

35.1 Look at A opposite and say if these statements are true or false.

- 1 You talk about the local 'agency' of a high-street bank.
- 2 Americans refer to current accounts as check accounts.
- 3 A joint account is held by more than one person.
- 4 If you put 10,000 euros into a new account and spend 11,000 euros, you have an overdraft of 1,000 euros and you are 1,000 euros in the red.
- 5 An account for saving money is called a safe account.
- 6 An account that pays a lot of interest has a high interest rate.
- 7 If you pay for something with a credit card, you can say, informally, that you use plastic to pay for it.
- 8 If you pay the complete amount that you owe on a credit card, you pay it down.

35.2 Kevin is phoning his bank. What expressions in A and B opposite could replace each of the underlined items?

- 1 I want to swap £500 from my savings account to my ordinary account, because I don't want to have the situation where I've spent more than I've put in.
- 2 How much is in my savings account? What's the amount in there at the moment?
- 3 On the savings account, what's the percentage you pay to savers every year?
- 4 How much extra money have you added to my savings account in the last three months?
- 5 On the last list of the all the money going out of and coming into the account, there's an amount that you've taken off the account that I don't understand.

35.3 Match the sentence beginnings (1–3) with the correct endings (a–c). The sentences all contain expressions from C opposite.

- 1 Investment companies are reporting a sharp increase in the number of
 - 2 Consumers are using their windfall gains from building society
 - 3 Peter is 26 and is wondering whether to join his company pension scheme. He would contribute a small percentage of his salary and his employer would make an equivalent contribution.
- a If he decides to stay for at least two years he should join. If not, he should take out a personal pension.
- b small investors who are investing in unit trusts.
- c demutualizations to buy new furniture or a new car.

Personal finance

A Traditional banking

I'm Lisa. I have an **account** at my local **branch** of one of the big **high-street banks**. I have a **current account** for writing cheques, paying by **debit card** and paying bills. It's a **joint account** with my husband. Normally, we're **in the black**, but sometimes we spend more money than we have in the account and we **go into the red**. This **overdraft** is agreed by the bank up to a maximum of £500, but we pay quite a high **interest rate** on it.

I also have a **deposit account** or **savings account** for keeping money longer term. This account pays us **interest** (but not very much, especially after tax!).

We have a **credit card** with the same bank too. Buying with **plastic** is very convenient. We **pay off** what we spend each month, so we don't pay interest. The interest rate is even higher than for overdrafts!

Like many British people, we have a **mortgage**, a loan to buy our house.'

BrE: **current account, cheque account**
AmE: **checking account**

BrE: cheque; AmE: check

B New ways of banking

'My name's Kevin. I wasn't happy with my bank. There was always a queue, and on the **bank statement** that they sent each month they took money out of my account for **banking charges** that they never explained. So I moved to a bank that offers **telephone banking**. I can phone them any time to check my **account balance** (the amount I have in my account), **transfer** money to other accounts and pay bills.

Now they also offer **Internet banking**. I can **manage my account** sitting at my computer at home.'

C Personal investing

Lisa again:

'We have a savings account at a **building society** which is going to be **demutualized** (See Unit 12) and turned into a bank with shareholders. All the members will get a **windfall**, a special once-only payment of some of the society's assets to its members.

We have some **unit trusts**, shares in **investment companies** that put money from **small investors** like me into different companies. My cousin in the US calls unit trusts **mutual funds**.

I also pay **contributions** into a **private pension**, which will give me a regular income when I stop working. I've never joined a **company pension scheme** and the government **state pension** is very small!'

Financial centres

A Financial centres

Financial centres are places where there are many banks and other **financial institutions**. London as a financial centre is called **the City** or **the Square Mile**, and New York is **Wall Street**.

Financial centres bring together **investors** and the businesses that need their investment. A **speculator** is an investor who wants to make a quick profit, rather than invest over a longer period of time.

Brokers, dealers and **traders** buy and sell for investors and in some cases, for themselves or the organizations they work for.

BrE: centre; AmE: center

B Stock markets

Heather Macdonald of Advanced Components:

'We needed more capital to expand, so we decided to **float** the company (sell shares for the first time) in a **flotation**. Our **shares** were **issued**, and **listed** (BrE and AmE) or **quoted** (BrE only) for the first time on the **stock market**. Because we are a UK-based company, we are listed on the London **stock exchange**.

Stock markets in other countries are also called **bourses**. Maybe when our company is really big, we'll issue more shares on one of the European bourses!'

Note: You can write **stock market** or **stockmarket**; one or two words.

BrE: shares / stocks (countable) and shares
AmE: stock (uncountable)

C Other financial markets

Other financial products include:

- **commercial paper**: short-term lending to businesses.
- **bonds**: longer-term lending to businesses and the government.
- **currencies** (**foreign exchange** or **forex**): buying and selling the money of particular countries.
- **commodities**: metals and farm products.

