全国高职高专专业英语规划教材

Financial English

财经英语

李晓红　主编

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内容简介

本书选材新颖、点面结合、内容丰富、语言规范，练习兼具实用性和针对性。全书由十二个单元组成，分别介绍了货币及货币政策、国际货币体系、外汇、国际结算、国际金融组织等方面的知识与专业用语，每章配有词汇注释、短语注释、专业术语解释、知识背景介绍、语言练习，以及专业财经信息的时文辅助阅读。

本书是针对高职高专学生的专业英语教材，也可供电大、各类成人院校师生及广大专业人员学习专业英语使用。

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前　　言

在经济全球化和区域一体化的背景下，中国逐步建立了系统、完整的经济金融组织体系，尤其是入世后，中国进一步实施经济金融开放政策，加快了融入国际财经的步伐，经济全球化的态势日趋明显。当前中国的金融市场、金融机构、金融工具和金融创新正处于新的发展阶段，财经领域对其从业人员的英语水平也提出了更高的要求。中国的财经行业对掌握专业理论知识、具有国际视野、了解前沿理论、掌握财经业务操作能力的专业应用型双语人才的需求显得尤为迫切。因此，编写一本同时兼顾英语和财经知识的教材就显得十分必要。本教材在选材上既考虑到财经领域技术的新发展和新动向，又注重教材的实用性和趣味性。

《财经英语》一书是根据作者多年的教学和实践经验编写的，遵循新颖、实用、严谨的原则，努力突出“简洁明了、言简意赅”的特色。每一单元配有课文、词汇表、专业术语详解、语言练习(包括对课文的理解、短语的理解填空、专业术语填空和专业翻译)以及专业财经信息的时文辅助阅读，以利于读者通过阅读了解当前财经领域的最新变化。

本教材既适应高职高专教学的需要，也可供广大财经专业人员和英语爱好者使用；既能为广大财经专业学生提供学习参考，也能为金融从业人员提高涉外业务能力提供适当的素材。

本书共包括十二个单元，分别介绍货币及货币政策、国际货币体系、外汇、国际结算、国际金融组织等。第一单元和第十单元由孟凡本编写，第二单元和第九单元由赵海荣编写，第三单元由徐雨光编写，第四单元和第五单元由孟庆海编写，第六单元、第八单元和第十二单元由李晓红编写，第七单元和第十一单元由牛达编写。

由于编写时间紧迫，加上我们的专业知识水平有限，书中难免存在一些不足和遗漏，真诚地希望读者提出宝贵意见，以利于今后教材的修订。

编　者

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Money is the set of assets in the economy that people regularly use to buy goods and services from each other. The cash in your wallet is money because you can use it to buy a wonderful meal at a restaurant or a shirt at a clothing store. By contrast, if you happened to own most of Microsoft Corporation stocks, as Bill Gates does, you would be wealthy, but this asset, the stocks of Microsoft Corporation, is not regarded as a form of money. Because you could not buy a meal or shirt with this wealth without first obtaining some cash. From the economist's perspective, money includes only those few types of wealth that are regularly accepted by sellers in exchange for goods and services.

In the business context, we must distinguish the term of money from the terms of income, savings and wealth. Income is what you earn from working plus what you receive in interests, savings and dividends. It is a flow variable — that is , it is expressed per unit of time: weekly income, monthly income, or yearly income. Savings is that part of after-tax income that is not spent. It is also a flow. If you save 10% of income and your income is $3,000 per month, then you save $300 per month. Savings is sometimes used as a synonym for wealth — the value of what you have accumulated over time. Financial wealth, or simply wealth, is the value of all your financial assets minus all your financial liabilities. In contrast to income or savings which are flow variables, financial wealth is a stock variable. It is the value of wealth at a given moment of time. At a given moment of time, you cannot change the total amount of your financial wealth. You can do this only over time, as you save or dissave, or as the value of your assets changes. But you can change the composition of your wealth: you can, for example, decide to pay back part of your mortgage by writing a check on your checking account. This leads to a decrease in your liabilities and a corresponding decrease in your assets; but it does not change your wealth. Financial assets that can be used directly to buy goods are called money. Money includes currency and checkable deposits(deposits against which you can write checks). Money is also a stock, someone can have a large wealth but small money holdings, for example, $1,000,000 worth of stocks, but only $ 500 in his checking account, or someone can have a large income but small money holdings, for example,he may be paid $10,000 a month, but has a very small positive balance in his checking account.

