

**ТЕРНОПІЛЬСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ
УКРАЇНО–НІДЕРЛАНДСЬКИЙ ФАКУЛЬТЕТ ЕКОНОМІКИ І
МЕНЕДЖМЕНТУ**

BUSINESS COMMUNICATION

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SECTION 1

TEXT 1. BUSINESS COMMUNICATION

When you think of business communications, what springs to mind?

The telephone? E-mail? Online forums? Reports and accounts? A receptionist?

All these could be examples of business communications - it is a very big area.

Businesses also know that they communicate with us in very subtle ways - sometimes the business might not even know what it is communicating! Other times, the business communicates in ways that it really does not want to. If this all sounds a bit like a riddle, then you are right - we need to look in a little more detail at what business communication is all about.

Communication in today's business place has become more complex, with the introduction of technology presenting both opportunities and challenges. Robust organizations demand effective communicators that can effectively manage business and organizational changes, concerns or events using technological as well as traditional means.

Business Communication: communication used to promote a product, service, or organization; relay information within the business; or deal with legal and similar issues. It is also a means of relying between a supply chain, for example the consumer and manufacturer. Business Communication encompasses a variety of topics, including *Marketing, Branding, Customer relations, Consumer behavior, Advertising, Public relations, Corporate communication, Community engagement, Research & Measurement, Reputation management, Interpersonal communication, Employee engagement, Online communication, and Event management*. It is closely related to the fields of professional communication and technical communication. Business Communication can also refer to internal communication. A communications director will typically manage internal communication and craft messages sent to employees. It is vital that internal communications are managed properly because a poorly crafted or managed message could foster distrust or hostility from employees.

There are several methods of business communication, including:

- Web-based communication - for better and improved communication, anytime anywhere;
- E, which provide an instantaneous medium of written communication worldwide;
- Reports - important in documenting the activities of any department;
- Presentations - very popular method of communication in all types of organizations, usually involving audiovisual material, like copies of reports, or material prepared in Microsoft PowerPoint or Adobe Flash;
- Telephoned meetings, which allow for long distance speech;
- Forum boards, which allow people to instantly post information at a centralized location; and

- Face to face meetings, which are personal and should be succeeded by a written follow-up.

Business communication is any communication used to build partnerships, intellectual resources, to promote an idea, a product, service, or an organization – with the objective of creating value for your business.

Business communication skills

Here are five basic steps you can take that will make you a more effective communicator:

1. Get to know what your client's business is really about

In order to deliver what your client really wants and needs, you need to understand what is most important to them and their business. This will help keep you focused and ensure the work you do for them will complement their existing activities.

2. Build a real relationship

For many people, a major attraction of working with soloists is the personal attention they can provide, so make sure your clients are getting that from you. Take an interest in their personal lives and ask them about projects you know are important to them. You should also be willing to share some of your own personal life with them. You don't have to become best friends, but you do have to understand where they're coming from and the pressures they are facing – it's the difference between supply and service.

3. Establish from the outset that you want regular feedback and discussion

Emphasize from day one that you want your working relationship to be based on open and regular communication. Don't be afraid to ask for feedback throughout a project, rather than only at the end. Encourage your client to offer you new opinions and ideas as they arise.

4. Pick up the phone

While email is a great tool, it shouldn't be your primary method of communication. Face-to-face or telephone contact is much more personal and much more effective in getting your views across. You'll reduce ambiguity and unclog your client's inbox at the same time.

5. Use language that supports, challenges, encourages and respects your client

Remember that you are here to help your client and improve their business as a whole. Be generous with your time and advice, and be flexible. It's also important to respect that your client knows their business well – that means better than you do. While you may have a lot of expertise in a particular area, ultimately you need to deliver something that works for your client and which makes them comfortable.

We all know that it's much less effort to keep existing clients than to search for new ones, and the best way to do that is simply to be a dream to work with. Your clients are people, and people thrive on strong, supportive relationships. Stand out from the crowd as an effective communicator.

Answer the following questions:

1. What is business communication?
2. What are examples of business communication?
3. What do robust organizations demand nowadays?

4. What does business communication encompass?
5. What is internal communication?
6. What is external communication?
7. What are the methods of business communication?
8. What are five basic steps you can take that will make you a more effective communicator?
9. What do you need to understand in order to deliver what your client really wants and needs?
10. What language do effective communicators use?

Definition Test

| | | |
|----|------------------------|--|
| 1 | Business | The methods and activities employed to establish and promote a favorable relationship with the public. |
| 2 | Business communication | Process of buying and selling in a market. |
| 3 | Communication | The occupation, work, or trade in which a person is engaged |
| 4 | Marketing | Communication used to promote a product, service, or organization |
| 5 | Management | Process of transferring information |
| 6 | Advertizing | The activity of attracting public attention to a product or business |
| 7 | Public relations | The act, manner, or practice of managing; handling, supervision, or control |
| 8 | Report | The act of presenting |
| 9 | Presentation | A group of persons organized for a particular purpose |
| 10 | Organization | An account presented usually in detail |

Insert the following words:

Foster, hostility, employees, craft messages, employees, professional communication, internal communication, to promote, service, relay, deal with, relying, supply chain, consumer, manufacturer,

1. Business Communication is communication used _____ a product, _____, or organization; _____ information within the business; or _____ legal and similar issues.

2. It is also a means of _____ between a _____, for example the _____ and _____.
3. Business Communication is closely related to the fields of _____ and technical communication, and besides Business Communication can also refer to _____.
4. A communications director will typically manage internal communication and _____ sent to _____.
5. It is vital that internal communications are managed properly because a poorly crafted or managed message could _____ distrust or _____ from _____.

Translate into English

Ділове спілкування визначається як специфічна форма контактів і взаємодії людей, які представляють не лише самих себе, а й свої організації. Воно включає обмін інформацією, пропозиціями, вимогами, поглядами, мотивацією з метою розв'язання конкретних проблем як всередині організації, так і за її межами, а також укладення контрактів, договорів, встановлення інших відносин між підприємствами, фірмами, організаціями.

До безпосередньої ділової комунікації можна віднести збори, бесіди, переговори, торги, презентації. У ситуаціях безпосереднього ділового спілкування, як правило, функціонує діалогічне та монологічне мовлення. Таким чином, спеціалісти економісти беруть участь у діалогічному спілкуванні на зборах, ділових бесідах, переговорах, презентаціях, прес-конференціях, під час укладання договорів, контрактів, а в монологічному – на конференціях, семінарах, публічних виступах.

TEXT 2. BUSINESS COMMUNICATION TYPES

Imagine a CEO of a large conglomerate announcing plans for new products to a group of stockholders. Now imagine a supervisor telling his or her subordinates what to do that day on the job. Both examples describe situations in which someone is sharing official information with others who need to know this information. This is referred to as **formal communication**. The formally prescribed pattern of interrelationships existing between the various units of an organization is commonly described by using a diagram known as an organization chart. Such diagrams provide a graphic representation of an organization's structure, and an outline of the planned, formal connections between its various units—that is, who is supposed to communicate with whom.

Downward communication. Formal communication differs according to people's positions in an organization chart. Suppose, for example, that you are a supervisor. How would you characterize the formal communication that occurs between you and your subordinates—that is, communication down the organization chart? Typically, *downward communication* consists of instructions, directions, and orders—that is, messages telling subordinate what they should be doing. We also would expect to find feedback on past performance flowing in a downward direction. A sales manager, for example, may tell the members of his or her sales force what products they should be promoting.

Upward communication. When information flows from lower levels to higher levels within an organization, such as messages from subordinates to their supervisors, it is known as *upward communication*. Typically, these messages involve information that managers need to do their jobs, such as data required to complete projects. This may include suggestions for improvement, status reports, reactions to work-related issues, and new ideas.

Although logically, upward communication is the opposite of downward communication, there are some important differences between them resulting from the difference in status between the communicating parties. For example, it has been established that upward communication occurs far less frequently than downward communication. In fact, one classic study found that 70 percent of assembly-line workers initiated communication with their supervisors less than once a month. And when people do communicate upward, their conversations tend to be far shorter than the ones they have with others at their own level.

Even more importantly, when upward communication does occur, the information transmitted is frequently inaccurate. Given that employees are interested in "putting their best foot forward" when communicating with their bosses, they have a tendency to highlight their accomplishments and to downplay their mistakes. As a result, negative information tends to be ignored or disguised. This tendency for people to purposely avoid communicating bad news to their supervisors is known as the **MUM effect**. We are concerned about this phenomenon because supervisors can make good decisions only when they have good information available to them. And

when subordinates are either withholding or distorting information so as to avoid looking bad, the accuracy of the information communicated is bound to suffer.

Horizontal communication. Within organizations, messages don't flow only up and down the organization chart, but sideways as well. **Horizontal communication** is the term used to identify messages that flow laterally, at the same organizational level. Messages of this type are characterized by efforts at coordination, or attempts to work together. Consider, for example, how a vice president of marketing would have to coordinate his or her efforts with people in other departments when launching an advertising campaign for a new product. This would require the coordination of information with experts from manufacturing and production (to see when the products will be available) as well as those from research and development (to see what features people really want).

Informal Communication

Imagine a bunch of workers standing around the coffee machine chatting about how tough the big boss is, or who was dancing with whom at the company party. These, too, are examples of organizational communication, but because they involve the sharing of unofficial information, they would be considered examples of **informal communication**. It's probably obvious to you that a great deal of information communicated in organizations goes far beyond formal messages sent up, down, or across organization charts—in other words, such information is shared without any formally imposed obligations or restrictions.

Hearing it "through the grapevine." When people communicate informally, they are not bound by their organizational positions. Anyone can tell anything to anyone else. Although it clearly would be inappropriate for a mail room clerk to share his or her thoughts with a vice president about matters of corporate policy, both parties may be perfectly at ease exchanging funny stories. The difference lies in the fact that the funny stories are unofficial in nature and are communicated informally—that is, without following the formal constraints imposed by the organization chart.

When anyone can tell something informally to anyone else, it results in a very rapid flow of information along what is commonly called **the grapevine**. This term refers to the pathways along which unofficial information travels. In contrast to formal organizational messages, which might take several days to reach their destinations, information traveling along the organizational grapevine tends to flow very rapidly. In fact, it is not unusual for some messages to reach everyone in a large organization in a matter of a few hours. This happens not only because informal communication crosses organizational boundaries and is open to everyone, but also because it generally is transmitted orally, and oral messages not only reach more people, but do so more quickly than written messages.

Verbal and Nonverbal Communication

Everybody is familiar with **verbal communication** — transmitting and receiving ideas using words. Verbal communication can be either oral — that is, using spoken language, such as face-to-face talks or telephone conversations — or written, such as faxes, letters, or e-mail messages. Despite their differences, these forms of communication share a key feature: They all involve the use of words. As

you know, however, people also communicate a great deal without words, or nonverbally—that is, by way of their facial gestures, body language, the clothes they wear, and even where at a table they choose to sit. This is referred to as **nonverbal communication**.

Answer the following questions:

1. What is formal communication?
2. What is downward communication?
3. How does formal communication differ according to people's positions in an organization chart?
4. What does downward communication consist of?
5. What is upward communication?
6. Are there some important differences between downward and upward communication?
7. What is MUM effect?
8. What is horizontal communication?
9. What does the term grapevine refer to?
10. What is the difference between verbal and nonverbal communication?

Definition Test

| | | | |
|----|---------------|--|---|
| 1 | Communication | | The process of transmitting information. |
| 2 | Formal | | Not formal or ceremonious; casual |
| 3 | Informal | | Following or being in accord with accepted forms |
| 4 | Grapevine | | Not verbalizing; silent |
| 5 | Mum | | The informal transmission of information, gossip, or rumor from person to person. |
| 6 | Verbal | | A social, legal, or moral requirement, such as a duty, contract, or promise |
| 7 | Nonverbal | | Something that restricts; a regulation or limitation |
| 8 | Chart | | An outline map on which specific information |
| 9 | Obligation | | Being other than verbal; not involving words |
| 10 | Restriction | | Of, relating to, or associated with words |

Insert the following words:

Chart, differs, instructions, directions, orders, subordinate, ignored, disguised, involve, crosses, boundaries, grapevine, identify, laterally, phenomenon, improvement, reports, feedback, direction.

1. Formal communication _____ according to people's positions in an organization _____.

2. Typically, downward communication consists of _____, _____ and _____ —that is, messages telling _____ what they should be doing.
3. We also would expect to find _____ on past performance flowing in a downward _____.
4. This may include suggestions for _____, status _____, reactions to work-related issues, and new ideas.
5. As a result, negative information tends to be _____ or _____.
6. We are concerned about this _____ because supervisors can make good decisions only when they have good information available to them.
7. Horizontal communication is the term used to _____ messages that flow _____, at the same organizational level.
8. When anyone can tell something informally to anyone else, it results in a very rapid flow of information along what is commonly called the _____.
9. This happens not only because informal communication _____ organizational _____ and is open to everyone.
10. They all _____ the use of words.

Translate into English

У вузькому розумінні термін комунікація визначається як обмін інформацією між людьми, як смисловий аспект соціальної взаємодії, як складова частина спілкування. Передача будь-якої інформації можлива лише за допомогою знакових систем. Існує кілька таких систем, які використовуються в комунікативному процесі і відповідно до яких можна класифікувати засоби комунікації на вербальні та невербальні.

Вербальна комунікація використовує як знакову системну мову, і походить її назва від латинського слова (вербум - слово, словесний, усний). Невербальні комунікації – повідомлення, що виражаються не словами, а становлять окремі дії чи поведінку людей. Такого роду комунікації здійснюються здебільшого несвідомо чи напівсвідомо, і водночас вони складають досить велику частину всіх отримуваних і відправлених повідомлень. Взаємне розуміння в процесі комунікації відбувається в основному за рахунок невербальних повідомлень, таких як вираз обличчя, інтонація, голос, манери, пози, одяг. Невербальні комунікації відбуваються зазвичай під час особистих зустрічей.

TEXT 3.

MARKETING

Marketing refers to the promotion of products & services, advertising, pricing, distribution channels, and branding. The term developed from the original meaning which referred literally to going to market, as in shopping, or going to a market to sell goods or services. The American Marketing Association (AMA) states, "Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

Marketing practice tends to be seen as a creative industry, which includes advertising, distribution and selling. It is also concerned with anticipating the customers' future needs and wants, which are often discovered through market research.

Marketing is influenced by many of the social sciences, particularly psychology, sociology, and economics. Anthropology is also a small, but growing influence. Market research underpins these activities. Through advertising, it is also related to many of the creative arts. The marketing literature is also infamous for re-inventing itself and its vocabulary according to the times and the culture.

In the early 1960s, Professor Neil Borden at Harvard Business School identified a number of company performance actions that can influence the consumer decision to purchase goods or services. Borden suggested that all those actions of the company represented a "Marketing Mix". Professor E. Jerome McCarthy, also at the Harvard Business School in the early 1960s, suggested that the Marketing Mix contained 4 elements: product, price, place and promotion.

- **Product:** The product aspects of marketing deal with the specifications of the actual goods or services, and how it relates to the end-user's needs and wants. The scope of a product generally includes supporting elements such as warranties, guarantees, and support.

- **Pricing:** This refers to the process of setting a price for a product, including discounts. The price need not be monetary - it can simply be what is exchanged for the product or services, e.g. time, energy, or attention.

- **Promotion:** This includes advertising, sales promotion, publicity, and personal selling, branding and refers to the various methods of promoting the product, brand, or company.

- **Placement** (or distribution): refers to how the product gets to the customer; for example, point-of-sale placement or retailing. This fourth P has also sometimes been called *Place*, referring to the channel by which a product or service is sold (e.g. online vs. retail), which geographic region or industry, to which segment (young adults, families, business people), etc. also referring to how the environment in which the product is sold in can affect sales.

These four elements are often referred to as the marketing mix, which a marketer can use to craft a marketing plan. The four Ps model is most useful when marketing low value consumer products. Industrial products, services, high value

consumer products require adjustments to this model. Services marketing must account for the unique nature of services.

As a counter to this, Morgan, in *Riding the Waves of Change*, suggests that one of the greatest limitations of the 4 Ps approach "is that it unconsciously emphasizes the inside–out view (looking from the company outwards), whereas the essence of marketing should be the outside–in approach".

As well as the standard four P's (Product, Pricing, Promotion and Placement), services marketing calls upon an extra three, totaling seven and known together as the extended marketing mix.

These are:

- **People:** Any person coming into contact with customers can have an impact on overall satisfaction. Whether as part of a supporting service to a product or involved in a total service, people are particularly important because, in the customer's eyes, they are generally inseparable from the total service . As a result of this, they must be appropriately trained, well motivated and the right type of person. Fellow customers are also sometimes referred to under 'people', as they too can affect the customer's service experience, (e.g., at a sporting event).
- **Process:** This is the process(es) involved in providing a service and the behavior of people, which can be crucial to customer satisfaction.
- **Physical evidence:** Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. This is done by providing physical evidence, such as case studies, testimonials or demonstrations.

Services marketing is marketing based on relationship and value. It may be used to market a service or a product

Answer the following questions:

1. What does marketing refer to?
2. What did the term marketing develop from?
3. What is marketing influenced by?
4. What does marketing mix contain?
5. What do the product aspects of marketing deal with?
6. What does pricing refer to?
7. What includes advertising, sales promotion, publicity, and personal selling, branding?
8. Does *Placement* refer to how the product gets to the customer?
9. What does the extended marketing mix include?
10. What is physical evidence?

Definition Test

| | | |
|---|------------------|---|
| 1 | A product | The scientific study of the origin, the behavior, and the physical, social, and cultural development of humans. |
|---|------------------|---|

| | | |
|----|--------------------------|---|
| 2 | Advertising | Anything that can be offered to a market that might satisfy a want or need. |
| 3 | Brand | A form of communication that typically attempts to persuade potential customers to purchase or to consume more of a particular brand of product or service. |
| 4 | Distribution | A trademark or distinctive name identifying a product or a manufacturer |
| 5 | Pricing | The act of distributing or the condition of being distributed; apportionment. |
| 6 | Price | Fixing or establishing a price for |
| 7 | Promotion | The cost at which something is obtained: |
| 8 | Service marketing | Encouragement of the progress, growth, or acceptance of something; furtherance. |
| 9 | Service | Marketing based on relationship and value. It may be used to market a service or a product. |
| 10 | Anthropology | Assistance; help. |

Insert the words from the text:

Anthropology, meaning, marketing, advertising, branding, market, goods, social sciences, economics, advertising, the marketing mix, marketing plan, marketer, consumer, industrial products, services marketing.

- _____ refers to the promotion of products & services, _____, pricing, distribution channels, and _____.
- The term developed from the original _____ which referred literally to going to _____, as in shopping, or going to a market to sell _____ or services.
- Marketing is influenced by many of the _____ particularly psychology, sociology, and _____.
- _____ is also a small, but growing influence.
- _____ research underpins these activities.
- Through _____, it is also related to many of the creative arts.
- These four elements are often referred to as _____, which a _____ can use to craft a _____.
- The four Ps model is most useful when marketing low value _____ products.
- _____, services, high value consumer products require adjustments to this model. Services marketing must account for the unique nature of services.
- _____ is marketing based on relationship and value. It may be used to market a service or a product

Translate into English

Погляди вчених-маркетологів у визначенні маркетингу дуже різняться. Нині у світі існує понад тисячу таких визначень. Так, у 1960 р. Американська асоціація маркетингу (ААМ) розглядала маркетинг як підприємницьку діяльність, пов'язану зі спрямуванням потоку товарів і послуг від виробника до споживача. У 1985 р. ААМ на підставі багаторічного досвіду впровадження маркетингу дала нове його визначення: маркетинг — це процес планування й втілення задуму, ціноутворення, просування й реалізації ідей, товарів і послуг за допомогою обміну, що задовольняє цілі окремих осіб і організацій.

Маркетинг є соціальним і творчим процесом, спрямованим на задоволення потреб як індивідів, так і груп шляхом створення, пропозиції й обміну товарів. Комплекс маркетингу – сукупність керованих параметрів, маніпулюючи якими організація намагається найкраще задовольнити потреби певного ринкового сегменту. В комплекс маркетингу як правило включають 4 елементи: продукт, ціну, доставка продукту споживачеві та просування продукту. Ці елементи вписуються у концепцію 4P: product, price, place, promotion.

TEXT 4. CONSUMER BEHAVIOR: THE PSYCHOLOGY OF MARKETING

Consumer behavior is the study on when, why, how, where and what people do or do not buy products. It blends elements from psychology, sociology, sociopsychology, anthropology and economics. It attempts to understand the buyer decision processes/buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

The study of consumers helps firms and organizations improve their marketing strategies by understanding issues such as how

- the psychology of how consumers think, feel, reason, and select between different alternatives (e.g., brands, products);
- the psychology of how the consumer is influenced by his or her environment (e.g., culture, family, signs, media);
- the behavior of consumers while shopping or making other marketing decisions;
- limitations in consumer knowledge or information processing abilities influence decisions and marketing outcome;
- how consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer; and
- how marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.

One "official" definition of consumer behavior is "The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society." Although it is not necessary to memorize this definition, it brings up some useful points:

Behavior occurs either for the individual, or in the context of a group (e.g., friends influence what kinds of clothes a person wears) or an organization (people on the job make decisions as to which products the firm should use).

Consumer behavior involves the use and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. Since many environmental problems result from product disposal (e.g., motor oil being sent into sewage systems to save the recycling fee, or garbage piling up at landfills) this is also an area of interest.

Consumer behavior involves services and ideas as well as tangible products. The impact of consumer behavior on society is also of relevance. For example, aggressive marketing of high fat foods, or aggressive marketing of easy credit, may have serious repercussions for the national health and economy.

There are four main applications of consumer behavior:

The most obvious is for *marketing strategy*—i.e., for making better marketing campaigns. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to schedule snack advertisements late in the afternoon. By understanding that new products are usually initially adopted by a few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success and (2) it is important to please initial customers, since they will in turn influence many subsequent customers' brand choices.

A second application is *public policy*. In the 1980s, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became pregnant while taking the drug. To get consumers' attention, the Federal Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.

Social marketing involves getting ideas across to consumers rather than selling something. The best solution, obviously, would be if we could get illegal drug users to stop. This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped.

As a final benefit, studying consumer behavior should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size *premium* by buying the larger quantity. In other words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are *really* getting a bargain.

Answer the following questions:

1. What is consumer behavior?
2. What elements does it blend?
3. What does it attempt to understand?
4. What does it study?
5. What does it try to assess?
6. What does the study of consumers help firms and organizations improve?
7. What is the official definition of consumer behavior?
8. What does consumer behavior involve?
9. What is the impact of consumer behavior on society?
10. What does social marketing involve?

Definition Test

| | | | |
|---|--------------|--|---|
| 1 | Consumer | | An agreement establishing the terms of a sale or exchange of goods or services. |
| 2 | Behavior | | An item used to identify something or someone. |
| 3 | Demographics | | An often indirect effect, influence, or result that is |

| | | | |
|----|--------------|--|--|
| | | | produced by an event or action. |
| 4 | Culture | | In a floating position or condition. |
| 5 | Disposal | | The act or process of consuming. |
| 6 | Consumption | | A particular order, distribution, or placement. |
| 7 | Afloat | | The predominating attitudes and behavior that characterize the functioning of a group or organization. |
| 8 | Repercussion | | The characteristics of human populations and population segments. |
| 9 | Label | | The externally observable response of a person to an environmental stimulus. |
| 10 | Bargain | | One that consumes. |

Insert the following words:

Consumer behavior, definition, secure to assess, dispose, impacts, consumer, society, disposal, purchased, adopted, afloat, in turn, subsequent.

