УЧЕБНО-МЕТОДИЧЕСКОЕ ПОСОБИЕ

c учебнику

“ECONOMICS” by Yates

dля студентов 1 курса

Москва 2010
ПРЕДИСЛОВИЕ

Настоящее пособие является дополнением к учебнику 'Economics' by Christopher St J. Yates, который содержит большое количество специальной лексики, но не предлагает достаточного количества тренировочных упражнений для ее закрепления.

Данное пособие ставит своей задачей помочь студентам более эффективно усваивать экономические термины и оперировать ими в речи.
UNIT 1.
THREE ECONOMIC ISSUES

I. Find the following words and word-combinations in the texts and translate them into Russian.

a) an instruction manual; to make sense; to allocate scarce resources; oil and its derivatives; basic inputs; household products; utensils; in comparison with; cheap and abundant; abrupt change; to encourage; on an assumption; cutbacks in the quantity demanded; small reduction in sales; the upheaval price shocks inflicted; commuters form car-pools; to bid up prices; to contemplate solar energy; a shift away from expensive oil-using products towards less oil-intensive substitutes; ripples throughout the entire economy; price slump persists

b) governments provide such services as national defence; the administration of justice; social security; to impose taxes; residual component; to raise tax revenues; correspondingly; the scale of governmental activity; the government ensures...; the regulations the government imposes; safety requirements; to make the economy inefficient; it is commonly asserted

II. Find in the texts English equivalents for the following:

a) использование нефти неуклонно росло; предметы домашнего обихода; экономическая деятельность; увеличить(поднять) цену; экономить на чем-то; предвидеть, предсказывать; быть зависимым от нефти; существенное повышение цен; искусственные заменители; реагировать на цены; увеличиваться в шесть раз; производственный процесс; экономичное воздушное судно; размышлять, обдумывать; выросший (увеличеншийся) доход; сложная, взаимозависимая система; возмущение, беспокойство (сбой); расширяться; сокращаться; привлекать дополнительные трудовые ресурсы

b) налоговая политика правительства; рассмотреть более подробно; противопожарная служба; осуществлять трансферные платежи; пособия по безработице; продовольственные карточки; расходы правительства финансируются путем налогообложения; правительственный заем; в конце концов, наконец; выплаты по социальному обеспечению; гарантировать

III. Explain in English what is meant by:

economic activity was organized on the assumption of cheap and abundant oil; oil price shocks; people respond to prices; every firm will try to reduce its use of oil-based products; a disturbance anywhere in the economy ripples throughout the entire economy; scarce resource; necessities of life; world income distribution; major oil countries; transfer payments; the government affects the three central economic questions

IV. Listening
1. Listen to the lecture in parts, answering questions in the textbook.
2. Listen to the lecture, making notes.
V. Insert the suitable words into the gaps:

adjustments; vital; central-heating; economics; to maximize; oil-producing; oil price shocks; economic; wide-ranging; functioning; affected; goods and services; resources; sufficient; arises; science; scarcity; available; to satisfy; response

1)______ is the social science concerned with how 2)______ are used 3)______ people’s wants. The 4)______ of economics 5)______ from the need to overcome 6)______. The resources 7)______ for production are not 8)______ to satisfy all our wants. We need therefore to use them in such a way as 9)______ output. As a result, decisions must be made either by society or by individuals, on three 10)______ issues: what 11)______ are to be produced, how these goods and services are to be produced, and for whom they are to be produced. Economics is about these three issues and the decisions, surrounding them, which are so 12)______ to the 13)______ of any society.

In a market economy these decisions are 14)______ by prices. This was well illustrated by the 15)______ of 1973-74 and 1979-80, which had 16)______ repercussions for our three issues of what, how, and for whom. Smaller cars and gas-fired 17)______ became more popular; firms looked for techniques of production which were less reliant on oil; the 18)______ countries became relatively better off. All this was in 19)______ to price changes. Further 20)______ would be expected to have followed the sharp fall in world oil prices in 1986.

VI. Say whether the following statements are true or false. Extend your ideas.

1. Economics cannot claim to be a «science» since it is incapable of controlled laboratory experiments.
2. The oil price shocks of 1973-74 and 1979-80 had no effect on what was produced in European countries.
3. The OPEC oil price shocks have become known as they took the rest of the world by surprise and stopped the world economy performing.
4. Due to the oil price shocks economic activities throughout the world have contracted.
5. Transfer payments are a means by which governments influence for whom goods and services are produced.
6. Governments should never intervene in the working of the economy.
7. Imposing high taxes, say, on tobacco government reduces the demand for this good but raises revenue.
8. Payments of the Council Tax and Nurses pay are examples of transfer payments.
9. Transfer payments are made on welfare grounds.
10. An important role for governments in all societies is to establish the rules by which economic activity will be conducted.
VII. Translate into English.

1. Мы можем рассматривать цены как ключевой элемент для уравновешивания спроса на товары и услуги и имеющегося предложения.

2. Один из наиболее важных вопросов экономики сегодня - это неравенство в распределении дохода как между государствами так и между индивидами в государстве.

3. Внезапное повышение цен в 1973-74 и 1979-80 годах значительно повлияло на мировую экономику, заставив производителей приспосабливаться к новым экономическим условиям.

4. До 1973 года экономическая деятельность во всех странах базировалась на предположении о том, что нефть является дешевым и избыточным продуктом. Резкое изменение ситуации в результате внезапного повышения цен на нефть привело к перевороту в мировой экономике.

5. Чтобы преодолеть проблему недостаточности (нехватки) ресурсов, экономике приходится сосредотачиваться на том виде экономической деятельности, где она функционирует наиболее эффективно.

