**№1. Economic Goods and Services.**

People begin to learn about economics when they are still very young. At first they find that they want a lot of but they couldn’t bye everything. There is a big gap between what they want and what they can have.

Than they discover that there are thousands of things they or their parents could buy. Gradually, they settle into two major economic roles: consumer and producer.

Consumer buy goods and services for personal use, not for resale. Consumer goods are products, such as food, clothing, and cars, that satisfy people's economic needs or wants. Some consumer goods, such as food, do not last a long time. It’s perishable goods. Other goods, such as cars or VCRs, last longer. Services are actions , such as haircutting, cleaning or teaching. Services are used up at the time they are provided.

A producer makes the goods or provides the services that consumers use.

In order to produce something, a person must first have right resources. Resources are the materials from which goods and services are made. There are three kinds of resources: human (people), natural (raw materials), and capital resources (capital, or the money or property). No economy has an unlimited supply of resources. In other words , there is a scarcity of resources.

The basic economic questions individuals and nations face are: **What** goods and services will be produced? **How** will they be produced ? **Who** will get them ? **How much** will be produced for now and how much for the future? The answers to the questions depend on a country's human, natural, and capital resources. Each country will answer 4 questions in a different way.

**№2. Opportunity costs. Tradeoffs.**

All production involves a cost. This cost is not counted simply in terms of money but also in terms of resources used. In building a bridge, for example, the real costs of the bridge are the human, capital, and natural resources it consumes. To build a bridge requires the labour of many people, including engineers and construction wor­kers. The capital resources these people use include a variety of tools and machines. Building a bridge also requires natural resources.

Since resources are limited and human wants are unlimited, people and societies must make choices about what they want most. Each choice involves costs. The value of time, money, goods and services given up in making a choice is called opportunity cost.

When people make a choice between two possible uses of their resources, they are making a tradeoff between them.

Then, society will understand the true costs of making one decision rather than another, and can make the decision that best fits its values and goals.

How can the concepts of opportunity costs and tradeoffs be used to help explain how the economy works? One way is to construct a simple plan of the economy called an economic model. The simple plan helps economists to analyse economic problems, seek solutions, and make comparisons between the economic model and the real world.

One of the most important choices a society makes is between producing capital goods and producing consumer goods. If a nation increases its production of consumer goods, its people will live better lives today. However, if a nation increases its produc­tion of capital goods, its people may live better in the future.

Since every economic decision requires a choice, economics is a study of tradeoffs. When you analyse each side of a tradeoff, you can make better decisions.

**№11. Pricing policies.**

There are two types of pricing policies: to concern price emphasis and to emphasize low prices. The price emphasis charge appropriate prices, it encourages sales, but the low prices don’t give extra services (some people are interested in low prices and forget about extra services). The price determines the number of sales. A good example of price emphasis is loss leader pricing. It means that you chose one item and sell it at a very low price. The consumer buys it and decides to buy something else, because he gets some extra cash. There is also off-even pricing: it produces a favorable psychological effect (79,99$).

And now something about de-emphasis: it concerns high quality expensive items. Consumers don’t call attention to the price at all.

**№3. Utility and prices.**

Commodities of different kinds satisfy our wants in different ways. For example: food, car, medicine, books satisfy very different wants. This characteristic of satisfying a want is known in economics as “utility”. Utility and usefulness are different things. For example: a submarine may or may not be useful in time of peace, but it satisfy a want. Many nations want submarine. Economists say that utility is “the relationship between a consumer and a commodity”.

Utility varies between different people and different nations. For example: somebody can be a vegetarian and he will be rate the utility of vegetable very highly, while somebody who eats meat can rate the utility of meat very highly. And about nations: mountain-republic like Switzerland has little interest in submarines while maritime nations rate then very highly.

Utility varies is also in relation of time. For example: in wartime the utility of bombs and guns is high. Utility of the commodity is also depend from quantity. If paper is freely available, people will not be so much interested in buying too much of it. If there is an excess of paper, the relative demand for paper will go down.

Let’s speak about prices.

Individual cannot change the prices of the commodities he wants. But theoretical he can do it. For example, if he byes a lot of smth., let’s say a lot of oil, or somebody discover a lot of oil, the price of oil will change on the international market.