1. _____ is the study on when, why, how, where and what people do or do not buy products.
2. It tries _____ influences on the _____ from groups such as family, friends, reference groups, and _____ in general.
3. One "official" _____ of consumer behavior is "The study of individuals, groups, or organizations and the processes they use to select, _____, use, and _____ of products, services, experiences, or ideas to satisfy needs and the _____ that these processes have on the consumer and society."
4. Consumer behavior involves the use and _____ of products as well as the study of how they are _____.
5. By understanding that new products are _____ usually initially by a few consumers and only spread later, and then only gradually, to the rest of the population, we learn that (1) companies that introduce new products must be well financed so that they can stay _____ until their products become a commercial success and (2) it is important to please initial customers, since they will _____ influence many _____ customers' brand choices.

Translate into English

Незалежність покупця виявляється в тому, що його поведінка орієнтована на досягнення певної мети. Товари і послуги, які пропонує продавець, покупець приймає або відкидає згідно з відповідністю їх потребам і попиту. Тому підприємству для виживання в умовах конкуренції, для досягнення ринкового успіху необхідно систематично досліджувати поведінку покупців і постійно пристосовуватися до її змін.

У широкому значенні поведінку покупців можна визначити як дії, пов'язані з отриманням, споживанням і розпорядженням товарами і послугами, а також як процеси прийняття рішень, які передують і слідуєть за цими діями.

На поведінку покупців впливає як система макрочинників (економічних, соціальних, культурних), чинників індивідуальних відмінностей (доходи, мотивація, рівень знань, захоплення, стиль життя, демографічні характеристики), так і психологічний процес, що характеризує реакції покупця.

TEXT 5.

BRANDING

"A great brand raises the bar - it adds a greater sense of purpose to the experience, whether it's the challenge to do your best in sports and fitness, or the affirmation that the cup of coffee you're drinking really matters."

Howard Schultz (president and chairman of Starbucks).

A **brand** is a collection of symbols, experiences and associations connected with a product, a service, a person or any other artefact or entity. Brands have become increasingly important components of culture and the economy, now being described as "cultural accessories and personal philosophies".

Some people distinguish the psychological aspect of a brand from the experiential aspect. The experiential aspect consists of the sum of all points of contact with the brand and is known as the **brand experience**. The psychological aspect, sometimes referred to as **the brand image**, is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service.

People engaged in branding seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand is therefore one of the most valuable elements in an advertising theme, as it demonstrates what the brand owner is able to offer in the marketplace. The art of creating and maintaining a brand is called **brand management**.

Careful brand management, supported by a cleverly crafted advertising campaign, can be highly successful in convincing consumers to pay remarkably high prices for products which are inherently extremely cheap to make. This concept, known as "creating value", essentially consists of manipulating the projected image of the product so that the consumer sees the product as being worth the amount that the advertiser wants him/her to see, rather than a more logical valuation that comprises an aggregate of the cost of raw materials, plus the cost of manufacture, plus the cost of distribution. Modern value-creation branding-and-advertising campaigns are highly successful at inducing consumers to pay, for example, 50 dollars for a T-shirt that cost a mere 50 cents to make, or 5 dollars for a box of breakfast cereal that contains a few cents' worth of wheat.

A brand which is widely known in the marketplace acquires **brand recognition**. When brand recognition builds up to a point where a brand enjoys a critical mass of positive sentiment in the marketplace, it is said to have achieved brand franchise. One goal in brand recognition is the identification of a brand without the name of the company present. For example, Disney has been successful at branding with their particular script font (originally created for Walt Disney's "signature" logo), which it used in the logo for go.com.

Consumers may look on branding as an important value added aspect of products or services, as it often serves to denote a certain attractive quality or characteristic. From the perspective of brand owners, branded products or services also command higher prices. Where two products resemble each other, but one of the products has no associated branding (such as a generic, store-branded product),

people may often select the more expensive branded product on the basis of the quality of the brand or the reputation of the brand owner.

How the brand owner wants the consumer to perceive the brand - and by extension the branded company, organization, product or service. The brand owner will seek to bridge the gap between the brand image and the brand identity.^[2] Brand identity is fundamental to consumer recognition and symbolizes the brand's differentiation from competitors.

Attitude branding is the choice to represent a larger feeling, which is not necessarily connected with the product or consumption of the product at all. Marketing labeled as attitude branding include that of Nike, Starbucks, The Body Shop, Safeway, and Apple Computer.^[1] In the 2000 book, No Logo, attitude branding is described by Naomi Klein as a "fetish strategy".

Answer the following questions:

1. What is brand?
2. What is brand connected with?
3. What is brand experience?
4. What is brand image?
5. What do people engaged in branding seek to develop?
6. What does brand demonstrate?
7. What does the concept, known as "creating value", essentially consist of?
8. What do we call the art of creating and maintaining a brand?
9. Why do brand owners, branded products or services command higher prices?
10. What is attitude branding?

Definition Test

| | | | |
|----|-------------|--|---|
| 1 | Brand | | A collection of symbols, experiences and associations |
| 2 | Product | | An item that ideally satisfies a market's want or need |
| 3 | Artefact | | Any object made or modified by a human culture, and later recovered by an archaeological endeavor |
| 4 | Entity | | Something that has a distinct, separate existence |
| 5 | Recognition | | An acceptance as true or valid, |
| 6 | Franchise | | Privilege or right officially granted a person or a group by a government |
| 7 | Value | | Not having a brand name |
| 8 | Generic | | An amount, as of goods, services, or money, considered to be a fair and suitable equivalent for something else; a fair price or return. |
| 9 | Consumer | | The act or process of consuming. |
| 10 | Consumption | | One that consumes, especially one that acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing |

Insert the following words:

Creating value, valuation, distribution brand management, advertising campaign, convincing, prices, inherently, inducing, mere, contains, worth.

1. Careful _____, supported by a cleverly crafted _____, can be highly successful in _____ consumers to pay remarkably high _____ for products which are _____ extremely cheap to make.
2. This concept, known as " _____ ", essentially consists of manipulating the projected image of the product so that that the consumer sees the product as being worth the amount that the _____ wants him/her to see, rather than a more logical _____ that comprises an aggregate of the cost of raw materials, plus the cost of manufacture, plus the cost of _____.
3. Modern value-creation branding-and-advertising campaigns are highly successful at _____ consumers to pay, for example, 50 dollars for a T-shirt that cost a _____ 50 cents to make, or 5 dollars for a box of breakfast cereal that _____ a few cents' _____ of wheat.

Translate into English

Будь-який товар, що з'являється на ринку, створює про себе певне враження - позитивне чи негативне. Воно з'явиться в будь-якому випадку, як тільки споживач дізнається про товар. Стихійне формування споживчого враження може бути не на користь компанії. Споживачі можуть не розібратися в перевагах товару, не оцінити їх потрібним чином, перебільшити недоліки й навіть вигадати нові. Бренд, яким керують, навпаки, може виявити, виставити наочно всі переваги товару, виділити його із загальної маси схожих товарів або послуг у найвигіднішому світлі. Процес створення бренду та керування ним називається брендингом. Брендинг - це діяльність, заснована на спільній посиленій дії на споживача торгового знаку, упаковки, рекламних звернень та інших елементів реклами, об'єднаних певною ідеєю й однотиповим оформленням, що виділяють товар серед конкурентів і створюють його образ.

TEXT 6. MANAGEMENT AND LEADERSHIP

To a loser, it may be possible, but it is difficult.
To a winner, it may be difficult, but it is possible.
A leader says that nothing is impossible.
A loser will say, "It is not my job"

A winner will say: "Let me help you do it"
A leader will say: "follow me and do as I do"
Norman Schwarzkopf

Management is a topic that is taken for granted within an organizational context. Managers run things, they organize, they plan and control. They are the category of employee specifically tasked with ensuring that the organization achieves its objectives and flourishes on behalf of the stakeholder groups, predominately beneficial owners.

The terms management and leadership are frequently used interchangeably. But they are not the same. A manager is not automatically a leader, and leaders do not always manage. The distinction between leadership and management is explored in a book by Stuart Levine and Michael Crom "The Leader in YOU". It identifies a number of distinctions between leaders and managers.

The following list of topics provides some identification and summarizes the areas that differentiate between management and leadership:

Role. Watson (1994) defines management as a process of ensuring that the resources under control are appropriately directed. Leadership, by the same token, is described in terms of people skills and performance. Torrington and Hall (1991) describe the role that member of the organization take on in order to exercise formal authority and leadership. From this perspective, leadership is to be understood as a subset of management, something that managers do in order to be effective. However, leadership as a part of a group activity may not be a part of the formal structure. The leader of a group designing a new computer system may not be a manager but would be expected to lead them.

Situation. A manager is appointed and would hold that position irrespective of most changes in the situation. Leaders, however, are suggested to be much more situation specific. Situational leadership makes best use of the specialized knowledge available to the group from among the members. For example, the company doctor is an individual frequently brought in to replace a senior manager not considered capable of saving a company in time of crisis.

Context. The military context is one in which considerable emphasis is laid on leadership rather than management. Much of this can be explained by reference to two unique circumstances peculiar to military activity. First, the chaos and horror of war itself. Second, the need to motivate subordinates to undertake actions which are ultimately life threatening to the individual.

Purpose. The role of management becomes a routinized and largely symbolic process. In times of turbulence and instability this inevitably and fundamentally changes this need to change is responsible for the shift in emphasis towards leadership as the dominant ideology in organizations during times of crises.

Scope. The usual differentiation between management jobs is between senior, middle and junior positions. The classification suggests that perhaps there are some management jobs in any organization that naturally contain a higher degree of leadership than others.

Leadership is a process whereby one individual influences other group members toward the attainment of defined group or organizational goals. Leaders derive power based on their formal positions, including their accepted authority in the organization, their capacity to administer rewards and punishments, and their access to important information. They also have power attributable to their personal characteristics, such as their ability to use rational persuasion, their recognized expertise, the fact that they are admired, and their charisma.

Answer the following questions:

1. What is management?
2. What is leadership?
3. Are the terms often used interchangeably?
4. Is a manager automatically a leader?
5. What are the distinctions between a manager and a leader?
6. Who defines management as a process of ensuring that the resources under control are appropriately directed?
7. What is situational leadership?
8. What context is one in which considerable emphasis is laid on leadership rather than management?
9. What areas differentiate between management and leadership?
10. What power do leaders have?

Definition Test

| | | | |
|---|-------------|--|---|
| 1 | Management | | Capacity or ability to lead |
| 2 | Leadership | | The act, manner, or practice of managing; handling, supervision, or control |
| 3 | Manager | | One that leads or guides |
| 4 | Leader | | One who handles, controls, or directs |
| 5 | Performance | | Power assigned to another |
| 6 | Authority | | Something performed; an accomplishment |
| 7 | Scope | | Person who works for another in return for financial or other compensation |
| 8 | Employee | | The range of one's perceptions, thoughts, or actions |
| 9 | Employer | | Personal magnetism or charm |

| | | | |
|----|----------|--|----------------------------------|
| 10 | Charisma | | Someone who hires and pays wages |
|----|----------|--|----------------------------------|

Insert the following words:

Management, leadership, authority, subset, attainment, performance, instability, skills, in order to, appointed, irrespective of, differentiation, senior, junior, derive, positions, capacity, punishments, charisma, access, persuasion, loser, winner, leader, job, help, follow.

1. The terms _____ and _____ are frequently used interchangeably.
2. Leadership, by the same token, is described in terms of people _____ and _____.
3. _____ is to be understood as a _____ of management, something that managers do _____ be effective.
4. A manager is _____ and would hold that position _____ most changes in the situation.
5. In times of turbulence and _____ this inevitably and fundamentally changes this need to change.
6. The usual _____ between management jobs is between, _____, middle and _____ positions.
7. Leadership is a process whereby one individual influences other group members toward the _____ of defined group or organizational goals.
8. Leaders _____ power based on their formal _____, including their accepted _____ in the organization, their _____ to administer rewards and _____, and their _____ to important information.
9. They also have power attributable to their personal characteristics, such as their ability to use rational _____, their recognized expertise, the fact that they are admired, and their _____.
10. To a _____, it may be possible, but it is difficult.
11. To a _____, it may be difficult, but it is possible.
12. A _____ says that nothing is impossible.
13. A loser will say, "It is not my _____"
14. A winner will say: "Let me _____ you do it"
15. A leader will say: "_____ me and do as I do"

Translate into English

Лідерство – це соціально-психологічний процес в колективі чи групі, побудований на впливі особистого авторитету людини на поведінку їх членів. Лідерство – стосунки домінування і підпорядкування, впливу і прямування в системі міжособистісних стосунків у групі.

Лідерство (англ. leader — провідник, ведучий, керівник) виявляється у вмінні пробудити у співробітників мрію, до якої вони прагнуть

наблизитися, «вдихнути» в них необхідну для цього енергію. В основі даного процесу лежить здатність лідерів притягувати до себе людей, несвідомо викликати почуття захоплення і любові.

Невід'ємною властивістю лідера є наявність наслідувача. Лідерство – це питання сили впливу, що залежить від співвідношення особистих якостей лідера з якостями тих, на кого він хоче вплинути.

TEXT 7. BUSINESS ETHICS

Business ethics is one of the most important, yet perhaps most misunderstood, concerns in the world of business today. The field of business ethics deals with questions about whether specific business practices are acceptable. For example, should a salesperson omit facts about a product's poor safety record in a sales presentation to a client? Should an accountant report inaccuracies discovered in an audit of a client, knowing that the company will probably be fired by the client for doing so? Should an automobile producer adopt a new safety device that could save thousands of lives but would make the cars too expensive for many consumers to afford? Should pharmaceutical companies widely advertise improved lifestyle "wonder drugs" that should be prescribed only to a small percentage of the population? Additionally, at what cost do these lifestyle improvements come? Regardless of their legality, the actions taken in such situations will surely be judged by others as right or wrong. By its very nature, the field of business ethics is controversial, and there is no universally accepted approach for resolving its questions. On the other hand, government is encouraging organizational accountability for ethical and legal conduct. Organizations are being asked to prevent and control misconduct by implementing ethics programs.

Most people would agree that high ethical standards require both businesses and individuals to conform to sound moral principles. However, some special aspects must be considered when applying ethics to business. First, to survive, businesses must make a profit. If profits are realized by misconduct, this often means that the life of the organization will be short. Second, businesses must balance their desires for profits against the needs and desires of society. Maintaining this balance often requires compromises or tradeoffs. To address these unique aspects of the business world, society has developed rules — both legal and implicit — to guide businesses in their efforts to earn profits in ways that do not harm individuals or society as a whole.

Business ethics *comprises principles and standards that guide behavior in the world of business*. Whether a specific required behavior is right or wrong, ethical or unethical, is often determined by stakeholders, such as investors, customers, interest groups, employees, the legal system, and the community. Although these groups are not necessarily "right," their judgments influence society's acceptance or rejection of a business and its activities.

Social Responsibility and Business Ethics

The concepts of ethics and social responsibility are often used interchangeably, although each has a distinct meaning. **Social responsibility** is the obligation a business assumes toward society. To be socially responsible is to maximize positive effects and minimize negative effects on society. Table 1-1 provides examples of three companies' social responsibility programs. Social responsibility includes economic, legal, ethical, and philanthropic responsibilities. The **economic responsibilities** of a business are to produce goods and services that society needs and wants at a price that can perpetuate the business and satisfy its obligations to

investors. The **legal responsibilities** of businesses are the laws that they must obey. At a minimum, companies are expected to be responsible for their employees obeying local, state, and federal laws. **Ethical responsibilities** are defined as behaviors or activities that are expected of business by society but are not codified in law. Many businesspeople refer to this set of responsibilities as the spirit of the law. Debates over ethical issues or responsibilities are often resolved through civil legal actions. For example, Bausch & Lomb experienced an earnings decline of 54 percent after managers "played fast and loose with accounting principles and ethics."⁵ In addition, Pennzoil paid \$6.75 million to settle a discrimination lawsuit in which it was alleged that it paid black employees less and gave them fewer promotions than it gave their white counterparts.⁶ The final obligation a business assumes toward society is its **philanthropic responsibilities**. Philanthropic responsibilities are those behaviors and activities that society desires and business values dictate. For instance, giving to charitable organizations and supporting community projects are forms of philanthropy or volunteerism for a company.

The idea of social responsibility became prominent during the 1960s in response to changing social values. Many businesses have tried to determine what relationships, obligations, and duties are appropriate between the business organization and society. For example, the Internet involves many ethical issues related to individual rights of privacy and property, as well as questions of community standards. Some companies are obtaining e-mail addresses and sending people unwanted junk mail ("spam"), which is usually product advertisements. The Federal Trade Commission is studying ways to protect privacy and respect First Amendment rights of free speech. Internet communication is almost completely unregulated, but by the time you read this, some regulation will probably exist. Online service companies such as Microsoft Network and America Online will have to continue establishing ethical standards for their networks. However, advertisers are still given access to America Online customers to promote their products on the America Online opening screen. Social responsibility, then, can be viewed as a contract with society, whereas business ethics involves carefully thought-out rules of business organizational conduct that guide decision making. Business ethics relates to rules and principles that guide individual and work group decisions; social responsibility concerns the effect of organizational decisions on society.

TABLE 1-1 Examples of Social Responsibility Programs

| Company | Social Responsibility Program |
|---------------------|--|
| SmithKline Beecham | \$1 billion commitment to eliminate lymphatic filariasis. The company will donate 5 billion doses of its antiparasitic treatment over the next twenty years. |
| S. C. Johnson & Son | Global commitment to supporting sustainable community development. |

Wainwright Bank

Offering certificates of deposit to support community projects, providing domestic partner benefits to employees, and making socially responsible loans 20 percent of its entire loan portfolio.

Answer the following questions:

1. What is business ethics?
2. What does the field of business ethics deal with?
3. What is the peculiarity of applying ethics to business?
4. What is social responsibility?
5. Define difference between business ethics and social responsibility.
6. Analyze Table 1-1. Expand on the importance of social responsibility programs.
7. Describe the state of social responsibility in business in Ukraine.

Definition Test

| | | | |
|----|-----------------------|--|---|
| 1 | business ethics | | A point or matter of discussion, debate, or dispute, a matter of public concern |
| 2 | issue | | a thing one has promised to do, the state of being willing to give a lot of time, work, energy, etc to something |
| 3 | value | | <u>Ethical or ideological theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society.</u> |
| 4 | privacy | | responsibility to someone or for some activity |
| 5 | tradeoff | | The behavior that a business adheres to in its daily dealings with the world |
| 6 | social responsibility | | The state of being free from unsanctioned intrusion |
| 7 | responsibility | | An exchange of one thing in return for another, especially relinquishment of one benefit or advantage for another regarded as more desirable |
| 8 | benefit | | The obligation to carry forward an assigned task to a successful conclusion. |
| 9 | accountability | | Something that promotes or enhances well-being; an advantage; a payment made or an entitlement available in accordance with a wage agreement, an insurance policy, or a public assistance program |
| 10 | commitment | | A principle, standard, or quality considered worthwhile or desirable: |

Insert the following words:

Commitment, social responsibility, business ethics, privacy, responsibility, issue, benefit, values, tradeoff, accountability,

1. I faced a _____ between eating and buying my medicine.
2. The speech was a summons back to the patrician _____ of restraint and _____.
3. I will honour my existing _____ but am reluctant to take on any more work at present, or a commitment to pay £100 to charity.
4. The field trip was of great _____ to the students
5. With _____ goes authority to direct and take the necessary action to ensure success.
6. Newspapers often fail to respect the individual's right to _____.
7. What's at _____ here is the whole future of the industry.
8. _____ is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment.
9. _____ is a voluntarily assumed obligation toward the good of a larger social unit as opposed to the self alone.

Translate into English:

Бізнес-етика розглядає питання щодо прийнятності певної діяльності у сфері бізнесу.

Сфера бізнес-етики викликає полеміку, не існує одного загальноприйнятого підходу до розв'язання її питань. Високі етичні стандарти вимагають того, щоб бізнес узгоджував свою діяльність у відповідності з моральними принципами. Але, застосовуючи етичні принципи у бізнесі, слід зважати на деякі особливості. Для того, щоб існувати бізнес повинен отримувати прибуток. Треба врівноважувати бажання щодо прибутку з потребами та бажаннями суспільства. Підтримання такої рівноваги часто вимагає компромісу чи вибору.

Соціальна відповідальність – це зобов'язання щодо суспільства, яке приймає бізнес. Вона складається з економічної, юридичної, етичної та філантропічної відповідальності. Її можна розглядати як контракт із суспільством, а бізнес-етика охоплює ретельно продумані правила ділової організаційної поведінки, які ведуть до прийняття рішень.

TEXT 8. ETHICAL ISSUES AROUND THE GLOBE.

PART 1

Major ethical issues that complicate international business activities include sexual and racial discrimination, price discrimination, bribery, harmful products, prison labor, the Foreign Corrupt Practices Act, cartels, and telecommunications.

SEXUAL AND RACIAL DISCRIMINATION

Various U.S. laws prohibit American businesses from discriminating on the basis of sex, race, religion, or disabilities in their hiring, firing, and promotion decisions. However, the problem of discrimination is certainly not limited to the United States. In the United Kingdom, East Indians have traditionally been relegated to the lowest-paying, least-desired jobs. Australian aborigines have long been the victims of social and economic discrimination. In many Southeast Asian and Far Eastern countries, employees from particular ethnic backgrounds may not be promoted. In Japan, although women are beginning to make inroads into the business and political worlds, they are seldom promoted to high-level positions. Although Japan now has made sex discrimination illegal, there are no penalties for violations.

In many Middle Eastern nations, businesswomen are a rarity. Often Middle Eastern women must wear special clothing and cover their faces; in public, they may be physically separated from men. Since many Middle Eastern countries prescribe only nonbusiness roles for women, companies negotiating with Middle Eastern firms have encountered problems in using women sales representatives. Indeed, a Middle Eastern company may refuse to negotiate with saleswomen or may take an unfavorable view of foreign organizations that employ them. The ethical issue in such cases is whether foreign businesses should respect Middle Eastern values and send only men to negotiate sales transactions, thus denying women employees the opportunity to further their careers and contribute to organizational objectives. The alternative would be to try to maintain their own ideas of social equality, knowing that the women sales representatives will probably be unsuccessful because of cultural norms in those societies.

Racial discrimination has been a much-discussed issue in the United States. Racial discrimination is also apparent in Germany, which will not grant citizenship to Turkish workers, even though some of them are second-generation German residents. It can also be seen in the glass ceiling that exists in Japan for Japanese Koreans in business.

