovery at risk

take the full range of actions
unhealthy risk-taking

Unit 5

anchor inflation
effective operational framework
enhance analytical capacity
implement modern monetary policy frameworks
increased exposure to global capital markets

inflation-targeting framework
interest-rate based operating framework
price stability as the primary objective of MP

reduced fiscal dominance
reserves requirements

sound forward-looking MP

standing facilities

Unit 6

encompass structural reforms
facilitate political consensus on reforms

fiscal sustainability
have sizeable costs
keep overall budget deficit in check
looming risks
offset the adverse short-term impact of reforms

policy room for maneuver

reform fatigue
rising contingent liabilities
scale up growth-enhancing infrastructure

выводить экономику на путь устойчивого сбалансированного роста
подвергать риску восстановление мировой экономики
предпринимать все необходимые меры
идти на неоправданный риск

сдерживать инфляцию
эффективная система мер
повышать аналитический потенциал
реализовывать современную систему мер монетарной политики
более широкий доступ к мировым рынкам капитала
система инфляционного таргетирования
система мер с учетом процентной ставки
ценовая стабильность как первостепенная задача монетарной политики
снижение фискального преимущества
требования к минимальному объему капитала
взвешенная дальновидная монетарная политика
существующий механизм регулирования

охватывать структурные реформы
способствовать достижению политического согласия по вопросу реформ
устойчивость бюджета
нести значительные издержки
сдерживать общий бюджетный дефицит
потенциальные риски
компенсировать краткосрочные неблагоприятные последствия реформ
возможности для маневра в экономической политике
нежелание продолжать реформы
рост незапланированных задолженностей
развивать инфраструктуру, способствующую росту

smart fiscal policies
strengthen fiscal governance
use targeted measures
value public investment

дальновидная монетарная политика
усиливать бюджетный надзор
использовать адресные меры
отводить важную роль государственным
инвестициям

Unit 7

boost enrollment rate
contribution of labor to growth

eliminate tax exemptions
enter a prolonged period of mediocre growth

improve revenue administration

jeopardize investment
lower the government wage bill

on the revenue side
R&D-intensive industries
return on savings for individuals
take-home pay
the design of social benefit programs

undermine revenue collection

повышать уровень зарплаты
вклад производительности труда
в экономический рост
упразднить освобождение от налогов
вступить в длительный период
незначительного экономического роста
улучшить распределение налоговых
поступлений
ставить под угрозу инвестиции
снизить зарплату служащих
государственного аппарата
в плане бюджетных поступлений
наукоемкие отрасли
доходы от сбережений частных лиц
реальная заработная плата
разработка программ социального
обеспечения
резко понижать поступления в бюджет

Unit 8

adopt foreign technologies
be cost effective
boost innovation
catching-up growth
create negative impact on the tax base
determine quality of life
foster private R&D investment
grant R&D tax credits
offset taxable losses
preferential treatment
provide targeted R&D subsidies
reduce the cost of private R&D
simplify tax rules

заимствовать зарубежные технологии
быть рентабельным
стимулировать инновации
наверстывающий рост
негативно влиять на налоговую базу
определять качество жизни
способствовать частным инвестициям в НИР
предоставлять налоговые льготы на НИР
компенсировать потери от уплаты налогов
режим наибольшего благоприятствования
выделять целенаправленные субсидии на НИР
снижать издержки компаний на НИР
упростить правила налогообложения

target fiscal support
tax distortions

направлять бюджетную поддержку
налоговые диспропорции

Unit 9

deviation in output from trend
dwindling product markets
exacerbate unemployment
foreclosure delays

heavily leveraged firms
lengthen employment searches
mitigate inequality
mortgage default

remedy unemployment
sharply rising wealth-to-income ratios

smooth consumption

soaring jobless rate

отклонение объема производства от тренда
сокращающиеся товарные рынки
усугублять безработицу
отсрочки в лишении права выкупа
заложенного имущества
компании с высокой долей заемных средств
увеличивать период поиска работы
сглаживать неравенство
невыполнение условия ипотечного
кредитования
решать проблему безработицы
резко возрастающее соотношение богатства
к доходам
поддерживать постоянный уровень
потребления
резко возрастающий уровень безработицы

Unit 10

cross-country production chains

deepening capital market
foster a more skilled labor force

income levels
institutions needed for market-based economic
activity

labor utilization
productivity payoffs / gains

reform priorities
trade and financial openness

value-added production

межгосударственные производственные
цепочки
расширение рынков капитала
стимулировать создание
высококвалифицированной силы
уровень дохода
институты, необходимые
для функционирования рыночной
экономики
использование трудового потенциала
отдача, обусловленная ростом
производительности труда
приоритеты реформ
прозрачность торговых и финансовых
операций
производство, нацеленное на получение
добавленной стоимости

Supplement 2

Signposting Language

SUPPLEMENT II

Signposting Language

.....