Now let’s speak about desire.

The consumer’s desire for a commodity tends to diminish (ди/миниш) as he buys more units of it. Economists call this tendency the Low of Diminishing Marginal Utility.

The interaction of buyers and sellers determines the prices for goods and services. If the price is too low, a shortage will develop and if the price is too high, a surplus will develop.

In a market economy, prices are the result of the needs of both buyers and sellers. The sellers will supply more goods at higher prices. The buyer will buy more goods at lower prices. Some prices is satisfactory to both buyers and sellers. This price is called an equilibrium price.

**№4 Supply and demand**.

In a market economy, the actions of buyers and sellers set the prices of goods and services. The price, in turn, determine what is produced, how it is produced and who will bay it. Supply, the quantity of a product that suppliers will provide, is the seller’s side of a market transaction. Suppliers usually want the price that allows them to make the most money. Demand, the quantity of a product consumer want, is a buyer’s side of a market transaction. Buyers want the price that gives them the most value for the least cost.

The items are sold one at a time, buyers mast quickly decided what price they are willing to pay. Imagine now that you want to buy electric popcorn maker on the auction. In order to get it you will have to outbid all the others who want it. New popcorn maker costs about $14 and you decided you are willing to go as high as $10 but not hire. At first you look into your wallet. Only $5 is there. But you know that you have $15 on the desk at home, and you know that your friend can lend you some money. And what factors so far have influence you? You decision is the result of your tastes, your available cash income, your wealth, your credit. You have also had to think of the price of substitutes and the price of related items.

And on the auction you buy. The cost of popcorn maker is $9.

The popcorn demand schedule illustrates the low of demand, which indicates that as the price of an item increases, a smaller quantity will be bought.

The degree to which changes in price cause changes in quantity demanded is called elasticity of demand. There are two main kinds of the elasticity of demand, it is highly elastic and inelastic. Highly elastic means that demand changes when the price changes and inelastic means when people buy nearly the same amount even though the price of smth. changes.

There are two main reasons for elasticity of demand. The first concerns the relationship between income and the cost of the product. The second reason why demand is elastic concerns whether or not substitute product is available.

**№5. Markets and monopolies.**

Whenever people who are willing to sell a commodity contact people willing to buy it, a market for that commodity is created. Buyers and sellers meet in person, or they may communicate by letter, by phone or through their agents. In a perfect market there can be only one price for a given commodity: the lowest price which sellers will accept and the highest which consumers will pay. Competition influences the prices prevailing in the market. Although in a perfect market competition is unrestricted and sellers are numerous, free competition and large numbers of sellers are not always available in the real world. In some markets there may only be one seller or a very limited number of sellers. Such a situation is called a "monopoly". It is possible to distinguish in practice four kinds of monopoly.

State planning and central control of the economy often mean that a state government has the monopoly of important goods and services. A different kind of monopoly arises when a country has control over major natural resources or important services. Such monopolies can be called natural monopolies. Legal monopolies occur when the law of a country permits certain producers, authors and in­ventors a full monopoly over the sale of their own products. These types of monopoly are distinct from the sole trading opportunities. This action is often called "cornering the market" and is illegal in many countries.

In the market systems, competition answers the basic questions of what, how, for whom, and how much. Competition among producers is for the highest profits. Compe­tition among consumers is for the best goods and services at the lowest prices.

In a market economy three basic resources - land, labour and capital - are bought and sold for the best price. Market for labour is constantly changing.

№6. Economic Growth.

If you spent all the money you have now, you might be able to buy many of the things you want. But you realise that by saving some now, you will save more for the future. Societies also must save some of what they produce today in order to have more for tomorrow. Every society must produce capital goods as well as consumer goods to meet future economic needs. Long-range economic growth depends on the continued production of capital goods (goods used to produce other items).

Everyone who works contributes to the growth of capital resources. Suppose you earn $72 a week. Your labour must be valuable enough to earn more than just the money to cover your wages. Your labour may earn your company $100 a week. Since you are paid $72, you are hel­ping the company to collect $28 a week. Some, or all, of this money can be used for ca­pital resources. Company can use this money to replace old tools and equipment for example. The manager may decide to replace the old tools, hire more help, or expand the shop.