II. The Origins and Kinds of Money

In the book of *A History of Money*: From Ancient Times to the Present Day, the author, Glyn Davies, writes "Money originated very largely from non-economic causes: from tribute as well as from trade, from blood-money and bride-money as well as from barter, from ceremonial and

religious rites as well as from commerce, from ostentatious ornamentation as well as from acting as the common drudge between economic men." The origins and kinds of money can be seen in the following four stages.

1. Stage One: Barter System

Before the development of a medium of exchange, people would barter to obtain the goods and services they needed. Barter is a type of trade in which goods or services are directly exchanged for other goods and /or services, without the use of money. It can be bilateral or multilateral, and usually exists parallel to monetary systems even in most developed countries, though to a very limited extent. Barter usually replaces money as the method of exchange in times of monetary crisis, when the currency is unstable and devalued by hyperinflation. The mechanism of barter works the following way: two individuals, each possessing a commodity the other wanted or needed, would enter into an agreement to trade their goods.

In order to unveil the working mechanism of barter, it is necessary to briefly introduce the origin and history of barter. In the early economic days, due to the improvement of productivity and specialization, exchange took place by trading one or more items directly for another, that is, through barter. An economy based on this method of exchange is referred to as a barter system. Goods were exchanged on a one-to-one basis with the intent that the value of the goods traded was of relatively equal value. Prior to the establishment of currencies, barter was the most accepted form of commerce. The equality of the value in a one-to-one barter is often an issue. While one-to-one barter is still practiced between individuals and businesses on an informal basis, organized barter exchanges have developed to conduct third party bartering. The barter exchange operates as a broker and bank and each participating member has an account which is debited when purchases are made, and credited when sales are made. With the removal of one-to-one barter, concerns over unequal exchanges are reduced.

This early form of barter, however, does not provide the transferability and divisibility that makes trading efficient. For instance, if you have cows but need bananas, you must find someone who not only has bananas but also the desire for meat. What if you find someone who has the need for meat but no bananas and can only offer you bunnies? To get your meat, he or she must find someone who has bananas and wants bunnies. The lack of transferability of bartering for goods, as you can see, is tiring, confusing and inefficient. But that is not where the problems end: even if you find someone with whom to trade meat for bananas, you may not think a bunch of them is worth a whole cow. You would then have to devise a way to divide your cow (a messy business) and determine how many bananas you are willing to take for certain parts of your cow.

2. Stage Two: Commodity Money

To solve these problems came commodity money, which is a kind of currency based on the value of an underlying commodity. Commodity money has been used throughout history until this century. Human beings were on a limited form of commodity money until 1970s, when all silver was removed from the half dollar. Silver was removed from quarters/dimes in 1970s. At this point, it is necessary for us to define the commodity money. The money with the form of commodity with intrinsic value is called commodity money. The term of intrinsic value means that the item would have value even if it were not used as money. One example of commodity money is gold. Gold has intrinsic value because it is used in industry and in the making of jewelry. Even though today we no longer use gold as money, historically gold has been a common form of money because it is relatively easy to carry, measure and verify for impurities. When an economy uses gold as money (or uses paper money that is convertible into gold on demand), it is said to be operating under a gold standard.

Another example of commodity money is cigarettes. In prisoner-of-war camps during World War II, prisoners traded goods and services with one another using cigarettes as the store of value, unit of account, and medium of exchange. In such case, even nonsmokers were happy to accept cigarettes in an exchange, knowing that they could use the cigarettes to buy other goods and services.

Other examples of commodities that have been used as mediums of exchange include silver, copper, salt, large stones, decorated belts, shells, alcohol, candy, barley, etc..