1 Introducing the issue

Let's start with an idea/ a question of...
Let's shift the focus here from... and talk about...
Let's start off by pinning down what... is.
I think it's useful to look at the overall picture...
The point is that...
The basic issue is...
What we now want to do is to talk about how...
The first possible goal of... is to...
The other big issue with ... is the problem of...
These observations raise the issue of...
This point is worth exploring.
A useful stating point here is...
The underlying issue here is that...

2 Identifying the major problem

First, let's look at...
First, we are going to focus on.../ to think about...
It's useful to begin by looking at...
The starting point for discussing ... is that...
Let's start with the basic idea...
Let's first talk about ...
Let me try and explain the main reasons why...
The other big area is...
Here's the first problem...
But here is my key point...

3 Identifying the aim and purpose

The idea is to...
The key question here then becomes how...
My point is here just...
The basic argument here is that...
Our research indicates that...
One problem with... is that...

What exactly I mean by...?
To think about this issue, we need...

4 Indicating the sequence or order

Let's take these explanations in turn and look at them one at a time.
Let's start off here by talking about how...and then illustrate the problems of...
Let me talk about those in turn.
The final issue is that...
Here is the first problem...

5 Developing the viewpoint

We're going to define... as...
Just to be clear on the definition...
Let's get a little more concrete about...
Let me give you a couple of reasons why I think that's true.
It's also true that...
Indeed...
It's worth noting that...
So what does that mean exactly?
What that means is, in effect...
My point here isn't that...
Now we need to think about the implications of it.

6 Providing examples and explanations

Imagine that, for example, ...
Let's say, for example, that...
Let me give you a couple of famous cases of...
Let me give you one last example of...
Let me give you some numerical examples...
Let's say for the sake of argument/ for purposes of illustration that...
To give you sense of how this works, let me describe...
These figures clearly show that...
Recent studies show that...
We have a vivid example of this in recent years...
A classic example of this would be...
There're a lot of famous examples...
A more recent example is...
A final example is that...
I should mention in passing that...
One common example now is...
I want to illustrate the situation with ...

7 Emphasizing the point

I just want to emphasize that...
My point is that...
The idea here is that...
To nail down the point, let's talk about...
I'm going to focus on...
More specifically, ...
It's worth remembering here...
Since I'm focused here on...
But the real problem lies with...
Essentially, ...
One of the concerns about ... is that...
But here's a problem...
So let's consider the basic proposal.
Now, my point here is that...
I should also mention that...
So, that will give me a chance to discuss the issue of...
It is worth noting that...
Finally, it's worth pointing out...

8 Indicating a transition

Let's move on to /pass on to/ turn to
Let's now switch over and think about the idea of...
Let's shift the focus here from... and talk about...
Now, let's shift over and look at...
Now, we're going to talk about....
The discussion shifts to...
With our goals in mind we'll be able to move to...

9 Expressing doubt or contrast

It's not quite clear that...
One possible drawback is...
There's also controversy over whether...
Now it's just not clear that...
But I would argue that...
I'm not sure if that's quite the right answer...
To put this point another way...
Conversely, ...
To put it differently, ...
On the other side, ...
This particular theory doesn't hold true.

Instead, ...
 The answer is not at all obvious...
 You're not taking into account that...
 Now we need to think a little bit about what the implications of this would be.

10 Making a reference

I mentioned a moment ago that...
 As we noticed earlier, ...
 As I pointed out earlier, ...
 As we discussed earlier...
 Let me quote to you from a well-known current economist...
 Let's remember that...
 OK, let's just go back a step and remind ourselves about...
 But it's also worth remembering...
 There're a number of studies by... which show...
 This is what we refer to as...
 In one study... , in others...
 According to the latest research, ...
 As noted before...
 Again, we will come back to ...
 This argument is discussed in more detail in...
 As I've said several times now...

11 Recapping/ Summing up

Let's just recap on...
 After all,...
 Let's walk through the problem here by thinking about...
 Again, I repeat...
 Let's remember, that...
 To give a quick overview of...
 So, where are we now?
 Perhaps just a quick run-through of...
 The basic answer is that...
 In short, ...
 We're drawing to the end of...
 I want to try to pull together a few big things.
 My basic lesson here is that...
 The general lesson I'm trying to draw out of this...

12 Concluding

Ultimately, ...

Overall, ...

Finally, ...

With all of this in mind, we'll ...

A final issue is that...

The real point here is that...

There seems to be some sort of a lesson here.