HUMAN RIGHTS

Corporate interest in human rights has emerged in the 1990s. News stories depicting opportunistic use of child labor, payment of low wages, and abuses in foreign factories have helped reshape our attitude of what can be considered acceptable behavior for organizations. Levi Strauss & Co. was the first multinational corporation to discuss human rights issues in its code of conduct. The company withdrew a \$40

million existing investment in China to protest human rights conditions in the country. The Gap has hired an independent agent to monitor its plant in San Salvador after accusations of human rights abuses. As a key part of its social mission, Starbucks has placed a priority on improving the lives of coffee workers. Because of the world shortage of coffee and genuine concern for the growers, Starbucks is helping to fund health care centers, farm schools, and scholarships for farm workers' children in Guatemala and Costa Rica. In addition, Starbucks is visiting many suppliers to see what can be done to improve the quality of workers' lives.

Companies struggling with human rights issues sometimes make short-term decisions to boost company profitability that have long-term negative implications.

The news program 48 Hours aired a segment on Nike's use of subcontractors in Vietnam who paid employees extremely low wages and were accused of physically abusing the employees. Walt Disney subcontracts to H. H. Cutler in Mexico where employees have no clean drinking water, and the average wage for a forty-eight-hour week is \$27.27. Although many argue that we cannot evaluate wages elsewhere against our cost of living, in Acuna, where H. H. Cutler operates, groceries for a small family cost \$30 per week.

In Nicaragua, the Centex factory is a subcontractor for Wal-Mart, Kmart, and JC Penney. Its workers' earnings average \$11.04 per week, but milk to feed two infants costs \$4 per week. In the Dominican Republic, where Victoria's Secret subcontracts manufacturing, the average worker makes \$5.68 per day, whereas a modest supper for a small family costs \$5.36.

Companies are now facing concerns about the treatment of minorities and women, as well as the issues of child labor and employee rights. Multinationals have even greater challenges in this area because of the nature of relationships with manufacturers and subcontractors in varying cultures. One study found that MNCs were associated with improvements in political rights and civil liberties in Third World countries. Some key quality-of-life indicators such as infant survival rates, life expectancy, and literacy increased with MNC investment.

Multinational companies should view the law as the floor of acceptable behavior and strive toward greater improvements in workers' quality of life. An understanding of each country's culture will aid the MNCs in making improvements that will be valued. At an annual Human Rights Survey meeting, the executive director of Human Rights Watch mentioned three guidelines that managers should consider in advancing human rights. First, an open dialogue needs to be encouraged between workers and management. Second, members of MNCs should be aware of the human rights issues and concerns in each country where they engage in business. Amnesty International can provide such information. Finally, MNCs should adopt the prevailing legal standard but seek to improve and embrace a "best practices" approach and standard; internationally acceptable behavior in any country should be their goal.

Although companies appear to be more concerned about human rights issues than they used to be, there is still widespread abuse. The National Labor Committee conducted a study of sweatshop conditions in China and found that American companies are lowering workers' standard of living by paying low wages, eliminating benefits, requiring overtime, and thwarting attempts to organize unions. Workers in a

Liang Shi handbag factory make 13 cents per hour, whereas a subsistence wage in this part of the country is 87 cents an hour. Employees in this factory manufactured Kathie Lee handbags for Wal-Mart.

Answer the following questions:

1. What are the main ethical issues in international business?
2. Give examples of racial discrimination in the world of business.
3. In what way do we observe sexual discrimination?
4. Can cultural norms cause misunderstanding in doing business abroad? Give examples.
5. What are the major human rights issues?
6. According to the Human Rights Watch, what are the three guidelines that managers should consider in advancing human rights?
7. Give examples of human rights abuse in international business.
8. Are there human rights issues in international business in Ukraine?

Definition Test

| | | | |
|----|-----------------|--|--|
| 1 | promotion | | To increase; raise; to assist in further development or progress |
| 2 | penalty | | Improper use or handling; misuse; physical maltreatment; an unjust or wrongful practice |
| 3 | illegal | | To take back or away; remove; to recall or retract |
| 4 | to boost | | a person who undertakes work for a contractor and is therefore not directly employed by the person who wants such work done |
| 5 | life expectancy | | A punishment established by law or authority for a crime or offense; something, especially a sum of money, required as a forfeit for an offense. |
| 6 | abuse | | Advancement, encouragement of the progress, growth, or acceptance of something; furtherance |
| 7 | to withdraw | | something that is suggested or implied; an act or instance of suggesting or implying or being implied; a probable consequence (of something) |
| 8 | subcontractor | | an act that disregards an agreement or a right |
| 9 | implication | | The number of years that an individual is expected to live as determined by statistics |
| 10 | violation | | Prohibited by law, prohibited by official rules |

Insert the following words:

Illegal, life expectancy, subcontractor, withdrew, abuse, implications, to boost, violation, promotion, penalty

1. _____ are the actions which are not in accordance with the rules, regulations, ordinance, law, statute etc prevailing the land at the time of doing such activity.
2. We are now paying the _____ for neglecting to keep our equipment up to date.
3. Emotional or psychological _____ covers a variety of behaviors that hurt or injure others even though no physical contact may be involved.
4. The building _____ has employed several subcontractors to build the block of flats.
5. What are the _____ of the new law?
6. A bill intended _____ local charities.
7. I _____ all my savings and went abroad.
8. He claimed a _____ of his rights under the Fifth Amendment
9. A _____ is the advancement of an employee's rank or position in an organizational hierarchy system.
10. In countries with high infant mortality rates, the _____ at birth is highly sensitive to the rate of death in the first few years of life.

Translate into English:

Хоча, за законами більшості країн світу, сексуальна та расова дискримінація заборонені, це не означає, що проблема вирішена. Наприклад, у Австралії корінні жителі ще досі можуть бути жертвами дискримінації. Не в кожній країні жінки мають можливість обіймати високі посади.

Ще один приклад - Середній Схід. Тут виникає етична проблема: посилати на переговори лише чоловіків, нехтуючи жінками, чи таки обирати жінок у якості торгових представників, знаючи наперед, що спроба буде невдалою через інші культурні норми у східних країнах.

Порушення прав людини – ще одна проблема, яку розглядає бізнес-етика. Сюди належать використання дитячої праці, низька оплата праці, дискримінаційне ставлення до національних меншин, дискримінація субпідрядчиків та інші зловживання.

Деякі компанії, щоб підвищити прибутковість, приймають короткотермінові рішення без врахування питань прав людини. На жаль, такі рішення мають довготривалі негативні наслідки.

TEXT 9. ETHICAL ISSUES AROUND THE GLOBE.

PART 2

BRIBERY AND THE FOREIGN CORRUPT PRACTICES ACT

In many cultures, giving bribes — also known as facilitating payments — is an acceptable business practice. In Mexico, a bribe is called *la mordida*. South Africans call it *dash*. In the Middle East, India, and Pakistan, *baksheesh*, a tip or gratuity given by a superior, is widely used. The Germans call it *schimengeld*, grease money, and the Italians call it *bustarella*, a little envelope. Table 9-7 describes the major types of bribes and what one might see them called in the global business community. Companies that do business internationally should be aware that bribes are an ethical issue and that the practice is more prevalent in some countries than in others. Of one hundred global business transactions involving bribery, 80 percent were lost by American businesses. In Indonesia, government employees' salaries are so low that civil servants encourage bribery in order to earn a livable wage. Bribes or payoff requests are frequently associated with large construction projects, turnkey capital projects, and large commodity or equipment contracts.

Since 1977 the U.S. Foreign Corrupt Practices Act (FCPA) has prohibited American corporations from offering or providing payments to officials of foreign governments for the purpose of obtaining or retaining business abroad. Violators of the FCPA face corporate fines of up to \$2 million, while company executives face a maximum of five years in prison or \$10,000 in fines, or both. The FCPA does permit small "grease" payments to foreign ministerial or clerical government employees. Such payments are exempted because of their size and the assumption that they are used to persuade the recipients to perform their normal duties, not to do something critical to the distribution of new goods and services.

Between 1977 and 1980 only ten cases were brought to trial. No prison sentences resulted, and only one \$50,000 was levied. Some critics of the FCPA say that although the law was designed to foster fair and equal treatment for all, it places American firms at a disadvantage in the international business arena. The FCPA applies only to American businesses; other nations have not imposed such restraints on their companies doing business abroad. For example, if three companies — from the United States, France, and Korea — were bidding on a dam-building project in Egypt, the French and Korean firms could bribe Egyptian officials in their efforts to acquire the contract, but it would be illegal for the American firm to do so. Thus the issue of bribery sets the values of one culture — the U.S. disapproval of bribery— against those of other cultures.

When the FCPA was enacted, the Securities and Exchange Commission (SEC) established a voluntary disclosure program. The FCPA was developed because an SEC investigation in the mid 1970s revealed that 400 U.S. companies admitted making questionable or illegal payments in excess of \$300 million to foreign government officials, politicians, and political parties. In 1988 the Omnibus Trade and

Competitiveness (OTC) Act reduced FCPA legislation in the following ways: lobbying, "reason to know," facilitating payments, affirmative defenses, and the repeal of the Eckhardt Amendment. The Eckhardt Amendment prevented senior managers from using agents or employees as scapegoats when bribes were given. The new act makes prosecution even more difficult, thus decreasing the power and applicability of the FCPA in global business settings. Subsequent support for the Foreign Corrupt Practices Act has come through a global treaty, the "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions," which has been signed by thirty-four nations. Dominated by some of the largest countries in the world, the majority in support of the treaty are members of the Organization of Economic Cooperation and Development. The treaty requires signatories to make it a criminal offense for any person to "offer, promise or give away undue pecuniary or other advantage ... to a foreign public official" for the purpose of obtaining "business or other improper advantage in the conduct of international commerce." Punishment is to be swift and effective as a deterrent for future offenses and is determined by the country in which the company operates.

Table 9-8 describes several factors that help explain why people give or accept bribes. Many businesspeople view bribes as a necessary cost of conducting business in certain countries. Many MNCs have been fined under the FCPA for bribery. Companies can receive fines up to \$2 million or, under the Alternate Fines Act, they can receive fines up to twice the value of their gain. General Electric was fined \$70 million in Israel under the FCPA, a U.S. law. To win a contract for three C-130 cargo planes, a vice president at Lockheed Martin bribed a member of the Egyptian Parliament. This vice president was sentenced to eighteen months in jail, and the total cost to Lockheed Martin was \$24 million.³³ Table 9-9 reveals some key considerations a company must evaluate with respect to bribery. Once a company starts paying bribes in one country, other countries will expect the same, regardless of the culture.

TABLE 9-7 Major Types of Bribes

| | |
|-------------------------|--|
| Facilitating payments | Disbursements of small amounts in cash or kind as tips or gifts to minor government officials to expedite clearance of shipments, documents, or other routine transactions. Examples: In India, not a single product can move if the clerk's palm is not greased with cash. In Italy, distribution of bustarella (an envelope containing a small amount of money) helps to move products into and out of the country more efficiently. |
| Middlemen commissions | Appointments of middlemen (agents and consultants) to facilitate sales in a nonroutine manner, and payment of excessive allowances and commissions to them, not commensurate with the normal commercial services they perform. Often, the middlemen may request that part or all of their commissions be deposited in a bank in a third country. Example: Northrop Corporation's payment of \$30 million in fees to overseas agents and consultants, some of which was used for payoffs to government officials to secure favorable decisions on government procurement of aircraft and military hardware. |
| Political contributions | Contributions that take the form of extortion because they violate local law and custom. Also payments that, while not illegal, are made with the specific intent of winning favors directly or indirectly. Example: |

Gulf Oil Corporation's payment of \$3 million in 1971 to South Korea's Democratic Republican party under intimidation and threat.

Cash disbursements

Cash payments made to important people through slush funds or in some other way, usually in a third country (i.e., deposit in a Swiss bank) for different reasons, such as to obtain a tax break or a sales contract, or to get preferential treatment over a competitor. Example: United Brands' payment of \$2.5 million to Honduran officials for the reduction of export tax on bananas via Swiss bank accounts.

TABLE 9-8 Causes of Bribery

- Matching competition's bribes
- Lack of monitoring or training the sales force properly to prevent bribery
- Organizational pressure to meet sales quotas
- Belief that bribery is just a cost of doing business abroad
- Perception of bribery as an accepted practice in certain countries
- Vendor pressure for bribes
- Political involvement in decision making
- Showing appreciation for business transactions
- Gaining entrance into new markets
- Displacing major competitors

TABLE 9-9 Company Considerations Regarding Bribery

1. Payments to intermediaries can have consequences if you knew bribery was the intent.
2. If corruption is the intent, consequences will ensue even if the money has not been exchanged (a promise, agreement, or offer constitutes a bribe).
3. There is some opportunity for facilitating payments, which are small payments to get standard governmental procedures completed (permits, police security, loading/unloading).
4. Costs associated with demonstrations or other contract performance are allowable (as long as there is no corrupt intent).
5. The Department of Justice will offer advice or opinions if you have doubt about the correct course of action.

Answer the following questions:

1. Is bribery an acceptable international business practice?
2. Why are bribes frequently associated with large construction projects, turnkey capital projects, and large commodity or equipment contracts?
3. What can encourage bribery?
4. What is Foreign Corrupt Practices Act?
5. Expand on major types of bribes.
6. What factors cause bribes?
7. What is the attitude of businesspeople to bribery?
8. Is punishment for bribery an effective method to use?
9. What is your attitude to bribery?
10. Is bribery an international business issue in Ukraine? Why?

Definition Test

| | | | |
|---|--------------|--|---|
| 1 | fine | | a product that is bought and sold |
| 2 | trial | | to officially say that people must pay a tax or charge |
| 3 | commensurate | | to help a skill, feeling, idea etc develop over a period of time synonym encourage, promote |

| | | | |
|----|-------------|--|--|
| 4 | payment | | money that you have to pay as a punishment |
| 5 | lobby | | to pay out money, especially from a large sum that is available for a special purpose |
| 6 | foster | | the act of giving money or a gift that you illegally give someone to persuade them to do something for you |
| 7 | procurement | | a legal process in which a judge and often a jury in a court of law examine information to decide whether someone is guilty of a crime |
| 8 | bribery | | to try to persuade the government or someone with political power that a law or situation should be changed |
| 9 | commodities | | a rule or principle that limits what people can do |
| 10 | levy | | an amount of money that has been or must be paid |
| 11 | restraint | | matching something in size, quality, or length of time |
| 12 | disburse | | obtaining something, especially something that is difficult to get |

Insert the following words:

Bribery, payments, trial, commodities, commensurate, levy, fines, lobby, disburse, foster, procurement restraints

1. Recent studies show that advertising usually _____ competition and therefore lower prices.
2. It imposed _____ totalling £328,500 on 105 solicitors, compared with 76 solicitors fined an aggregate of £216,000 the year before.
3. However it does not _____ a general sales tax; sales taxes are the bread and butter of most state governments.
4. Many Third World countries remain dependent on selling their _____ to the West.
5. Sixteen companies and around 300 sub-contractors had claimed £85m of extra _____ on the £2.3 billion theme park.
6. Earlier this year, Felix pled guilty to money-laundering charges growing out of his arrest on drug and _____ charges.
7. He was sentenced to between five and 15 years after a _____ which exposed the privileged lifestyle of rich New York youngsters.
8. The _____ of raw materials from abroad is essential now.
9. The bank _____ a record \$2.5 billion in loans last year.
10. The government has imposed _____ on corporate mergers.
11. Please encourage class members to _____ their local councils about cuts in classes, either personally or by petition.
12. The initial salary will be _____ with age, qualifications and experience.

Translate into English:

Хабарництво почасти асоціюється з великими будівельними проектами чи великими сумами контрактів на постачання товару чи обладнання.

З 1977 року у США корпораціям заборонено пропонувати виплати урядовим службовим особам іноземних держав з метою отримання чи утримання сприятливих умов для ведення бізнесу за кордоном. Компанії-порушники сплачують корпоративний штраф, а от керівництво компанії може потрапити у в'язницю або (та) заплатити великий штраф.

Практика свідчить, що багато бізнесменів розглядають хабар як невід'ємну вартість ведення бізнесу за кордоном.

TEXT 10. ETHICAL ISSUES AROUND THE GLOBE.

PART 3.

HARMFUL PRODUCTS

In the advanced industrialized nations, governments have banned the sale of certain products that are considered harmful. However, some companies based in advanced nations continue to sell such products in other countries where they are still legal. For example, several pesticides, such as Velsic Phosvel and 2 4-D (which contains dioxin), have been banned in the United States but are still sold directly or indirectly to other countries. These chemicals are suspected carcinogens or mutagens. The manufacturers of these products argue that, given the food shortages in some nations, the benefits of using the pesticides to increase crop yields outweigh the health risk. Profits are a further motivation, of course.

A similar ethical issue relates to the exportation of tobacco products to less-developed countries. Cigarette sales in the United States are declining in the face of stricter tobacco regulations and increasing evidence that smoking causes a number of illnesses and medical problems. In addition, there are signs that cigarette smoking is becoming socially unacceptable in the United States. As U.S. sales decline, tobacco companies have increased their efforts to sell cigarettes and other tobacco products in other countries, particularly the less-developed ones. The overseas sales volume of tobacco manufacturers exceeds their domestic sales volume. The ethical issue becomes whether tobacco marketers should knowingly sell in other countries a product that is considered harmful in their home country.

Many consumers in underdeveloped countries view tobacco as good, both physically and economically. They argue that the tobacco industry provides jobs and stimulates economies and that cigarette consumers enjoy smoking. Many also cite low longevity rates as a reason to discount the health hazards of tobacco. In the long run, however, as industrialization raises the standard of living in less-developed countries, in turn increasing longevity rates, those countries may change their views on tobacco. As people live longer and the health hazards begin to cost both the people and government more in time and money, ethical issues will increase.

The dumping of waste materials into less-developed countries is also becoming an issue, especially when countries and communities do not know the contents of the trash. Although Africa and Latin America have banned the trade in trash, the People's Republic of China has not. Its companies supposedly purchase the garbage for its residual metals, plastics, and other useful material. By using cheap labor, they are able to make a profit. With cheap labor in Cambodia, Vietnam, and Laos, the global garbage business will continue to inflict long-term harm on other peoples.

At times products that are not harmful in some countries become harmful to consumers in others because of illiteracy, unsanitary conditions, or cultural values. For example, products marketed by the Nestle Corporation include infant formulas, which are used in the supplemental feeding of infants and have been tested as safe when used correctly. When the company introduced its product into African countries

as an alternative to breast-feeding, local mothers quickly adopted the product. However, as time passed, infant mortality rates rose dramatically. Investigators found that, because of high illiteracy rates, many mothers were not able to follow instructions for using the formula correctly. In addition, the water used for mixing with *the* powdered formula was often unsafe, and poor mothers also diluted the formula to save money, which reduced the nutritional value of the feeding. Nestle was further criticized for its aggressive promotion of the infant formula; the company employed so-called milk nurses to discourage mothers from breast-feeding by portraying the practice as primitive, and to promote Nestle's infant formulas instead. Under heated pressure from international agencies and boycotts by consumer groups, Nestle agreed to stop promoting the infant formula; it also revised its product labeling and educational materials to point out the dangers of using the formula incorrectly and the preferability of breast-feeding. After a period of time, however, die company reverted to its previous practices, and as of 1996 the World Health Organization has renewed the boycott. Thus even traditionally safe and adequately tested products can create ethical issues when a marketer fails to evaluate foreign markets accurately or to maintain adequate responses to health problems associated with its products in certain markets.

POLLUTION

Whereas there are boundaries on the implications of many legal and ethical violations in the case of environmental abuses, the effects of these abuses are far reaching. Consequently, a number of countries are working together to create alliances and standards for environmental responsibility. The fifteen-nation European Union is committed to reducing carbon dioxide and methane gases back to 8 percent below 1990 levels by 2008-2012. In the United States, emissions of carbon dioxide, the biggest source of greenhouse gas, rose 9 percent over the previous seven-year period. Seeking to defend their air and water quality, some countries are taking legal action against polluting firms. For example, in Mexico, firms that fail to cut back emissions or that deny access to inspectors during smog alerts face legal sanctions. In other situations, outside organizations such as Greenpeace issue warnings about countries that engage in environmental abuses. Greenpeace has accused Israel of defying international convention and dumping toxic waste in the Mediterranean.

In some countries, however, groups have lobbied their governments to increase their emission standards: for instance, Australia. Its per capita emissions from energy consumption and industrial manufacturing will rise from twenty-one metric tons per head to twenty-six tons in 2010, making Australia the largest greenhouse gas polluter in the world. One member of the Australia Institute stated, "If they had been aware of the facts, other nations would not have agreed to Australia's demand for an increase in emission but would have required us to cut our emissions more than other countries."

For organizations to thrive globally, all should form joint agreements, such as the North American Free Trade Agreement between the United States, Canada, and Mexico, and set reasonable standards for emissions for all members to follow. Many pollution control efforts have relatively short payback periods and have a long-term

positive effect on profitability. In contrast, violation of environmental initiatives has both human and financial costs, with the human cost being the health hazards associated with pollution. An example of the financial costs incurred by violating environmental initiatives involves Honda. Honda was charged with disconnecting pollution-monitoring equipment in 1.6 million cars. The company was fined \$17.1 million for violating the U.S. Clean Air Act. In addition, Honda has agreed to pay \$12.6 million in civil penalties and \$4.5 million to implement various environmental programs.

Answer the following questions:

1. Is the situation issue of dangerous product similar in all countries? Why?
2. What products are considered to be harmful?
3. Expand on the issue of dumping of waste materials into the third world countries.
4. What can turn safe to consumers product into harmful?
5. Are there harmful products issues in Ukraine? Expand.
6. What is environmental responsibility?
7. Describe the situation with emissions of carbon dioxide in the USA and Europe.
8. What are the emission standards in Australia?
9. What is the role of Greenpeace in environmental issues?
10. How to explain the fact that pollution control efforts have relatively short payback periods and a long-term positive effect on profitability?

Definition Test

| | | |
|---|----------------|--|
| 1 | per capita | a subject or problem that is often discussed or argued about, especially a social or political matter that affects the interests of a lot of people: |
| 2 | payback period | to make someone suffer something unpleasant |
| 3 | emission | the amount of time that someone or something lives |
| 4 | greenhouse gas | official orders or laws stopping trade, communication etc with another country, as a way of forcing its leaders to make political changes |
| 5 | ban | something that may be dangerous, or cause accidents or problems |
| 6 | sanction | the average amount of something in a particular place, calculated according to the number of people who live there |
| 7 | inflict | the time it will take for the profit from a business project, an asset, etc. to be equal to the amount invested in it |
| 8 | hazard | to say that something must not be done, seen, used etc synonym prohibit |

| | | | |
|----|-----------|--|---|
| 9 | longevity | | a gas, especially carbon dioxide or methane, that is thought to trap heat above the Earth and cause the gradual warming of the air surrounding the Earth as a result of heat being trapped by pollution |
| 10 | issue | | the act of sending out light, heat, gas etc |

Insert the following words:

Ban, hazard, per capita, longevity, greenhouse gas, emission, payback period, inflict, issue, sanction

1. For international traders, changes in the exchange rate are an unavoidable_____.
2. Congress's effort to _____indecent materials on the Internet comes to the court March 19.
3. Economic incentives or disincentives such as pollutant _____ charges or taxes should receive more attention than they had received previously.
4. Polanyi would propose a world environment organisation with the right to impose_____ on countries that refuse to cut emissions.
5. Very few people have a career of great _____, constancy and consistency in films.
6. Another key_____ is the choosing of appropriate neural network architecture and paradigms to match applications.
7. Alcohol and tobacco_____ great harm on individual health and have a high social cost.
8. _____ income rose by 1.2% last year.
9. The market could grow much bigger if countries further subsidize wind power to curb _____emissions.
10. The total cost of installing the burner was €70 000, resulting in a _____ of just over 3 years.