 In recent years, many people have argued that economic growth is a mixed bles­sing. The advantages of growth are fairly clear. As people produce more goods and services, the average standard of living goes up. Bat there is some disadvantages: (1) use of natural resources that cannot be replaced, (2) generation of waste products, (3) destruction of natural environments, (4) uneven growth among different groups in society.

In the past, growth has allowed poor people to improve their economic conditions. Nevertheless, continuing economic growth at the pace of today may permanently damage our world, polluting air, land, and waters, and using up natural resources. Growth, however, sometimes provides solution to the problems.

**№13 The cost of growth.**

Long-range economic growth depends on producing capital goods. Everyone who works contributes to the growth of capital resources. Your labor must be valuable enough to earn more than just the money to cover your wages. In recent years many people have argued that economic growth is a mixed blessing. As people produce more goods and services the standard of living goes up. Growth also keeps people employed and earning income. It provides people with more leisure time, since they can decrease their working hours without decreasing their income. But what are the disadvantages: use of natural resources that can’t be replaced, generation of waste products, destruction of natural environments, uneven growth among different groups of society.

In the past, growth has allowed poor people to improve their economic conditions.

So, if our natural, human, capital resources are overused now to promote economic growth, future growth may be much slower.

Growth, however, provides solutions to the problems.

**№7. The nation's economy. GNP. Economic indicators.**

Economists study different sides of the economy in different ways. Microeconomics is the part of economics that analyses specific data affecting an economy. Macroeconomics is the branch of economics that analyses interrelationships among sectors of the economy.

Macroeconomists measure gross national product, or GNP, which is the value of all goods and services produced for sale during one year. Three factors limit the types of products counted.

First, only goods and services produced during a specific year are counted Second, economists count a product or a service only in its final form. Third, GNP includes only goods sold for the first time. When goods are resold or transferred, no wealth is created.

One way in which economists measure GNP is the flow-of-product approach. Using this method, they count all the money spent on goods and services to determine total value. Each time a new product is sold, GNP increases.

Spending for products falls into four categories. The first, and the largest, consumer spending, includes all expenditures of individuals for final goods and services. Called personal consumption expenditures, this category accounts for about 65 per cent of GNP. The second category includes all spending of businesses for new capital goods. It accounts for about 13 % of GNP. The third category includes spending of all levels of government. Government purchases of goods and services account for about 21 per cent of GNP. The fourth category is net exports of goods and services, about 1% of GNP.

Another way of determining GNP is the earnings-and-cost approach. This method accounts for alt the money received for the production of goods and services, it mea-sures receipts. Figuring gross national product by counting what people receive requires calculating what the entire country earns for the goods it makes and the services it performs. Included in earnings are such things as business profits, wages and salaries, and taxes' the government receives for its services. Also counted are interest on deposits, money received as rent, and any other forms of income.

Business and government planners, investors, and consumers make decisions based on their expectations of future economic performance. To help predict expansion or contraction of the economy, government economists identified a number of indicators. They fall into three categories: leading, coincident, and lagging. Leading economic indicators rise or fall just before a major change in economic activity. Coincident economic indicators change at about the same time that shifts occur in general economic activity. Lagging economic indicators rise or fall after a change in economic activity.

Following and interpreting all economic indicators is time-consuming. The US Commerce Department, therefore, lists a composite index, or single number, for each of the three sets of indicators. These composite indexes are an average of all the indicators in each category.

**№ 12 The rights of a customer and the responsibilities of a supplier.**

When you buy something from a shop, you are making a contract. But you want to make sure if this contract means that it's up to the shop to deal with your complaints if the goods are not satisfactory. The first thing that comes to your mind is that *the goods must not be broken or damaged and must work properly.* The second thing that you find important is that *the goods must be as described -* whether on the pack or by the salesman. It makes you understand the third principle: *The goods should be fit for their purpose.* This means the purpose for which most people buy those particular goods. If you wanted something for a special purpose, you must have said exactly what for.

