

## ECONOMICS

## UNIT 8



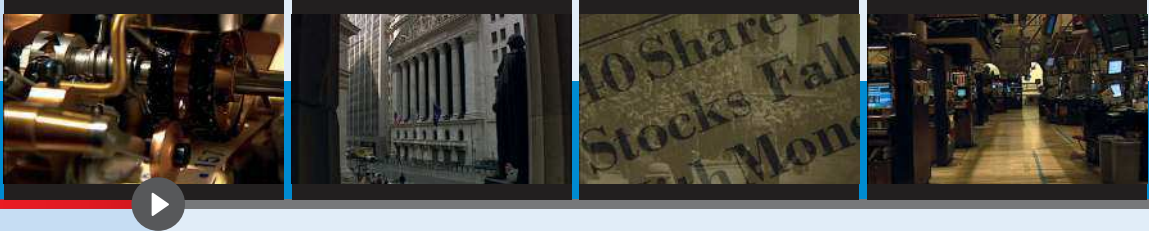
## UNLOCK YOUR KNOWLEDGE

Work with a partner. Discuss the questions.

- 1 Do you believe it is important for people to be informed about economics? Why / Why not?
- 2 What causes some countries to be rich and other countries to be poor? Why do you think there is such a big gap between the rich and the poor in some countries?
- 3 How has the economy of your country changed in recent years?



## WATCH AND LISTEN



### ACTIVATING YOUR KNOWLEDGE

### PREDICTING CONTENT

### PREPARING TO WATCH

- 1 Work with a partner. Discuss the questions.
  - 1 What cities in the world today are centres of money and banking?
  - 2 What happens during an economic depression?
  - 3 How healthy is the economy of your country?
- 2 You are going to watch a video about a very bad day for the world economy. Before you watch, work with a partner and use the photos from the video and your own knowledge to answer the questions.
  - 1 What do you think happened?
  - 2 Where did it happen?
  - 3 Did it happen recently or a long time ago?

#### GLOSSARY

**stock market** (n) a system for buying and selling parts of companies; the total value of all the investments that are traded in this system

**crash** (v) to fall or lose value suddenly and completely

**investor** (n) someone who puts money in a bank, business, etc. in order to make a profit


**depression** (n) a period in which there is very little business activity and little employment

**replica** (n) a copy of an object


**ticker tape** (n) a long, thin strip of paper, used in the past for printing changing information on, for example, the prices of stocks

### WHILE WATCHING

- 3 Watch the video. Check your answers to Exercise 2.

**4**  Watch again. Match the sentence halves.

- 1 The stock market \_\_\_\_\_
  - 2 On Black Tuesday, investors \_\_\_\_\_
  - 3 Millions of people \_\_\_\_\_
  - 4 The Great Depression \_\_\_\_\_
  - 5 Ticker tape machines \_\_\_\_\_
- a was the worst economic period in modern history.
  - b were used to print the prices of stocks and shares.
  - c crashed in 1929.
  - d lost their jobs.
  - e lost billions of dollars.

**5**  Watch again. Answer the questions.

- 1 When exactly did Black Tuesday happen? \_\_\_\_\_
- 2 What happened to stock prices after Black Tuesday?  
\_\_\_\_\_
- 3 What happened to many banks and companies? \_\_\_\_\_
- 4 Where is the Museum of Financial History? \_\_\_\_\_
- 5 What does the stock exchange use now to report stock prices?  
\_\_\_\_\_

**6** Work with a partner. Discuss the questions and give reasons for your answers.

- 1 Were most financial experts surprised by Black Tuesday?
- 2 Why did people in other countries lose their jobs during the Depression?
- 3 How have computers changed stock markets?

**DISCUSSION****7** Work in small groups. Discuss the questions.

- 1 What are the biggest economic problems in the world today?
- 2 How do changes in the economy affect your daily life?
- 3 Do you think the economy will be better or worse in ten years? Why?

