UNIT ONE

Tapescript 1

"On the Estonian market a couple of monopolistic companies are operating, whose price policy is controlled by the state. The gas supplier Eesti Gaas has a monopolistic position in gas supply. The government also granted a monopoly until the end of the year 2000 in a sector of the telecommunications business (international and long-distance domestic calls) to an Estonian-Swedish-Finnish joint venture. The same kind of monopoly exists in marine passenger traffic between Stockholm and Tallin.

In other fields of the economy explicit monopolies do not exist. But due to the small size of the Estonian economy and the limited number of competitors cartel agreements are quite easy to conclude and hard to discover".

Tapescript 2

The self-employed rate has in the meantime not only reached the average EU value of 12 percent working population, but has even surpassed it. At the end of April 1996, the Statistical Office listed 1,380,000 entrepreneurs. Apart from the overall decrease in paid employment, structural change in favour of the tertiary sector is continuing. The tertiary sector expanded from 2.2 million employees (42.4 percent) in 1990 to approximately 2.6 million employees (45.5 percent) five years on, whereas the number of employees in the manufacturing industries during the same period decreased from 633,500 to 325,500 and thus proportionately sank from 11.8 to 6.5 percent.

Tapescript 3 – TO THE RESCUE

Governments and central banks are right to worry more about banks than other businesses because of their role as providers of credit and guardians of an economy's payments system. Politicians are still tempted to bail out banks that go bust because they fear that the economic costs of a bank failure might be too great.

Governments can deal with troubled banks in one of four ways:

Liquidation. Under this approach, insolvent banks are placed in receivership, insured depositors are paid off and any residual assets are sold. In its purest from, liquidation means that the bank's owners lose their equity, while holders of subordinated debt also lose some, or all, of their money. In practice, only America has been prepared to adopt this policy: roughly one in five of its failed banks has been liquidated. In contrast, no Japanese bank has been liquidated since 1945.

Closure by merger. This involves merging a sick bank with a healthy one. In some cases, regulators offer the rescuer an incentive, perhaps by withholding a portion of the failed bank's dud assets, or by making a payment to insured depositors or creditors.

American regulators often use such methods, and a number of European ones are starting to do so too.

Government loans or transfers. In essence, this involves cleaning up banks' balance sheets by transferring their worst assets to the government, or by getting the state to guarantee them. The simplest from of intervention involves a guarantee that the government will act as a lender of last resort should bad loans threaten to swamp a bank.

Move common has been the creation of an agency which holds bad assets until they mature or can be sold. Credit Lyonnais's rescue involves a version of this approach. Although a popular remedy, because it gives the impression that banks have quickly returned to health, this is also controversial. Government agencies have no special skills as managers of impaired assets; and it is also difficult to assess the true costs of these arrangements to taxpayers.

Nationalisation. This is the most drastic solution. It is often adopted when a government believes that there is a great danger that the problems of a single bad bank could spread, or of a collapse of the entire financial system if numerous banks experience problems at the same time. The most extreme recent example is the nationalisation of much of the Norwegian banking system in the early 1990s, after several big banks simultaneously ran into trouble.

Tapescript 4 – HOW TO BE TOP

Why do British and French titans of the company boardroom on either side of the channel find it so difficult to work together? Anglo-American alliances are usually a picture of sweetness and light; ditto Franco-Belgian partnerships. But put British and French directors into bed together and they tend to squabble over the duvet.

One explanation of cross-channel strife emerges from a study published by three sociologists from the Centre National de la Recherche Scientifique in Paris. The study took the 200 largest firms in both Britain and France by turnover and traced their most senior managers' route to the top. No wonder British and French managers find each other baffling: with a few exceptions, French and British bosses are as different as *foie gras* and fishcakes.

Almost three-quarters of the bosses of large French firms are either entrepreneurs or had their start in business because of family and civil-service connections. Over a third graduated near the top of their class from one of the country's *grandes ecoles*, such as the Ecole Nationale d'Administration, and so qualified for the civil-service elite, known as the *grands corps*. As often as not they have also worked on the staff of a government minister. After a decade working for the state, such high-flyers, along with the French managers who owe their position to family connections, tend to be catapulted into top positions in business, having never got their hands dirty.

With the exception of bankers, however, British bosses owe almost nothing to Whitehall for their training. Over 80% are professional managers who started in their early 20s far from the seat of power and have clawed their way up, often moving between firms as they did so. Though 37% of the British bosses had no further education after school (compared with only 17% of the French), many of them have gained qualifications at work, usually in accountancy, something almost unheard of across the channel.

And yet Britain has an elite too, one formed when the participants were barely out of short trousers. The study found that a third of British bosses came from 20 of the top public schools, and a tenth of the total from Eton alone. Some added a final coat of social varnish while picking up a degree at Oxford or Cambridge. Perhaps that is where the antagonism between British and French bosses really lies: the French think the British are a bit slow; and the British find the French a rather poor shot.

Answer key for Activity I

Gas ☑
Telecommunications ☑
Marine passenger traffics ☑
Others ☑

Answer key for Activity II

1 – 1,380,000
2 – 2.29 million
3 – 42.8 percent
4 – 2.6 million
5 – 45.5
6 – 633,500
7 – 325,000

Answer key for Activity III

a) the presidency	f) EU policy
b) co-operation	g) power
c) tarrifs, quotas	h) legtislation
d) tarrifs	i) the budget, etc.
e) the title of	j) legislation

Answer key for the SET

Government responses to banking crises

1.1.

1. fellowship	11. purpose
2. tuition	12. study
3. maintenance	13. training
4. postgraduate	14. acquire
5. eligible	15. applicants
6. bachelor	16. skills
7. professional	17. income

8. candidates
9. prior
10. evidence
18. pursue
19. seeks
20. qualifications

1.2.a.

1. run
2. collapse
3. crisis
4. quasi
5. problems
6. weak
7. deregulation
8. sectors
9. markets
10. fraud
11. insolvency
12. institutions
13. systems
14. undercapitalised
15. settlements

1.2.b

1. fiscal
2. world
3. banking
4. debt
5. exchange-rate

1.3. Refer to the text on page 19 from *English for Economic Studies, Part III*.

1.4.

A – 3
B – 8
C – 10
D – 7
E – 2
F – 5
G – 4
H – 1
I – 6
J – 9

Answer key for Activity IV

Liquidation	Closure by merger	Government loans/transfers	Nationalisation
- insolvent banks are placed in receivership; - insured depositors are paid off; - residual assets are sold	a side bank merges with a healthy one	- worst assets of a bank are transferred to the government; - the government is a lender of last resort	most drastic solution

Answer key for Activity V

1:False
2:False
3:True
4:False
5:True

Answer key for Activity VI

1. as foie gras and fishcakes
2. …… French managers …… got their hands dirty
3. …… clawed their way up ……
4. …… out of short trousers ……
5. …… picking up a degree ……