(from *Economics, 3rd Edition* by Professor Timothy Taylor)

Supplement **3**

Basic Terminology Guide

SUPPLEMENT III

Basic Terminology Guide

.....

Unit 1

1.1 Monetary policy

Monetary policy consists of the actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates. Monetary policy is maintained through actions such as modifying the interest rate, buying or selling government bonds, and changing the amount of money banks are required to keep in the vault (bank reserves).

1.2 Conventional Monetary Policy

When a nation's economy becomes 'overheated' – growing rapidly to the point that inflation increases to dangerous levels – the central bank will enact restrictive monetary policy to tighten the money supply. This effectively reduces the amount of money in circulation and also the rate at which new money enters the system.

When a nation's economy slips into recession, these policy tools can be operated in reverse, constituting a loose or expansionary monetary policy. Interest rates are lowered, reserve limits loosened, and instead of selling bonds in the open market, they are purchased in exchange for newly created money.

Central banks use a number of **tools** to shape monetary policy. Open market operations directly affect the money supply through buying short-term government bonds (to expand money supply) or selling them (to contract it). When borrowing is cheap, firms will take on more debt to invest in hiring and expansion; consumers will make larger, long-term purchases with cheap credit; and savers will have more incentive to invest their money in stocks or other assets, rather than earn very little—and perhaps lose money in real terms—through savings accounts. Policy makers also manage risk in the banking system by mandating the reserves that banks must keep on hand. Higher reserve requirements put a damper on lending and rein in inflation.

1.3 Unconventional Monetary Policy

This category includes quantitative easing, the purchase of varying financial assets from commercial banks. It may be employed to jump-start economic growth and spur demand.

Unconventional Monetary Policy Tools

The problem with conventional monetary tools in periods of deep recession or economic crisis is that they become limited in their usefulness. Nominal interest rates are effectively bound by zero

and bank reserve requirements cannot be made so low that those banks risk default. Once interest rates are lowered close to zero, the economy also risks falling into a liquidity trap, where people are no longer incentivized to invest and instead hoard money, preventing a recovery from taking place.

That leaves the central bank to expand the money supply through open market operations (OMO). In periods of crises, however, government securities tend to become bid up due to their perceived safety, which limits their effectiveness as a policy tool. Instead of buying government securities, the central bank can purchase other securities in the open market outside of government bonds. This is often referred to as quantitative easing (QE).

1.4 Abenomics

Nickname for the multi-pronged economic program of Japanese prime minister Shinzō Abe. Abenomics seeks to remedy two decades of stagnation by increasing the nation's money supply, boosting government spending and enacting reforms to make the economy more competitive.

Abe's program consists of three "arrows." The first consists of printing additional currency — between 60 trillion yen to 70 trillion yen — to make Japanese exports more attractive and generate modest inflation. The second arrow entails new government spending programs to stimulate demand. The third component of Abenomics is more complex — a reform of various regulations to make Japanese industries more competitive. This includes making it easier for companies to fire ineffective workers, something that historically has been difficult from a legal standpoint. Proposed legislation also aims to restructure the utility and pharmaceutical industries and modernize the agricultural sector.

1.5 Leverage

Leverage is the investment strategy of using borrowed money: specifically, the use of various financial instruments or borrowed capital to increase the potential return of an investment. Leverage can also refer to the amount of debt used to finance assets. When one refers to something (a company, a property or an investment) as "highly leveraged," it means that item has more debt than equity.

The Difference Between Leverage and Margin

Although interconnected — since both involve borrowing — leverage and margin are not the same. Leverage refers to the act of taking on debt. Margin is a form of debt or borrowed money that is used to invest in other financial instruments. A margin account allows you to borrow money from a broker for a fixed interest rate to purchase securities, options or futures contracts in the anticipation of receiving substantially high returns. In short, you can use margin to create leverage.

Unit 2

2.1 Back Stop

A back stop is the act of providing last-resort support or security in a securities offering for the unsubscribed portion of shares. A company tries to raise capital through an issuance, and to

guarantee the amount received through the issue, it gets a back stop from an underwriter or major shareholder to buy any of the unsubscribed shares.

2.2 Quantitative easing

Quantitative easing is an unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity. Quantitative easing is considered when short-term interest rates are at or approaching zero, and does not involve the printing of new banknotes.

The Drawbacks of Quantitative Easing

If central banks increase the money supply too quickly, it can cause inflation. This happens when there is increased money but only a fixed amount of goods available for sale when the money supply increases. A central bank is an independent organization responsible for monetary policy, and is considered independent from the government. This means that while a central bank can give additional funds to banks, they can't force the banks to lend this money to individuals and businesses. If this money does not end up in the hands of consumers, the lending to the banks will not impact the money supply, and therefore will be ineffective at stimulating the economy. Another potentially negative consequence is that quantitative easing generally causes a depreciation in the value of the home country's currency. Depending on the country, this can be a negative. It is good for a country's exports, but bad for imports, and can result in the country's residents having to pay more money for imported goods.