Although commodity money is more convenient than barter, and limited supply of precious metal can prevent inflation and stabilize the price level, the inconvenience of commodity money, due to the transport as a medium of exchange or a standard of deferred payment, can also easily be seen. Accordingly, notes began to circulate that a government or other trusted entity would guarantee as representing a certain stored value on account. This creates a form of money known as fiat money — the beginning of a long slow shift to credit money.

3. Stage Three: Fiat Money

Money without intrinsic value is called fiat money. A fiat is simply an order or decree, and fiat money is established as money by government decree. For example, compare the paper dollar in your wallet (printed by the U. S. government) and the paper dollars from the game of *Monopoly* (printed by the U.S Parker Brothers game company). Why can you use the first to pay your bill at a restaurant but not the second? The answer is the U.S. government has decreed its dollars to be

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valid money. Each paper dollar in your wallet reads: "This note is legal tender for all debts, public and private."

In the modern economic day, World War I set the stage for a collision between specie currency and fiat money. By this point, most nations had a legalized government monopoly on bank notes and the legal tender status. Therefore, in theory governments still promised to redeem notes in specie on demand. However, the costs of the war and the massive expansion afterward made governments suspend redemption in specie. Since there was no direct penalty for doing so, governments were not responsible for the economic consequences of "running the printing presses", and the 20th century found itself facing a new economic terror, that is, hyperinflation.

The economic crisis led to attempts to reassert currency stability by anchoring it to wholesale gold bullion rather than making it payable in specie. This money combined pure fiat currency in that the currency was limited to central bank notes and token coins with a form of convertibility via gold bullion exchange, or via exchange into US dollars which were convertible into gold bullion, under the Bretton Woods system.

Although the advantages of fiat money over the commodity money are obvious, the system is not absolutely flowless. Inflation is the one of modern economic crisis caused under the system. Inflation is an increase in the overall level of prices in the economy. The cost of inflation is immense. If you ask a typical person why inflation is bad, he will tell you that the answer is obvious: inflation robs him of the purchasing power of his hard-earned dollars. When prices rise, each dollar of income buys fewer goods and services. Thus, it might seem that inflation directly lowers living standard. The invisible hand causing inflation or hyperflation is not mysterious any more. Like other assets or goods, money's value is directly related to the supply of and demand for dollars. The greater the supply of dollars, the less valuable a $1 bill More money and higher prices reduce the purchasing power of money. Money's value (purchasing power) is inversely related to the supply of dollars and the price level. If money grows faster than the rate of real output, prices will rise, inflation will rise, and the value of money will fall. Inflation is caused by "too much money chasing too few goods." "Inflation is always and everywhere a monetary phenomenon."

4 .Stage Four: Credit Money

Credit money is any future claim against a physical or legal person that can be used for the purchase of goods and services. Examples of credit money include personal IOUs, and in general any financial instrument (such as a treasury bond, savings bond, corporate bond or bank money market account certificate) which is not immediately repayable (redeemable) in specie, on

demand.

Credit money is naturally used as money, and may even be the primary type of money. Banknotes which are not backed by specie, whether or not they are legal tender, are credit money, inasmuch as they are simply promissory notes issued by a certain bank, or system of banks.

III. The Functions of Money

Money has three functions in the economy: a medium of exchange, a unit of account, and a store of value. These three functions together distinguish money from other assets.

A medium of exchange is an item that buyers give to sellers when they want to chase up goods and services. When you buy a shirt at a clothing store, the store gives you the shirt, and you give the store your money. This transfer of money from the buyers to the seller allows the transaction to take place. When you walk into a store, you are confident that the store will accept your money for the items it is selling because money is the commonly accepted medium of exchange.

A unit of account is the yardstick people use to post prices and record debts. When you go shopping, you might observe that a shirt costs $20 and a hamburger costs $2. Even though it would be accurate to say that the price of a shirt is 10 hamburgers and the price of a hamburger is 1/10 of a shirt, prices are never quoted in this way. Similarly, if you take out a loan from a bank, the size of your future loan repayments will be measured in dollars, not in a quantity of goods and services. When we want to measure and record economic value, we use money as the unit of account.