Translate into English:

У розвинених індустріальних державах є певні правила, що забороняють продаж товарів, які вважаються шкідливими для здоров'я. Та деякі компанії збувають таку продукцію у країнах, де її продаж вважається законним.

Обмеження продажу тютюну у США спонукало виробників на дослідження ринків збуту у країнах з нижчим рівнем економічного розвитку, там, де немає таких жорстких правил. Тепер закордонний об'єм продажу тютюнових компаній значно перевищує об'єм внутрішнього продажу.

Ще одна проблема – скидання відходів на території менше розвинених країн.

Деколи продукт стає шкідливим через низький рівень освіченості споживачів, антисанітарні умови. Причиною цьому також можуть стати відмінні культурні цінності.

Виділення вуглекислоти у великих розмірах та скидання токсичних промислових відходів у моря та річки спонукає „Грінпіс” до вимог підписання спільних угод та встановлення норм та обмежень щодо виділення „парникового газу”.

Порушення норм функціонування навколишнього середовища, його забруднення може мати не передбачувані наслідки.

TEXT 11. ETHICAL ISSUES AROUND THE GLOBE.

PART 4

PRICE DISCRIMINATION

The pricing of products sold in other countries also creates ethical issues. A frequently debated issue in international business is price discrimination, which occurs when a firm charges different prices to different groups of consumers.

Price differentials are legal if they do not substantially reduce competition or if they can be justified on the basis of costs — for example, the costs of taxes and import fees associated with bringing products into another country. However, price discrimination may be an ethical issue, or even be illegal, under the following conditions: (1) the practice violates either country's laws; (2) the market cannot be divided into segments; (3) the cost of segmenting the market exceeds the extra revenue from legal price discrimination; and (4) the practice results in extreme customer dissatisfaction.

When a market is artificially divided into segments that are charged different prices, an inequality can emerge that cannot be explained by added costs, thus creating an ethical concern. In some cases, such pricing policies may be judged illegal when courts rule that they substantially decrease competition. In the United States, price discrimination that harms competition is prohibited under the Robinson-Patman Act. In other countries, judgments of illegality result from precedent or fairness rulings.

When companies market their products outside their own countries, the costs of transportation, taxes, tariffs, and other expenses can raise the prices of the products. However, when the price increase exceeds the costs of these additional expenses, an ethical issue emerges. Increasing prices in this way is sometimes referred to as gouging. Gouging can also refer to charging unusually high rates over a period of time due to situational shortages — for instance, when lumber suppliers charge premium prices to earthquake victims seeking to rebuild. In Paris, during the World Cup soccer tournament, hotels were accused of increasing their rates up to 200 percent even though they had agreed to hold the increase to 25 percent. Similar charges were leveled against Sydney hotels for the 2000 Olympics. Some Olympic officials were quoted a room rate for a three-star hotel during the games at \$550 per night plus \$45 for breakfast and \$75 for lunch and dinner. Most countries have laws forbidding companies to charge exorbitant prices for lifesaving products, which include some Pharmaceuticals. However, these laws do not apply to products that are not lifesaving, even if they are in great demand and have no substitutes, as in the case of Librium and Valium.

In contrast, when companies charge high prices for products sold in their home markets while selling the same products in foreign markets at low prices that do not cover all the costs of exporting the products, the practice is known as dumping. Dumping is unethical if it damages competition or hurts firms and workers in other countries. It becomes illegal under many international laws if it substantially reduces competition. The U.S. Commerce Department ruled that several Chilean fisheries

dumped low-priced Atlantic salmon in the U.S. market. In a five-year period, the average price paid for a whole salmon dropped from \$5 per pound to \$1.91 per pound. Chile represents the biggest foreign supplier of salmon to restaurants and supermarkets, with more than \$111 million in exports to the United States. By flooding the market with inexpensive, farm-raised salmon, it has made it difficult for U.S. fishermen to obtain a reasonable profit for their product.

Dumping may occur for several reasons. Charging low prices allows a company to enter a market quickly and capture a large market share. Sometimes dumping occurs when the domestic market for a firm's product is too small to support an efficient level of production. In other cases, technologically obsolete products that are no longer salable in the country of origin are dumped overseas. Dumping is difficult to prove, but even the suspicion of dumping can lead to the imposition of import quotas, which can hurt innocent firms.

Price differentials, gouging, and dumping create ethical issues because some groups of consumers have to pay more than a fair price for products. Pricing is certainly a complicated issue in international marketing because of the additional costs imposed by tariffs, taxes, customs fees, and paperwork. Nonetheless, corporations should take care to price their products to recover legitimate expenses and earn a reasonable profit while competing fairly.

TELECOMMUNICATIONS ISSUES

With the advent of satellites, e-mail, and the Internet, information can be accessed in a matter of seconds instead of weeks. Information overload and Internet slowdowns are becoming more common around the globe. With the ease of information access come ethical issues, which can differ by country, and no geographic or time barriers exist. For example, copyright laws were established to protect originators of products and services. However, as use of the Internet and electronic bulletin boards spread, it has become difficult to enforce country-specific laws. Electronic bulletin boards commonly display copyrighted material. Walt Disney, H & R Block, and most of the news corporations are already finding it hard to protect their materials. Lawyers representing these companies point out that litigation is effective only against large on-line services such as America Online. "Cyberspace is so vast that there is a risk-reward ratio," said one attorney. Many companies, such as Viacom and Time Warner, worry that enhanced technology will have an even greater impact on copyright infringement. For example, the motion-picture industry fears that new devices that make digital copies of movies will spur some entrepreneurs to market the films via the Internet.

The speed of global communications has also affected the fashion industry. Imitations have always been a problem, with "knockoffs" usually entering the market a few months behind the originals and then by way of a few retailers. The situation has changed dramatically. A photograph can be taken at a fashion show in Milan and faxed overnight to a Hong Kong factory; the next day a sample garment is sent by Federal Express to a New York showroom for retail buyers. Stores order these lower-priced "interpretations" for their own private-label collections and sometimes even

show the costlier designer versions at the same time. Since competition in the malls is fierce and fashion merchandise is highly perishable, the industry has become very competitive. Some designers are countering these imitations by suing and by bringing out affordable knockoff versions before anyone else can.

Questionable financial activities, such as money laundering, have been made easier by global telecommunications. Money laundering means that illegally received funds are transferred or used in a financial transaction so as to conceal their source or ownership or facilitate an "illegal" activity. Money laundering can be legal depending on the countries involved and their interpretations of each other's statutes. A decade ago actual paper currency such as dollars, francs, or British pounds would have to be converted by smuggling. Now drug traffickers and others move funds through wire transfers and checks that are sent to other countries. Allegations of money laundering have been lodged against officers of Mexican banks. There was general concern that banking controls had not been enforced despite statements by Mexico's president that his country will be a more law-abiding place. Many Mexicans are losing confidence in the efforts of bankers to conform to ethical norms. As Mexico becomes a major partner in NAFTA (the North American Free Trade Agreement), there is a need to bring business into conformity with ethical standards shared by the United States and Canada.

Answer the following questions:

1. What is meant by price discrimination?
2. When does price discrimination become an ethical issue?
3. What is gouging? Give examples.
4. Give definition of dumping. Is it an ethical issue? Stand your ground.
5. What are the reasons for dumping?
6. Is price discrimination observed in this country?
7. What ethical issues are caused by the ease of information access?
8. What is money laundering?
9. How is money laundering made legal?
10. Expand on telecommunications issues in Ukraine.

Definition Test

| | | | |
|---|----------------------|--|--|
| 1 | revenue | | to disobey or do something against an official agreement, law, principle etc |
| 2 | smuggling | | a tax on goods coming into a country or going out of a country |
| 3 | conformity | | the act of moving money that has been obtained illegally into foreign bank accounts or legal businesses so that it is difficult for people to know where the money came from |
| 4 | price discrimination | | the crime of taking something illegally from one country to another |
| 5 | tariffs | | the money that is received by a business usually from selling goods or services |

| | | | |
|----|------------------|--|---|
| 6 | dumping | | to be more than a particular number or amount |
| 7 | money laundering | | an official limit on the number or amount of something that is allowed in a particular period |
| 8 | quota | | the practice of selling large amounts of goods in a particular country at prices that are unfairly low: |
| 9 | violate | | the practice of selling the same product to different types of customers at different prices |
| 10 | exceed | | behaviour that obeys the accepted rules of society or a group, and is the same as that of most other people |

Insert the following words:

Smuggling, conformity, price discrimination, tariffs, money laundering, quota, exceed, violate, revenue, dumping,

1. They reported a three per cent increase in advertising _____ for the first half of the year.
2. However, both the license and the right to use the Program terminate automatically if you _____ any part of this Agreement.
3. They claim the _____ of steel below the cost of production is harming the domestic industry.
4. Increased competition leads to more _____.
5. In essence, this requires assessment of whether the extra benefits _____ the higher costs.
6. Several countries imposed _____ on imports of Japanese cars.
7. Third, the results clearly show the non-equivalence between _____ and quotas in the presence of oligopoly.
8. He will now face trial on _____ charges.
9. They were so cheap that, even with the cost of _____ them west, Kurzlinger could make a huge profit.
10. They will, in _____ with domestic law and international obligations, continue to take effective measures to this end.

Translate into English:

Цінова дискримінація є незаконною якщо: діяльність порушує закони країни, ринок неможливо поділити на сегменти, має місце незадоволення клієнта та ін.

Якщо зростання ціни набагато перевищує вартість додаткових витрат на транспортування, податки, мито та інші видатки, виникає питання дотримання бізнес-етики. Зростання цін у такий спосіб можна назвати шахрайством.

Демпінг - (від англ. dumping - скидання) продаж товарів за цінами, нижчими від контрактних на міжнародних товарних ринках, за умови, що низький рівень ціни не зумовлюється відповідним рівнем витрат виробництва цього товару. Оскільки демпінг порушує правила справедливої конкуренції та

наносить збитки місцевим виробникам, держава може застосовувати до демпінгових товарів, антидемпінгові заходи, які можуть включати застосування антидемпінгового мита, встановлення обмежень на їх імпорт та інше.

SECTION 2

PART 1 READING COMPREHENSION

Happy Shareholders

Director: Can we go over some figures please?

Assistant: Yes, our shareholders' meeting is soon. I think it'd be a good idea to review the key numbers.

Director: What has our total outlay been this year?

Assistant: Our expenditures are estimated at \$4,320,000.

Director: What percentage is that is research and development?

Assistant: About 27%. We've invested heavily in developing some new technologies.

Director: What is our gross operating profit?

Assistant: Approximately 1.4 million.

Director: What kind of margin does that represent?

Assistant: The gross operating margin is at 24% for the year.

Director: That's impressive. That's up from last year, isn't it? About 10 points I think.

Assistant: That's right. We're solidly in the black. As a matter of fact, this is our fifth year straight.

Director: Shareholders will be happy.

Assistant: They should be! This kind of growth in the current market is remarkable.

Director: Hopefully the shareholders won't veto any further R & D allocation.

Assistant: I think they trust the board to continue doing the right thing.

Key Vocabulary

figures

shareholders

key numbers

outlay

expenditure

R & D - Research and Development

gross operating profit

margin

gross operating margin

to be up

in the black - in the red

remarkable

to veto

allocation

the board

Multiple-Choice Test

1. What is coming up soon?

- A. An important presentation to other colleagues
- B. The shareholders' meeting
- C. A research and development conference

2. How much are expenditures?

- A. More than four million dollars
- B. Approximately 1.4 million dollars
- C. 27% of research and development

3. What's the gross operating margin?

- A. More than the amount spent on R & D
- B. Less than the amount spent on R & D
- C. They are in the red.

4. How much have they improved over last year?

- A. About 24%
- B. They haven't improved over last year.
- C. About 10%

5. Which sentence best describes the company?

- A. They've been in the black for a long period of time.
- B. They've been in the black recently.
- C. They're in the red.

Web Visions Conference

Robert: I'm going to Portland on Thursday. There's a internet expo on. It's called WebVisions.

Alice: What is the schedule like?

Robert: As soon as I arrive, the keynote speech begins.

Alice: ... and after that?

Robert: When the keynote ends, we'll have two hours to check out the booths.

Alice: Are you making any presentations?

Robert: No, I'm just attending this conference.

Alice: Is Tad Wilson presenting?

Robert: No, but he's giving a workshop on Monday.

Alice: When are you coming back?

Robert: I'm flying back on Saturday morning.

Alice: Remember you are meeting with Trevor on Monday morning at nine o'clock sharp!

Robert: Oh, thanks! I forgot about that ...

Alice: Have a good trip!

Key Vocabulary

expo

schedule

keynote speech

to check something out

booth

presentation

to attend

workshop

at X o'clock sharp

Multiple-Choice Test

1. Where is Robert going on Thursday?

- A. To a meeting
- B. To an internet expo
- C. On vacation

2. What will he do after the keynote?

- A. Meet with Tad Wilson
- B. Check out the booths
- C. Go to a workshop

3. What will he do after the keynote?

- A. Meet with Tad Wilson
- B. Check out the booths
- C. Go to a workshop

4. What's he doing at the conference?

- A. Making a presentation
- B. Holding a workshop
- C. Attending the conference

5. When is he returning?

- A. On Monday
- B. On Saturday
- C. On Tuesday

6. What two things are happening on Monday?

- A. Tad Wilson's workshop and Robert's meeting with Trevor
- B. Tad Wilson's meeting and Robert's workshop
- C. WebVisions and Robert's workshop

Funds Transfer and Deposits

Maria: Alice, have you transferred the funds to the Anderson account yet?

Alice: No, I haven't done that yet.

Maria: Good, there are a few changes we need to make.

Alice: Really? It's good I haven't had a chance to go to the bank yet. What has been changed?

Maria: They've asked to how the funds transferred into three different accounts. Here's the updated information.

Alice: This looks more complicated.

Maria: It's not that difficult. Just take along the account numbers, amounts and payment scheme to the bank with you.

Alice: Am I authorized to make these changes?

Maria: I can call ahead and let them know. Here's the PIN number in any case.

Alice: Is there anything else I need to do?

Maria: Yes, could you make these deposits when you go.

Alice: Certainly, which accounts do you want to use.

Maria: Deposit the checks into our savings account. Put the cash into checking

Alice: OK, I'll probably leave in about a half an hour.

Key Vocabulary

to transfer funds
updated
complicated
payment scheme

to be authorized to do something
to call ahead
PIN number

True-False Test

1. Alice has transferred the funds to the Anderson account.
True False
2. The funds need to be transferred into three separate accounts.
True False
3. Maria will call the bank to authorize Alice to make the changes.
True False
4. Maria would also like Alice to make some deposits when she goes.
True False

Sales Terminology

Julian: I'm new to this job, could you explain some of the terminology?

Jack: That's what I'm here for. Shoot.

Julian: What's the difference between retail and wholesale?

Jack: Wholesale is to distributors. Retail to consumers.

Julian: Distributors? Consumers?

Jack: Distributors are stores that sell our merchandise. Consumers are the people who buy the products.

Julian: Oh, I see. What's a bill of lading?

Jack: The bill of lading lists the merchandise shipped. It's included with every shipment or delivery.

Julian: I get what pre-paid means. That means the merchandise has been paid for. But, what's C.O.D.?

Jack: Cash on delivery.

Julian: What does that mean?

Jack: Exactly what it says: cash is paid upon receiving the goods. Of course, it could be a credit card or a check, as well.

Julian: Oh, I understand. What's a delivery fee?

Jack: The delivery fee is an extra charge that the customer pays to have the goods delivered.

Julian: I think I'm beginning to understand now.

Key Vocabulary

retail
wholesale
distributor
consumer
merchandise

bill of lading
pre-paid
COD - Cash on Delivery
to receive goods
fee

True-False Test

1. Individuals usually buy from retailers.
True False
2. Distributors sell merchandise.
True False
3. That answer was not correct.
True False
4. Shipments include a bill of lading.
True False
5. You pay COD before your goods arrive.
True False
6. Delivery fees raise the price of a shipment.
True False

Deliveries and Suppliers

Susan: Doug, can I talk with you for a moment?

Doug: What can I do for you Susan?

Susan: I'm concerned about the delays we're experiencing with some of our suppliers.

Doug: We're doing everything to get back on schedule.

Susan: Could you give me an approximate timeline?

Doug: A number of deliveries are arriving tomorrow. Unfortunately, this time of year is often troublesome.

Susan: That's not good. We can't make excuses to our clients. Are all shipments affected?

Doug: No, but it is summer and some companies are cutting back until September.

Susan: Where are most of our suppliers located?

Doug: Well, most of them are in China, but there are a few in California.

Susan: How does that affect deliveries?

Doug: Well, there are weather delays and shipment delays due to reduced production. Sometimes, larger packages are delayed because of a bottleneck at the distribution point.

Susan: Is there any way around these delays?

Doug: Well, we often work with delivery services such as UPS, Fed ex or DHL for our most urgent shipping. They guarantee door-to-door deliveries within 48 hours.

Susan: Are they expensive?

Doug: Yes, they're very expensive at that cuts into our bottom line.

Key Vocabulary

| | |
|-------------------------|--------------------------------|
| delay | to make excuses |
| supplier | increased / reduced production |
| to get back on schedule | package |
| timeline | bottleneck |
| delivery | distribution point |
| shipment | bottom line |
| to cut back | to cut into |

Multiple-Choice Test

1. Why is Susan concerned?

- A. They're delaying shipments to suppliers.
- B. They're experiencing delays from suppliers.
- C. They're back on schedule.

2. What are they doing?

- A. Trying to get back on schedule
- B. Not worrying about the problem
- C. Taking legal action against the suppliers

3. Which excuse does Doug give?

- A. That the suppliers are unreliable.
- B. That the time is year is often troublesome.
- C. That they changed suppliers.

4. Where are most of the suppliers located?

- A. In California
- B. In Japan
- C. In China

5. How do they sometimes resolve these problems?

- A. They change suppliers.
- B. They use delivery services.
- C. They manufacture their own products.

Neither a Borrower Nor a Lender Be

Both borrowers and lenders in the sub-prime mortgage market are wishing they had listened to the old saying: neither a borrower nor a lender be.

Last year people with poor credit ratings borrowed \$605 billion in mortgages, a figure that is about 20% of the home-loan market. It includes people who cannot afford to meet the mortgage payments on expensive homes they have bought, and

low-income buyers. In some cases, the latter could not even meet the first payment. Lenders include banks like HSBC, which may have lost almost \$7 billion.

Both sides can be blamed. Lenders, after the 2-3 percentage point premium they could charge, offered loans, known as 'liar loans', with no down payments and without any income verification to people with bad credit histories. They believed that rising house prices would cover them in the event of default. Borrowers ignored the fact that interest rates would rise after an initial period.

One result is that default rates on these sub-prime mortgages reached 14% last year- a record. The problems in this market also threaten to spread to the rest of the mortgage market, which would reduce the flow of credit available to the shrinking numbers of consumers still interested in buying property.

So, the housing market will remain weak; borrowers with weak credit histories will find the credit window closed; people with adjustable-rate mortgages will have to spend less so they can meet their increased payments; tighter lending standards and falling home prices will reduce consumers' ability to tap the equity in their homes.

But as long as the labour market remains strong, which it has done despite job losses in housing-related industries, and as long as real incomes continue to go up, consumers might complain, but they are unlikely to go on a buyers' strike on a scale that will make this slowdown become a recession. Therefore, we should not be too worried, but, at the same time, we should be a bit cautious and watch closely how things develop.

Multiple-Choice Test

1 - Sub-prime mortgage loans were offered

- A. only to low income families.
- B. to people who wanted to buy very expensive houses.
- C. to people with poor credit histories.

2 - Who believed that rising house prices would cover them in the event of a default?

- A. Borrowers
- B. Lenders
- C. Both

3 - Borrowers have been caught out

- A. because they lied when applying for the loan.
- B. because house prices have risen.
- C. because interest rates rise after a while.

4 - According to the text, people with adjustable-rate mortgages

- A. will not be able to get credit.
- B. will have to economise.
- C. have weak credit histories.

5 - The housing market problems

- A. could easily tip the country into recession.
- B. are unlikely to tip the country into recession.
- C. will cause a buyers' strike.

6 - The writer is

- A. a bit concerned about the housing market.
- B. very worried about the housing market.
- C. not

Biofuels and the Environment

Leading investors have joined the growing chorus of concern about governments and companies rushing into producing biofuels as a solution for global warming, saying that many involved in the sector could be jeopardising future profits if they do not consider the long-term impact of what they are doing carefully.

It is essential to build sustainability criteria into the supply chain of any green fuel project in order to ensure that there is no adverse effect on the surrounding environment and social structures. The report produced by the investors expresses concern that many companies may not be fully aware of the potential pitfalls in the biofuel sector.

Production of corn and soya beans has increased dramatically in the last years as an eco-friendly alternative to fossil fuels but environmental and human rights campaigners are worried that this will lead to destruction of rain forests. Food prices could also go up as there is increased competition for crops as both foodstuffs and sources of fuel. Last week, the UN warned that biofuels could have dangerous side effects and said that steps need to be taken to make sure that land converted to grow biofuels does not damage the environment or cause civil unrest. There is already great concern about palm oil, which is used in many foods in addition to being an important biofuel, as rain forests are being cleared in some countries and people driven from their homes to create palm oil plantations.

An analyst and author of the investors' report says that biofuels are not a cure for climate change but they can play their part as long as governments and companies manage the social and environmental impacts thoroughly. There should also be greater measure taken to increase efficiency and to reduce demand.

Multiple-Choice Test

1. ____ are worried about the boom in biofuels.
 - A. Few people
 - B. Many people
 - C. Only these leading investors
2. Biofuel producers ____ know about the possible problems.
 - A. do not
 - B. might not
 - C. must not
3. Environmentalists believe that increased production of corn and soya

- A. has destroyed rain forests.
 - B. may lead to the destruction of rain forests.
 - C. will lead to the destruction of rain forests.
4. Biofuels might
- A. drive food prices up.
 - B. drive food prices down.
 - C. have little or no impact on food prices.
5. The increased production of palm oil
- A. just affects the environment.
 - B. just affects people.
 - C. affects both people and the environment.
6. The author of the report says that biofuels
- A. have no role to play in fighting global warming.
 - B. can be effective in fighting global warming on their own.
 - C. should be part of a group of measures to fight global warming.

Airbus crisis over

Airbus says it has turned the corner after a crisis connected to production problems and turmoil in the boardroom at its A380 super-jumbo project that has gone on for the past year. Speaking at the Paris air show, Louis Gallois, CEO of the European planemaker, said, "Airbus is back."

Airbus, which announced a raft of orders on the first day of the show, is competing with Boeing, its American rival, for the title of the largest planemaker in the world. Boeing is expected to reveal the numbers of orders for its 787 Dreamliner soon. Airbus orders unveiled on Monday included Qatar Airways confirming a \$16bn order for 80 A350 Airbus planes and ordering three A380 super-jumbos for about \$750m. Boeing and Airbus are also competing for orders from aircraft leasing firms. Orders from these companies - who rank highly among the biggest global buyers of aircraft - are often regarded as an indication of how successful a model will be in the long term.