2.3 Tight Fiscal policy

This involves increasing the rate of taxation and / or cutting government spending. It is sometimes known as deflationary fiscal policy. The purpose of tight fiscal policy is:

- reduce inflationary pressure by reducing the growth of aggregate demand (AD) in the economy
- improve government finances by increasing tax revenue and reducing government spending.

Fiscal policy is likely to be tightened when the economy is growing quickly and in danger of overheating (e.g. if economic growth is above the long run trend rate of growth). However, tight fiscal policy may need to be implemented if government finances are poor and there are fears over the size of government debt.

Side Effects of Tight Fiscal Policy: higher tax rates may create disincentives to work; lower government spending may lead to under provision of public goods and public services; improvement in government fiscal position may help reduce bond yields on government debt, which can have beneficial effects for long term investment.

2.4 Fiscal consolidation

Fiscal consolidation is a reduction in the underlying fiscal deficit. It is not aimed at eliminating fiscal debt.

Unit 3

3.1 Deflation

Deflation is a contraction in the supply of circulated money within an economy, and therefore the opposite of inflation. In times of deflation, the purchasing power of currency and wages are higher than they otherwise would have been. This is distinct from but similar to price deflation, which is a general decrease in the price level, though the two terms are often mistaken for each other and used interchangeably.

Causes of deflation

By definition, monetary deflation can only be caused by a decrease in the supply of money or financial instruments redeemable in money. In modern times, the money supply is most influenced by central banks. Periods of deflation most commonly occur after long periods of artificial monetary expansion.

There are two principle causes of price deflation. The first is a general increase in the demand for cash savings by consumers and businesses. This could be because consumers are uncertain, or because their time preferences for consumption have lengthened. The second cause is a general increase in economic productivity, which raises the supply of goods and boosts the purchasing power of incomes.

3.2 Intermediation

Intermediation involves the ‘matching’ of lenders with savings to borrowers who need money by an agent or third party, such as a bank.

Disintermediation occurs when potential lenders and borrowers interact more directly in the capital markets, avoiding the intermediation of banks.

3.3 Volatility

Volatility is a variable in option pricing formula showing the extent to which the return on the underlying asset will fluctuate between now and the option’s expiration. Volatility, as expressed as a percentage coefficient within option-pricing formulas, arises from daily trading activities. How volatility is measured will affect the value of the coefficient used.

Unit 4

4.1 Loose monetary policy

A loose monetary policy is one that is enacted by a government wishing to stimulate growth in the economy by allowing more money to enter into it. This is typically achieved either through issuing more currency, buying up government bonds, or lowering interest rates to encourage borrowing. In many cases, a loose monetary policy is used at a time of economic crises as a way to put money back in the hands of consumers and get it flowing throughout the economy. Opponents of such

a policy feel that this has the potential to devalue money, create debt, and is largely unnecessary in a market economy.

4.2 Tight monetary policy

A tight monetary policy is a strategy that is usually invoked when there is concern about the rate of growth in a given economy. Generally, the policy is invoked by the financial agency within a particular nation when the economy appears to be growing at a pace that is considered to be too fast. The idea behind the tight money policy is to slow down the rate of inflation that often comes along with excessively rapid growth. This is accomplished by raising the short-term interest rates that are available to consumers. This action has in times past shown an ability to aid in curbing inflation, as it tends to inhibit lending somewhat and thus slow the economy by a small margin.

How to Distinguish Between Tight & Loose Monetary Policy

1. Study **the basics of monetary policy**. The central bank pays close attention to the health of the economy as a whole and implements monetary policy to help increase the money supply during a downturn and restrict the money supply during periods of excessive growth. Monetary policy actions include those related to reserve requirements, discount rates and transactions involving government securities.

2. Analyze the implications of tight monetary policy. Tight, or *contractionary*, monetary policy seeks to slow economic growth to head off inflation. The Federal Reserve might increase reserve requirements, the amount of money banks must hold to cover deposits, and increase the discount rate, the rate charged to banks which borrow money to cover reserve requirements. Due to an increase in the cost of borrowing money for banks, banks tend to hold money to avoid having to borrow. Actions such as these will result in reduced money supply and restrictions on credit availability for small businesses and consumers alike. Reduced credit and funds availability have an impact on the ability of businesses to expand and hire additional workers.

3. Examine the implications of loose monetary policy. Loose, or *expansionary*, monetary policy seeks to stimulate production and employment through an increase in the availability of money and credit in the marketplace. Reducing the discount rate or reserve requirements provides banks with an incentive to loan money and make credit available. With the implementation of loose monetary policy, small businesses benefit from expanded credit opportunities, leading to increased investment, production and employment options.