These are traded directly between dealers by phone and computer. Commodities are also traded in a **commodities exchange**. Shares, bonds and commercial paper are **securities**, and the financial institutions that deal in them are **securities houses**.

D Derivatives

A **futures contract** is an agreement giving an obligation to sell a fixed amount of a security or commodity at a particular price on a particular future date.

An **options contract** is an agreement giving the right, but not the obligation, to buy or sell a security or commodity at a particular price at a particular future time, or in a period of future time.

These contracts are **derivatives**. Dealers guess how the price of the **underlying** security or commodity will change in the future, and use derivatives to try to buy them more cheaply.

36.1 Correct the eight mistakes in italics in this article, using expressions from A opposite.

Now that a lot of buying and selling can be done over computer networks, (1) *breakers* and (2) *tradesmen* do not need to be in one place, and (3) *speculists* can make money dealing from a computer in their living room.

In New York, the area around (4) *the South Bronx* is traditionally home to many financial institutions, such as the New York Stock Exchange. But many of them have now moved some or all of their offices outside this expensive area.

London is one of Europe's most important financial (5) *towns*: over 500 foreign banks have offices in London, and its stock exchange is the largest in Europe. But more and more financial (6) *institutes* are not actually based in the traditional area of the (7) *Citadel* or (8) *Mile Square*. As in New York, they are moving to areas where property is cheaper.

So, will financial centres continue to be as important in the future as they are now?

36.2 Look at B opposite and say if these statements are true or false.

- 1 'Stocks' is another name for shares.
- 2 'Stock market' means the same as 'stock exchange'.
- 3 Bourses are only found in France.
- 4 An American would normally talk about shares 'quoted' on the New York Stock Exchange.
- 5 Shares in Company X are being sold for the first time. This is a flotation.

36.3 Use expressions from C and D opposite to describe:

- 1 a bank that makes companies' shares available.
- 2 a contract to buy 500 tons of wheat for delivery in three months.
- 3 coffee and copper.
- 4 dollars, euros and yen.
- 5 lending to a company for less than a year.
- 6 lending to a local government authority in the form of 10-year investment certificates.
- 7 shares and bonds, but not currencies or commodities.
- 8 the London Metals Exchange.
- 9 the right to buy shares in a company in one month, at 150 pence per share.

3 Indicators 1

A Finance and economics

Finance is:

- money provided or lent for a particular purpose.
- the management of money by countries, organizations or people.
- the study of money management.

High finance involves large amounts of money used by governments and large companies. A person's or organization's **finances** are the money they have and how it is managed, etc. The related adjective is **financial**.

Economics is:

- the study of how money works and is used.
- calculations of whether a particular activity will be profitable.

Related adjectives: a profitable activity is **economic**; an unprofitable one is **uneconomic**. If something is **economical**, it is cheap to buy, to use or to do. If not, it is **uneconomical**.

Economic indicators (see B, C and D below) are figures showing how well a country's **economy** (economic system) is working.

B Inflation and unemployment

Inflation is rising prices, and the rate at which they are rising is the **inflation rate**. The related adjective is **inflationary**.

The **unemployed** are people without jobs in a particular area, country, etc. The level of **unemployment** is the number of people without a job. Unemployed people are out of work, and are also referred to as **jobless** (adj.) or **the jobless**.

C Trade

The **balance of payments** is the difference between the money coming into a country and that going out. The **trade balance** is the difference between payments for imports (goods and services from abroad) and payments for **exports** (products and services sold abroad). When a country exports more than it imports, it has a **trade surplus**. When the opposite is the case, it has a **trade deficit**. The amount of this surplus or deficit is the **trade gap**.

D Growth and GDP

Economic output is the value of goods and services produced in a country or area. **Gross domestic product** or **GDP** is the value of all the goods and services produced in a particular country.

The size of an economy is also sometimes measured in terms of **gross national product** or **GNP**. This also includes payments from abroad, for example, from investments.

Growth is when output in the economy increases. The **growth rate** is the speed at which a country's economy **grows** and gets bigger.

Ethics and business



Ethical behaviour

Ethical behaviour is doing things that are morally right. Ethics (countable noun) are moral beliefs about what is right or wrong. Ethics (uncountable noun) is the study of this. Ethically responsible companies want to do the right thing in areas such as:

- employment and community: they want to pay attention to things that affect all people, not just their employees, in the areas where the company has its offices, factories and activities.
- the environment: they want to conduct business in ways that protect the environment to ensure that the air, rivers etc. are not polluted and plant and animal life are not endangered. (See Unit 43)
- winning new business: they want to get business without engaging in corrupt behaviour, for example offering bribes – money given to someone so that they behave unethically.

Companies want to be seen as good corporate citizens, with activities that are beneficial not only for their stakeholders – their employees, shareholders and so on – but for the community and society as a whole.