6. Разные экономические системы мира резко отличаются друг от друга по соотношению ролей правительства и рынка в управлении экономикой. Помимо финансирования государственного сектора производства правительство осуществляет ряд программ социального страхования и социального обеспечения.

7. Рыночная система представляет собой сложную, запутанную систему связей, посредством которой бесчисленные свободно выбранные решения учитываются и взаимно уравновешиваются.

8. Ряд экономистов утверждает, что стремление осуществить большее равенство в распределении доходов может ослабить стимулы к труду, к инвестированию, техническому прогрессу, т.е. затормозить экономический рост страны.

9. На прошлой неделе цены на нефть немного выросли после того, как король Саудовской Аравии Фадх заявил, что его страна готова сократить добычу нефти.

10. Страны ОПЕК заявляют, что они несут ответственность за цены на нефть на мировом рынке и отвечают за его стабильность.

11. Экономическая теория использует логический анализ, в основе которого лежат экономические принципы, чтобы объяснить события, предвосхитить возможные последствия и рекомендовать тот или иной способ действий.

VIII. Speaking.

1. You’re participants of the OPEC summit debating the problem of the price rise.

2. You’re debating the problem of high taxes.
IX. Match the words (1 – 5) with their corresponding definitions (a – e):

1. commodity
2. revenue
3. slump
4. shift
5. substitute

a. a change in the way people think about something, in the way something is done
b. a product that can be sold to make a profit, especially one in its basic form before it has been used or changed in an industrial process
c. something new or different that can be used instead of something else
d. a sudden fall in the price, value, or number of something
e. money that a business or organization receives over a period of time, especially from goods and services

X. Match the words in the left-hand column with their synonyms.

1. eventually a goal
2. target b damage
3. inflict c consider
4. profitable d finally
5. contemplate e lucrative

XI. Complete the sentences using prepositions from the box.

<table>
<thead>
<tr>
<th>to (x2)</th>
<th>by</th>
<th>for (x2)</th>
<th>up</th>
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1. The recent rise (1) ____ overseas investment has been good for the economy.
2. Directors allocated $100 million (2)____ the search for oil.
3. Health insurance can provide (3) ____ loss of income through illness or accident.
4. New machines were brought in to economize (4) ____ labour.
5. If the pound continues at this level our exporters can’t compete (5) ____ sales across the Atlantic.
6. Around $2 billion is exchanged (6) ____ chips in casinos every year.
7. The shift (7) ____ private (8) ____ institutional shareholders has gone unnoticed.
8. Investors have bid (9) ____ the company’s shares about 25% despite disappointing operating results.
9. Manufacturing output increased (10) ____ 0.6% in July.

**XII. Read the text and choose the correct word or words from A, B, C or D to fill in each gap.**

**Edible oil prices**

Navinbhai Shah, President of the Bombay Oilseeds and Oil Exchange, reported this week that edible oil prices have remained high in India throughout the summer. According to Mr Shah, this is because (1) ____ of festivals such as Dussehra and Diwali are taking place and the (2) ____ for edible oils is always at its greatest at this time. Shah predicts, however, that (3) ____ are likely to fall next month when the new oilseed crop starts arriving.

Traders said palm oil was (4) ____ at Rs 27,000 a tonne in the domestic markets, while groundnut oil fetched the higher price of Rs 35,000 a tonne. Industry officials said domestic edible oil prices had also (5) ____ in line with Malaysian palm oil prices. Malaysian prices have (6) ____ because it seems that El Nino, which is a weather phenomenon that can disrupt weather worldwide, had (7) ____ the oilseed crop in some parts.

The new oilseed crop normally starts arriving from late October, and imports start to come down from November as domestic (8) ____ increase. The government (9) ____ that the winter oilseed output will be about 13.46 million tones (10) ____ with more than 14 million tones the previous year.

1. A the majority     B a number   C the number     D the amount
2. A order           B enquiry    C demand       D request
3. A costs           B values     C interests    D prices
4. A stated          B quoted    C told         D repeated
5. A risen           B burst     C expanded    D gained
6. A raised          B elevated  C gone up     D highlighted
7. A broken          B injured  C effected    D affected
8. A numbers        B supplies   C records    D issues
9. A calculates     B intends    C values     D recommends
10. A confronted    B measured   C compared   D assessed
Важную роль в ценообразовании на современном мировом рынке нефти продолжает играть ОПЕК — Организация стран — экспортеров нефти (Organization of Petroleum Exporting Countries, OPEC). Она была создана 10 сентября 1960 г., когда в Багдаде собрались представители пяти наиболее богатых нефтедобывающих государств (Ирака, Ирана, Кувейта, Венесуэлы и Саудовской Аравии) и подписали договор о создании ОПЕК, целью которой является защита интересов своих членов в условиях постоянно растущей конкуренции. За прошедшие 40 лет эта организация, несомненно, стала самым влиятельным участником на мировом нефтяном рынке.

Еще в 60-х годах началась трансформация мирового нефтяного рынка, переход от старой классической монополистической структуры к современной свободной системе. Закончилась эта эволюция только к середине 80-х годов. Переход привел не просто к нестабильности — он сопровождался рядом серьезных кризисных потрясений, которые задели и ОПЕК. В декабре 1985 г. мировая цена на нефть была около 28 долларов за баррель, а через полгода, в середине 1986 г., она упала до 8 долларов.

Столь резкий обвал мировых цен побудил ОПЕК провести серьезную реорганизацию и отказаться от прежней схемы, когда ее члены продавали столько нефти, сколько могли производить, а балансировкой спроса и предложения на рынке занималась практически одна Саудовская Аравия. С сентября 1986 г. ОПЕК вернулась к практике ограничения своей нефтедобычи путем жесткого установления квот для каждого ее члена.