4. Make the distinction between periods of tight and loose monetary policy. Look at current interest rates to determine if current monetary policy is tight or loose. Increasing interest rates on loans and credit opportunities represent a period of tightening monetary policy, while decreasing interest rates represent a period of loosening monetary policy. Small businesses looking to expand and invest are better served by taking advantage of the lower interest rates which mark the implementation of expansionary monetary policy.

Unit 5

5.1 Inflation Targeting

Inflation targeting is a central banking policy that revolves around meeting preset, publicly displayed targets for the annual rate of inflation. The benchmark used for inflation targeting is typically a price index of a basket of consumer goods, such as the Consumer Price Index (CPI) in the United States. Along with inflation target rates, an inflation targeting policy may also have established steps that are to be taken depending on how much the actual inflation rate varies from the targeted level, such as cutting lending rates or adding liquidity to the economy.

5.2 Inflation Expectations

A concept where the rate of inflation becomes “expected” versus the rate of demand inflation (i.e. inflation based on economic factors). Expectation inflation acts as a secondary force that reinforces, or builds upon primary inflation forces such as excess demand or cost push. This secondary force has an effect on the actual rate of inflation, as the expectations of the market influence the economic triggers that drive inflation. Theory dictates that because of this secondary effect, the rate of inflation can never be held constant even in a stable economy.

5.3 Open Market Operations

Open market operations (OMO) refers to the buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system. Purchases inject money into the banking system and stimulate growth, while sales of securities do the opposite and contract the economy. The Fed’s goal in using this technique is to adjust and manipulate the federal funds rate, which is the rate at which banks borrow reserves from one another.

5.4 Reserve Requirements

Reserve requirements are requirements regarding the amount of cash a bank must hold in reserve against deposits made by customers. This money must be in the bank’s vaults or at the closest Federal Reserve bank. Reserve requirements are one of the three main tools of monetary policy — the other two tools are open market operations and the discount rate.

5.5 Standing facilities

Standing facilities are monetary policy operations which are initiated by central banks’ counterparties (as opposed to open market operations, which are initiated by central banks). The Eurosystem offers two overnight standing facilities: the marginal lending facility and the deposit facility. The marginal lending facility allows counterparties to quickly cover short-term liquidity requirements. The deposit facility allows counterparties to deposit funds with the Eurosystem.

The interest rate on the marginal lending facility (marginal lending rate) is normally substantially higher and the rate on the deposit facility (deposit rate) substantially lower than the corresponding money market rate. As a result, credit institutions normally only use the standing facilities in the absence of other alternatives.

The main purpose of the standing facilities is to restrict the volatility of short-term money market interest rates. As there are no limits on access to these facilities, the marginal lending rate and the deposit rate normally provide a ceiling and a floor, respectively, for the overnight interest rate in the money market.

Unit 6

6.1 Fiscal sustainability

Fiscal sustainability or public finance sustainability, is the ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures. There is no consensus among economists on a precise operational definition for fiscal sustainability. Rather, different studies use their own, often similar, definitions.

6.2 Debt Ratio

Debt ratio is a financial ratio that measures the extent of a company's or consumer's leverage. The debt ratio is defined as the ratio of total – long-term and short-term – debt to total assets, expressed as a decimal or percentage. It can be interpreted as the proportion of a company's assets that are financed by debt.

6.3 Fiscal Governance

Fiscal governance comprises all arrangements, procedures, rules and institutions that underlie the conduct of budgetary policies of general government. The term fiscal governance can be used interchangeably with fiscal framework.

National fiscal governance, or domestic fiscal frameworks, can be defined as those rules, regulations and procedures that influence how budgetary policy is planned, approved, carried out, monitored and evaluated.

Unit 7

7.1 Tax Rate

A tax rate is the percentage at which an individual or corporation is taxed. The tax rate is the tax imposed by the federal government and some states based on an individual's taxable income or a corporation's earnings. The United States uses a progressive tax rate system, where the percentage of tax increases as taxable income increases.

7.2 Corporate Tax

A corporate tax is a levy placed on the profit of a firm to raise taxes. After operating earnings are calculated by deducting expenses including the cost of goods sold (COGS)

and depreciation from revenues, enacted tax rates are applied to generate a legal obligation the business owes the government. Rules surrounding corporate taxation vary greatly around the world and must be voted upon and approved by the government to be enacted.

7.3 Tax Base

Tax base is defined as the income or asset balance used to calculate a tax liability, and the tax liability formula is tax base multiplied by tax rate. The rate of tax imposed varies depending on the type of tax and the tax base total. Income tax, gift tax and estate tax are each calculated using a different tax rate schedule.