Airbus also secured orders from US Airways that are worth \$10bn for 22 of its A350 jets, 60 A320s and ten of its A330-200 wide-body planes.

A few months ago, Airbus unveiled a major cost-cutting programme aiming to reduce the workforce in Europe by 10,000, as well as announcing a group restructuring. "I can tell you with full confidence that Airbus is back and fully back, as you have started noting yesterday as demonstrated by our first day announcements," said Mr Gallois on the second day of the air show.

However, Boeing also announced a deal with General Electric (GE) on the show's first day. GE's commercial aviation services placed an order for six 777 Boeing freighters valued at around \$1.4bn, to be delivered in the last quarter of 2008.

A Wall Street Journal website report, quoting the Delta operating chief yesterday said

that Delta Air Lines were on the verge of ordering as many as 125 Boeing 787 jetliners by the end of this year. However, a spokesman for Delta later said that it had been having conversations "with several aircraft makers" and that "no final decision" had been made on future fleet purchases.

Multiple-Choice Test

1. The problems at Airbus
 - A. have been resolved completely.
 - B. are well on their way to being sorted out.
 - C. are far from resolved.
2. Airbus announced
 - A. a large number of orders on the first day of the show.
 - B. some orders on the first day of the show.
 - C. a few orders on the first day of the show.
3. Qatar Airways ordered
 - A. 83 planes on Monday.
 - B. 80 planes on Monday.
 - C. 3 planes on Monday.
4. US Airways
 - A. placed an order for the new super-jumbo.
 - B. didn't place an order for the new super-jumbo.
 - C. may have placed an order for the new super-jumbo.
5. Boeing
 - A. announced sales of the Dreamliner.
 - B. may sell some Dreamliners to General Electric.
 - C. may sell some Dreamliners to Delta Air Lines.
6. The Wall Street Journal website report
 - A. was definitely correct.
 - B. was possibly correct.
 - C. was definitely wrong.

Bully for you

The makers of a controversial computer game about bullying have decided to go ahead and launch it despite calls for it to be banned. In the game, players take on the role of a new students at a school and have to fight the bullies, by punching them or hitting them with a baseball bat.

Critics have said that the game encourages violence, but the makers deny this and say that, while there is violence in the game, it is just an amusing look at school life, besides which, the violence in the game is directed against the bullies to protect pupils who are being bullied. The makers also say that players will learn to stand up to bullies.

A British politician, a former minister, has called for it to be banned as it might affect the way young people perceive violence.

Anti-bullying charities have said that the game might make people respond violently to bullies, which might make things more complicated and result in injuries.

True-False Test

1. - The makers of the computer game decided not to release it.

True False

2. - In the game, the player takes on the role of a bully.

True False

3. The game is set in a university.

True False

4. Everyone agrees that the game encourages violence.

True False

5. A British politician has spoken in favor of the game.

True False

6. The politician used to be a minister.

True False

7. The politician thinks it might make young people look at violence differently.

True False

8 The anti-bullying charity thinks the game is good because it might make pupils stand up to bullies.

True False

9. The anti-bullying charity thinks that people might get hurt because of this game.

True False

10. The makers of the game have changed the contents before releasing it in the UK.

SECTION 2.

PART 2

TEXT 1. ENTREPRENEURSHIP ON THE RISE

Jeff Whiting, age 29, has a lot of dough. He's the owner of Aspen Mills Bakery in Palm Springs, California.

Aspen Mills would never have come into existence without Jeff's desire to be his own boss—and his willingness to take a risk. Jeff studied economics in college. He predicted a growing market for nutritious breads, yet he was not a baker, so he visited bakeries and asked questions. "It all came together when I met a bread chemist," he explains. With the chemist's skills and recipes, Jeff was willing to risk his dough baking bread.

Jeff decided to open his bakery in Palm Springs because he was confident that it was a good market for healthy baked goods. He convinced his brother and the chemist to join him as partners. Jeff took money he had saved while working at a mortgage company and added funds provided by his partners and family.

Risk and Resources

Jeff found a suitable location, signed a lease, and began remodeling the building he chose. He put in 20-hour days, even working through the night on many occasions. He had to learn how to set tile and lay flooring. He learned cabinet making, and he even assembled the store's huge, expensive oven which was delivered in many parts. Besides the oven, Jeff and his partners bought a stone grinder to make fresh flour every morning. They also bought an expensive mixer for preparing and kneading the dough. "My first mixer was a big mistake," says Jeff. "It burned out many belts because it wasn't powerful enough to knead the dough." But you have to expect mistakes, he adds. "The key is to learn from your mistakes so you don't make them again."

Jeff sells different kinds of superior-quality breads. He generously offers free samples in his store, since the taste of the products is his best form of advertising.

Competition

Who are his competitors? Jeff believes his products are too different to have close competitors in town. Comparing his breads to those in the grocery store, he says, "is like comparing a Range Rover and a Toyota pickup." Besides many kinds of bread, Aspen Mills makes muffins, cinnamon rolls (rich or fat-free) and different kinds of cookies (also rich or fat-free). One of the most popular breads is jalapeño pepper cheese. Another is cranberry spice, which has about \$2-worth of cranberries in every loaf. Of course, not all the products Jeff introduces survive. "This is the last week we're making garlic herb sourdough," he explains. "Customers weren't buying it."

How does he price his products? "It's basically demand and supply," he answers. He checked prices of different kinds of breads in town and used this as a starting point. But now he adjusts his prices in response to sales. When he sells out of certain products, he raises prices.

Rising Sales

Urged by others who have tasted and enjoyed Aspen Mill's products, Jeff opened franchises in 10 other cities. With its three bakers, the Palm Springs store employs more than 10 people. And Jeff has rented two nearby offices and is looking for additional workers. "I need someone who can write letters and can work well with people," he explains.

Jeff sometimes wonders if he'd take such a risk again. But the twinkle in his eyes tells you he wouldn't settle for less than a full loaf of entrepreneurship.

TEXT 2. CAN SUPPLY BE SHIFTY? CHECK COSMETICS AND COMPUTERS

Although supply curves are all around you, you can't see them. But you can see what happens when they change. You also can observe the visionary people who cause them to change.

One of those people was Sarah Breedlove. Born in 1867 to Louisiana sharecroppers, she was only a teenager when her parents died of yellow fever. Later, she married and had a daughter, but her husband died suddenly. So she and her daughter moved to St. Louis, where Sarah worked washing clothes. She saved her money and sent her daughter to Knoxville College. To earn additional income, Sarah also worked part time selling cosmetics.

At age 37 Sarah moved to Denver. There she worked as a cook and married a newspaper salesman, C. J. Walker. When she began losing her hair, Sarah created her own hair conditioners with the help of a drug store pharmacist. The conditioners were so successful that she began selling them door-to-door.

She became known as Madame C. J. Walker. She opened an office in Pittsburgh, a factory in Indianapolis, and a shop in New York City. The C. J. Walker Manufacturing Company employed more than 2,000 women. Through on-the-job training in hairdressing and sales, employees increased their skills and were able to earn more.

Like other entrepreneurs, Madame Walker had a maverick spirit and was willing to work hard and take risks to reach a goal. "I am a woman who came from the cotton fields of the South," she explained. "I was promoted from there to the washtub and then to the kitchen. Then I promoted myself into the business of manufacturing hair goods, and I built my own factory on my own ground."

Other entrepreneurs have the same independent spirit and eagerness to innovate and take risks in pursuit of something better. For example, when Steven Jobs and Steven Wozniak formed Apple Computer in 1976, computers were found only in government and industrial laboratories. Yet Steven Jobs had a vision of making the computer into an easy-to-use and inexpensive device for homes.

Jobs sold his Volkswagen van and Wozniak his scientific pocket calculator to raise \$1,300 to start their business. Wozniak was the electronic whiz. Jobs had the entrepreneurial drive.

After Steven Jobs left Apple Computer in 1985, he started Next Computer Inc. He hoped to create another computer "miracle" as he had done at Apple, but Next computers didn't sell well.

Then, in 1986, Jobs bought Pixar, a part of George Lucas' movie production company. Pixar had helped to create the Star Wars movies in the 1980s. Jobs' idea was to use computers to make novel forms of entertainment. The company lost money, but Jobs never gave up. After nearly 10 years, his vision turned into success. By giving cartoon characters a 3-D look, Pixar helped Disney create the first computer-generated feature film, *Toy Story*.

Despite this success, Jobs hadn't given up on Next Computer. After abandoning computer production, Jobs concentrated on developing special software, including some for the World Wide Web of the Internet. In 1994 Next Computer reported its first-ever profit.

Steven Jobs and Madame C. J. Walker show how entrepreneurs make our economy grow. As they do, they increase supplies, raise employment, and push incomes higher. By changing supply, these people supply positive change in our economy.

Sources: Kathy Robello, "The Next Frontier," *Business Week*, Dec. 18, 1995; "The National Business Hall of Fame," *Fortune*, Mar. 23, 1992; Bro Uttal, "Behind the Fall of Steve Jobs," *Fortune*, Aug. 5, 1985.

TEXT 3. A POOL FOR RISK

What do a car, computer, and condominium have in common? In our economy, all are private property. If you own a car, for example, you have the right to decide when, where, and by whom it is driven. You can even transfer that right to someone else by giving it away or selling it.

As an owner, you have a strong incentive to take care of your property. But no matter how much care you take, there are always risks of owning something. In an accident, for example, your car can be damaged, and you can be injured. Someone might steal a computer, and a fire can destroy a condominium.

It's no surprise, then, that many years ago people developed an important method of protecting themselves from these risks. The method is called insurance.

Even in the late 1700s the United States had insurance companies. In those years, people wanted to insure themselves against risks of fire and of ocean shipping.

Insurance reduces an individual's risk by pooling it with those of others. With car insurance, for instance, you pay a regular premium to the insurance company. The company then puts your premium into a pool with premiums paid by others who have bought insurance. If your car is damaged or destroyed in an accident, the company uses some of the money in the pool to pay you for your loss. In this way, insurance enables you to trade the risk of a huge loss (paying for repairs or a new car) for the certainty of a smaller one (an insurance premium).

As cars became more common in the early 1920s, insurance became more important. One person who recognized this was George Jacob Mecherle, the son of a German

immigrant farmer. Mr. Mecherle had his own farm until he was about 40 years old. When his wife became very ill, he sold his farm and began selling auto insurance. He noticed, however, that the insurance company he worked for charged farmers the same premium as city drivers, even though farmers had fewer accidents. Mr. Mecherle thought they should pay lower premiums.

Seeing a market opportunity, Mecherle started his own insurance business in 1922. Called State Farm Insurance, the company offered farmers and other low-risk drivers hefty discounts on their auto insurance. Mecherle also started the practice of billing customers for only six months at a time instead of a full year as other companies were doing.

State Farm grew and prospered and became the biggest auto insurer within 20 years. Over the years, the company also has expanded to cover other risks besides automobiles. Known today as the State Farm Group, the company is the twelfth-largest business on the Fortune 500 list. In 1994 its total sales were more than \$38 billion, and it employed nearly 70,000 people.

Sources: Arthur M. Louis, "The U.S. Business Hall of Fame," *Fortune*, April 15, 1985; "The Fortune 500," *Fortune*, May 15, 1995.

TEXT 3. CHIPS AND SALSA

What do light bulbs, greeting cards, automobiles, and credit cards have in common? Need a hint? What do you find inside a computer? The answer, of course, is computer chips—otherwise known as semiconductors. Chips are sometimes found in each of the products above. Did you know, for instance, that a greeting card that sings happy birthday has more computer power than all the world's computers had in 1950?

Every day, more and more chips are finding their way into the production, distribution, and use of goods and services. They may even dip into salsa. Imagine going to the grocery store and telling a computer-guided machine to prepare your own special type of salsa.

Or think of calling out for a pair of sunglasses you misplaced at home and having them tell you where they are. These things may soon be commonplace as the power of semiconductors soars and their prices tumble.

Yet none of this would be happening without extraordinary increases in the productivity of chip manufacturers. The story begins with Bell Labs scientist William Shockley, who helped develop the *transistor* in the 1940s. By putting electronic switches on solid material instead of in traditional vacuum tubes, Shockley and his team made the semiconductor smaller, cheaper, and more powerful.

But it was Gordon Moore, Robert Noyce, Andy Grove, and a team of five others who put the transistor to work. Noyce had the idea that many separate transistors could be "printed" on a single layer of silicon. The chip would then be full of transistors that would work together as a team of switches called an integrated circuit.

A tiny chip could then replace a bigger circuit board, consisting of separate transistors soldered together. What's more, the chips could be cheaply produced in

huge volumes. With their own money and financing from a venture capitalist, Moore, Noyce, Grove, and five other partners started Intel Corporation in 1968. Soon, these entrepreneurs began to turn their dream of smaller and better chips into a successful commercial reality.

Today, Intel Corporation is among the top 100 companies listed on the Fortune 500. In 1994 it employed more than 30,000 people and provided stockholders with a yearly return on their investment of 21 percent.

Intel grew and prospered because of its ability to increase its productivity. When the company was founded, Gordon Moore believed the technology of chip production would explode. He forecast that every 18 months the power of semiconductors would double and their price tumble.

Known today as "Moore's Law" because of its accurate description of events, the prophecy seemed like science fiction at the time. Yet today's computer chips may be 100 octillion times more powerful than the best computer just after World War II! To see how big that number is, write the number 1 and then put 33 zeroes after it. You can see why some experts claim this is the greatest single increase in human productivity ever.

TEXT 4. THOMAS ROBERT MALTHUS PROPHET OF THE "DISMAL SCIENCE"

In 1986 music lovers were treated to a day-long concert featuring many rock and jazz greats. The *Live Aid* concert staged simultaneously in London's Wembley Stadium and Washington's JFK Stadium was beamed to millions of viewers in Europe and America. The purpose of the concert was to raise funds for the starving people of Africa. The sight of the desperately hungry in Ethiopia a few years ago, and before that in the West African region of the Sahel, shocked and helped sensitize television viewers to the tragedy in these lands.

Some scholars place the major blame for these conditions on runaway population growth in developing countries. They explain that standards of living in many developing nations continue to decline because the population growth is greater than economic growth. If world economic growth continues to average about 2 percent annually, nearly half the world's people will live in countries where population growth exceeds economic growth.

Much of what these writers are saying repeats the warnings of an 18th-century English economist, Thomas Malthus, in his *Essay on Population* (1798). His argument was direct and simple. Food supplies can be increased through the addition of land and labor. Consequently, growth in food production will follow an arithmetic progression (2,4,6,8, 10 and so on). But population growth expands geometrically (2,4, 8, 16, 32, 64 and so on).

Considering the difference between the rate of population growth and food production, Malthus concluded that a large portion of humanity was doomed to a life of misery. As *arithmetically* increasing food production fell short of feeding the

geometrically increasing population, malnutrition and disease would take their toll until the rising death rate restored the balance between food and population.

Other than urging the poor to have fewer children, there was nothing a society could do to reduce starvation or suffering, Malthus thought. For that reason, he opposed legislation to provide relief and housing for those living in poverty. In his view, such aid would simply encourage the poor to have more children and worsen their lot. It is little wonder that after reading the *Essay on Population*, Thomas Carlyle, a contemporary British writer, called economics the "dismal [depressing] science."

Since Malthus' day several factors have prevented the fulfillment of his prophecies. The most visible of these has been the enormous increase in food production, on the one hand, and declining birthrates in the industrialized nations on the other. Food production increased far beyond anything he could have foreseen, owing to scientific and technical advances in farming. Meanwhile, declining birthrates have brought several European countries near *zero population growth*.

Critics of Malthus argue that the focus on population ignores the main causes of hunger and starvation. The fact is that the world's farmers grow enough to feed the world. However, not enough food reaches those in need because poor nations do not have the international currency with which to purchase it from world suppliers.

Thomas Malthus, a controversial figure in his own time, remains one today. To some he was a great prophet whose theories are still relevant. To others, his opinions are as shortsighted today as they were nearly 200 years ago.

TEXT 5. THE FAMILY BUSINESS

By Ollie Stone-Lee, BBC News website

Would you trust a pilot who said he did not have a pilot's licence but it was alright because his grandfather had one?

It was the question Labour veteran Tony Benn used to ask about peers inheriting seats in the House of Lords but it also sums up some of the criticisms made of family firms.

And yet some research suggests that as much as half of private sector employees are hired by family businesses - which is why the BBC News website is looking at some of the stories behind these firms.

Some of the businesses are only family owned, with little involvement in the day-to-day operations, but many are run by relatives working alongside each other in companies which have been in their families' hands for generations.

In the blood?

It is no surprise that putting parents and children, brothers and sisters together under pressure and throwing in that ever sensitive issue - cash - leaves ample scope for family quarrels.

And many Asian families who set up business in the UK in the 1970s are now tackling the added problem of handing over the reins to the next generation.

A study by London's Centre for Economic Performance earlier this year branded many of Britain's family businesses as feudal throwbacks and a recipe for poor management.

It said the benefits of family management were usually lost if control was passed to the children of founders and to discourage the practice, privately-held firms should no longer be exempt from inheritance tax.

Brian Charlesworth, president of the Genetics Society, said the genetical backing for handing firms down to the next generation was not exactly promising.

"The bottom line is there is probably some general tendency for abilities to be handed on from parent to offspring but there is an awful lot of noise in that relationship and I would not expect it to be a very strong factor," he told BBC News.

No frenzy?

But Luke Johnson, chairman of Channel 4 and founder of Pizza Express, has said that Britain's problem is that it just does not have enough family businesses.

"Family firms matter because they are the ultimate source of patient capital," he said.

"They provide continuity rather than the frenzied merry-go-round of public markets where hedge funds measure ownership in days rather than years."

This new series looks at some stories of the successes and problems facing family firms today.

We start with the daughter turned her father's four sex shops into the multi-million pound Ann Summers empire, hardly your traditional "& Son" family business.

The series will also look at the brewery which survived a family feud to remain independent; the eel and pie shop which has fiercely protected its family recipe for more than a century; and the family firms which still make up the backbone of Germany's economy.

TEXT 6. FORD HAS WORST YEAR EVER BUT WON'T ASK FOR AID

By Nick Bunkley

DETROIT — The Ford Motor Company, the only Detroit automaker not being propped up by billions of dollars in government loans, said on Thursday that it lost \$14.6 billion last year as sales slumped the most in decades, making 2008 its worst year in history.

Still, the company said it had "sufficient liquidity to fund its business plan and product investments." It finished 2008 with \$24 billion in cash on hand but \$25.8 billion in debt.

Ford, which says it is financially healthier than its cross-town rivals General Motors and Chrysler, reiterated that it did not need federal aid unless the economy worsened significantly or a competitor filed for bankruptcy protection. It expects to break even or earn a profit, excluding one-time charges, by 2011.

"It's a very volatile time for all of us," Ford's chief executive, Alan R. Mulally, said on a conference call. But, he added, "It's not our plan at all to access the government's money."

Ford lost \$5.9 billion, or \$2.46 a share, in the fourth quarter alone, compared with a loss of \$2.8 billion, or \$1.33 a share, in the final months of 2007. Auto sales in the United States plummeted 35 percent in the fourth quarter to levels last seen in 1982. Many would-be buyers were unable to obtain loans, and the recession, which began in December 2007, kept many more people from even setting foot in a dealership. Ford's shares closed down 3.9 percent.

The months ahead do not look promising. Many economists expect that the economy will continue to contract until July at the very least, but at a slowing pace in the second quarter. That would make this the longest recession since the 1930s, outlasting the two record-holders, the mid-1970s and early 1980s downturns. And the unemployment rate, which jumped to a 16-year high of 7.2 percent in December, is expected to rise even more.

"We still feel that, with the amount of stimulus that's going on in the U.S. market, that we'll see some improvement in the second half of this year," Ford's chief financial officer, Lewis Booth, said.

Fourth-quarter revenue was \$29.2 billion, 36 percent less than the \$45.5 billion it took in a year earlier. The company depleted its cash reserves at a rate of \$2.4 billion a month.

Excluding special charges, Ford's loss in the quarter was \$1.37 a share. On that basis, analysts surveyed by Thomson Reuters expected a loss of \$1.30.

Ford's full-year loss of \$14.6 billion, or \$6.41 a share, was more than five times larger than its 2007 loss of \$2.7 billion, or \$1.38 a share. It is the equivalent of losing about \$2,700 on every car and truck sold worldwide and more than the 105-year-old company's 2006 loss of \$12.7 billion, the previous record.

"We faced nearly unprecedented challenges across our global markets," Mr. Mulally said. "The worldwide economic slowdown, driven by tight credit markets and weak consumer confidence, has shaken the foundation of even the strongest companies in the automotive sector and other industries. Clearly at Ford, the severe economic challenges had a significant impact on our fourth-quarter results."

To give itself more of a financial cushion while trying to get its restructuring back on track, the company said it planned to draw \$10.1 billion more from its available credit lines in the first quarter. This month, the company borrowed \$2 billion from funds that are intended for a new retiree health care trust managed by the union.

"Given the instability of the capital markets with the uncertain state of the global economy," Mr. Mulally said, "we believe it is prudent to draw these credit facilities at this time."

Ford also said Thursday that the United Automobile Workers union had agreed to end its controversial jobs bank program, which pays factory workers after their jobs have been eliminated. The company is still negotiating the terms of that change.

Chrysler eliminated its jobs bank this week, and G.M. will end its program on Monday.

Together, Chrysler and G.M. have borrowed \$13.4 billion from the federal government to avoid bankruptcy. Ford initially said it wanted a \$9 billion credit line to tap if needed but changed its position after Congress balked at the companies'

requests. The Bush administration eventually approved taking money from the Treasury Department's Troubled Assets Relief Program.

The automaker's financial arm, the Ford Motor Credit Company, reported a net loss of \$1.5 billion in 2008, compared with net income of \$775 million in the quarter a year earlier. The lender said that it would cut about 1,200 jobs or 20 percent of its work force.

TEXT 7. SIMPLY IRRESISTIBLE

By Eric Wilson

Long before she became one half of the most knocked-off fashion label you have probably never heard of, Dana Foley was an aspiring playwright on the Lower East Side of Manhattan who used to avoid writing by shopping.

Given that there was not much money to be made by procrastinating, and that Ms. Foley had two children to feed, she often sold things at flea markets to buy more time to write. But then she would buy new clothes instead. So one day, about 12 years ago, Ms. Foley, a boho believer with rock-star hair, decided to be more resourceful and make a skirt for herself — a long, tight, sexy knit tube that she dyed in the kitchen sink.

"I avoided myself right into a new career," she said. "I can't make a pattern and I can't sew, but I love clothes more than some things, more than lots of things."

With the help of a friend who could manage a needle and thread, Ms. Foley made more skirts and put them on a table at the old flea market on Avenue of the Americas in Chelsea. The first day, she made \$2,000. The kitchen became a factory. "My kids were sitting there eating pizza in a sea of organza," she said. "I was making money for no good reason. If I had chosen this profession, I would probably still be, whatever, writing."

Meanwhile, Anna Corinna, the future other half of the label, hated her job. Having majored in psychology at New York University, she was hired, upon graduation in 1995, as a receptionist at a shoe showroom in Trump Tower. That job did not pay well, either, so Ms. Corinna tried selling vintage clothes at the same flea market.