Объемы международной торговли нефтью за последние 30 лет также неуклонно росли, причем вследствие уменьшения собственной добычи и увеличивающейся потребности импорт нефти в США только за последние 10 лет увеличился более чем на 65%. Крупнейшими мировыми странами-экспортерами являются Саудовская Аравия, Россия, Норвегия, Иран, суммарная доля которых в поставках нефти на мировой рынок составляет чуть менее 40% и в последние годы оставалась практически неизменной.

XIV. Answer the following questions.

1. What are the current trends in oil price levels?
2. To what extent is Russia’s economy dependent on oil prices?
3. What was the highest price of oil over the last decade?
4. How significant is the role of the government in the economy of Russia?
5. Can we call Russia a small-government country?
UNIT 2.
THE PRODUCTION POSSIBILITY FRONTIER

I. Find the following word-combinations in the texts and translate them into Russian.
to consider a hypothetical economy; the more workers there are, the greater is the total output; the production satisfies the law of diminishing returns; implicitly; fixed amount; exhibit; at one extreme; spare resources; yielding 7 extra units; no loss of food output; limits society to a choice; the competing uses

II. Find in the texts English equivalents for the following:
либо в пищевой промышленности, либо в киноиндустрии; допускать, предполагать; приводит к тому, что...; что подразумевает закон убывающей производительности (убывающей отдачи); иметь в распоряжении; аппаратура, оборудование; занятость; рабочая сила; граница производственных возможностей; не жертвуя выпуском другого продукта; все имеющиеся ресурсы; неэффективный; недостижимый; в зависимости от предпочтения общества; выбирая конкретную точку; желаемое сочетание конечного продукта

III. Say what is meant by:
a hypothetical economy; the law of diminishing returns; the effect on output per worker; there is a trade-off between two industries; production possibility frontier; spare resources; feasible combination of goods; inefficient performance of the economy; unattainable points; scarcity of resources limits society to a choice of points that lie inside or on the production possibility frontier

IV. Listening
1. Listen to the lecture in parts, answering the questions in the textbook.
2. Listen to it again, taking notes.
3. Give an explanation of the diagram you’ve drawn.

V. Fill in the gaps with the suitable words.
efficiency; insufficient; alternative; to curve; to sacrifice; limited resources; trade-offs; scarce resources; benefits; outputs; production possibility frontier; economic tools; issues; to utilize; to determine; available; efficient; scarcity; to allocate; to resolve

Because resources are 1)_____ to produce all the things we want, we have to choose how best to use those resources. In deciding how to use our 2)_____ certain 3)_____ are necessary.

The value of what we 4)_____ when resources are used to produce one thing rather than another is the opportunity cost of what is produced. In order to get the greatest 5)_____ from our
6)______, we should use them for the 7)______ that best serve our needs. If we don’t, then the opportunity costs of what we produce will be too high.

A 8)______ shows a trade-off between two alternative uses of a resource. The PPF shows the opportunity cost of producing more of one good by showing the amount of the 9)______ good that is sacrificed. Production possibility frontiers generally 10)______ outward because of increasing opportunity costs incurred as more of one good is produced. Production possibility frontiers are 11)______ helpful in analyzing the opportunity costs of trade-offs.

All economic systems must 12)______ three basic economic 13)______: what to produce, how to produce; for whom to produce. 14)______ cannot be efficiently dealt with unless the economy 15)______ its resources to producing the goods and services most needed and desired. An economic system needs also 16)______ the most 17)______ production methods with the resources 18)______. Finally, an economic system must 19)______ who gets how much of what is produced.

There are four principally economic goals by which the effectiveness of an economy can be judged: 20)______, price stability, full employment and growth.

VI. Say whether the following statements are true or false.

1. An expansion of an economy’s capacity to produce would be reflected in an «outward» movement of the production possibility frontier.

2. An economy in which there’s unemployment is not producing on the production possibility frontier.

3. The assumption of diminishing returns states that, as more resources are devoted to the production of a commodity, their productivity declines.

4. When more output of one good can be achieved only by sacrificing output of the other good the economy works inefficiently.

5. For each level of output of one good the PPF shows the maximum amount of the other good that can be produced.

6. Scarcity of resources limits society to a choice of points that lie beyond the PPF.

7. The production possibility frontier shows feasible combinations that the economy can produce.

8. Feasible combination implies more of one commodity at the expense of the other.

9. People increase their work effort and accept less leisure only if they receive a sufficient addition to consumption.

10. A technological advance leads to an upward shift of the PPF.
VII. Tasks for thought.

1. A tribe living on a tropical island includes five workers whose time is devoted either to gathering coconuts or to collecting turtle eggs. Regardless of how many other workers are engaged in the same occupation, a worker may gather either 20 coconuts or 10 turtle eggs a day.
   a) Draw the production possibility frontier for coconuts and turtle eggs.
   b) Suppose that a new climbing technique is invented making the harvesting of coconuts easier. Each worker can now gather 28 coconuts a day. Draw the new production possibility frontier.

2. Figure I shows a society’s production possibility frontier for cameras and watches.
   a) Identify each of the following combinations of the two goods as being either efficient, inefficient, or unattainable: 60 cameras and 200 watches;
      60 watches and 80 cameras;
      300 watches and 35 cameras;
      300 watches and 40 cameras;
      58 cameras and 250 watches.
   b) Suppose the society is producing 300 watches and 40 cameras, but wishes to produce an additional 20 cameras. How much output of watches must be sacrificed to enable these extra cameras to be made?

