



Supplementary Exercises for

Chapter 4

Economy Terrorized

I. Questions on the text:

1. What is the meaning of Main Street in subtitle?
2. What is meant by “put a price on the terror attacks”?
3. What is the response in the stock market to terrorist attack?
4. What changes have taken place in terms of ad language?
5. What will happen to future insurance premium?

II. Read the following text and choose the best sentence from A to H below to fill in each of the gaps in the text.

Trillions of dollars were lost in the week the Wall Street stockmarket re-opened after the September 11 attacks. Job losses soon hit six figures with airlines announcing huge sackings as flights were grounded and fear of hijackings took hold. 1) _____.

2) _____ By March 2001, the high-tech Nasdaq index had already fallen by more than 65 percent from its peak a year earlier. World demand for agricultural products had not recovered from the 1997-1998 Asian crisis and the price of many products was still lower than before the crisis. There were large trade imbalances across the developed countries and increased instability of exchange rates.

Typically, in a crisis the smaller or less profitable companies go to the wall or are swallowed up by bigger corporations which are better equipped to weather the storm. That can be seen at present in the airline industry; as companies go under those remaining will consolidate into greater monopolies. 3) _____ There is talk of Germany's Siemens and America's Motorola combining their mobile telecoms, and Sweden's Ericsson is already combining its loss-making mobile-telephone business with Japan's Sony.

As much as the cheerleaders for capitalism like to claim it is a system of free competition, the situation has changed since the end of the nineteenth century. By 1900 monopolies had come to dominate in all the major capitalist countries. 4) _____ Monopolies have competitive struggles but they usually end in agreement between the monopolies with division of the spoils between them, with the stronger monopoly getting the chief pickings.

The events of September 11 came at a time when the world economy was on the brink of a sizeable recession. The reaction to the events has sent the economy into a steep decline particularly in the US. 5) _____

The Bush Administration is putting together an 'economic stimulus package' of tax cuts and extra government spending, but it is not likely to have much impact simply because the gigantic economy has taken such a dive.

The capitalist economists have been forced to recognize the economic decline, but most are forecasting a quick recovery. 6) _____ They tend to treat economics as a psychological phenomena and believe that it all comes down to confidence. They dare not speak about long term depression because that could knock confidence.

1. Merger mania is back again and telecoms which were hit hard by the high-tech slump earlier on are now looking to mergers for survival.
2. This came on top of an already declining world economy.
3. Monopoly grew out of free competition and created giant conglomerates which dominated whole branches of industry.
4. Much of that is wishful thinking, not based on objective analysis of the economic data.
5. This will have a profound effect on the rest of the world because the US is such a huge part of the world economy.
6. Sharemarkets around the world slumped with such severity that analysts were forced to make comparisons with the big bang of 1929 which heralded the great depression.

III. E-C Translation:

1. And expensive new technologies and procedures will be adopted “to put the civil system on a war footing against terrorism,” says Aerospace Industries Association president John Douglass. The only good news: Passengers will see a flurry of cheap tickets as carriers try to lure shell-shocked customers back to the skies.
2. Restoring consumer confidence is a top priority for Greenspan and Congress, given that consumer spending accounts for about two thirds of the nation’s total output. To that end, the Fed has been flooding the markets with cash.
3. For a brief time, the terrorist attacks markedly disrupted payment transfers, leaving those counting on receiving payments caught short. Those needs ultimately were met by the Federal Reserve, both through record lending at the discount window and through an extraordinary infusion of funds through open-market operations.
4. Recovery in the United States is expected to materialize in the second half of 2003 and to provide a stimulus to growth elsewhere. The depreciation of the dollar in early 2003, if sustained, will reinforce this recovery in the United States but will reduce the extent of the stimulus that United States growth provides to the rest of the world. Nevertheless, there will be an acceleration in the growth of world trade, to the benefit of all countries. Many developing countries are also benefiting from improved, albeit still historically low, commodity prices and some have the advantage of lower interest rates in international capital markets.

IV. Key to Exercises

1. Exercise II:

- 1) F 2) B 3) A 4) C 5) E 6) D

2. Exercise III:

1. 航天工业协会主席约翰·道格拉斯说，“将采用价格昂贵的新技术并通过一系列程序，使民用系统处于反恐的战争状态。”唯一的好消息是，旅客将会看到航空公司竞相推出低价票，以吸引被爆炸吓坏了的旅客重回蓝天。



2. 考虑到消费支出占到国家整个支出的三分之二，恢复消费信心是格林斯潘和国会的头等大事。为此目的，美联储大量投放现金，都快把市场淹了。
3. 短期内，恐怖袭击明显扰乱了支付的转移，使得那些指望汇款到帐的机构一时手头很紧。这些需求最终由联邦储备通过在贴现窗口创纪录的借贷和开放式市场的操作注入非常资金得以解决。
4. 美国的恢复可望在 2003 年下半年得以实现从而刺激其他地区的增长。2003 年初美元的贬值，如能持续的话，将巩固这次美国的复苏但却会减少美国对世界其他地区增长的刺激。不过，仍然世界贸易增长将会加速，使所有国家受益。许多发展中国家同时也从上升的、虽然从历史来看仍然很低的、初级产品价格中获益，而且有些发展中国家在国际资本市场上具有低利率的优势。