She arrived on weekend mornings with a big pile of whatever she thought looked interesting, like acrylic knit ponchos she bought from a closeout sale and resold for \$35 to \$45. Other dealers worried whether she would fit in selling such clothes, until Donna Karan, Anna Sui and other designers started shopping at Ms. Corinna's booth. Ms. Foley was a customer, too, and as the two women became friends, they realized they had more in common than their vintage bohemian style and decided to merge their operations into one, called Foley & Corinna.

"Even though we were doing different things, our aesthetics were similar," Ms. Corinna said. "It totally went together."

In many regards, the story of how Ms. Foley and Ms. Corinna turned a flea-market friendship into a fashion company that now has \$20 million in annual retail sales is uncommon. Neither one knew much about the mechanics of design or, for that matter, business. They have never been prominently profiled in *Vogue* or *Elle*, nor have they sought the Bryant Park runways. But Ms. Corinna has an eye for vintage

fashion, and Ms. Foley is intuitive about how to make new versions of those styles for modern women. For those reasons customers — and knockoff artists — have sought them out.

Perhaps because Ms. Foley and Ms. Corinna have been content to remain just under the radar, companies that specialize in making cheap copies of designer fashion have been bold in appropriating their designs.

Last year, the retailer Forever 21 prominently displayed a \$40 copy of a Foley & Corinna \$400 floral print dress, which Paris Hilton had worn on the “Late Show With David Letterman.” The copy was so exact that a group of designers who were seeking copyright protection from Congress used it as an example of the pervasiveness of fashion piracy. Foley & Corinna’s signature City Tote handbag, a foldover style with a curved handle, also inspired copies. And a style of pants with a sewn-in belt appeared at Urban Outfitters within six months.

“We would kick people out of the store who we knew were knocking us off,” Ms. Foley said. “One guy spit at Anna’s feet when she wouldn’t let him buy a dress. He said, ‘But I could copy Marc Jacobs!’ — like it was a compliment.”

As bloggers on Fashionista.com and Counterfeitchic.com have helped uncover how much Foley & Corinna looks are being copied, the two women have found themselves pulled reluctantly into the industry debate over imitations. Indeed, as the Council of Fashion Designers of America lobbies for legislation to protect designs, the campaign has courted controversy — mostly because some designers have contested the notion that a dress or a handbag can be protected as original. Ms. Foley and Ms. Corinna, having seen their work in “splurge versus steal” magazine features, said they were uncomfortable being portrayed as victims.

“People who don’t necessarily know us, when they hear of Foley & Corinna, they say, ‘Oh, they’re the ones who always get knocked off,’ ” Ms. Foley said. “They are not saying, ‘They are the ones with the most amazing ideas.’ That’s not the sentence.”

One could wonder, though, whether the copies have made more people aware of Foley & Corinna’s existence, even driving shoppers to see what the fuss is about. But Ms. Foley said that those shoppers would still prefer to pay \$12 for a copied handbag than \$400 to \$800 for the original. And after the floral dress at Forever 21 was publicized, some customers returned the originals.

“This is the downside of being successful but relatively unknown,” said Susan Scafidi, a visiting professor at Fordham Law School and the author of the Counterfeitchic.com blog. “If you bite a well-known brand, you get caught very easily. If you bite a couple of sweet girls on the Lower East Side, how many people will notice?”

TEXT 8. AMID THE GLOOM, AN E-COMMERCE WAR

By Brad Stone

WHEN the e-commerce giant eBay emerged from the last recession seven years ago with an aura of invincibility, its chief executive, Meg Whitman, boasted that “eBay is to some extent recession-proof.”

Andrew Mowery started selling home and pet supplies on eBay. He now makes 60 percent of his sales on Amazon. Jordan Insley, who sells electronics online, plans to stick with eBay, saying he thinks it's "moving in the right direction." As the online auctioneer's revenues and stock price kept climbing, one of its primary rivals, Amazon.com, just limped along.

How times have changed.

Ms. Whitman, now co-chair of Senator John McCain's presidential campaign, retired from eBay earlier this year as the company struggled with stagnation. Amazon, meanwhile, has emerged as one of the most vibrant and reliable retailers in the country.

And in an unmistakable sign that Internet companies are indeed exposed to the gathering economic storm stemming from the credit crisis, Ms. Whitman's successor, John J. Donahoe, laid off 10 percent of eBay's 16,000 employees last Monday.

Mr. Donahoe noted that eBay was already feeling the effects of the downturn. "This looks like it is going to be a more typical economic cycle that impacts consumer spending," he said. "We are not immune."

That the economic crisis is washing up on Silicon Valley's shores shouldn't, perhaps, come as a surprise. Most tech companies are defenseless against waning advertising, business spending and consumer interest in big-ticket items like computers. Over the last three months, investors have punished tech companies like Google, Microsoft and Apple, extracting a fifth to a half of their market value.

E-commerce, though, was once thought to be a refuge from economic storms. People who stay away from the mall might actually be more tempted to shop online and hunt for deals, or so the thinking went.

But analysts are now revisiting that assumption. Many consumers, citing an uncertain economy, say they will clutch their wallets tightly this holiday season regardless of where they shop: 48 percent surveyed recently by eBillme, an online payment service, said they planned to delay purchases.

Traditional, brick-and-mortar stores had wrenching, double-digit declines in September sales and are bracing for a bleak holiday season. No one is certain to what degree online retailers will feel that same pain, because digital vendors have never endured a deep, protracted economic slump before.

"We still feel pretty good about this year, but I worry about next year and beyond," said Brian J. Pitz, an analyst at Banc of America Securities. "Are people going to spend when they can't get home equity lines of credit, a student loan or a car loan?"

For eBay and Amazon, the twin giants of e-commerce, the financial meltdown has arrived at a particularly crucial time. After years of claiming that their businesses were complementary, not competitive, the companies are now on a collision course.

Amazon has accelerated its courtship of small online vendors, allowing them to sell on its site — becoming more like eBay. And eBay, desperate to revive itself, has decided to emphasize traditional, fixed-price sales of both new and old merchandise — becoming more like Amazon.

AT stake is more than e-commerce bragging rights. On the Internet, size matters. Larger companies can collect more information about consumers, negotiate better

deals with partners and use that leverage to expand their dominance (for example, Google versus Yahoo in search).

“This is a pivotal holiday season for eBay,” said Jeffrey Lindsay, a senior analyst at Bernstein Research who has covered the Internet for a decade. “What people fear is that Amazon is basically building a bigger sales base than eBay and will use that knowledge to sell people more and more of the things they want to buy online.”

Indeed, the balance of power in e-commerce seems to be shifting faster than anyone expected. Just three years ago, eBay had 30 percent more traffic than Amazon. Today, its total of 84.5 million active users is barely ahead of the 81 million active customer accounts that Amazon reported in June.

Amazon has exceeded eBay in other measures as well.

eBay’s market capitalization was three times Amazon’s in 2005, back when Wall Street loved the fact that it carried no inventory and generated huge profits. This year, eBay’s stock has lost over half its value and, in July, Amazon’s valuation surpassed eBay’s for the first time.

In a series of interviews, Mr. Donahoe acknowledged that eBay, based in San Jose, Calif., didn’t adapt fast enough to shifting e-commerce winds. He now embraces a “turnaround mind-set” and is refocusing its Web marketplace toward shoppers who don’t want to waste time in online auctions.

“There are times when I wish we can close this store and just open a new store, but we can’t,” he said. “We need to make bolder, more aggressive changes to the eBay ecosystem even if they are unpopular.”

Up in Seattle, meanwhile, Amazon’s chief executive, Jeffrey P. Bezos, says that after years of failed experimentation, third-party vendors — the foundation on which eBay was built — now account for about 29 percent of sales on Amazon. The company has endured and outlasted critics who long complained about its high fixed costs.

Last year, it impressed investors with accelerating growth, and its stock price revisited the highs of the dot-com boom, before waning euphoria and market pessimism erased more than half of those gains this year. Mr. Bezos credits Amazon’s tolerance for risky, expensive bets like the Kindle electronic reading device.

“Our willingness to be misunderstood, our long-term orientation and our willingness to repeatedly fail are the three parts of our culture that make doing this kind of thing possible,” he said.

eBay’s recent problems have made Mr. Bezos and his team look like shrewd and patient stewards of the Amazon franchise. And Amazon’s second wind is making eBay look as if it has missed one of the greatest opportunities in the Internet’s short history.

“eBay could have closed the door to Amazon back when Amazon was mostly just a platform to sell books and music,” said Scott Devitt, an analyst at Stifel, Nicolaus & Company, the investment bank. “But what eBay did in those days was to take a very hands-off approach and let the marketplace control itself. And that ended up being the downfall of the business relative to others that have succeeded.”

OVER the summer of 2004, at the annual executive retreat that eBay insiders call “Telluride,” a product strategy team argued that eBay needed to break into the

promising world of digital media. Pointing to the popularity of services like Napster and the new iTunes music store from Apple, the group predicted that media like books, music and movies would inevitably be distributed digitally, over the Web.

eBay, they argued, needed to ride that wave.

That insight — which did catch on at Amazon and is now responsible for high-profile efforts like the Kindle and Amazon's MP3 store and video-on-demand service — went nowhere at eBay.

“Nobody really shut it down. The process shut it down,” says a former eBay executive who was on the product strategy team but requested anonymity to avoid alienating former colleagues. “The company was obsessed with making quarterly numbers.”

Whether passing on digital media was a mistake at eBay is still an open question. But the anecdote illustrates larger problems. More than a dozen current and former eBay executives, from all levels of management, say eBay routinely failed to reorient its core business.

They say eBay avoided fiddling with its auction model because it was wary of disrupting a long-profitable equilibrium between buyers and sellers.

eBay has known for years that some Web buyers were looking for a different experience. Surveys suggested that auction participants were alienated by untrustworthy sellers and hidden shipping fees, and increasingly preferred the certainty of instantly buying items at a fixed price.

Although eBay executives recognized and routinely acknowledged the problem, they never took bold, direct steps to address it.

In 2005, the company acquired Shopping.com, a comparative shopping site that catalogs products for sale elsewhere on the Web. But for years eBay did not promote the company's listings, primarily because its vocal community of sellers — the ones paying fees to eBay — protested whenever eBay sent buyers to other retailers.

Josh Kopelman, who founded the e-commerce site Half.com and sold it to eBay in 2001, says that there was an understandable cultural reluctance inside eBay to alienate sellers. “We got paid a fee to provide a service to a community,” he said. “Hurting members of that community was difficult.”

Instead of imposing critical fixes to its slowing model, eBay searched for high-growth businesses elsewhere, acquiring Skype, the online calling service; StubHub, the ticketing site; and a series of classified-advertising Web sites.

The company did create a whole new site, called eBay Express, where it tried to satisfy buyer interest in a simpler shopping experience. eBay Express automatically amassed all the fixed-price, non-auction listings on eBay properties and presented them in an organized way with only one payment system, PayPal — also owned by eBay.

But in the two-year life of eBay Express, eBay never directed any meaningful traffic to it, fearing that it would interfere with the more profitable and popular auction-oriented site. The company shuttered eBay Express this year and has said it will move some of its innovative features to eBay.com.

Contributing to intransigence, according to several former executives, were deep divisions and constant hand-wringing among its managers over the most fundamental question: What is eBay?

One camp believed that eBay was a discount palace and that it had to continually offer deals to buyers in whatever shopping format they wanted.

But another group, resistant to change even as late as last year when eBay was clearly losing ground, believed that the brand was tied up in the excitement of auctions. Emphasizing traditional shopping destroyed what made eBay special, they argued.

“Today online shopping is mainstream, but it’s also becoming boring,” Bill Cobb, then the president of eBay North America, wrote in a June 2007 blog entry that typified this thinking. “We’re investing in the quintessential eBay experience of buying and selling — person to person — in an auction format.”

Ms. Whitman seemed to moderate this constant debate while never actually settling it. At times, she also seemed unwilling to leave auctions behind.

In an interview last week, while on a break from traveling with the Republican vice-presidential candidate Sarah Palin, Ms. Whitman said it was hard for her to reflect on these kinds of divisions within the company, or on missed opportunities.

“There was no shortage of realistic looks in the mirror, where we asked ourselves if we were doing the best job that we could do,” she said.

She also addressed another notion raised by former eBayers, who say executives were dismissive of Amazon but focused obsessively on Google, the search leader whose tentative moves into e-commerce were viewed inside eBay as acts of aggression.

“Google is a disruptive competitor. It’s not a marketplace and it’s not a retailer but has a different way of marrying buyers and sellers,” she said. “I don’t think you can overstate any competitive threats.”

But paranoia about Google, these former executives say, fueled strategic missteps like the Skype acquisition, which Google had also pursued. Ms. Whitman and other eBay managers spent considerable energy trying to integrate Skype, and last year eBay wrote down \$1.4 billion of the \$3.1 billion acquisition.

As eBay obsessed about Google, the online retailer from Seattle was encroaching on its turf.

CONVERSATIONS with Jeff Bezos of Amazon inevitably provoke two kinds of outbursts. One is that famous, barking laugh that punctuates even seemingly mundane sentences. The other is his paean to the wisdom of long-term thinking.

“We are willing to plant seeds that take five to seven years to grow into reasonable things,” he said in an interview. “You can’t do big, clean-sheet invention unless you are willing to invest for long periods of time.”

Mr. Bezos has delivered these kinds of odes to patience and risk tolerance for nearly a decade. The company’s appetite for enduring short-term pain for long-term gain is clearest when comparing it with its rival, eBay.

While eBay was buying into classified advertising, online payments and Internet telephony, Amazon spent hundreds of millions of dollars building its brand as a trusted retailer — hiring customer service representatives and returning money to customers when transactions went awry.

As eBay took a pass on digital media, Amazon dove in and frustrated investors for years with margins that were diminished by a bulky R.& D. budget — but produced promising businesses like the MP3 store.

Compensation at the two companies also reflects core differences. Amazon evaluates its executives annually and gives performance-based stock grants. Until this year, when Mr. Donahoe became chief executive, eBay gave cash and stock bonuses based on quarterly performance, rewarding managers for meeting Wall Street's short-term expectations.

Similarly, Amazon's push to recruit the small sellers who orbited eBay was marked, at first, by patience and often-embarrassing experimentation.

In 1999, five years after Mr. Bezos first plunged his stake into the ground as an online bookseller, Amazon invaded eBay's territory, introducing Amazon Auctions and a way for retailers to set up stores on the site, called zShops. The efforts tanked.

The problem then "was that nobody came," Mr. Bezos said. "Actually, sellers came, but the customers didn't care and didn't shop there."

Amazon tried to promote this siloed merchandise on its site by linking to it on its more popular product pages. These so-called "smart links" were hotly controversial inside Amazon and became the subject of a rivalry between its retail and technology groups.

Fearful that sending visitors to other pages would cut into their sales, retailing executives at Amazon took to removing them from the page at every opportunity, according to one senior Amazon executive who was there at the time.

SEVERAL years ago, the company introduced Amazon Marketplace, laying the groundwork for its current path by listing new and used items from third-party sellers alongside its own merchandise.

If Amazon didn't stock a particular item, or if independent sellers could offer better prices, they would become the featured retailer on the page.

Amazon settled internal tensions by giving its retail managers credit for any products sold on their pages, even by third-party sellers. But Mr. Bezos says the arrangement still produces anxiety.

"Put yourself in place of our retail buyers," he said. "You just purchased 10,000 units of a particular digital camera and you are told, if any third party anywhere in the world can offer a better price, we are going to give them the buy box and you are going to get stuck with the inventory. That causes some angst."

Over the last five years, Amazon has lowered hurdles for independent vendors to sell on its site and recruited new groups of merchants as it has expanded into other countries and product categories — automotive parts in 2006 and office supplies this year, for example.

Amazon executives say they don't specifically pursue top eBay sellers, but some merchants suggest otherwise.

David Duong, founder of Shoe Metro, a Web retailer based in San Diego, says Amazon representatives called him shortly after Amazon.com introduced a shoe category in 2005 and asked him to begin selling on the site.

"I guess they found us on eBay," he said. "We were actually going to talk to them, but they beat us to the punch."

Lately, small merchants and their trade organizations say, the outreach has become even more direct. The Professional eBay Sellers Alliance said that Amazon recently offered to waive some fees for the 800 members of the group, an organization of eBay power sellers, to woo them to its platform.

Because Amazon also sells many of the same products as its merchants, executives at eBay predict that competitive tensions will emerge as the Amazon Marketplace grows. Maybe so. It's happened before.

Amazon once ran the Web operations of large traditional retailers like Borders, Circuit City and Toys "R" Us. One by one, those retailers concluded that outsourcing such a crucial feature of 21st-century retailing to a competitor was a bad idea.

But some of its newer deals with sellers indicate that Amazon is finding ways around those tensions, at least with small merchants.

Andrew and Deb Mowery of Fort Collins, Colo., who started selling home, garden and pet supplies on eBay in 1999, now make 60 percent of their sales on Amazon and about 20 percent on eBay. In addition to listing items for sale on the Amazon Marketplace, they are also a wholesale supplier to Amazon, providing it with products like heated pet beds.

Mr. Mowery is essentially competing with himself, but the arrangement works. "If they run out, I've got their back," he said. "If I run out, they've got my back."

Amazon wants to forge these kinds of close ties with other small sellers. A program called Fulfillment by Amazon, introduced in 2006, allows retailers to store their inventory in Amazon's warehouses. When someone buys an item from that seller, Amazon ships it out of its warehouse in an Amazon box.

Integrating small merchants into its operations also allows Amazon to learn more about whom it can trust to sell on its site. Compared with eBay, the company says it exerts a far greater measure of control over its marketplace, calling certain vendors "featured sellers" and vetting others in product categories that are sensitive to fraud.

"At the end of the day, we believe it's good for all of our sellers to make sure we are protecting the consumer experience first," Mr. Bezos said. "Our first and foremost goal is to earn trust with consumers. If there are no consumers buying, nothing else matters."

DESPITE Amazon's success in courting independent sellers, its selection is still just a fraction of what eBay offers, and in some cases its prices are higher.

For example, there are hundreds of new, used and refurbished Trek racing bikes on eBay; as of last week, Amazon had three for sale. Acquisitive parents can buy a \$90 Deux Par Deux baby sweater dress on eBay for under \$30. But only a few of this French designer's items are listed on Amazon, and for close to full price.

And that Lehman Brothers 150th-anniversary collectible tote bag, which every irony-obsessed stock market fan wants under the Christmas tree? It is available for purchase only on eBay, in auctions.

This is where Mr. Donahoe talks about a vision to fix eBay, and to create a Web discount store that offers a wide variety of new and old merchandise in auction and fixed-price formats. To get there, he must administer the sweeping, painful fixes that eBay has previously shunned.

“It was increasingly clear to me in 2007 that what felt like bold changes, and to the community felt like bold changes, were not bold enough,” he said.

His attempted fixes have started internally. In addition to making executive bonuses annual instead of quarterly, to keep employees from leaving and reward longer-term thinking, he moved the company’s focus to buyers instead of sellers.

He canceled the annual eBay Live conference next year with merchants — this year, it turned into an unwieldy complaint session — and began making eBay executives read weekly surveys that ask shoppers whether they would recommend eBay to a friend.

THE eBay facade is also undergoing its most significant renovation in its 14-year history as Mr. Donahoe tries to adjust eBay fees to tempt sellers to list more of their products at fixed prices.

eBay has also added a new 30-day listing at a fixed price that is more economical to many sellers than auctions. It has also disabled the feedback mechanism that allowed sellers to rank buyers and introduced a new “best match” search engine that promotes trusted sellers and good deals.

In another controversial change, eBay has struck special deals with large merchants like Buy.com, which pays no listing fees and offers more than half a million products on eBay.com.

The point of the arrangement is to ensure that eBay stays fully stocked in basics like batteries and printer cartridges. Other eBay sellers are enraged, though, arguing that the deal violates the sacred eBay tenet of the “level playing field.”

These sellers have vented their frustrations online about eBay’s changes. It’s hard to gauge whether the vitriol represents the majority view, but some less vocal, larger sellers on eBay say they have actually benefited.

“eBay has told all bad sellers to shape up,” said Jordan Insley, an electronics merchant who lives near Seattle. “I’ve seen a lot of sellers that used to sell a lot of product fall off the charts.”

Although he worries that buyer traffic on eBay is slowing, Mr. Insley says he will sell \$13 million in gadgets this year on eBay alone. “I think eBay is moving in the right direction. We are sticking around.”

Still, Mr. Donahoe can’t count on that sentiment to carry the day. Few of his changes are expected to deliver any immediate results, other than alienating certain sellers.

Yet for eBay, the changes may be a matter of survival. The company need only look across Silicon Valley at Yahoo to see what can happen to wounded Internet companies with depressed stock prices.

In the meantime, he faces tough choices. He is weighing a possible sale of Skype by next year, and analysts think he will almost certainly make that move, since the company now acknowledges that Skype has little synergy with eBay’s other businesses.

That would free eBay to focus on its core marketplace, on getting through the torrential economic downpour, and on combating a challenger that is making greater incursions every day.

“I respect Jeff Bezos a lot as a leader and Amazon and what they’ve done,” Mr. Donahoe said. “But it is still early days in this industry. E-commerce is 7 percent of

retail. I don't think anyone thinks it's going to end there. We think there is plenty of room for both Amazon and eBay to be successful.”

SECTION 3

GRAMMAR EXERCISES

NOUNS/ARTICLES/PRONOUNS

1. Use the appropriate article, where necessary, with nouns denoting objects considered unique or especial.

1. Is this ... greatest film ever made? 2. You tidied your room? This has got to be ... first for you. 3. Set... controls for ... heart of ... sun. 4. ... sun rises in ... east. 5. ... winner was chosen. 6. This is ... small step for ... man, ... giant leap for ... mankind. (Neil Armstrong). 7. Who won ... Oscar for ... best director? 8. Where is ... statue of Buddha? 9. ... snow fell on ... forbidding landscape. 10. All roads lead to ... Rome. 11. See that tall, ginger-haired Scotsman over there? He's ... McLeod, Head of ... Clan.

2. Insert articles wherever necessary in the following famous English proverbs, quotes and sayings, ignoring misleading spaces:

1... bird in ... hand is worth ... two in ... bush. 2. Make ... hay while ... sun shines. 3. ... rolling stone gathers no moss. 4. ... red sky at ... night, ... shepherd's delight. 5. ... power tends to corrupt, and ... absolute power corrupts absolutely. (Lord Acton) 6. ... spectre is haunting ... Europe - ... spectre of ... Communism. (Karl Marx) 7. All ... world's ... stage and all. - men and ... women merely ... players. (Shakespeare) 8. Every cloud has ... silver lining. 9. There's ... pot of ... gold at ... end of ... rainbow. 10. ... grass is always greener on ... other side. 11. Man is by ... nature ... political animal (Aristotle). 12. ... hell is ... other people (Sartre). 13. We wish you .. -Merry Christmas and ... Happy New Year. 14. ... stitch in ... time saves ... nine. 15. ... less haste, ... more speed. 16. Oh, ... East is .. East and ... West is ... West, and never twain shall meet. (Kipling) 17. What student is ... better for mastering these futile distinctions? 18. There can be no question interesting experiment. (GB Shaw) 19. If you want ... picture of ... future, imagine ... boot stamping on ... human face - for ever. (Orwell) 20.1 find ... television very educational. Every time ... someone switches it on I go into another room and read ... good book. (Groucho Marx) 21. ... nihilism is best left to ... professionals. (Iggy Pop)

3. Insert the definite article or a possessive pronoun.

1. Kate shook ... head 2. Kate shook ... packet of cornflakes. 3. It's ... soap. But I can lend it to you. 4. This has to be ... strangest moment of... life. 5. Is that ... book over there? 6. Did you see ... sunset? 7. This is ... favourite time of the year. 8. ... head hurts. 9. ... nail on ... thumb was dirty. 10. ... racquet was hit hard by ... tennis ball.