**UNDERSTANDING  
MAIN IDEAS****UNDERSTANDING  
DETAIL****MAKING INFERENCES**

## READING

## READING 1

## PREPARING TO READ

UNDERSTANDING  
KEY VOCABULARY

1 You are going to read an article about investments. Before you read the article, read the sentences (1–7) and write the words in bold next to the definitions (a–g).

- 1 During the **recession** of 2007–2009, people all over the world lost their jobs and were forced to sell their homes.
  - 2 At my bank, the **interest rate** on a loan to buy a car is about 4.5%.
  - 3 Since Apple Computer company **stocks and shares** went on sale in 1976, their value has increased by more than 28,000%.
  - 4 Real estate, that is land or buildings, is an excellent **investment** in large cities like Los Angeles or Tokyo.
  - 5 My father is a careful **investor**. He buys assets, like buildings and cars, that increase slowly over time.
  - 6 After a natural disaster, such as a tsunami or fire, the homes and businesses in an area usually go down in **value**.
  - 7 If you buy gold, you can probably expect to get a high rate of **return** on your investment.
- a \_\_\_\_\_ (n) the percentage amount that you pay when you borrow money, or receive when you lend money, for a period of time
  - b \_\_\_\_\_ (n) profit on money you have invested
  - c \_\_\_\_\_ (n) parts of a publicly-owned business which can be bought and sold as investments
  - d \_\_\_\_\_ (n) someone who puts money in a bank, business, etc. to make a profit
  - e \_\_\_\_\_ (n) how much money something could be sold for
  - f \_\_\_\_\_ (n) a period when the economy of a country is not doing well, but not as bad as a depression
  - g \_\_\_\_\_ (n) something such as stocks or property which you buy in order to make a profit

USING YOUR  
KNOWLEDGE

- 2 Work with a partner. Discuss the questions.
- 1 Can you think of some usual and unusual ways to invest money? What are they?
  - 2 Can you give an example of a safe investment? What investments are risky?
  - 3 Two possible investments are gold and classic cars. Do you think they are safe, risky or somewhere in-between? Which do you think has been more profitable recently?



## How should you invest your money?

- 1 In a **recession**, **interest rates** are low. This means that keeping your money in a bank may not be the best way of making money. **Stocks and shares** are also risky when the economy takes a dive<sup>1</sup>. So where should you invest to make the most of your money? For the brave **investor**, there is a range of alternative **investments**. Gold and classic cars are two popular investments because their market **value** tends to go up with time.
- 2 Over time, gold has been a very good investment, though the price has fluctuated<sup>2</sup> in recent years,

<sup>1</sup>**take a dive** (v) If a value or price takes a dive, it suddenly becomes less.

<sup>2</sup>**fluctuate** (v) to keep changing, especially in level or amount

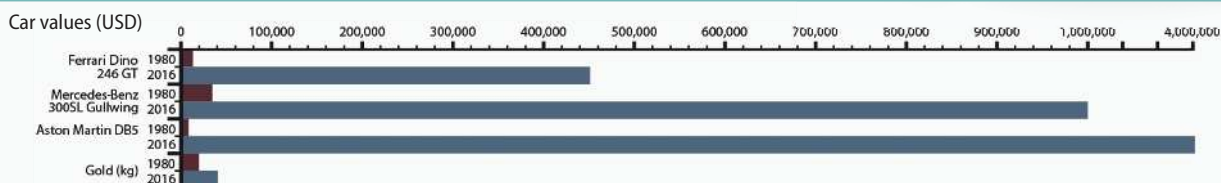
as the graph below shows. Between 2009 and 2012, for example, the price rose from \$1,087 an ounce to a peak of \$1,664 an ounce. Then, by the end of 2015, it had fallen to \$1,161. In 2016, it rose slightly again to \$1,249. Forecasters

expect it to stay in this range until 2025. If you are thinking about investing in gold, you may want to consider one famous investor's advice. Warren Buffet, one of the richest men in the world, dislikes gold as an investment. He points out that historically, the stock market has brought in significantly higher **returns** than gold. He also says it is better for society if you use your money for something productive, rather than have it sitting in a bank.