3. Have a look at Figure II and associate each of the points (A, B, C, D) with one of the following statements:
   a) A combination of goods which cannot be produced by society given its current availability of resources and state of technology.
   b) The combination of goods produced by an economy with full employment which wishes to devote its resources mainly to the production of investment goods.
   c) A combination of goods produced by an economy in recession.
d) The combination of goods produced by an economy with full employment which wishes to devote its resources mainly to the production of goods for consumption.

VIII. Translate into English.

1. The production possibility curve is not a straight line, because not all resources are equally effective in the production of the two goods. The role of this economic instrument is quite considerable, as this curve helps to determine whether the society is working efficiently or not using all resources.

2. The more workers are employed in production, the more the final output of products; however, in accordance with the law of diminishing returns (decreasing productivity), each additional worker produces less output than the previous one, as they have to share the equipment.

3. "Diminishing returns" to those who studied elementary economic theory, are rules that explain why the second chocolate bar will never be as good as the first. However, economist Arthur Brainin of Stanford invented the law of "increasing returns", which he explains the effective activity of "software" industry.

4. The society, whose production corresponds to the points on the production possibility boundary, operates efficiently, as one can increase the output of one commodity only by decreasing the output of another.

5. If in one of the sectors of the hypothetical economic system occurs modernization of production and there begins to apply new technology, allowing to save resources, in this case we can observe changes in the production possibility curve.

6. If new technology, new technological processes will be introduced simultaneously and approximately in equal measure in all branches of the hypothetical economic system, the boundary of production possibilities will change its position and the possibilities of output of goods will increase approximately in equal degrees at the same resources.

7. If the accumulated means of production are intended for production of new means of production, they cannot be used for production of consumer goods. This is the reason why structural restructuring of the economy in this case is accompanied by a decline in production, closure of some enterprises and unemployment.
IX. Match the words (1 – 5) with their corresponding definitions (a – e):

1. facility
2. trade-off
3. yield
4. expense
5. output

a. a an amount of money that you get from an investment, especially bonds
b. the amount of goods or services produced by a person, machine, factory, company
c. a balance between two situations in order to get an acceptable result
d. a place or a large building which is used to make or provide a particular product or service
e. an amount of money that a business or organization has to spend on something

X. Match the words in the left-hand column with their synonyms.

1 feasible  a decrease
2 restriction  b acquire
3 obtain  c additional
4 diminish  d constraint
5 extra  e possible

XI. Complete the sentences using prepositions from the box.

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<tr>
<th>(x2)</th>
<th>on (x2)</th>
<th>per</th>
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1. He joined this company after working (1) ___ the retailing and banking industries.
2. The economy grew at an average rate of 6% (2) ___ annum.
3. We have a considerable amount of capital (3) ___ our disposal.
4. India will relax the tough restrictions (4) ___ import, which were imposed in March.
5. High production rates are often achieved (5) ___ the expense of quality of work.
6. The country depends heavily (6) ___ its tourist trade.
7. The increase (7) ___ the value (8) ___ the yen over the next year is forecast by many analysts.
8. The manager suggested a series of projects which would lead (9) ___ the improvement of productivity in the region.
9. Deutsche Bank limits any one shareholder (10) ___ 5% of the votes.
XII. Read the text and choose the correct word or words from A, B, C or D to fill in each gap.

Because resources are insufficient to (1) ____ all the things we want, we have to choose how best to use those resources. In deciding how to use our limited resources, certain (2) ____ are necessary.

The value of what we give up when resources are used to produce one thing rather than another is the opportunity cost of what is produced. In order to get the greatest (3) ____ from our limited resources, we should use them for the (4) ____ that best serve our needs. If we don’t, then the opportunity costs of what we produce will be too high.

A production possibility frontier (PPF) shows the trade-off between two alternative uses of a resource. The PPF shows the opportunity cost of producing more of one good by showing the amount of the (5) ____ good that is (6) ____ . Production possibility frontiers generally curve outward because of increasing opportunity costs incurred as more of one good is produced. Production possibility frontiers are economic (7) ____ helpful in analyzing the opportunity costs of trade-offs.

All economic systems must resolve three basic economic questions: what to produce; how to produce; for whom to produce. (8) ____ cannot efficiently be dealt with unless the economy (9) ____ its resources to producing the goods and services most needed and desired. An economic system needs also to (10) ____ the most efficient production methods with the resources available. Finally, an economic system must determine who gets how much of what is produced.

1. A do      B construct      C produce      D build
2. A advantages      B trade-offs      C cuts      D trades
3. A benefits      B changes      C income      D allowances
4. A effects      B outputs      C results      D inputs
5. A selective      B conventional      C competitive      D alternative
6. A satisfied      B given away      C abandoned      D sacrificed
7. A tools      B weapons      C equipment      D gadgets
8. A rarity      B diversity      C scarcity      D variability
9. A donates      B presents      C allocates      D surrenders
10. A utilize      B exercise      C operate      D handle

XIII. Translate the following text into English.

Граница производственных возможностей – метод иллюстрации экономической проблемы редкости. Граница производственных возможностей показывает максимальное количество товаров или услуг, которые могут быть произведены в экономике в данный момент времени.
при полном использовании доступных ресурсов и технологий. На графике1 представлена
граница производственных возможностей для производства автомобилей и строительства
больниц при условии, что все ресурсы полностью задействованы наиболее эффективно. Точка
А представляет максимально возможный объем производства автомобилей при отсутствии
строительства больниц, точка В обозначает максимально возможный объем строительства
больниц при отсутствии производства автомобилей. Любой точке границы, например С,
соответствует «выбор» между двумя товарами. Производство автомобилей может быть
расширено только при сокращении ресурсов, выделяемых на строительство больниц.