7.4 Tax Credit

A tax credit is an amount of money a taxpayer is able to subtract from taxes owed to the government. The value of a tax credit depends on the nature of the credit, and certain types of tax credits are granted to individuals or businesses in specific locations, classifications or industries. Unlike deductions and exemptions, which reduce the amount of taxable income, tax credits reduce the actual amount of tax owed.

7.5 Tax exemption

Tax exemption refers to a *monetary* exemption which reduces taxable income. Tax exempt status can provide complete relief from taxes, reduced rates, or tax on only a portion of items. Examples include exemption of charitable organizations from property taxes and income taxes, veterans, and certain cross-border or multi-jurisdictional scenarios.

Tax exemption generally refers to a statutory exception to a general rule rather than the mere absence of taxation in particular circumstances, otherwise known as an exclusion. Tax exemption also refers to removal from taxation of a particular item rather than a deduction.

7.6 Tax deduction

A tax deduction is a deduction that lowers a person's tax liability by lowering his taxable income. Deductions are typically expenses that the taxpayer incurs during the year that can be applied against or subtracted from his gross income in order to figure out how much tax is owed. Tax deduction is a reduction of income that is able to be taxed and is commonly a result of expenses, particularly those incurred to produce additional income. The difference between deductions, exemptions and credit is that deductions and exemptions both reduce taxable income, while credits reduce.

7.7 Tax holiday

A tax holiday is a temporary reduction or elimination of a tax. It is synonymous with tax abatement, tax subsidy or tax reduction. Governments usually create tax holidays as incentives for business investment. Tax holidays have been granted by governments at national, sub-national, and local levels, and have included income, property, sales, VAT, and other taxes.. In developing countries, governments sometimes reduce or eliminate corporate taxes for the purpose of attracting

foreign direct investment or stimulating growth in selected industries. A tax holiday may be granted to particular activities, for example, to develop a given area of business, or to particular taxpayers.

7.8 Direct tax

A direct tax is paid directly by an individual or organization to the imposing entity. A taxpayer pays direct taxes to the government for different purposes, including real property tax, personal property tax, income tax or taxes on assets. Direct taxes are based on the ability-to-pay principle. This principle is an economic term that states that those who have more resources or earn higher income should pay more taxes. Direct taxes cannot be passed onto a different person or entity; the individual or organization upon which the tax is levied is responsible for the fulfillment of the full tax payment. Direct taxes, especially in a tax bracket system, can become a disincentive to work hard and earn more money, because the more money a person earns, the more taxes he pays. A direct tax is the opposite of an indirect tax, where the tax is levied on one entity, such as a seller, and paid by another, such as a sales tax paid by the buyer in a retail setting. Both taxes are equally important to the revenue generated by a government and therefore, to the economy.

Unit 8

8.1 Recession

A recession is a significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP).

8.2 Catch Up Effect

A theory speculating that, since poorer economies tend to grow more rapidly than wealthier economies, all economies in time will converge in terms of per capita income. In other words, the poorer economies will literally “catch-up” to the more robust economies.

8.3 Patent boxes

The Patent Box allows a 10% tax rate on profits derived from any products that incorporate patents. The net benefit for claiming companies is likely to be several percentage points of their corporate earnings, given that the main rate of UK corporation tax is 20 per cent.

A patent box is a special tax regime for intellectual property revenues. It is also known as intellectual property box regime, innovation box or IP box.

8.4 Tax distortions

Taxes generate distortions (are distortionary) when they cause violations of the conditions for social efficiency (e.g. making the marginal rate of substitution deviate from the marginal rate

of transformation.) The law of one price no longer holds because sellers and buyers face unequal prices because of the difference between before- and after-tax prices. We say that prices are tax-distorted when, because of the taxes, they do not reflect true costs and true benefits. We also say that the resulting market allocation is distorted when it deviates from a socially efficient allocation.

The distortion problem is that people *substitute* away from (heavily) taxed goods and activities. *Income effects* pose no efficiency problem. Also lump-sum taxes, which we know are compatible with social efficiency, will have income effects. Indeed, the purpose of taxes is to generate income effects by inducing people to cut back their use of resources to make them available for the public sector.

The social loss due to tax distortions is usually called a *deadweight loss* or an excess burden. The excess burden has been defined as the amount that is lost in excess of what the government collects. It can be measured in various ways.

Unit 9

9.1 Mortgage

A mortgage is a debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments. Mortgages are used by individuals and businesses to make large real estate purchases without paying the entire value of the purchase up front. Over a period of many years, the borrower repays the loan, plus interest, until he/she eventually owns the property free and clear. Mortgages are also known as “liens against property” or “claims on property.” If the borrower stops paying the mortgage, the bank can foreclose.