4. Insert articles or pronouns wherever necessary:

1. My cousin is ... nice looking girl of fifteen. 2. This is ... favorite book. 3. Yours was ... honest answer. 4. I saw ... old lady working in the garden.... old lady stood up and said hello to me. 5. Let's go on to ... exercise eighteen. 6. Have you finished ... first chapter of the book? 7. Mr. Steel lives on ... corner of ... 12th Street and ... 13th Avenue. 8. Paramedics are trained to give ... first aid. 9. Was it love at ... first sight for you? 10. ... Ukrainian sportsman won ... first prize in ... competition. 11. You told me it was going to be only ... two days work, didn't you? 12. Although it was just ... day's journey, it was rather tiring. 13. It was ... good news. 14. Ellen gave me ...good advice. 16. Shevchenko scored ... consolation goal for ... national side yesterday. 17.... girl had ... beautiful hair of most unusual colour. 18. She sold ... sea shells on ... sea shore. 19. Did you really eat all of ... meal? 20. ... motherboard in ... PC needs upgrading.

5 Give the plural of the following nouns:

1. story. 2. storey. 3. berry. 4. key. 5. toe. 6. ski. 7. radio. 8. tomato. 9. sky. 10. echo. 11. path. 12. class. 13. bush. 14. half. 15. roof. 16. loaf. 17. belief. 18. man-servant. 19 photo. 20. nephew.

6 Rewrite the following sentences correcting errors if any.

1. *I've got a bad news for you.* 2. *The bicycle of Paul was too big for me.* 3. *I do all the houseworks myself.* 4. *She stood in the room's corner talking to a father of mine.* 5. *The childrens stay up late when they are on their holidays.*

7 Open the brackets by either choosing the correct form or translating the Ukrainian words.

1. (*This / That*) was exactly (*what / that*) I did. 2. Take (*either / both*) half; they are exactly the same. 3. (*Gandalf's beard / A beard of Gandalf*) was long and grey. 4. (*No / No one / None*) of these shops does very much business. 5. I can hardly see (*some-/ any-/ no-*)thing without my glasses. 6. The post office is on (*another / other / the other*) side of the street. 7. (*Another / Other / The other*) four years passed before we met again. 8. We know you sent us two letters, but we have received (*either / neither*). 9. Julia and Ann are learning judo so that they can defend (*себе*) if necessary. 10. He was standing (*самотньо*) in a corner of the room. 11. My Mom doesn't like (*нову роботу мого брата*) very much. 12. No (*інформація*) (*is / are*) released until sufficient (*дані*) (*is / are*) available. 13. The furniture we have here (*is / are*) not new. We bought (*it / them*) second-hand. 14. Money (*is / are*) pleasant when you don't have to think about (*них*). 15. Michael is a fifteen (*year / years*) old boy.

8 Insert pronouns

1. Tom saw _____ in the mirror.
2. Rita thought about hurting _____, but she realized it was wrong. Later that day, she asked her parents for help.
3. I _____ will do it.
4. The man in the news accidentally shot _____ in the foot.

5. We enjoyed _____ at the seaside.
6. He went to the airport yesterday _____.
7. She lived there by _____.
8. I made this table by _____.
9. It is exciting for one to see _____ on television.
10. I spoke to the Prime Minister _____.
11. He asked the question _____.
12. All of our family caught a cold. So we had to take care of _____.
13. My sister lives by _____ in London.
14. Did all of you go to Paris by _____ ?
15. He surprised _____ by waking up so early, but then he went back to sleep!

ADJECTIVES/ADVERBS

1 Put in the adjective in bold from the first sentence into the second sentence in its correct form (comparative or superlative).

Example: I have a **fast** car, but my friend has a _____ car.

Answer: I have a **fast** car, but my friend has a *faster* car.

- 1) This is a **nice** cat. It's much _____ than my friend's cat.
- 2) Here is Emily. She's six years **old**. Her brother is nine, so he is _____.
- 3) This is a **difficult** exercise. But the exercise with an asterisk (*) is the _____ exercise on the worksheet.
- 4) He has an **interesting** hobby, but my sister has the _____ hobby in the world.
- 5) In the last holidays I read a **good** book, but father gave me an even _____ one last weekend
- 6) School is **boring**, but homework is _____ than school.
- 7) Skateboarding is a **dangerous** hobby. Bungee jumping is _____ than skateboarding.
- 8) We live in a **small** house, but my grandparents' house is even _____ than ours.
- 9) Yesterday John told me a **funny** joke. This joke was the _____ joke I've ever heard

2 Choose the right answer.

1. Susan is better-looking than Ada; however, Liz is one.

- a. the best-looking
- b. better-looking
- c. good-looking

- 2. Ron Gregg has just written a new book. His book is selling very well.**
- a. latter
 - b. last
 - c. latest
- 3. The dog started to run. It ran and soon disappeared in the distance.**
- a. faster and faster
 - b. the faster and the faster
 - c. the fastest
- 4. I didn't like the book; it rather dull. The film is**
- a. as interesting
 - b. more interesting
 - c. the most interesting
- 5. Her illness was than we at first had thought.**
- a. the most serious
 - b. not as serious
 - c. far more serious
- 6. The boys felt than the girls about losing the game.**
- a. bad
 - b. the worst
 - c. worse
- 7. Who is among your friends?**
- a. the oldest
 - b. older
 - c. as old
- 8. This dress is expensive than that one.**
- a. a bit less
 - b. the least
 - c. not so
- 9. We are going to be late for the concert. Can you walk ?**
- a. a lot faster
 - b. a bit faster
 - c. the fastest
- 10. It was a very bad mistake. In fact it was mistake she had ever made.**
- a. worse
 - b. the worst
 - c. bad
- 11. Paul is very smart; in fact he is boy among his classmates.**
- a. more intelligent
 - b. the most intelligent
 - c. as intelligent
- 12. Peter, you are than I thought you to be.**
- a. even lazier
 - b. as lazy as

c. more lazier

13. I like both football and baseball but I prefer

a. the last

b. the latter

c. the least

14. Tim is not at all talkative; he always keeps his thoughts to himself. He is guy I've ever met.

a. the most reserved

b. more reserved

reserved

15. Philip is so quiet and obedient. He is child I have ever met.

a. well-behaved

b. the best-behaved

c. better-behaved

3 Underline the correct option in *italics*.

1. The soldier *near /nearly* died as a result of being hit *full /fully* in the chest by a bullet, which penetrated *deep/ deeply* inside him.

2. Simon told everyone he would pass the exam *easy / easily*, so he was *deep/ deeply* embarrassed when he came *last/ lastly* in the class, with 20%.

3. "*I sure surely* am happy to meet you," said the reporter to the *high /highly* respected singer. "You're *pretty/prettily* famous around here, you know."

4. When he was almost *full /fully* recovered from his illness the doctor told him to take it *easy / easily* and said that he would be able to return to work *short /shortly*.

5. As he was found *near nearly* the scene of the murder with a knife in his hand, it is *hard/ hardly* surprising that he was *wrong/ wrongly* accused.

6. *Sure/ Surely* you can't have answered every question *wrong /wrongly*.

7. Rob was a very poor archer. His first arrow fell *short /shortly* of the target, his second flew about 10 metres *wide/widely* and the third flew *high/ highly* into the air and landed behind him.

8. Although he arrived an hour *late /lately*, he started work *direct / directly* and tried *hard /hardly* to make up for lost time.

9. *Lately/ Late* she has been getting all her clothes *freely /free* from the fashion company, so I can't understand why she doesn't dress more *prettily /pretty*.

10. *Last/ Lastly*. I would like to say that I would *free /freely* give my life for the cause of world peace.

NON-FINITE FORMS OF THE VERB

1 Compose sentences according to the model

I heard(the boys —to cry outside). I heard the boy cry outside.

1. Dick saw.....(his pals — to deceive him).

2. Ben heard..... (his teacher - to talk with the dean).

3. She has never seen..... (her mother - to weep)
4. We hear.....(to live in Swansea).
5. Nora saw..... (her husband - to come to his studio)^
6. Alex heard..... (the criminal — to sentence to death)
7. Can't you see..... (she — to be in love with him)
8. The girl heard..... (the old woman — to moan)
9. The boy saw..... (the car — to start at last)
- 10.He heard.....(his best friend — to divorce)
- 11.Hester saw..... (her boy-friend — to betray her)

2 Compose sentences according to the model

She saw.....(he — to mend his car). She saw him mend his car.(complex object)

*He saw.....(he — to **be** upset). He saw that he was upset. (a subordinate clause)*

1. We saw..... (they — to get into the car). \
2. I noticed.....,..... (she — to be nervous).'
3. Dad saw..... (my sister — to be in low spirits).
4. She noticed.....(they — to steal the purse).
5. Mother saw..... (I — to be irritated with my friend).
6. I saw.....(he — to get off a bus).
7. The deputies saw..... (the speaker — to be angry with the journalist).
8. We noticed..... (the writer — to be shy when talking to the audience).
9. Jacob saw.....(Mr. Andrew — to be frightened).
- 10.Robert noticed..... (the stranger — to hide the papers).
- 11.Steven saw.....(William — to sit quietly).

3 Insert "to" where necessary before the infinitives in brackets.

1. Will you help me (*move*) this set of furniture? 2. I want (*see*) the house where Taras Shevchenko was bom. 3. You needn't (*ask*) for permission. You can (*use*) my dictionary whenever you like. 4. Would you like (*leave*), the party now or shall we (*wait*) till the end? 5. You'll be able (*do*) it yourself when you are older. 6. I'd like him (*go*) to the cinema but I can't (*make*) him (*go*). 7. We must (*send*) our parents a telegram. 8. He made us (*wait*) for several hours. 9. She can (*sing*) and (*dance*) very well. 10. Could you (*tell*) me the time, please? 11. How dare you (*speak*) to me in such a way! 12. May I (*use*) your car? 13. The teacher told the pupil (*repeat*) the sentence. 14. He made her (*repeat*) the message. 15. They won't let us (*leave*) the Customs till our luggage has been examined. 16. She refused (*accept*) the truth. 17. He is expected (*arrive*) in a few days. 18. You ought (*go*) today. It may (*rain*) tomorrow. 19. I couldn't (*remember*) their address. 20. Please, let me (*know*) your decision as soon as possible. 21. They let him (*go*) early as he wanted (*meet*) his wife. 22. You seemed (*know*) this area very well. - Yes, I used (*live*) here. 23. He didn't dare (*argue*) with his boss. 24. She wouldn't let my baby (*play*) with her hat. 25. If we

want (*get*) to the town before dark we should (*start*) at once. 26. I'm sorry (*disappoint*) you but I can't (*let*) you (*have*) any more money till the end of the month.

4 Change sentences according to the model. Say that you had / will have things done for you.

MODEL "I redecorated my flat."

"Did you? But I had my flat redecorated."

1. Andrew developed the film. 2. Hubert will print the pictures. 3. Rose washed the windows. 4. Colin adjusted the TV set. 5. Allan pressed his suit. 6. Helen ironed her blouse. 7. Florence will shampoo and set her hair. 8. Doris will mend the tear. 9. Mary will do the laundry. 10. Carol will alter her dress.

5 Make sentences using the following.

have a tooth filled / a tooth pulled out / a crown put on / one's appendix taken out / a telephone installed / a parcel wrapped up / one's picture taken / a parcel delivered / tags attached to one's luggage

6 Paraphrase the following to use the pattern "have sth done".

1. See to it that the document is typed in duplicate. 2. Get the subscription cancelled. 3. Get your bill made out at once. 4. See that the brakes are adjusted. 5. Get your hair cut short.

7 Use the indefinite gerund of the verb in brackets in the active or passive voice.

1. He looked forward to (to meet) his parents. 2. You can't be afraid of (to hurt) unless you've been hurt. 3. He took his time about (to answer). 4. Robinson could not live in the caves. They aren't for (to live). They're for (to go) through. 5. But in fear of (to recognize) she lowered her gaze. 6. So I see. You're good at (to make) yourself at home. 7. Jack would have gone to his bedroom without (to see). 8. My sister would never leave without (to see) me. 9. Jennie sat them up to their dinner, and Jeff, presently stopped (to cry). 10. She couldn't help (to like) the look in his brown eyes. 11. He had got out of the habit of (to ask) questions by demonstrators. 12. I've always liked (to take) risks. 13. I seem to remember (to tell) not to grumble by someone. 14. She had not even got round to (to ask) for anything yet, because she was too busy to tell him about her granddaughter. 15. At his departure Rose had continued to weep, largely through fury at (to leave) alone with Nurse Williams.

8 Use the required form of the gerund of the verb in brackets.

1. She didn't feel, like (to go) unescorted into dinner, which would begin soon. 2. I inquired of Robinson that afternoon about my book. He neither admitted nor denied (to take) it. 3. Since Tom was his best friend he helped him without (to ask). 4. His latest desire was to discover her age, which he cursed himself for not (to observe)

when he had her passport in his hands. 5. He could not help (to know) that there were odious people who called him a snob. 6. Daisy and Gatsby danced. I remember (to be) surprised by his graceful, conservative fox-trot — I : had never seen him dance before. 7. When they had finished (to write) this letter they read the whole correspondence from beginning to end. 8. He would never forgive her for (to play) this game, for over fifty years. 9. He poured milk into a jug from a carton in the refrigerator, then drank some milk himself before (to put) the carton back. 10. It's no good (to deny) that. 11. Try and help the nurses by (to keep) quiet and tidy. 12. From there-he had a clear view of the entrance to the room, with the advantage that he could avoid (to observe) himself by (to run) quickly out of sight through the stairway door. 13. The tables were put on one side so that there might be room for (to dance). 14. I don't like (to spy) on. 15. Annette, who heard thousands of names mentioned every year, and had a deplorable memory, could recall (to hear) the name of Fox in connection with something or other, but could not remember exactly what. 16. The porter, also on (to enter), would have tapped out his own code. 17. He suddenly stopped (to read). There was no point in (to go) on. He looked up and found forty pairs of eyes fixed on him intently. 18. You must excuse me for (to think) you were a gipsy.

9 Supply the Gerund or the Infinitive in the place of the verb in brackets according to the meaning of the sentence.

1. If I pick up a gun, what do you think I mean (do)?
2. What do they hate (do)?
3. At the end of a concert, what does the orchestra stop (do)?
4. I had been writing for several hours. So I stopped (have) a rest and went out into the street.
5. I put my gold-pen in my breast pocket when I stopped (write).
6. Some of the children were so adventurous that I was anxious (lose) them.
7. Many of them were anxious (get) jobs in the city.
8. After David married, he stopped (live) with his parents.
9. Did you really need (tell) him all the details?
10. Your watch needs (repair). It is slow.
11. Does your room need (do)? I certainly need (do) mine.
12. My shoes want (clean).
13. Where is the shoe polish? I want (clean) my shoes.
14. Just try (be) more industrious. It will do you a lot of good.
15. What is he doing? He's just trying (open) the window.
16. Try (taste) the meat before offering it to our guests.
17. Try (not upset) yourself, darling. We must keep our heads.
18. You must try (understand) what I say.
19. Try (add) water to your drink.
20. Do you mind my trying (mend) your watch?
21. Do you remember (meet) her once at the dancing-party.
22. Please remember (wipe) your feet before coming in.

10 Paraphrase the following clauses according to the model (so as to use the Subjective Participial Construction):

MODEL

In the afternoon it could be heard how she was practicing her scales. -- The afternoon she could be heard practicing her scales.

1. He was a loving but impatient father, and from the house it could be heard how he was scolding Binxy.
2. It could be heard how the pilot was singing faintly.
3. It could be seen how the passengers in the dining car were eating eggs and wiping their mouths with napkins.
4. The girl was caught when she was forging drug prescriptions.
5. It was found that she was sitting on your stool.
6. I'm sure that it could be heard how she was crying in the night.
7. It was seen through the window that Florence was packing a suitcase.
8. It was heard that the stewardess was explaining the conditions of our flight.
9. Some minutes later it was heard that a voice was calling his name.
10. That night it could be observed that my aunt was running back and forth in the carpeted upstairs hall.

11 Paraphrase the following clauses according to the model (so as to use the Objective Participial Construction):

MODEL

When she saw how they were coming she scrambled out. -- When she saw them coming she scrambled out.

- 1 Ally could see how Grandpa was working in the garden.
- 2 The girl was watching how Uncle William was beating all over his face.
- 3 Miss Turby saw how her brother was sneaking round by the huts.
- 4 Ally saw that the Rolls were standing in the yard.
- 5 Val saw how a fat lady in a nylon fur coat was putting the purse on the counter.
- 6 No one noticed how Val was taking the purse.
- 7 Whenever Ally entered the ward she heard how Mum was exchanging jokes with all the other patients.
- 8 Mum saw that Ruby's nose was running and her knees were bleeding.
- 9 She saw that all the people were watching her, and she could hardly breathe for excitement.
- 10 The family heard that somebody was shouting outside. It was Miss Turby.

MODAL VERBS

1 Write the phrases in brackets in their correct forms into the gaps.

Example: Yesterday I _____ a film, today I can't. (*can/to watch*)

Answer: Yesterday I *could watch* a film, today I can't.

1) Last week we _____ swimming, this week we can't.

(*can/to go*)

2) Maybe the Smiths _____ a new house next year. (*can/to*

build)

3) If you try hard, you _____ your examinations. (*can/to*

pass)

4) When I was five, I _____. (*not/can/to swim*)

5) Dennis _____ the trumpet after four months. (*can/to play*)

6) Luke has passed his driving test, now he _____ a car.

(*can/to drive*)

7) For three weeks I _____ to him on the phone. (*not/can/to*

speak)

8) Alex _____ his homework when his desk is in such a mess. (*not/can/to*

do)

9) They were so busy, they _____ me a text message. (*not/can/to*

write)

10) Lisa _____ her dress. She can wear it again. (*can/to*

2 Choose the correct form.

1. I am sorry with them. I kill them!

a. can b. must c. could d. should

2. He is terribly fat. He eat too much.

a. mustn't b. can't c. should d. would

3. He be at home. He Be out

a. should, mustn't b. must, can't c. must, needn't

4. You've been reading all day. Yoube tired.

a. can b. could c. must d. should

5. I understand it very well. You explain further.

a. shouldn't b. wouldn't c. mustn't d. needn't

6. Jack go to hospital yesterday.

a. must b. should c. had to d. has to

7. If you want to become a teacher, you go to teachers training college for four years.

a. may b. should c. have to d. must

8. The situation was bad but it worse.

a. could b. should be c. could have been d. would have been

9.you help me carry this downstairs?

a. should b. must c. could

10. Jim gave me a letter to post. I remember to post it.

- a. can b. may c. must d. needn't
-

3 Choose the correct form.

1. **She help you tomorrow.**

- a. could b. will be able to c. will can d. is able to

2. **..... you like a cup of coffee?**

- a. will b. could c. would d. should

3. **Jane was so tired. She have slept for a week.**

- a. could b. should c. would d. must

4. **I recommend you to apologize. You apologize.**

- a. shall b. should c. would d. must

5. **I to sleep recently.**

- a. can't b. couldn't c. haven't been able to d. mustn't

6. **You've been reading all day. You be tired.**

- a. can b. could c. would d. must

7. **What shall we do this evening? We go out.**

- a. should b. could c. would d. ought to

8. **You have left your purse in the shop.**

- a. should b. could c. shall d. ought to

9. **Jim gave me a letter to post. I remember to post it.**

- a. can b. may c. must d. needn't

10. **We haven't got much time. We hurry.**

- a. must b. needn't c. can d. should

11. **It was the principle of the tiling. People to keep their words.**

- a. should b. have c. ought d. are able to

12. **I was surprised that she say such rude words.**

- a. must b. would c. will d. should

13. **If you want to become a teacher, you go to teachers training college for four years.**

- a. may b. must c. have to d. should

14. **Take an umbrella. It rain later.**

- a. might b. should c. would d. can

4 Insert an appropriate modal verb:

1. Не (НЕ МИГ) and (НЕ ХОТІВ) believe her.
2. If you help me now I (МОЖЛИВО ЗМОЖУ) help you later.
3. If we didn't want to tell him the truth, we (НЕ СЛІД БУЛО КАЗАТИ) a lie.
4. Не (НЕ МОЖЕ БУТИ) found anywhere. Не (НАПЕВНЕ ПІШОВ).

5. "I shall wait to hear, what Lily has to say about it." "You (МОЖЛИВО ДОВЕДЕТЬСЯ) wait a long time".
6. She (судилося) to become a film star.
7. Cars (не повинні) be parked in front of the entrance.
8. You (можеш) break the body, but you (не можеш) break the spirit.
9. I promised to take her to the theatre last Saturday and I really forgot it. We (повинні були зустрітись,) at the station.
10. As the manager was out, we (довелося чекати).
11. You (не повинен був) have mentioned her name in his presence.
12. He (не може бути) about our departure.

5 Choose a correct answer

Variant 1

1. We are very busy tomorrow so we _____ time to visit you. We aren't sure.
A could not have B might not have C ought to have
2. That girl _____ 20 years old. She looks about 12!
A may be B must be C can't be
3. I am getting fat. I think I _____ eating the wrong kind of food.
A must be B can't be C can be
4. It _____ a lovely day tomorrow.
A can be B could be C must be
5. Tomorrow is a holiday. We _____ go to work.
A don't have to B aren't allowed to C have to
6. You _____ wear a uniform in the army.
A can B have to C mustn't
7. I'm going to retire soon. Then I won't _____ work any more.
A must B have to C can
8. You _____ fall asleep when you drive a car.
A mustn't B needn't C must
9. You _____ keep out of that room. It's private.
A don't have to B mustn't C must
10. It isn't cold outside. You _____ wear a coat.
A mustn't B can C needn't

Variant 2

1. You _____ tell Nick about the party. I've already told her.
A needn't B mustn't C shouldn't
2. I'm shivering with cold. I _____ dress warmer.
A must B have to C may
3. I wore my coat when I went out. I _____ it. It wasn't cold.
A mustn't wear B needn't have worn C didn't have to wear
4. Sally is on holiday. She _____ get up early.
A must B mustn't C doesn't have to .