Граница производственных возможностей является кривой, а не прямой линией, так как
ресурсы не одинаково эффективны в производстве различных количеств товаров. Так, вблизи
tочки А большее число строителей переведено из строительства в автомобильную
промышленность. Маловероятно, что они будут работать на новом месте так же эффективно,
как и на прежнем. Поэтому на участке от точки А до точки С кривая идет полого. Напротив,
вблизи точки В большинство автомехаников переведено из автомобильной промышленности в
строительство. Вероятно, они будут работать в новой области менее эффективно, поэтому
кривая при продвижении от точки С к точке U становится круче.

Точка U обозначает безработицу. Ее положение показывает, что может быть произведено
большее количество этих товаров, если в производстве будут использоваться незанятые
ресурсы. Линия А’В’ показывает, как может сдвигаться граница производственных
возможностей в результате долгосрочного экономического роста, который увеличивает
потенциальный выпуск. Величина и скорость сдвига границы зависит от темпов
экономического роста.

XIV. Answer the following questions.

1. Give an example of the production possibility frontier for the production of two goods and comment
   on it.

2. What are the characteristics of the hypothetical economy described in the text?
UNIT 3. MARKETS
Part 1 The role of the markets

I. Find the following word-combinations in the texts and translate them into Russian.

business can be transacted; remote control; adjustment of prices; to be in the business; rich executives; a suitable part-time job; to cover the costs; to bid up prices; markets involved in your purchase; allocation of scarce resources;

II. Find in the texts English equivalents for the following:

вдаваться в детали; общее определение; иметь отношение к …; ограниченные ресурсы; продавать с прибылью; ценовое регулирование; рынок оптовой продажи

III. Say what is meant by:

the main features of a mixed economy; normative economics; positive economics; prices adjust to ensure that scarce resources are used to produce those goods and services that society demands; the owner of a cafe is in the business; to run a cafe; a part-time job; detached scientists; to spell out the detailed implications of making a choice; scarce supplies of beef; adjustments in prices would encourage society to reallocate resources

IV. Listening.

Listen to the lecture twice. Be ready to give an oral summary of it.

V. Fill in the gaps in the text with the suitable words.

to secure jobs; at the expense of; in the long run; encouraging; benefits; initiatives; economic asset; forced; part-time jobs; child labour; priority; obtain; run; to provide; effort; suppliers' plants; living standards; trade rules; consumers; to enforce

The sad truth behind child labour is that for millions of poor families, children are an 1) _____ and often their only one. In many cases, their poverty means that such families are 2) _____ to give 3) _____ to the urgent - increasing family income - 4) _____ what many know to be the important - educating their children. In other cases families can afford to send their children to school only if they also have 5) _____ at the same time. It is this family dilemma that makes laws against 6) _____ so difficult 7) _____ . Thus in Mexico children 8) _____ forged birth certificates in order 9) _____ in the maquiladora factories 10) _____ by American firms along the northern border. And it is this that makes worthy
corporate codes of conduct liable to backfire: the danger is that, far from contributing to the end of child labour, they merely shift it to shadier areas of the economy that are far harder to police.

So what should companies do? Although there are no easy answers, some 11) ____ appear more 12) _____ than others. One such is the 13) ______ that Levi Strauss, a maker of jeans, has made 14) _____ schooling for child workers on its 15) ______ in Bangladesh. The provision of other 16) _____, such as medical care and meals, may also be appropriate.

17) ______, however, only higher 18) ______ will put an end to child labour. If 19) _______ in rich countries really want to help the world's working children, there are many ways in which they can do so. One of them is to oppose protectionist 20) ______ that prevent the poor from exporting their goods.

VI. Say whether the following statements are true or false. Extend your ideas.
1. Economics is about human behavior, so it cannot be a «science».
2. In a command economy, all decisions about production and consumption are taken by a government planning office.
3. «The economy of Hong Kong is closer to a free market system than that of Cuba» is a normative statement.
4. Economics can be applied to prove that one normative judgement is correct and the other is wrong.
5. In positive economics when taking decisions a lot depends on one's political persuasion.
6. Adam Smith argued that individuals pursuing their self-interest would be led «as by an invisible hand» to do things that are in the interest of society as a whole.
7. The government should subsidize the health bills of the aged.
8. Many propositions on positive economics would command widespread disagreement among professional economists.
9. Most economic systems nowadays are actually mixed economies with elements of traditional, command, and market economy.
10. In a market economy the prices of goods and services and individuals' ability to pay for them determine who will get these products.
VII. Tasks for thought.

1. Which of the following statements are *normative*, and which are *positive*?

   a) The price of oil more than tripled between 1973 and 1974.

   b) In the early 1990s, the poor countries of the world received less than their fair share of world income.

   c) The world distribution of income is too unjust, with poor countries having 58 per cent of the world population, but receiving only 4 per cent of world income.

   d) One of the goals of the structural economy reforms in Russia is to raise the consumption level of society.

   e) Since the 1970s inflation has fallen in most Western economies, but the unemployment rate has increased.

   f) Our government ought to introduce policies to reduce the unemployment rate.

   g) Smoking is antisocial and should be discouraged.

   h) The imposition of higher taxes on tobacco will discourage smoking.

2. Which of the following statements would not be true for a pure "command economy"?

   a) Firms choose how much labour to employ.

   b) The distribution of income is government-controlled.

   c) The government decides what should be produced.

   d) Production techniques are not determined by firms.

   e) A government planning office decides what will be produced, and for whom it will be produced.

