

Answer the following questions.

1. How is the physical efficiency measured?
2. How is technical efficiency measured in industry?
3. How is economic efficiency revealed in everyday life?
4. What is the relation between technical and economic efficiency?

Define the following words and expressions.

ratio	efficiency
fully employ	purchase
entire	utilization
deliver	income
achieve	available
standard	concept

ECONOMIC GOALS

1. ***Economic growth*** – to provide a higher living standard for the citizens.
2. ***Full employment*** – everybody who wants and able to work should be provided with it.
3. ***Economic efficiency*** – to get maximum benefit with minimum costs.
4. ***Stable level of price*** – to avoid significant increase or decrease in prices (inflation or deflation)
5. ***Fair distribution of income*** – people shouldn't be divided into extremely rich and extremely poor.
6. ***Economic freedom*** – everybody involved in business or production should possess high level of freedom.
7. ***Economic security*** – those who are unable to work should be provided with a system of allowances.
8. ***Trade balance*** – the reasonable international trade balance and international financial transactions must be supported.

1.11. A BRIEF HISTORY OF TAX

Tax collectors may be one of the oldest professions in the world. The Bible records that Jesus Christ offered his view on a tax matter, and **converted a prominent** taxman. In its early days taxation didn't always involve handing over money. The ancient Chinese paid with pressed tea, and tribesmen in the Amazon region **stumped up** shrunken heads. As the price of their citizenship ancient Greeks and Romans could be called on to serve as soldiers, and had to supply their own weap-

ons-a practice that was still going strong in feudal Europe. As Ferdinand Grappenhau writes in his "Tax Tales", the origin of modern taxation can be **traced** to wealthy subjects paying money to their king **in lieu** of military service.

The other early source of tax **revenue** was trade, with **tolls** and customs duties being collected from travelling merchants. The big advantage of these taxes was that they fell mostly on visitors rather than residents. One of earliest taxes **imposed** by England's Parliament, in the 13th century, was "tonnage and poundage" on wine, wool and leather, **targeted at** Italian merchants.

Sometimes rulers went a little over the top. **Excessive** taxation was one reason why King Charles I of England lost his head. Many of those guillotined during the French Revolution of 1789 were much – resented private tax collectors. And the Boston Tea Party was a protest by American patriots against the tea tax imposed by their British rulers.

Income tax, the biggest source of government funds today, is a relatively recent invention. Governments preferred to tax things that were easy to measure and therefore to calculate liability on. That is why early taxes concentrated on **tangible items** such as land and property, physical goods, commodities and ships, or the number of windows or fireplaces in a building. The first income tax was **levied** in 1797 by the Dutch Republic. Britain followed in 1799.

Like most new taxes, they were introduced as temporary measures to finance war efforts. What stands out about the 20th century – and particularly its second half- is that governments around the world have been taking a growing share of their countries' national income tax, mainly to pay for ever more expensive defence effort and for a modern welfare state. Taxes on consumption, such as the sales tax that is a big source of revenue for America's state and local governments, and the value – added tax (VAT) on goods and services in Europe, have become increasingly important. Big differences between countries remain in the overall level of tax. America's tax revenues **amount** to around one – third of its Gross Domestic Product (GDP), **whereas** Sweden's are closer to half. There are also big differences in the methods of collecting it, the rates at which it is levied and the definition of the "tax base."

Answer the following questions.

1. Discuss the text and note the main historical steps of the development of taxes.
2. How did the ancient Chinese pay their taxes?
3. How was the tax problem decided in the ancient Greece and Rome?
4. What was the advantage of the taxes imposed on the travelling merchants?
5. How do you understand the expression "tonnage and poundage"?
6. Why is the income tax the biggest source of government funds today?