Many people think that complaining about faulty goods or bad service is never easy. Most of them dislike making a fuss. However, when you are shopping, it is important to know your rights. You are quite sure that if the shop sells you faulty goods, it has broken its side of the bargain. And that is absolutely right. In this situation customer have the right to return the goods and have a complete refund.

At that time if the good is broken and it was your fault than seller shouldn’t return your money to you. That’ll be his right.

№8. Income and Spending.

Income is the money a person receives in exchange for work or property. There are five basic types of income:

1. *Employee compensation* is the income earned by working for others. It includes wages and fringe benefits such as health and accident insurance.

2. *Proprietor compensation* is the income that self-employed people earn.

3. *Corporation profit* is the income corporations have left after paying all the expenses.

4. *Interest* is the money received by people and corporations for depositing their money in savings account or lending it to others.

5. *Rent* is income from allowing others to use one's property temporarily.

The total income is the sum of 5 basic types.

One other type of income is a *transfer payment* - money one person or group gives to another, though the receiver has not provided a specific good or service. For example it can be gifts, inheri­tances, and aid to the poor are three examples of transfer payments.

Now lets speak about work people. By the type of work people do workers fall into one of four broad categories.

1. *White collar workers* are people who do jobs in offices, for example as secretaries, teachers, and insurance agents.

2. *Blue collar workers* are people who do jobs in factories or outdoors.

3. *Service workers* provide services to other individuals or businesses.

4*. Farmworkers* are people who work on their own farms or those of others.

In the market system a person's income is determined by how the market values that person's resources and skills.

People do a big mistake when they say that income is same as wealth. Wealth is any resource that can be used to produce income. An individual's possessions, such as a house, a car, or a stereo, are part of that person's wealth. Each of these could be sold to produce income.

Now if we want to understand it we have to consider two women who receive an income of $25,000 a year. One earns all of her income working at a bank. The other receives her $25,000 income from dividends on stock worth $250,000. The second woman is much wealthier than the first women.

At the end of my presentation I have to say that spending becomes income for someone else.

**№9. Making a personal budget.**

When you live in loneliness you understand that something should be done with your unlimited wants and limited resources. You should use your income as effectively as possible. Choices must be made concerning spending and saving. You never know whether you can afford another outing, or a disco, or a concert. Than you come to the conclusion that you must develop a useful personal budget. And if you want to do it you should keep track of your actual income and expenses for a month, and, of course, at first you have to clear out what should be recorded.

Money resources may include allowance, part-time jobs, baby­sitting, errands, interest on savings. You must list all sources of income. And it means that if somebody presented you with a sum of money on an account with a bank, so you can rely on interest on savings and allowance have to be included.

Than you should record how much you spend for food, enter­tainment, clothing, college supplies, personal care, transportation, and miscellaneous items. You wonder in which category you spend the most, the least. You think that you should decide what changes to make in the budget if you want to reduce your expenses.

You have to understand that there is some difference between fixed, optional and flexible expenses. Fixed expenses are set in advance and must be paid regularly (e.g. rent payments, tuition, higher purchase installments). Flexible expenses are necessary but change with circumstances (food, clothing, college supplies). Optional expenses vary and are not always necessary (entertainment, personal care).

Thus you can compare your income and expenses. And of course you understand if you want to live expenses should not be higher than income.

**№10. The value of college education.**

Every year millions of students graduate from high school. The decisions they make will affect the rest of their lives. Some will choose to go to college; some will want to get full-time jobs; others will decide to obtain technical job training. In every case, economic reasoning will help students make better choices.

Everybody decide to consider the costs and trade-offs connected with a decision to go to college. And the main questions in this situation: Is a college education worth the expense in terms of immediate and future personal growth and economic well-being?

The opportunity costs of going to college involve a loss of income and a loss of practical job experience while attending college. Lets consider two mans: The Education Level of the first one is less than 12 years and his Projected Lifetime Earnings is $850.000; The Education Level of the second one is 5 years college and his Projected Lifetime Earnings is $1.500.000. We see a big difference between them.