3. Figure 1 shows society's choice between social services and private goods in the form of a production possibility frontier. The three points A, B, C represent economies in which the government plays a more or less active role. Match each of the points with the most appropriate of the descriptions of hypothetical economies:

   a) An economy in which the government intervenes as little as possible, providing only the minimum necessary amounts of essential services.

   b) An economy in which the government takes a great deal of responsibility, taxing at a high level and providing considerable social services.
c) An economy in which the government provides more than the minimum necessary amounts of social services, but leaves room for a private sector.
VIII. Speaking.
1. Discuss advantages and disadvantages of each of the three types of economies.
2. The ‘cold war' era has vanished and countries - members of NATO are withdrawing their military bases from a number of poor countries. Discuss possible consequences for these countries' economies.
3. Canada has a mainly market economy, but there are also some sectors, such as public education, that are set up along socialist lines of public ownership and control.
   a) Can you think of three other such sectors?
   b) Why do you think these semi-socialist sectors were created? What benefits do they offer? Why were Canadians not content just to leave them to the market?
   c) What characteristic problems do these socialist sectors face? That is, are there recurrent patterns in the complaints that people make about them?

IX. Match the words (1 – 8) with their corresponding definitions (a – h):
1. stock exchange
2. labour market
3. insurance market
4. bond market
5. retail market
6. wholesale market
7. futures market
8. expense account

a. the number of people who are available to work, considered together with all the available jobs
b. a place where goods are sold to the general public for their own use, not for resale
c. the activities connected with buying and selling shares in companies
d. a place where contracts to buy or sell shares, goods, or currency at an agreed price to be delivered in the future are agreed
e. a system that allows you to get back from your employer any of your own money that you have spent while working
f. selling goods (especially in large quantities) to shopkeepers, for sale to the public
g. a place where interest-bearing securities, redeemed after a fixed period, are traded
h. a place where financial protection for property, life, health, etc. against specified risks (accident, fire, theft, loss, damage, death, etc.) is provided
X. Match the words in the left-hand column with their synonyms:

1. to run                      a) to meet
2. to reflect                  b) to request
3. to bring together           c) to show
4. to look for                 d) to operate
5. to demand                  e) to search for

XI. Match the words in the left-hand column with their antonyms:

1. to demand                  a) awkward
2. convenient                b) to reject
3. to adopt                   c) to offer
4. to bring together         d) to scatter
5. satisfied                e) dissatisfied

XII. Complete the article with prepositions where necessary:

In a market system, the prices and production __ (1) __ all goods, including the price __ (2) __ money and interest, are interrelated. A change __ (3) __ the price __ (4) __ one good -- say, bread -- may influence __ (5) __ another price, such as bakers' wages. If bakers differ __ (6) __ tastes __ (7) __ others, the demand __ (8) __ bread might be affected __ (9) __ a change in bakers' wages, with a consequent effect __ (10) __ the price of bread. Calculating __ (11) __ the equilibrium price of just one good, __ (12) __ theory, requires an analysis that accounts __ (13) __ all of the millions __ (14) __ different goods that are available.
XIII. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

**Bourses have become hugely more effective**

FOR most of human history, exchanges involved physical contact. Whether trading gossip, gold or grain, people came together to give and take in a manner that was both social and, with luck, __(1)__ beneficial. Marketplaces, the forerunners of exchanges, were the heart of early financial centres.

Once professional brokers got in on the act, though, the nature of exchanges began to shift. Buyers and sellers lost some of their close __ (2) __ with markets. Transactions became more complex, involving for instance the right to buy and sell goods in the future at a price fixed in the present. The brokers promised efficiency and superior returns, but some put their own interests above those of their clients.

Outsiders had to take it on __ (3) __ that all the shouting and hand-waving by men in brightly coloured jackets meant they were paying, or being paid, a __ (4) __ price.

Over the past decade financial exchanges have changed out of all recognition. From Stockholm to Singapore, they have modernised and __ (5) __. Fortunately for investors, most of the changes have been for the better. They have brought more choice, faster trading and greater efficiency. Trading costs have come down, too. This __ (6) __ to financial centres, because exchanges are still at the heart of the world's financial network.

Much of the transformation is being driven by the increasing sophistication of investors and financial __ (7) __, particularly big investment banks, which direct the bulk of capital flows around the world.

"Give a call to Goldman and you have a choice of all these global exchanges," says an official in Asia. Regulation has played a role as well. In both America and Europe, politicians have introduced rules aiming for greater transparency and competition.

As a result, the world's biggest exchanges are vying as never before for a share of highly mobile global capital. Their vast computerised hubs and their ability to zip transactions around the world in split-seconds allow them to play a dual role reminiscent of the marketplaces and sailing ships of medieval times. The most successful are those with attractive goods on offer, competitive prices and speedy response times.

__ (8) __ the rise of electronic trading, exchanges may have become more virtual than physical marketplaces, but the broader __ (9) __ of exchanges on cities - their "multiplier effect"-keeps on growing. An official at the London Stock Exchange notes that although its total listing fees (as opposed to trading fees) in the past financial year were a relatively puny £28m ($56m), fees __ (10) __ by advisers to new companies on the exchange - lawyers, investment bankers, accountants, public-relations firms and so on - were estimated at £3.5 billion.
Человечество прошло длительный исторический путь развития, в ходе которого на разных этапах сложилось несколько типов экономических систем – рыночная, командная, смешанная, а также традиционная. Критериями их разделения выступают, прежде всего, форма собственности и тип координационного механизма (план или рынок). Современный анализ показывает, что наиболее привлекательной для общества стала смешанная система, позволяющая дополнить преимущества рынка гибкой системой государственного регулирования.