- 3 While gold and stocks are both excellent investment options in the long term, some people prefer investments that they can use and enjoy. For these people, classic cars are one way to have fun and make lots of money. In fact, over the last 30 or 40 years, the value of some

classic cars has risen far more than that of gold or other investments like houses. As an example, a 1972 Ferrari Dino 246 GT cost around \$13,000 in 1980 but was worth as much as \$450,000 in 2016. A 1955 Mercedes-Benz 300SL cost about \$36,000 in 1980 but is worth about \$1 million now. But neither of these cars compares to what is perhaps the best investment ever: a man in Tennessee bought the Aston Martin DB5 which was used in two of the James Bond films. This car cost just \$7,000 in 1980 but sold in 2010 for an incredible \$4.1 million! That is an incredible 20,000% increase!

- 4 In sum, the prospect of making lots of money through investing is very exciting, but one must never forget that investing is a risky business. Gold prices rise, but they also fall. Classic cars need to be kept in excellent condition to increase in value and, because fashions change, investors have to guess which car to invest in. If you are clever and lucky, you may make a big profit – but remember, there are no guarantees.



## WHILE READING

SKILLS

**Skimming for general ideas**

Skimming is the opposite of reading in depth. To skim a text, read it quickly to get a general idea of what it is about. Don't read every word. It is enough to read the title, the introductory paragraph, the concluding paragraph and perhaps the first sentence of each main body paragraph. It is also useful to look at any photos or diagrams in the text. Skimming is a particularly useful skill in academic reading.

## SKIMMING

- 3 Skim the article and the graphs on page 173. Tick the topics that the article discusses.

- |  |  |
|--|--|
| <input type="checkbox"/> causes of a recession       | <input type="checkbox"/> the stock market in 2016      |
| <input type="checkbox"/> two popular investments     | <input type="checkbox"/> classic cars as an investment |
| <input type="checkbox"/> the price of gold over time | <input type="checkbox"/> the risks of investing        |

READING FOR  
MAIN IDEAS

- 4 Look at your answers to Exercise 3. Find the main ideas and write them in the order that they appear in the reading.

Paragraph 1 \_\_\_\_\_  
 Paragraph 2 \_\_\_\_\_  
 Paragraph 3 \_\_\_\_\_  
 Paragraph 4 \_\_\_\_\_

## READING FOR DETAIL

- 5 Read the article. Answer the questions using information from the article. Remember that you can annotate the text as you read.

- Approximately how much did gold cost per ounce in 2009?  
\_\_\_\_\_
- In which year was the price of gold the highest? How much did it cost per ounce? \_\_\_\_\_
- According to forecasters, what will happen to the price of gold between now and 2025? \_\_\_\_\_
- How much did a Ferrari Dino 246 GT cost in 1980? \_\_\_\_\_
- What is a 1955 Mercedes-Benz 300SL worth now?  
\_\_\_\_\_
- How much did the Aston Martin used in the James Bond films sell for in 2010? \_\_\_\_\_

## READING BETWEEN THE LINES

## MAKING INFERENCES

- 6 Work with a partner. Discuss the questions.
- If you followed Warren Buffett's advice, would you invest in the stock market or in gold? Why?
  - Are classic cars a risky investment? Why / Why not?
  - As far as you know, what is the safest investment in general? Which investments do you think are the safest during a recession?

## DISCUSSION

- 7 Work with a partner. Discuss the questions.
- 1 Imagine that you and your partner have one million pounds to invest. How would you invest the money? Why?
  - 2 Are there any investments that you definitely would not make? Why would you choose not to invest your money in this way?
  - 3 If you could afford it, would you buy an Aston Martin DB5? Why / Why not?