The trade-offs involved in going to college include using time and money now to gain greater advantages in the future. But somebody think that if you could invest $ 30.000 now, for instance, forego a college education, and with your investment returns still have the same lifetime earning power as acollege. It’s of course can be true bat where do you get $30.000 if you don’t have education. Besides nobody give you a job if you haven’t got education and knowledge. And I am sure that my further education is worth the time and money involved.

**№ 14 Annual report of a company**.

Just as teachers send out report cards to the Dean’s office each term, corporations issue annual reports summarizing the progress made last year. Stockholders and potential investors use the annual report to evaluate the performance of corporation.

The annual report is a message to the stockholders-the owners-of a corporation from the corporate management. The report tells the stockholders the company’s financial status at the end of the fiscal year and what the management sees for the future. Also, the annual report fulfils a legal requirement. The Securities and Exchange Commission a federal agency in the USA requires corporations to publish financial information about their firm. With such information, investors can make educated decisions.

Annual reports of company generally are divided into two sections. The first section contains a letter to the stockholders from the chief executive officer of a company. Accompanying this letter summarising the company’s performance is a chart of financial highlights. Also frequently included in the first section is an overview of the company’s organization. The second section includes statistics on the company’s performance. Most of the information appears in charts and graphs.

For example, the balance sheet is a chart that includes the assets (items of value the company owns) and it’s liabilities (debts or claims against the assets of the company). The balance sheet represents the financial picture of the firm at the instant in time. The income statement shows the profit or loss of the company for the year. This chart reports the income the company received from sales, interest, and other sources. The operating costs – salaries, advertising, maintenance – deducted from income total the profit or loss. The statement of stockholders’ investment, or equity includes information on the company’s stock such as number of shares outstanding and issued.

Various parts of the annual report can be used to determine whether a company is profitable. In addition to reporting on this current year, most companies include in their annual reports comparisons of the current year and the prior year’s financial information. Also important to stockholders and investors is the company’s return on sales. For example, if a firm sold $1 mln. worth of its products and its profit was $100,000; return on sales would be 10%.

So we can say that annual reports help us to understand financial status of the firm in the end of the fiscal year and to make educated decisions- invest in company our capital or not.

**№15. Money: history, functions and forms.**

Today we buy bread, clothes with money in a shop. These are goods: we exchange our money for goods which others sell to us. Today we travel on a train or bus. or maintain a bank­ing account, and we pay the charge or fee. These are services: we exchange our money for the services which others provide for us.

In a primitive community people obtain goods and services by barter. Trade by barter is the earliest form of trade, when people offer goods in exchange for what they want, that is they swap goods for other goods.

As primitive communities develop into more advanced societies people realize they need some commodity they can use in exchange for anything, some commodity that does not decay and remains valuable, some commodity with the help of which people can mea­sure the value of one thing against the value of another thing. Such commodity is money. Thus money is a necessary part of any civilized society, ft serves as:(1) medium of exchange; (2) a store of wealth; (3) a measure of value.

Money means coins, banknotes and cash in the bank account. We use it to make payments. Nowadays we know that the units of money must have certain qualities to be successful. They must be:

1. **Standard**.They must all be of the same kind.

2. **Durable**. They must be strong and long-lasting, so that they are a store of value and do not wear out easily.

3. **Scarce.** They must be difficult to come by to keep their value.

4. **Acceptable.** They must be accepted as a medium of exchange in a.

5. **Portable.** They must be easy to carry.

6. **Divisible.** It must be possible to divide the units of money of large value into smaller values.

In the past many things were used as the medium of exchange — corn, furs, rice, tobacco, salt tea, rum — there is no end to them. In time people realized that metals were superior to the commodities previously mentioned.

The Ancient Britons and Greek used iron, the Romans used cop­per but gradually silver and gold replaced them.

The advent of coinage is a step forward because coins are free from most of the disadvantages of earlier forms of money. The first coins are credited to China around about 1.000. B.C.

After coins came notes. The hardest problem for anyone with money then was to find somewhere safe to keep it. Gold and silversmiths had safes, because their trade was traffic in coin and bullion, and they needed somewhere secure to keep their stocks.