В современных условиях в промышленно развитых странах смешанная экономика все более активно вытесняет чистый капитализм. Главное ее достоинство в том, что она не имеет крайностей, присущих названным выше двум моделям. Основными производителями продукции и покупателями условий производства там являются крупные корпорации, поэтому экономическая власть здесь не рассредоточена, но при этом она не носит тоталитарный характер, не осуществляется административно-бюрократическими методами. При таких условиях распределительные отношения не подавляют отношения обмена, а дополняют их; собственность на материальные ресурсы может быть общенародная, государственная, частная; поведение каждого субъекта мотивируется его личным интересом, но при этом в обществе определены и приоритетные цели. Государство выполняет в экономике активную функцию, имеется система прогнозирования, планирования и координации деятельности государственного и частного секторов.
Part 2 Positive and normative economics

I. Find the following word-combinations in the texts and translate them into Russian.

to distinguish two branches of the subject; to respond to changes in the circumstances; comprehensive research; to clarify the menu of options; to spell out the detailed implications.

II. Find in the texts English equivalents for the following:

цель исследования двояка; частное (оценочное суждение); политические убеждения; разногласия; товары для отдыха и предметы роскоши; предпочтения и приоритеты; в конце концов; улучшить окружающую среду; оборудование для проведения диспансеризации

III. Match the words in the left-hand column with their synonyms:

1. check-up a) sufficient
2. proposition b) examination
3. competent c) consider
4. regard d) belief
5. persuasion e) assertion

IV. Match the words in the left-hand column with their antonyms:

1. competent a) normative
2. regard b) rejection
3. positive c) undesirable
4. proposition d) incompetent
5. desirable e) neglect

V. Complete the article with prepositions if necessary:

Positive and normative economics

You will often hear statements __ (1) __economic issues __ (2) __ the television and written __ (3) __ newspapers and magazines. These statements can be divided __ (4) __ two main groups - positive and normative.

Positive statements are objective statements dealing __ (5) __ matters __ (6) __ fact or they question __ (7) __ how things actually are. Positive statements are made __ (8) __ obvious value judgements and emotions. They may suggest an economic relationship that can be tested __(9) __ recourse __ (10) __ the available evidence.
Positive economics can be described as “what is, what was, and what probably will be” economics. Statements are based __ (11) __ economic theory rather than raw emotion. Often these statements will be expressed __ (12) __ the form of a hypothesis that can be analysed and evaluated.

Examples:
• A rise __ (13) __ interest rates will cause a rise in the exchange rate and an increase in the demand __ (14) __ imported products
• Lower taxes may stimulate an increase __ (15) __ the active labour supply
• A national minimum wage is likely to cause a contraction in the demand __ (16) __ low-skilled labour
• The UK economy now has lower unemployment than Germany
• The American stock market has boomed __ (17) __ recent years

Normative statements are subjective - based on opinion only - often without a basis in fact or theory. They are value-laden, emotional statements that focus ___ (18) __ “what ought to be”. It is important to be able to distinguish __ (19) __ these types of statements - particularly when heated arguments and debates are taking place. Most economists tend to adopt a positive approach.

Examples:
• The decision to grant independence for the Bank of England is unwise and should be reversed
• A national minimum wage is totally undesirable as it does not help the poor and causes higher unemployment and inflation
• The national minimum wage should be increased to £5 as a method of reducing poverty
• Protectionism is the only proper way to improve the living standards __ (20) __ workers whose jobs are threatened by cheap imports

VI. Translate from Russian into English:

1. Правительство настаивает на сокращении социальных программ, чтобы уменьшить инфляцию.

2. В командной экономике правительство принимает все решения относительно того, что производить и что потреблять.

3. При свободных рыночных условиях каждый человек волен преследовать свои собственные интересы без малейшего вмешательства со стороны правительства.

4. Ресурсы, имеющиеся в наличии и необходимые для производства, являются недостаточными, чтобы удовлетворять наши нужды.

5. Позитивная экономика - это учение о том, что «есть», а не о том, что «должно быть». Позитивная экономика определяет взаимоотношения между переменными в экономике и предсказывает возможные последствия, если одна из переменных изменится.

6. Чтобы решить, как использовать наши ограниченные ресурсы, необходимо определенное перераспределение ресурсов (обмен) между конкурирующими вариантами их использования.
7. В экономической системе США ресурсы распределяют посредством обмена товарами и услугами, который происходит между производителями и потребителями.

8. В условиях рыночной экономики траты одного человека являются доходами другого.

9. Нормативная экономика - это направление в экономической науке, основанное на оценочных суждениях относительно того, какой должна быть экономика.

10. Как показало время, рыночная экономика смогла обеспечить более высокий жизненный уровень относительно большему количеству людей, чем плановая экономика; в то же время последняя в некоторых случаях является более эффективной.

Позитивный и нормативный подходы в экономической науке

Экономическая наука ищет научные, т.е. объективные, объяснения того, как функционирует экономика любой страны. В этом смысле она применяет позитивный подход, при котором экономист изучает то, что есть, или то, что может быть в реальной действительности. Например, он анализирует рынки товаров, как формируются цены на эти товары, почему они повышаются или снижаются, к чему приведет снижение или повышение цен и т.д. Важная особенность позитивного подхода состоит в том, что если какой-то вывод научно обоснован, доказан, то он становится бесспорным. Вместе с тем в экономике имеется немало неясных, недостаточно изученных явлений. Здесь мы имеем дело со спорными, дискуссионными выводами и утверждениями. Такой дискуссионный характер выводов не противоречит научности экономики. Более того, обсуждение спорных вопросов является настоящим двигателем научного прогресса.