## READING 2

### PREPARING TO READ

- 1 You are going to read an article about income and expenditure. Before you read the article, read the sentences (1–6) below and write the words in bold next to the definitions (a–f).
- 1 My family has a comfortable **standard of living**. We have enough money to pay for everything we need, and we are able to save a little bit of money every month.
  - 2 People who go to university usually have a higher **income** than people with only a secondary-school education.
  - 3 Housing is the biggest **expenditure** for most people. For instance, many Europeans pay 40% or more of their income in rent or house payments.
  - 4 The weather is one **factor** which influences the price of food. For example, if there is not enough rain, crops are smaller and the price of food goes up.
  - 5 Families with many children must spend a large **percentage** of their income on food and clothing.
  - 6 It is a good idea for workers to put some money into **savings** every month. Even putting a little aside each month can result in a large amount over time.
- a \_\_\_\_\_ (n pl) money that you put away, usually in a bank, for a later date
- b \_\_\_\_\_ (n) how much money and comfort someone has
- c \_\_\_\_\_ (n) one of the things that has an effect on a particular situation, decision, event, etc.
- d \_\_\_\_\_ (n) the total amount of money that a government or person spends on something
- e \_\_\_\_\_ (n) money that you earn by working, investing or producing goods
- f \_\_\_\_\_ (n) an amount of something, expressed as a number out of 100

### UNDERSTANDING KEY VOCABULARY



USING YOUR  
KNOWLEDGE

- 2 Work with a partner. Answer the questions.
  - 1 Do you think the standard of living in most developed countries has improved, got worse or stayed the same in the last 20 years?  
\_\_\_\_\_
  - 2 What factor or factors play an important role in people's standard of living? \_\_\_\_\_
- 3 Scan the article and check your answers.

## WHILE READING

## ANNOTATING

- 4 Read and annotate the article opposite. Look at page 85 for what to annotate.

READING FOR  
MAIN IDEAS

- 5 Choose the sentence which best summarizes the article.
  - a The article compares income and expenditure in the United States with the same factors in other developed countries.
  - b The article explains how falling incomes and rising expenditure has affected people's standard of living in recent years.
  - c The article describes five categories of expenditure which play a key role in determining people's standard of living.
  - d The article discusses how the so-called 'economic miracle' became a reality for Japanese people in the years during and following the Second World War.

## READING FOR DETAIL

- 6 Read the article again and choose the correct statement from each pair.
  - 1 a Incomes in the United States rose quickly in the 1970s, and have been increasing slowly since then.
  - b Incomes in the United States fell from the 1980s to the 2000s and have been increasing slowly since then.
  - 2 a Between 1999 and 2016, median income in the US stayed about the same.
  - b Between 1999 and 2016, median income fell by about 7%.
  - 3 a Between 2000 and 2016, Americans spent more on transport than they did on food.
  - b Between 2000 and 2016, Americans' biggest expenditure was housing.
  - 4 a Healthcare costs have stayed approximately the same in spite of rising hospital costs.
  - b Because of higher prices for prescription drugs and hospital stays, healthcare costs have increased.
  - 5 a Over the past two decades, people in developed countries have had less money to spend on entertainment and small luxuries like eating in restaurants.
  - b Over the past two decades, people in developed countries have been able to spend more money on entertainment and small luxuries like eating in restaurants.



# FALLING INCOME, RISING EXPENDITURE

- In almost every country and every culture, parents work hard to try to give their children a richer, more successful and more comfortable life than they had. For decades following the Second World War, this dream became a reality in many countries around the world. Possibly the best example is the Japanese 'economic miracle', when Japan, thanks to an extremely high rate of economic growth from the 1960s to the 1980s, developed into one of the world's strongest economies. Yet in Japan, as in other developed nations, many people today are not able to enjoy the same **standard of living** as their parents before them. This is because in recent years, **incomes** have declined while **expenditure** has risen. In effect, this means many people are actually poorer than they were 10 or 20 years ago.
- Falling incomes are the first cause of a declining standard of living. In the United States, for instance, incomes rose during the 1970s, began falling in the 1980s, and reached their low point during the Great Recession of 2007–2009. The years since then have seen a slow recovery; yet according to the US Census Bureau, the median<sup>1</sup> income in 2016 was \$59,039 – nearly the same as in 1999. Similarly, in the United Kingdom, the average household income of £25,700 in 2016 was nearly the same as that in 2007.
- The other key **factor** which influences people's standard of living is expenditure. Worldwide, prices for necessities such as rent and food have been rising. As an example,