So it came about in the seventeenth century that goldsmiths took theses deposits for safe keeping. They issued a receipt. More and more people come to hold these receipts and they began to circulate for value among merchants. They come to be trusted and become usual in payment, as easier, lighter and quicker to handle than a lot of coin.

In the beginning people had to pay a fee for having money kept safe. Then goldsmith understood that some of his receipts were always out, circulating in the hands of the merchants. So the goldsmith always had some cash in hand, and he started to lend this out. This was the beginning of banks.

№16. The Bank of England.

c) keeps accounts for overseas central banks

The first and most important function of a central bank is to advise the government on the making of the country's financial pol­icy and then help to carry it out which means carefully monitoring the money supply. Its business at first was to receive money on deposit, discount approved bills of exchange and lend against satis­factory security. At first this lending was nearly all to the govern­ment, and gradually the Bank came to perform other services on behalf of the government, and so to become regarded as 'banker to the government'.

Then The Bank of England was empowered to open country branches.

From the time of its foundation the Bank had strong links with the government and these strengthened over the centuries until in 1946 it was nationalised and became publicly owned.

The Bank of England is controlled by a Court of Directors — similar to a board of directors running a large public company — made up of the Governor, the Deputy Governor and sixteen direc­tors. They are all appointed by the Crown.

As the central bank of the United Kingdom, the Bank of Eng­land:

— Implements the monetary policy of the government. It decides what percentage of bank deposits is held as cash, and what per­centage may be lent.

— Acts as banker to the government. It administers exchange control and keeps the nation's gold and foreign currency reserves. The Bank keeps the government's banking accounts, manages the accounts and funds of various governmental departments.

— Acts as banker to the deposit banks. It keeps the accounts of other banks.

— Acts as lender of last resort to the discount houses.

Has about 90 accounts for overseas central banks.

**№19. Types of bank services.**

Banks are among the most important financial institutions in the economy that produce and sell financial services. Banking covers so many services that it is difficult to define it. Both types of banking, however, have three essential functions. They are:

*Deposit function*—receiving customers deposits and offering interest-bearing deposits.

*Payments function* — making payments on behalf of customers for their purchases of goods and services.

*Credit function*—tending and investing money. There are some traditional services that banks offer.

*Carrying out currency exchange*. In today's financial marketplace trading in foreign currency is usually carried out by the largest banks due to currency risk and the expertise needed to carry out cash transactions.

*Safekeeping of valuables*. During the Middle Ages, banks began the practice of holding gold, securities, and other valuables owned by their customers in secure vaults. Customers still leave articles of value, locked boxes, wills, and many other things in bank strong rooms for safety. The customer should lock boxes and seal parcels before he hands them in to the bank. The banker will issue a receipt if so required. The banker hands them back only against a signature by his customer or a properly-appointed agent whom the bank knows.

*Trust services*. This property management function is known as trust services. Most banks offer both personal trust services to individuals and families and commercial trust services to corporations and other businesses.

Among the newest services offered by banks are:

*Financial Advising*—customers have long asked for financial advice, particularly, when it comes to the use of credit and the saving and investing of funds.

*Cash Management*—over the years banks have found that some of the services they provide for themselves are also valuable for their customers.

*Setting Insurance Policies*—most banks either offer selected insurance policies to their customers or have plans to offer insurance services in die near future.

*Offering Security Brokerage Services*—in today's financial marketplace many banks are doing their best to become true "financial department stores”. This is one of the main reasons banks began to market security brokerage services in the 1980s, offering their customers the opportunity to buy stocks, bonds, and other securities without security dealers or brokers.

It should be clear from the list of services described that the changes affecting the banking business today are so important that many industry analysts refer to current trends as "a banking revolution".

**№17. Banking in the US.**

Banking services were associated with the Gold Rush. The first gold strike occurred in California in 1848. In the wake came the problems of carrying mail and gold dust over hundreds of miles. A concern called Adams and Company opened its office in San Francisco in 1849. The express company received the miner's gold for the pose of shipment. It weighed the gold, gave a receipt for it and assumed responsibility for its safety. Thus the express company’s iron safe became the local bank. About this time in Sacramento a group also opened a bank. There were three clerks, all armed with Colt revolvers and knives, and the banking hours were from six in the evening until ten at night. It was in 1852 that Wells Fargo andCompany was born. In the July of that year two of its senior men arrived in California, one to be responsible for the express service the other for the banking. The company forwarded packages, parcels and freights of ail descriptions between New York and San Francisco, purchased and sold gold dust, bullion and bills of exchange. It also attended to the payment and collection of notes, bills and accounts.