A store of value is an item that people can use to transfer purchasing power from the present to the future. When a seller accepts money today in exchange for a good or service, can hold the money and become a buyer of another good or service at another time. Of course, money is not the only store of value in the economy. A person can also transfer purchasing power form the present to the future by holding stocks, bonds, real estate, art, or even baseball cards. The term wealth is used to refer to the total of all stores of value, including both money and nonmonetary assets.

Case Study: Where Is All the Currency?

One puzzle about the money stock of the U.S. economy concerns the amount of currency. In 1996 there was about $ 380 billion of currency outstanding. To put this number in perspective, we can divide it by 200 million, the number of adults (aged sixteen and over) in the United States.

This calculation implies that the average adult holds about $1,900 of currency. Most people are surprised to learn that our economy has so much currency because they carry far less than this in their wallets.

Who is holding all this currency? No one knows for sure, but there are two plausible explanations.

The first explanation is that much of the currency is being held abroad. In foreign countries without a stable monetary system, people often prefer U.S. dollars to domestic assets. It is, in fact, not unusual to see U.S. dollars being used overseas as the medium of exchange, unit of account, and store of value.

The second explanation is that much of the currency is being held by drug dealers, tax evaders, and other criminals. For most people in the U.S. economy, currency is not a particularly good way to hold wealth. Currency can be lost or stolen. Moreover, currency does not earn interest, whereas money in a bank account does. Thus, most people hold only small amounts of currency. By contrast, criminals may prefer not to hold their wealth in banks. A bank deposit would give police a paper trail with which to trace their illegal activities. For criminals, currency may be the best store of value available.

IV. The Monetary Policy and Money Supply

Monetary policy is the process by which the government, central bank, or monetary authority of a country controls the supply of money, availability of money, and cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy. Monetary theory provides insight into how to draft optimal monetary policies.

Monetary policy rests on the relationship between the rates of interest in an economy, that is the price at which money can be borrowed, and the total supply of money. Monetary policy uses a variety of tools to influence outcomes like economic growth, inflation, exchange rates with other currencies and unemployment.

1. The Types of Monetary Policies

In practice, all types of monetary policy involve modifying the amount of base currency (M_0) in circulation. This process of changing the liquidity of base currency through the open sales and purchases of government-issued debt and credit instruments is called open market operations.

The distinction between the various types of monetary policy lies primarily with the set of instruments and target variables that are used by the monetary authority to achieve their goals.

The objectives of various monetary policies are shown in the following table.

Table 1 Monetary policy and its long term objectives

Monetary policy	Target market variable	Long term objective
Inflation Targeting	Interest rate on overnight debt	A given rate of change in the CPI
Price Level Targeting	Interest rate on overnight debt	A specific CPI number
Monetary Aggregates	The growth in money supply	A given rate of change in the CPI
Fixed Exchange Rate	The spot price of the currency	The spot price of the currency
Gold Standard	The spot price of gold	Low inflation as measured by the gold price
Mixed Policy	Usually interest rates	Usually unemployment + CPI change

2. Money Supply and Money Stock

In economics, money supply is the total amount of money available in an economy at a particular point in time. There are several ways to define "money", but each includes currency in circulation and demand deposits.

Since most modern economic systems are regulated by governments through monetary policy, the supply of money is broken down into types of money based on how much of an effect monetary policy can have on each. Narrow measures include those more directly affected by monetary policy, whereas broader measures are less closely related to monetary-policy actions. The different types of money are typically classified as Ms. The number of Ms usually ranges from M_0 (narrowest) to M_3 (broadest), but which Ms are actually used depends on the system. The typical layout for each of the Ms is as follows

M_0: currency (notes and coins) in circulation and in bank vaults, plus reserves which commercial banks hold in their accounts with the central bank (minimum reserves and excess reserves).

M_1: currency in circulation + checkable deposits (checking deposits, officially called demand deposits, and other deposits that work like checking deposits) + traveler's checks. M_1 represents the assets that strictly conform to the definition of money, i.e. assets that can be used to pay for goods or services or to repay debts.

M_2: M_1 plus savings deposits + small time deposits + money market mutual funds. M_2 represents money and "close substitutes" for money. M_2 is a key economic indicator used to forecast inflation.