Figure 1 shows the **percentage** of their income that Americans spent on five key categories between 2000 and 2016: housing, food, transport, entertainment and health. Until 2015, the costs in these five categories remained more or less stable. That is, Americans spent approximately 20% of their incomes on housing, about 10% on food, about 8% on transport, and around 3% each on entertainment and health. As the graph shows, most of these costs jumped in 2015 and have continued to rise.

- In the United States and in many other countries, the most important cause of rising expenditure over time is the high cost of housing. In many cities worldwide there is a critical shortage of houses and apartments to buy and rent. This has driven up costs. Also, healthcare costs continue to rise as prescription drugs and hospital costs have become more and more expensive. Transport and food prices have also increased significantly in recent years.
- In conclusion, the combination of rising prices and falling incomes has left many people with less spending power than they had in previous decades. Because consumers must pay more for essentials like food, healthcare and especially housing, they have less money for education, investment, **savings** and small luxuries like eating in restaurants. For many people, the dream of living in greater comfort and security than their parents must seem very distant indeed.

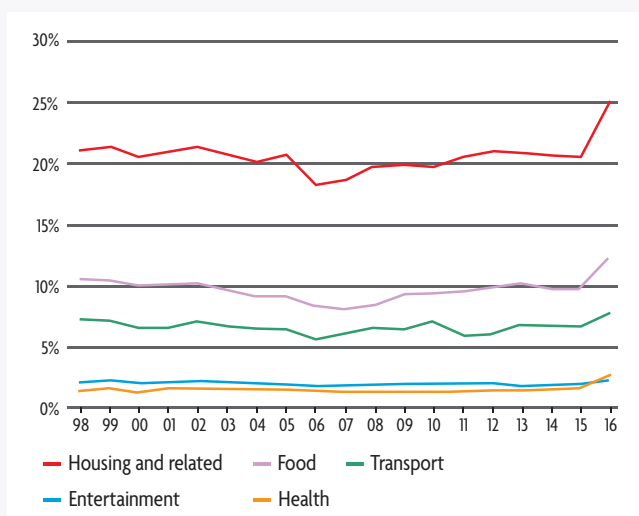


Figure 1

<sup>1</sup>**median** (adj) having a value that is exactly in the middle of a set of values arranged from largest to smallest

## MAKING INFERENCES

## READING BETWEEN THE LINES

7 Work with a partner. Answer the questions.

- 1 What are some examples of countries that became richer in the decades following the Second World War?  
\_\_\_\_\_
- 2 What are some causes of the shortage of housing in cities worldwide?  
\_\_\_\_\_
- 3 If the average American earned around \$59,000 in 2016, about how much did that person spend on housing?  
\_\_\_\_\_

## DISCUSSION

8 Work with a partner. Use ideas from Reading 1 and Reading 2 to answer the following questions.

- 1 Do people in most developed countries probably have more, less or about the same amount of money to invest as they did before the Great Recession of 2007–2009? Why?
- 2 If someone's income is falling and expenditure is rising, is it a good idea to try to make more money by investing in the stock market, gold, etc.? Why / Why not?
- 3 What has happened to income and expenditure in your country since 1996? Why?


 LANGUAGE DEVELOPMENT

## NOUNS AND ADJECTIVES FOR ECONOMICS

1 Use a dictionary to find the meanings of the words in the table and write the definitions.

noun	adjective
1 economy	economic
2 finance	financial
3 wealth	wealthy
4 poverty	poor
5 value	valuable
6 employment	employed
7 profession	professional
8 expense	expensive