It was very different from the goldsmiths and their notes. And yet the basic functions of providing security, accepting deposits, paying and collecting bills, were exactly the same. All that has happened since has been only a development of these basic functions.

 At present the Federal Reserve System is the core of the country's financial institutions, payment processes, markets and instruments. The system has four basic functions:

 (I) influencing the supply of money and credit,

 (2) regulating and supervising financial institutions,

 (3) serving as a banker and fiscal agent for the government

 (4) supplying payments and services to the public through depositary institutions.

The system is an unusual system of public and private elements and centralized and decentralized components. At the head of its formal organization is the Board of Governors, located in Washington, D.C. The seven members of the board appointed for 14-year terms by the President with the advice and concent of the Senate. At the next level are the regional Federal Reserve Banks. The Reserve Banks are not profit motivated. Instead their policy is based on the System's estimates of the needs of the economy. The organization of the System also includes The Federal Open Market Committee. It is the most important money policymaking body because it exercises broad control over the growth Of the nation's money supply. It also has charge of the System's Operations both in domestic securities market and in foreign Exchange markets. Two-fifths of the 12.600 commercial banks in the US belong to the System. National banks must be members; state-charted banks may join if they meet certain requirements. Each member bank holds 3 percent of its capital as stock in its Reserve Bank. About 25.000 other depositary institutions provide American people with banking services.

**№18. Types of banks.**

Now there are only a few banks, each with many branches in Great Britain (the Big Six — Barclays, Coutts, Lloyds, Midland, National Westminster and Wil­liams and Glyns). They are clearing banks, i.e. they have a seat in the Clearing House. This is an arrangement for a quick settlement of payments between different banks. Those banks without a seat in the Clearing House get their cheques cleared by a bank which has, acting as an agent. Clearing is the process whereby the amount of a cheque is transferred from the drawer's bank to the payee's bank. The clearing banks have many competitors in different sections of their business. These rival bodies want to collect and use the public's savings for different purposes.

Merchant banks carry on a great variety of business, and each tends lo specialize in certain activities or in transactions with partic­ular countries. Some activities, however, are basic to all of them. These are deposit banking, underwriting, and the management of client funds.

The National Giro is a nationally owned scheme for the fast transfer of payments through post offices.

One big drawback to the service provided by the clearing hanks is the restricted hours during which they are open to the public. This led to the establishment of money shops.

The accent is on the lending and not all money shops provide current account facilities, although some do; but attention is given to the provision of personal, home improvement and mortgage loans, life and general insurance facilities, investment advice, and savings accounts.

Similar lo them are money shops in chain stores, open where the store is open — the “in-store banks”. Of these the most numerous are those of the Cooperative Bank, which set up nine 'handybanks' in the Birmingham area and hopes that within two years there will be 500 of these banking points in Cooperative stores around the country. Such a handyhank gives facilities for cashing cheques, depositing money, ordering travel cheques, etc., and it is open all day Saturday.

**№20. The company's structure and development on the basis of "Harper and Grant Ltd."**

The company of Harper & Grant Ltd. was started forty-two years ago by Ambrose Harper and Wingate Grant. Wingate Grant died many years ago, and his son Hector is the present Managing Director. Ambrose Harper is the Chairman. He is very old man and he comes to attend the board meetings and keep an eye on the business.

The company started by making steel wastepaper bins for offices. These wastepaper bins are more safer than the old type of basket made of cane or straw. Wingate Grant captured a big contract with government offices.

From wastepaper bins, Harper & Grant began to manufacture other items of office equipment: desks, chairs, cupboards, filing cabinets and smaller objects, such as filing trays, stapling machines and so on, until now when there are fifty-six different items listed in their catalogue. All items are made of pressed steel.