Accountability and transparency

Ethical corporate behaviour includes accountability – the idea that companies are completely responsible for what they do and that people should be able to expect them to explain their actions. Transparency is explaining this behaviour in a way that can be understood by outsiders, and not trying to hide anything. Companies may say that they demand high levels of probity and integrity – complete honesty – from their employees, and that they do not tolerate any form of misconduct.



Corporate social responsibility

Companies have long had codes of ethics and codes of conduct saying how their managers and employees should behave. Now they are looking at these issues in more systematic ways. They are designating executives to oversee the whole area of corporate social responsibility (CSR).

- 11.1 Read the article relating to the ideas in A, B and C opposite. Then say if the statements below are true or false, identifying the phrase or sentence from the article that confirms your answer. (The first one has been done for you.)

How to become good in all areas

Few companies are clear about how to manage what can be an amorphous collection of internal initiatives and external relationships on social, environmental and ethical issues. Probity and responsibility must be embedded in a company's culture, strategy and operations from the top down. But how can this be done? A new guide from Business for Social Responsibility, a US non-profit research and advisory organisation with 1,400 member companies and affiliates, attempts to answer this by taking the reader step by step through the process of designing a corporate social responsibility management system.

Only a handful of companies have a full CSR management system in place, says the organisation, which advises its members on how to make responsible practices integral to their strategy and operations. Its corporate members, mainly in the US and Europe, have combined annual revenues of nearly \$2,000bn (£1,300bn) and employ 6m people. They include ABB,

British Airways, Coca-Cola, Ikea, Unilever and Wal-Mart. The scandals in the US have underlined how "corporate responsibility taskforces" and codes of conduct are not enough on their own and can sometimes be a smokescreen.

"Creating and building a successful CSR management system is a complex, long-term project for any company," says the report. "It involves a shift in the way a company conducts business and can be likened to implementing other large-scale change initiatives such as total quality management."

The guide runs through basics such as who currently has responsibility for CSR in the company, why a better management structure might improve things and what "hot-button" issues (child labour, drug pricing) face different sectors. It encourages companies to think hard about their stakeholders, what their concerns are, how credible and influential they are and whether they are a potential long-term partner or a liability.

Financial Times

- 1 Most companies have clear, coherent policies on social, environmental and ethical issues.
false - Few companies are clear ... social, environmental and ethical issues.
- 2 If a company behaves with probity, it has high ethical standards.
- 3 Business for Social Responsibility has a coherent approach to designing a corporate social responsibility management system.
- 4 It's simple for a company to add a CSR management system to its day-to-day business.
- 5 Codes of conduct are enough to ensure ethical behaviour.
- 6 The guide says that a company's stakeholders should all be kept happy so that they are all retained by the company over the long term.

- 11.2 Complete the sentences, with expressions from A and B opposite.

- 1 The company was accused of giving to local officials in order to allow their products into the country more quickly.
- 2 The company has supported several projects in the local, where its factories are situated.
- 3 Voters demanded that there should be greater in the election process so that they could understand it fully.
- 4 Following the scandals of Enron, Worldcom and others, there is greater emphasis in business schools on the teaching of

Investment and debt

A Direct investment

Companies can put money into investment projects in other countries in **private direct investment**. With free cross-border capital flows, they can repatriate their profits to their own country, or withdraw their investment altogether.

There is debate about whether governments should try to limit capital **inflows** and **outflows** with capital controls or whether they should follow the global trend towards **liberalization**.

Some economists say that too much liberalization leads to **instability** in a country's economy, with **foreign exchange** crises which lead to **devaluation** or **depreciation** – its currency becomes worth less in terms of others. For example, some say that China's growth has benefited from the fact that its currency is not freely **convertible**, thus avoiding the capital outflows that other Asian economies have suffered from at various times.

B Borrowing

The International Monetary Fund (IMF) and the World Bank play an important role in the development of less-developed countries. A main function of the World Bank is to lend money to countries so that they can obtain the conditions for economic growth. For example, it sponsors **infrastructure** projects – road building, water supply systems, etc. – and projects in health, education and agriculture.

But developing countries may build up **unsustainable** levels of debt and be unable to repay their debts. The IMF has **debt reduction** programmes for **Heavily Indebted Poor Countries (HIPC)** that will reduce the amount of money that they owe. It also contributes to work on the **Millennium Development Goals** – specific targets relating to **poverty reduction** and the stimulation of growth in poorer countries.

C Word combinations with 'debt'

| | | | |
|------|---|---|--|
| debt | { | burden | the amount of debt that a country has, seen as a problem |
| | | service | making repayments on a debt |
| | | justice | the idea that people should be treated fairly and equitably |
| | | rescheduling restructuring | when lenders agree that a debt can be repaid in a different way or at a different time |
| | | relief forgiveness | when lenders agree that debts do not need to be repaid |
| | | | |