5. You _____ vote in Britain until you are 18.
A have to B can C aren't allowed to
- 6: You _____ ride a bicycle on a motorway in Britain.
A must B don't have to C can't
7. Mike _____ driving to London tomorrow. He can't drive!
A might be B can't be C must be
8. I can hear footsteps in the flat upstairs, so there _____ someone there.
A must be B might be C can't be
9. My letter _____ yesterday, but it didn't.
A must have arrived B may arrive C should have arrived
10. I'm not sure but I _____ Sue in town last night.
A can see B must have seen C may have seen

Variant 3

1. It isn't cold outside. You _____ wear a coat.
A mustn't B can C needn't
2. You _____ keep out of that room. It's private.
A don't have to B mustn't C must
3. You _____ fall asleep when you drive a car.
A mustn't B needn't C must
4. I'm going to retire soon. Then I won't _____ work any more.
A must B have to C can
5. You _____ wear a uniform in the army.
A CAN B have to C mustn't
6. Tomorrow is a holiday. We _____ go to work.
A don't have to B aren't allowed to C have to
7. It _____ a lovely day tomorrow.
A can 'be B could be C must be
8. I am getting fat. I think I _____ eating the wrong kind of food.
A must be B can't be C can be
9. Th'at girl _____ 20 years old. She looks about 12!
A maybe B must be C can't be
- 10 We are very busy tomorrow so we _____ time to visit you. We aren't sure.
A could not have B might not have C ought to have

6. Translate into English using appropriate modal verbs:

1. У сутінках кімнати я не могла добре його бачити.
2. Я думав, що картина може зацікавити вас.
3. Він повинен був мати урок музики зранку, але вчитель подзвонив і відмінив його.
4. Даремно ти так розмовляв з ним. Він міг образитись.
5. Очевидно, у нього немає почуття гумору. Інакше він не міг би сказати це.
6. Він не наважився подивитись їй в обличчя.

7. Невже він забув замовити нам номер у готелі? - Він, мабуть, замовив його на ваше ім'я
8. Вона ніяк не хотіла пояснити, в чому справа.
9. Не потрібно завтра приходити. Я буду зайнятий.
10. Я хотів оглянути виставку, але мене не впустили, оскільки було пізно.

TENSE AND MOOD

1 Put the verb in brackets in the correct tense.

1. Didier is French. He ... (come) from Toulouse. 2. Derek's good at golf, but he ... (not/play) very often. 3. It's very noisy - Suzy ... (listen) to rock music. 4. You look good, Anne.... you ... (wear) a new dress? 5. While I ... (walk) past the cemetery, I ... (see) something scary. 6. When ... you ... (meet) each other? 7. He ... (not/work) at the computer when I... (come) to visit him. 8. She ... (have) a headache since yesterday. 9. I... (not/know) her very long. 10. They ... (build) this house five years ago. 11. I got up late yesterday morning when he ... (arrive). 12. She couldn't go on holiday because she ... (not complete) her thesis yet. 13. She ... (not study) hard last term, but she ... (work) hard this term. 14. What... you ... (do) since lunchtime? 15. How long ... she ... (write) this essay? 16. How many pages ... you .. (read) so far? 17. If the food ... (be) good, we ... (come) here again. 18. If he (not pay), he(get into) trouble. 19. I'm very busy. But if I ... (have) more free time, I... (not waste) it. I ... (learn) another language. 20. If I... (be) you, I ... (take) scratched CD back to the shop.

2 Use the Present Simple or Continuous, Past Simple or Continuous, or Present Perfect. Sometimes there are two possible options.

Benjamin and Barbara Golightly (live) in a village called Henfield. They only (live) there for a few weeks. They (move in) on 28th August when they (to have delivered) the furniture to their new house. They (not make) many friends yet, but they (expect) that they soon will. The neighbours (be) very kind so far, and Mr. Golightly (invite) some of them to a housewarming he (hold) next week. His friends from Brighton and Worthing (come) to the party. The Golightlys (live) in Crawley, not far away, before they (come) to Henfield. Barbara especially (not like) living so near to Gatwick airport. While Benjamin (visit) some friends in Brighton last year, he (meet) a company director who (offer) him a job. Barbara (not want) to live in Brighton itself, as whenever they (visit) the seaside resort, the tourists were so numerous and so they (decide) to enjoy living in the country.

3 Fill out the blanks with the correct form of the verb

1. When I arrived I ... to the top floor. (*to take*) 2. Nothing more ... (*to say*) 3. He saw that he ... (*to pursue*). 4. Do you see what ... ? (*to do*) 5. At first he did not know what to do: he ... to work. (*not to bring up*) 6. At last he told me that everything ... (*to settle*). 7. For the first time he ... alone. (*to leave*) 8. Then she heard that the boy's

mother ... from him. (*to part*) 9. And before the sun went down two letters ... and ... in two different directions. (*to write, to send*) 10. Plates ... , coffee and tea ... The meal began. (*to fill, to pour*) 10. So far she ... (*not to identify*) 11. Nobody knows who did it or why it ... (*to do*) 12. She's a funny old woman but she ... from heaven today, (*to send*) 13. The observation under which he ... frightened him a little, (*to keep*) 14. I believe that the mystery ... soon, (*to solve*) 15. She said the leaves ... and ... into the kitchen the day before, (*to pick, to bring*) 16. It is incredible -but nothing ... yet. (*to discover*) 17. The telegram ... just ... (*to decode*) 18. The villagers don't know a thing about it and yet a little piece of history ... here, (*to make*) 19. His nephew was a trusted official of the Bank, who ... with similar missions in the past. (*to entrusted*) 20. He ... closely until the circumstances ... out. (*to watch, to clear*) 21. Nobody noticed when the boy ... (*to show in*) 22. None of his projects ... (*to carry out*). 23. These children ... to be worthy of the position they are going to take. (*to bring up*)

4 Insert the verbs correctly.

A

- 1 If _____ enough money, I will buy a new skateboard. (have)
- 2 If you help your mother, she _____ very happy. (be)
- 3 If Mary _____ (help) in the kitchen, she will get more pocket money.
- 4 She will be angry if you _____ the truth. (not tell)
- 5 You will have to walk if you _____ the bus. (miss)
- 6 If Tom is at home, he _____ TV. (watch)
- 7 The baby _____ if you are more quiet. (sleep)
- 8 If he is in London, he _____ the Tower of London. (see)
- 9 He _____ to the doctor's if he doesn't feel well tomorrow. (go)
- 10 We _____ good marks if we don't learn. (not get)
- 11 I _____ to the USA if I have enough money. (travel)
- 12 If they _____ a car they will drive to Italy. (buy)
- 13 If I worked harder I _____ the exam. (pass)
- 14 If he _____ his car he won't get much money for it. (sell)
- 15 If he tells me the truth I _____ glad. (be)

B.

- 1 We won't stay indoors if the weather _____ (be) fine.
- 2 I _____ (tell) you if you asked me.
- 3 She would feel better if she _____ (eat) less.
- 4 If she _____ (explain) him the situation he would have understood it.
- 5 If we miss the train we _____ (take) a taxi.
- 6 She _____ (give) you an answer if you had asked her more politely.
- 7 If he won a lot of money he _____ (fly) to Paris.
- 8 If you had asked me I _____ (tell) you.
- 9 If I am at home I _____ (watch) the movie.
- 10 If we _____ (eat) too much we will get fat.
- 11 If I _____ (were) (be) you I would start learning now.
- 12 If Jack meets Tom he _____ (tell) him the truth.
- 13 His sister would have been glad if you _____ (phone) her.

- 14 The Millers _____ (move) to the seaside if they had had children.
 15 If Nelly rides her bike more carefully she _____ (have) less accidents.
 16 If they take their medicine they _____ (feel) better.
 17 If Jack _____ (come) to my party I would have danced with him.
 18 If she _____ (meet) him she will speak to him.

C.

-
- 1 If I hear a thief I _____ (catch) him.
 2 He would go to the cinema if he _____ (have) more time.
 3 I _____ (phone) her if I knew her number.
 4 If they were rich they _____ (stay) at a hotel.
 5 I would have been glad if he _____ (visit) me in hospital.
 6 I would pass the exam if I _____ (learn) harder.
 7 If she explains him the situation he _____ (understand) it.
 8 If we had gone to London we _____ (see) the Tower.
 9 I will have to invite Bob if I _____ (invite) Linda.
 10 If I didn't visit him he _____ (be) angry.
 11 If he had offered me the job I _____ (take) it.
 12 If it _____ (stop) raining we will play tennis.
 13 If I _____ (have) some money I will buy a new car.
 14 If he offers me a job I _____ (take) it.
 15 If he _____ (drive) more carefully he would not cause an accident.

5 Choose the correct form

- 1. If the firefighters the necessary skills, they wouldn't have been able to save the house.**
 a. didn't have
 b. hadn't had
 c. wouldn't have
- 2. If Rita hadn't immigrated to Canada, she my next door neighbor.**
 a. would still be
 b. should still be
 c. would have still been
- 3. I had no idea the trip to the jungle would be so dangerous. If only someone me!**
 a. had warned
 b. would warn
 c. would have warned
- 4. It's absolutely necessary that they the job on time. Otherwise they would be given an enormous fine.**
 a. would complete
 b. should complete
 c. should have completed
- 5. Look at your face and hands. If only your mother you now!**
 a. would see

- b. could see
- c. could have seen

6. you care for a full explanation, you may call any day between 10 and 11 a.m.

- a. should
- b. would
- c. could

7. Paul is as cool as a cucumber. It is strange that he in the fight.

- a. should have got involved
- b. should get involved
- c. got involved

8. Herald us Christmas greetings if he knew our address in Glasgow.

- a. would send
- b. would have sent
- c. sent

9. Sara didn't pay any attention to what I had told her to do. Oh, if she my advice!

- a. had taken
- b. took
- c. would have taken

10. I'd rather you me with washing up. There are a lot of dirty dishes in the sink.

- a. help
- b. helped
- c. should have

11. If she not so absent-minded, she wouldn't have made this silly mistake.

- a. were
- b. had been
- c. would be

12. I'd love to visit London. Oh, if I this chance!

- a. have
- b. had
- c. would have

13. The bookstore is so far from my house. I wish it within a walking distance.

- a. would be
- b. had been
- c. were

14. He looked at his watch and decided that it was time another phone call.

- a. he made
- b. he make
- c. he would make

15. It might have been somebody he knew and wasn't afraid of, otherwise he unawares, would he?

- a. wouldn't have been caught

- b. wouldn't be caught
- c. shouldn't have been caught

6 Insert the present simple, past simple, future perfect or the perfect conditional mood

1. They said they (clean) house if they had known she was coming. She should have called them.
2. I (miss) the first act by the time I (get) to the theatre.
3. By the time this course (end) ,I (yearn) two languages.
4. I hope you (not spend) all your money by the time you (get) to the town.
5. I am afraid that all the guests (leave) by the time he (finish) his speech.

7 Insert the present simple, past simple, future simple, future simple-in the-past, future perfect or the perfect conditional form

1. Xavia said that she (give) me back the money as soon as she (get) her salary. I (not trust) I (be)afraid she (forget) all about it.
2. Betty said that she (visit) me soon, but I (do not think) that she (do) it.
3. I hope I (read) this book by next week. I (take) it from the library yesterday and I (have to return) it.
4. The teacher said that she (test) us on the tenses. I hope she (forget) everything about it by next week.
5. My mother said she (buy) me a few modern records for my birthday. I certainly (hope) she (do) it.

8 Insert the present simple, present progressive, past simple, past progressive, present perfect, present perfect progressive, past perfect, past perfect progressive, future simple, future simple-in the-past, future perfect or perfect conditional form

1. I am sorry to disturb you, Mr Watson, but there (be) a man outside who (say) he (not leave) until he (speak) to you personally. I (try) to convince him to leave for the past ten minutes, but he (insist) on seeing you.
2. Dr Johnson said he (try) to be at our place as soon as he (close) the clinic. Tim's temperature (be) rather high and I am very worried. I hope Dr Johnson (not be) long.
3. Mr Stone (want).....to retire the age of sixty five, but the; boss (ask)..... him to go on working since he (consider).....him indispensable. Mi Stone (agree).....to stay at least until the boss (find)somebody to replace him.
4. I (tell).....her to hurry up. I was afraid that they (close) the doors by the time and we (have to wait).....until the end of the first act.

5. My brother thought that he (do).....all his homework by the time I (come).....back from work. However, when I (get).....home, I (see).....that he (finish).....only part of his work.
6. I thought I (grade).....all the papers by five o'clock and then I (have)time to get dressed for the party. However, at six o'clock I still (work).....
7. A burglar (break).....into my house two months ago and (steal)some expensive works of art that I (collect).....years before. The policeman, who (arrive).....a few minutes after my hysterical call, (say).....that hopefully I (get).....my things back soon. However, they (not find)..... the thief yet. When they (catch)him, I am afraid it (be).....too late. I am sure that the-thief (sell).....all my precious possessions by then.
8. An important company (offer)..... me an interesting job. I (say)I (think).....about it. I really cannot make up my mind. I am afraid that by the time I (reach).....a decision, somebody else (take)the job.
9. I want to speak to the manager as soon as he (arrive).....I (shop)in this supermarket for years and nothing like this ever (happen) to me. I can still remember the excellent service here twenty years ago. I (not leave).....until I (speak).....to the manager himself.
10. I hope he (finish).....packing by the time I (get).....there, if (be)rather late and I am afraid he (miss).....the train.

9 Choose the correct words to complete each reported sentence.

1. "The weather bureau issued a storm warning for tonight." - He told me that the weather bureau *has issued/ had issued* a storm warning for *tonight/ that night*.
2. "Don't be afraid of getting lost." - I told her not *to be afraid/be afraid* of getting lost.
3. "What time is your party going to start?" -Sheila *said/ asked* what time *is my party going / was my party going/ my party was going* to start.
4. "I can't come tomorrow night". - Nina said she *can't/ couldn't come the following night/ tomorrow night*.
5. "I've been planning to call you for a long time." - Tony told me he *'s been planning/ 'd been planning* to *call you/me* for a long time.
6. "Should I bring something?" - She asked if *I/ she should bring/ should have brought* something.
7. "I don't know how to get to your place." - She said she *didn't know how/ hadn't known* how to get to *your/ my* place.
8. "Motorists must drive with extreme caution while snow is falling." - It was reported that motorists *must have driven/ had to drive* with extreme caution while it was snowing.

10 Convert these statements to indirect speech.

1. Daniel said, "I met some friends of mine in the cinema last night."
2. A man stopped me in the street and asked "Do you speak English?"
3. The student said to his friend, "I've already read half of the book."
4. She said to us, "I will have marked your tests by the next lesson."
5. Christine wrote, "Your letter came too late. I have already promised to go to my uncle where I shall be staying for a month."
6. Glenn

said to us, "I can't find his telephone number." 7. "There are two topics which I want to examine today," said the lecturer. 8. We said, "Sorry. But we didn't see you crossing the road." 9. Will said to me with sarcasm, "You are giving me advice?" 10. The newspaper headline was, "Diana in fatal car crash." 11. My sister-in-law wrote, "I shall meet you in Glasgow on the 4th at three p.m., if my train's on time." 12. "Dad phoned me before he left," said Kate. 13. Andy said to his brother, "I'm going to repair that old bike." 14. The girl said, "I do everything myself, rather than let my brother get involved."

11 Choose the correct answer to fill in the blanks in the following sentences in the Subjunctive Mood:

1 I wouldn't tell you anything even if I _____ the facts.

- a) could remember
- b) could have remembered
- c) can remember

2. In my reply to Miss Evans I suggested that she _____ at my office on Monday.

- a) should have arrived
- b) would arrive
- c) arrive

3. It was high time we _____ a break.

- a) should have
- b) had
- c) had had

4. Somehow I felt guilty as though I _____ something wrong.

- a) might do
- b) have done
- c) had done

5. Oh, if only you _____ as you used to be!

- a) was
- b) were
- c) should be

6. I wish you _____ the radio down.

- a) turned
- b) turn
- c) would turn

7. If you _____ your mind and _____ here I'll take you on a boat trip on Sunday.

- a) should change, stay
- b) changed, stayed
- c) could change, stay

8. Being so anxious Mary was sitting in the arm-chair and thought that if her husband _____ by

the evening, they _____ happy again.

- a) apologized, would be
- b) had apologized, would be
- c) had apologized, would have been

9. If I _ the ticket yesterday, I _ to leave tonight
 a) got, would be able
 b) had got, wouldn't have been able
 c) had got, would be able
10. He'd rather _ the translation.
 a) her finish
 b) she finish
 c) she finished
11. He turned his head away so that she _ him smile
 a) should see
 b) could see
 c) couldn't see
12. She kept watching children lest she _ sight of the little girl.
 a) should have lost
 b) should lose
 c) might not lose
13. If the night _ so dark we ___ our away.
 a) weren't, wouldn't hava lost
 b) hadn't been, would have lost
 c) weren't, wouldn't lose
14. It is doubtful that he _ with this task without anyone's help when he was still so inexperienced.
 a) should cope
 b) should have coped
 c) could have coped

12 Choose the correct answer

1. When the police _____ the _____ will have escaped.
 a) arrive / thieves c) arrived / thieves
 b) arrives / thieves d) has arrived / thieves
2. Exactly a year ago, I _____ the same exam; I hope I _____ this year!
 a) have taken / succeed c) was taking / succeeded
 b) passed / will succeed d) took / will succeed
3. Will you prefer – the blue vase or the red vase? – The blue vase is _____.
 a) definitely better c) definite better
 b) better definitely d) better definite
4. How did you like the lecture? – “It was _____ I have ever listened to”.
 a) a more boring c) a more bored one
 b) the most bored one d) the most boring one

b) language are d) languages are

16. She took some medicine ___ her headache.

- a) for c) because
b) from d) to

17. Some people in the village are planning to go to town, but ___ are staying home.

- a) most of people c) many of them
b) many of a number d) the most people

18. We were in the station for at least half an hour, waiting ___ start.

- a) for the train c) the train's
b) the train to d) for the train to

19. ___ noisy in the room that I could hardly make out anything.

- a) It was such c) There was no
b) It was so d) It was

20. I like my ___ dresses.

- a) sister's-in-law c) sisters' in law's
b) sister's-in-law's d) sisters-in-law's

21. ___ me do this exercise? I ___ it very difficult.

- a) You will help / am finding c) Would you help / find
b) Will you help / have found d) Will you help / am finding

22. A number of students in this class ___ to know where ___.

- a) is dicing / you have gone c) are dying / you have been
b) is dying / you have been d) are dying / have you been

23. "Were you pleased with her typing?" – "Yes, the job was ___."

- a) surprisingly well c) surprising good
b) surprisingly good d) surprising well

24. All the students went to the magic show, which we all thought was really ___.

- a) amusing c) amused
b) amuse d) amusingly

25. The Netherlands has two capital cities, one of ___ is the Hague, while the other is Amsterdam.

- a) which c) whose
b) whom d) that

26. Because of the rain, many people have called to ask ___ cancelled.

- a) that the parade was c) if or not the parade was

b) whether the parade was d) that the parade would be

27. Sweden is the fifth ___ country in Europe.

- a) largest c) larger than
b) large d) larger

28. Their roses are lovely, ___ are worse this year.

- a) her c) hers
b) her ones d) hers ones

29. Here are three musical instruments. One is guitar, and ___ two are a drum and a piano.

- a) the other c) the others
b) another d) others

30. I can't believe I failed ___ yesterday's test!

- a) a c) the
b) an d) ___

31. "Do you like to play ping-pong?" – "I ___, but now I prefer tennis".

- a) used to do c) used playing
b) used to playing d) used to

32. In the past we needed ___ than today.

- a) less mathematics c) fewer mathematics
b) less mathematic d) fewer mathematic

33. My sister spends so ___ money on her clothes that she has ___ left for her holidays.

- a) much / none c) little / many
b) many / no d) few / nothing

34. At the past we saw ___ steamer which ___ grain.

- a) a / was being loaded with c) _ / loaded with
b) the / was loaded by d) a / is being loaded by

35. She ___ to get on board the plane unless she ___ through the customs.

- a) is allowed / will go c) is not allowed / doesn't go
b) won't be allowed / goes d) allows / is going

36. They announced at the meeting that the firm ___ down.

- a) was closing c) has closed
b) closes d) is closed

37. The talks ___ for several days before the argument ___.

- a) were held / had been reached
- b) are being held / was reached

- c) had been held / was reached
- d) had held / had reached

38. Charles has got a good tan. He ___ his holidays in the south.

- a) can spent
- b) must have spent
- c) has to spent
- d) can have spent

39. It was ___ beautiful afternoon ___ we went to the beach.

- a) so / that
- b) such / than
- c) _ / so that
- d) such a / that

40. He ___ on the bank fishing when he ___ a man's hat floating down the river.

- a) has sat / had seen
- b) was sitting / saw
- c) sat / was seeing
- d) was sitting / has seen

41. I am very busy. I don't feel like ___.

- a) interrupting
- b) being interrupted
- c) having interrupted
- d) having been interrupted

42. When did you discover that your car ___?

- a) was disappeared
- b) had been disappeared
- c) had disappeared
- d) disappeared

43. By the time we got to the theatre the first act ___.

- a) has already begun
- b) began
- c) had already begun
- d) was beginning

44. I am sorry for not ___ to you. I was very busy last week.

- a) writing
- b) being written
- c) having written
- d) having been written

45. The window ___ in the storm last night has now been repaired.

- a) broken
- b) breaking
- c) having broken
- d) broke

46. He wondered ___ if he told her the truth.

- a) what she would say
- b) what would she say
- c) what she will say
- d) what she says

47. "Why hasn't your company moved yet?" "They ___ to find new offices for months".

- a) have tried
- b) have been trying
- c) were trying
- d) tried

48. "Everything in this room is wet from the rain." I ___ the window".

- a) wouldn't have shut c) should have shut
b) must have shut d) would have shut

49. I couldn't go to my favorite café for a drink. It ____ .
a) was redecorated c) redecorated
b) was being redecorated d) is being redecorated

50. A lot of money ____ on weapons nowadays.
a) is being spent c) are spent
b) are being spent d) spending

51. By next August, I ____ my exams and I'll be really for a holiday.
a) will have been finishing c) will be finishing
b) am finishing d) will have finished

52. ____ broken into while we were away on holiday.
a) We had our house c) It was our house
b) Thieves had our house d) They have

53. If only I ____ the chance to study when I was younger.
a) have had c) was having
b) will have d) had had

54. Let's go to the theatre tonight, ____ ?
a) will we c) won't we
b) do we d) shall we

55. They haven't got a computer and ____ .
a) neither have I c) I haven't got
b) neither I have d) I don't neither

56. Things ____ have been worse – everything seemed to be going wrong at once.
a) shouldn't c) mustn't
b) couldn't d) may

57. By the time the teacher arrived, the classroom was empty; the students ____ .
a) left c) were leaving
b) had left d) have left

58. About 100 people ____ outside the theatre for tickets when we got there.
a) were queuing c) have queued
b) queued d) queue

59. We hadn't expected the trip to be ____ exhausting.
a) such c) such a

- a) I'll lie c) I'll be lying
b) I'll have lain d) I'll have been lying

71. If she ___ English better, we could send her to study in the USA.

- a) know c) knows
b) would know d) knew

72. Who would you ask, if you ___ how to do it?

- a) hadn't know c) didn't know
b) wouldn't know d) shouldn't know

73. His mother said, the boy ___ doing his lessons.

- a) can be c) might be
b) must be d) need to be

74. I remember his ___ in the history of Ukraine before he entered the college.

- a) be interested c) to be interested
b) being interested d) having been interested

75. When I went into the cinema, the film ___ .

- a) was being shown c) was shown
b) showed d) will be shown