Mortgages come in many forms. With a fixed-rate mortgage, the borrower pays the same interest rate for the life of the loan. Her monthly principal and interest payment never change from the first mortgage payment to the last. Most fixed-rate mortgages have a 15- or 30-year term. If market interest rates rise, the borrower’s payment does not change. If market interest rates drop significantly, the borrower may be able to secure that lower rate by refinancing the mortgage. A fixed-rate mortgage is also called a “traditional” mortgage.

With an adjustable-rate mortgage (ARM), the interest rate is fixed for an initial term, but then it fluctuates with market interest rates. The initial interest rate is often a below-market rate, which can make a mortgage seem more affordable than it really is. If interest rates increase later, the borrower may not be able to afford the higher monthly payments. Interest rates could also decrease, making an ARM less expensive. In either case, the monthly payments are unpredictable after the initial term.

Other less common types of mortgages, such as interest-only mortgages and payment-option ARMs, are best used by sophisticated borrowers. Many homeowners got into financial trouble with these types of mortgages during the housing bubble years.

When shopping for a mortgage, it is beneficial to use a mortgage calculator, as these tools can give you an idea of the interest rates for the mortgage you’re considering. Mortgage calculators can also help you calculate the total cost of interest over the life of the mortgage.

9.2 Foreclosure

Foreclosure is the legal process by which a lender takes control of a property, evicts the homeowner and sells the home after a homeowner is unable to make full principal and interest payments on his or her mortgage, as stipulated in the mortgage contract.

The foreclosure process derives its legal basis from a mortgage or deed of trust contract, which give the lender the right to use a property as collateral in case the buyer fails to uphold his or her repayment obligation.

As soon a borrower fails to make a loan or mortgage payment on time, the loan becomes delinquent. The foreclosure process begins when a borrower defaults, or misses a loan or mortgage payment. At this point, a homeowner in default will be notified by the lender. Three to six months after the homeowner misses a mortgage payment, assuming the mortgage is still delinquent, and the homeowner has not made up the missed payments within a specified grace period, the lender will begin to foreclose. The further behind the borrower falls, the more difficult it becomes to catch up on payments because lenders add fees for payments that are late, often after 10 to 15 days.

Supplement 4

Abstracts

SUPPLEMENT IV

Samples

Abstract 1

Exchange Rate Exposure and Exchange Rate Risk Management: the Case of Japanese Exporting Firms

Yokohama National University

In this paper, we estimate Japanese firms' exchange rate exposure and investigate the impact of exchange rate risk management on them. **By using the results of the questionnaire survey** sent to all Tokyo Stock Exchange listed firms in 2009, **we conduct empirical analysis to investigate whether** each risk management tool specifically affects their foreign exchange exposure. As a result, **we confirm the following characteristics:** **first**, firms with larger dependency on foreign markets have larger foreign exchange exposure. **Second**, the higher is the U.S. dollar invoicing share, the larger is the foreign exchange exposure. **Third**, yen invoicing itself reduces the foreign exchange exposure. **These findings indicate that** Japanese firms utilize operational and financial hedging strategies and price revision policy depending on their choice of invoicing currency.

Abstract 2

Emerging Sites of HCI Innovation: Hackerspaces, Hardware Startups & Incubators

Department of Informatics, University of California

In this paper, **we discuss how** a flourishing scene of do-it-yourself (DIY) makers is turning visions of tangible and ubiquitous computing into products. **Drawing on long-term multi-sited research** and active participation in DIY making, **we provide insights into** the social, material, and economic processes that underlie this transition from prototypes to products. **The contribution of this paper is three-fold.** **First, we show how** DIY maker practice is illustrative of a broader "return to" and interest in physical materials. **Second, we shed light on how** hackerspaces and hardware start-ups are experimenting with new models of manufacturing and entrepreneurship. **We argue that** we have to take seriously these maker practices, not just as hobbyist or leisure practice. **Finally, we end with** reflections on the role of human computer interaction (HCI) researchers and designers.

Abstract 3

The renewable Energy-Growth Nexus with Carbon Emission and Technological Innovation: Evidence from the Nordic countries

Ecological Indicators

Despite the fact that previous studies have extensively investigated the renewable energy- growth nexus, those studies have not considered the role of technological innovation. **This study examines the relationship between** renewable energy consumption, technological innovation, economic growth by constructing vector autoregression (VAR) model. **On the basis of a modified version of** the Granger non-causality test, **the results show** a unidirectional causality for Denmark and Finland and a bidirectional causality for Sweden and Norway. **The findings also indicate** a unidirectional causality running from technological innovation to renewable energy and from growth to renewable energy for the four Nordic countries. **The results could not confirm** any causality from renewable energy to growth. **Three policy implications are offered:** renewable energy improves environmental well-being, the Nordic countries have very low energy intensities and high energy efficiencies, and technological innovation plays an effective role in the renewable energy-growth nexus.