The factory consists of. These are divided into the *Tool Room, Works Stores, Press Shop, Machine Shops, Assembly Shop, Paint Shop, Inspection, Packing and Despatch Departments.* There is also the *Warehouse*.

The firm has a history of slow, steady growth. But Peter Wiles - Production Manager, and John Martin - Sales Manager think that they should be more adventurous. They want modernising a business by using modern things to run a business such as electronic data processing, Discounted Cash Flow, budgetary control, corporate planning, P.E.R.T. (Project Evaluation and Review Technique), automa­tion, etc. Harper &Grant Ltd., like their rivals, must get right up-to-date and enlarge their business, or they will be outpaced by a firm whose business organisation is better than their own.

**№11. Pricing policies.**

Everybody, who wants to start his own business, must know, that it’s very important to attract the customers. There are many ways to do it. For example, to introduce new items of goods.

Economists say that the most important thing for sellers is to charge the appropriate price for goods. There are two types of pricing policy: price emphasis(полит акцентиров Р для стимул сбыта) and price de-emphasis(Робразов на осн ощу-й цен-ти тов).

Price emphasis policy emphasizes low prices. And this encourages sales. We must know that it has a weak point, because this policy doesn’t provide extra services. But it let sellers get more money, because this price determines a big number of sales.

A good example of price emphasis is “loss leader” pricing. It means that a seller chooses one item and sells it at very low price. There is also off-even pricing or “odd-pricing”.

Businessman must start with specially low prices in order to compete with well-known goods. He can raise the price when his customers get accustomed to a new brand, and they will continue to buy it.

Next type of pricing policy (price de-emphasis) concerns high quality expensive items. Seller doesn’t call attention to the price at all. Sometimes when the price rises, it convince some customers that the product must be of high quality, or will soon become very hard to get. And this may increase sales.

**№ 12 The rights of a customer and the responsibilities of a supplier.**

Many people think that complaining about faulty goods or bad service is never easy. Most of them dislike making a fuss. However, when you are shopping, it is important to know your rights.

When you buy something from a shop, you are making a contract. But you want to make sure if this contract means that it's up to the shop to deal with your complaints if the goods are not satisfactory. The first thing that comes to your mind is that *the goods must not be broken or damaged and must work properly.* The second thing that you find important is that *the goods must be as described -* whether on the pack or by the salesman. It makes you understand the third principle: *The goods should be fit for their purpose.* This means the purpose for which most people buy those particular goods. If you wanted something for a special purpose, you must have said exactly what for.

You are quite sure that if the shop sells you faulty goods, it has broken its side of the bargain. And that is absolutely right. In this situation customer have the right to return the goods and have a complete refund.

At that time if the good is broken and it was your fault than seller shouldn’t return your money to you. That’ll be his right.

There are four golden rules:

Examine the goods your buy at once. If there are faulty, tell the seller quickly.

Keep any receipts you are given. If you have to return something, the receipt will help to prove where and when you bought it.

Don’t be afraid to complain. You are not asking a favour to have faulty goods put right. The law is on your side.

Be persistent. If your complaint is justified, it is somebody’s responsibility to put things right.

**№13 The cost of growth.**

Long-range economic growth depends on producing capital goods. Everyone who works contributes to the growth of capital resources. Your labor must be valuable enough to earn more than just the money to cover your wages. In recent years many people have argued that economic growth is a mixed blessing.

One of the advantages of economic growth is the creation of new jobs. Some people have jobs that did not exist 20 years ago. Part of them makes their living operating the computers. Millions of workers have jobs that computers have made easier.

However, the introduction of computers spelled unemployment for many workers, for example for typesetters. It also cut the managers’ stuff, make the management easier. Unemployment is the most undesirable consequence of economic growth.

Unemployment causes social and economic problems. Those who lost their jobs can hardly ever find new full-time job with a good wage. Many of the workers take jobs delivering flowers, polishing glass, stock-clerking, or driving taxes. Others do such odd jobs as painting and home repairs to earn income. Some of them try retraining programs, but find that employers are reluctant to hire older, experienced persons as beginners.

Retraining in new skills is only one solution to the problem, and not a simple one. Retraining is more useful to the young than to the old.