M_3: M_2 plus large time deposits, institutional money-market funds, short-term repurchase

agreements, along with other larger liquid assets.

3. Money Supply and the Costs of Inflation

At this point, we need to briefly discuss the relationship between money supply, inflation, and the costs of inflation. What determines the value of money? The answer to this question is supply and demand. Just as the supply and demand for bananas determines the price of bananas, the supply and demand for money determines the value of money. In this text, we ignore the effect of money demand over the value of money, and only focus on that of money supply over the value of money. Price inflation is commonly thought to be caused by "too much money chasing too few goods." The general price level is indeed correlated with the money supply. Therefore, with other things being equal, the excessive money supply would result in the problem Therefore of inflation.

Why is the problem of inflation serious in the modern society? Now, we briefly introduce the costs of inflation. The costs of inflation fall into the following categories: the first one is ***the shoeleather costs***. Shoeleather costs are the resources wasted when inflation encourages people to reduce their money holdings. When inflation occurs, you have to go to the bank more often because inflation lowers the value of money. With the same amount of money, you would buy less food or something else. For example, during inflation you might withdraw $50 once a week rather than withdrawing $200 every four weeks. By making more frequent trips to the bank causes your shoes to wear out more quickly. Of course, this term is not to be taken literally: the actually cost of reducing your money holdings is not the wear and tear on your shoes but the time and convenience you must sacrifice to keep less money on hand than you would if there were not inflation.

The Second one is ***menu costs***. Menu costs are the costs of changing prices. Normally, most firms do not change the prices of their products every day. Instead, firms offen to announce prices and leave them unchanged for weeks, months, or even years. One survey found that a typical U.S. firm changes its prices about once a year. Firms change prices infrequently because there are costs of changing prices. The term of menu costs derives from a restaurant's cost of printing a new menu. Menu costs include the cost of printing new price lists and catalogs, the cost of sending these new price lists and catalogs to dealers and customers, the cost of advertising the new prices , the cost of deciding on new prices, and even the cost of dealing with customer annoyance over price changes. However, during the inflation firms have to change their prices in the menu frequently, daily or even more often, to keep up with all the other prices in the economy.

The last one we mention in the text is ***the relative-price variability and the misallocation of***

resources. Suppose that you print a new menu with new prices every January and then leave its prices unchanged for the rest of the year. If there is no inflation, your relative prices – the prices of its meals compared to other prices in the economy – would be constant over the course of the year. By contrast, if the inflation rate is 12 percent per year, your relative prices will automatically fall by 1 percent each month. The restaurant's prices will be relatively high in the early months of the year, just after it has printed a new menu, and relatively low in the later months. And the higher the inflation rate becomes, the greater this automatic variability is. Thus, because prices change only once in a while, inflation causes relative prices to vary more than they otherwise would. Why does this matter? The reason is that market economies rely on relative prices to allocate scarce resources. Consumers decide what to buy by comparing the quality and prices of various goods and services. Through these decisions, they determine how the scarce factors of production are allocated among industries and firms. When inflation distorts relative prices, consumer decisions are distorted, and markets are less able to allocate resources to their best use.

Case Study: Money in the U.S. Economy

The quantity of money circulating in the economy, called the money stock, has a powerful influence on many economic variables. But before we consider why that is true, we need to ask a preliminary question: what is the quantity of money? In particular, suppose you were given the task of measuring how much money there is in the U.S. economy, what would you include in your measure?

The most obvious asset to include is currency – the paper bills and coins in the hands of the public. Currency is clearly the most widely accepted medium of exchange in our economy. There is no doubt that it is part of the money stock.

Yet currency is not the only asset that you can use to buy goods and services. Many stores also accept personal checks. Wealth held in your checking account is almost as convenient for buying things as wealth held in your wallet. To measure the money stock, therefore, you might want to include demand deposits – balances in bank accounts that depositors can access on demand simply by writing a check.

Once you start to consider balances in checking accounts as part of the money stock, you are led to consider the large variety of other accounts that people hold at banks and other financial institutions. Banks depositors usually can not write checks against the balances in their savings accounts, but they can daily transfer funds from savings into checking accounts. In addition,

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