Abstract 4

The Effect of Renewable Energy Consumption on Economic Growth: Evidence from Top 38 Countries

Applied Energy

This research aims to investigate the effects of renewable energy consumption on the economic growth of major renewable energy consuming countries in the world. **Using the Renewable Energy Country Attractiveness Index** developed by the Ernst & Young Global Limited, **we choose** 38 top renewable energy consuming countries to explain the growth process between 1991 and 2012. **With panel estimation techniques, our findings establish cross-sectional dependence** and heterogeneity across the countries. **We confirm the evidence of** long-run dynamics between economic growth, and traditional and energy-related inputs. **Findings from** long-run output elasticities indicate that renewable energy consumption has a significant positive impact on the economic output. **For robustness, we also carried out time-series analyses of** long-run output elasticities. **Our findings suggest that** governments, energy planners, international cooperation agencies and associated bodies must act together in increasing renewable energy investment for low carbon growth in most of these economies.

Abstract 5

Sustainable Development and Entrepreneurship: Past Contributions and Future Directions

Journal of Business Venturing

This article discusses the research concerned with sustainable development and entrepreneurship, which is the focus of this special issue of the *Journal of Business Venturing*. Entrepreneurship has been recognized as a major conduit for sustainable products and processes, and new ventures are being held up as a panacea for many social and environmental concerns. However, **there remains considerable uncertainty regarding** the nature of entrepreneurship's role and how it may unfold. **We begin with an overview of** sustainable development and **the role of** entrepreneurship and **outline recent contributions** exploring this role. **We then summarize the papers** presented in this special issue and **conclude with suggestions for further research.**

Abstract 6

A Strategic Perspective on Human Resource Development

Advances in Developing Human Resources

This article reviews the literature on strategic human resource development. **It proposes a model of** strategic Human Resource Development (HRD) which is multi-level and **focuses on the interactions between** context, HRD processes, stakeholder satisfaction, and characteristics of the HRD profession. **The article discusses the implications of this model for** both research and practice.

Abstract 7

Controlling Decision-Making Practice in Organizations.

Organization Science

How are decision practices fostered in organizations and how are they linked to decision outcomes? **This study addresses these questions by examining** one financial institution's efforts to standardize and control decision making across geographically separated organizational units. **We argue that** decision-maker behavior is not simply a function of individual choice. Rather, in organizational settings decision-makers are subject to a hierarchy of influences that affect the decision processes they use. **To test our ideas, we examined** 900 borrower "risk rating" decisions

and found general support for our hypotheses. The findings indicate that organizations can change microaspects of decision making, but these changes may be transitory. Moreover, the results suggest that decision makers may become complacent when they rely on prescribed decision practices.

Abstract 8

The Management of Complex Tasks in Organizations: Controlling the Systems Development Process

Organization Science

Control theory attempts to explain how one person or group in an organization can ensure that another person or group works toward and attains a set of organizational goals. **Prior empirical work investigating control theory has shown that** characteristics of the task and of the organizational environment predict the use of various types of control. However, **this paper argues that** when control theory is applied to a complex, nonroutine task such as the management of information systems development, the theory of control is incomplete. In particular, **it proposes that** knowledge of the task is a key determinant of type of control.

Four **modes of control** (behavior, outcome, clan, and self) **are identified from** the organizational literature; **each highlights different aspects of control in organizations. Building on prior empirical work, this paper integrates the different theoretical perspectives and predicts the circumstances under which** each type of control will be implemented. **Survey responses from** 96 participants of 32 systems development efforts **suggest that** the extent to which behaviors are monitored interacts with the project level of systems development; that outcome control is a function of the extent to which behaviors are monitored. **No relationship between** clan control and the independent variables **was found.**

Abstract 9

Strategic Decision-making Processes: The Role of Management and Context

Strategic Management Journal

This paper investigates the relationship between the process of strategic decision-making and **contextual factors. First, drawing on a sample of strategic decisions, it analyzes the process through which** they are taken in seven dimensions. **Second,** these process dimensions are related to (1) decision-specific characteristic; (2) top management characteristics, and (3) contextual factors referring to external corporate environment and internal firm characteristics. **Overall, the results**



support the view that strategic decision processes are shaped by **a multiplicity of factors** in all these categories. **But the most striking finding is that** decision-specific characteristics appear to have the most important influence on the strategic decision-making process. **An interpretation of results is attempted** and **policy implications are derived**.