Изучение объективных законов развития и функционирования экономики дает ученым основание предлагать рецепты действий. У любого экономиста складываются свои личные, субъективные суждения по проблемам экономики, на основе которых формулируются утверждения, как должно быть. Эта сторона экономических суждений представляет собой нормативный подход. Так как такие суждения являются субъективными, даже глубокий и детальный анализ экономики страны не устранит разногласий среди экономистов по поводу того, что надо делать и как должно быть. Характер нормативного подхода таков, что он ведет к бесконечным спорам по многим вопросам.
UNIT 4.
MICROECONOMICS AND MACROECONOMICS

1. Find the following word-combinations in the texts and translate them into Russian.

a) what distinguishes these economists; as viewed by firms; congestion; to classify branches of economics; to cut across the large number of subject groupings; relative output; sophisticated branch; extends this approach; keep the analysis manageable; to study every market for every commodity; without distorting the reality; to lose track of the phenomena; a task that retains an element of art in economic science;

b) to reconcile the conflict; to fulfill demands; production and consumption decisions are coordinated through adjustments of prices; remains a subject of controversy; sufficient research; individual building blocks.

II. Find in the texts English equivalents for the following:

a) специализироваться в какой-то конкретной области экономической науки; область экономической теории, изучающая проблемы города; процитированный выше; детальное, подробное рассмотрение; обобщить поведение фирм; сравнительная цена; модель потребления и производства; придумать разумное упрощение; теория общего равновесия; без сильного искажения действительности; ученые идут различными путями; деление товаров на категории; сохранить простоту анализа; подчеркивает, делает акцент на взаимодействия в экономической жизни

b) фактически неограниченные потребности; кривая производственных возможностей отражает перераспределение ресурсов (обмен ресурсами); вмешательство правительства; преследуют свои собственные интересы; давать рецепты; в конце концов пренебреж взаимодействиями в экономике.

III. Say what is meant by:
To specialize in a particular branch of the subject; microeconomic analysis; a task that retains an element of art in economic science; to devise judicial simplifications; to keep analysis
manageable without distorting the reality too much; microeconomists and macroeconomists proceed down different avenues; extensive planning; the optimal level of government intervention remains a subject of controversy; there is no reason why economists should agree about normative statements.

IV. Listening
1. Listen to the lecture.
2. Do the tasks given in the textbook.
3. Listen to the lecture again, take notes to be ready to write a summary of it.

V. Fill in the gaps.
interaction; adjustments; market economy; government regulations; employment; cost conditions; considered; skills and training; tend; exceeds; available; result; insufficient; increase; to purchase; raw materials; decline; forced; frictional unemployment; dissatisfaction; labour force

Normal 1) ____ to changing demand and supply conditions for different products and services in a 2) _______ result in the loss of jobs for some people. Other workers quit their jobs because of 3) _____ or for other personal reasons. In a healthy economy, these people should be able to find new jobs within a few weeks. While they are seeking 4) ____ they constitute a frictional unemployment bloc in the 5) ____ . Unemployment levels of 3-4% were in the past 6) ____ normal due to 7) _____ and those unemployable for one reason or another.
When a whole industry or region has less business because of changing consumer tastes or changing 8) ____ , some workers lose their jobs. There may not be enough jobs immediately 9) ____ in other industries to employ them, or they may not have the 10) ____ necessary to take jobs in other industries. This structural unemployment may 11) ____ in extended periods without work for some people.
The most serious and widespread unemployment, however, is cyclical unemployment, which occurs when there is inadequate aggregate (total) demand for goods and services. If there is 12) ____ spending in the economy 13) ___ all of the goods and services that could be produced, workers will not be able to find jobs. Those workers without jobs are 14) ____ to cut back their consumption, and this results in a further 15) ____ in output and in a further 16) ____ in unemployment.
Just as unemployment may be caused by insufficient demand, inflation may be the result of too much demand. If demand 17) ____ the capacity of the economy to produce at full employment, prices will rise. Inflationary expectations and speculation 18) ____ to accelerate demand-pull inflation even more.

Another cause of inflation can be an increase in the costs of production. Shortages of 19) _____, higher wages, or 20) _____ raise prices. The 21) ____ between demand-pull and cost-push inflation can result in an inflationary spiral.

VI. Give the terms for the following explanations.

1. The branch of economics offering a detailed treatment of individual decisions about particular commodities.

2. Economic statements offering prescriptions or recommendations based on personal value judgements.

3. The value of all goods and services produced in the economy in a given period such as a year.

4. The percentage of labour force without a job.

5. A measure of the average level of prices of goods and services in the economy, relative to their prices at some fixed date in the past.

6. Economic statements dealing with objective or scientific explanations of the working of the economy.

7. The branch of economics emphasizing the interactions in the economy as a whole.

8. A curve which shows, for each level of the output of one good, the maximum amount of the other good that can be produced.

9. The situation in which, as more workers are employed in an industry, each additional worker adds less to total output than the previous additional worker added.

10. A resource for which the demand at a zero price would exceed the available supply.

VII. Tasks for thought.

1. Which of the following statements are the concern of microeconomics and which of macroeconomics?
   a) Along with other Western economies, the UK faced a sharp rise in the unemployment rate in the early 1980s.
b) The imposition of higher taxes on tobacco will discourage smoking.

c) Unemployment among building labourers rose sharply in the early 1980s.

d) An increase in a society's aggregate income is likely to be reflected in higher consumer spending.

e) A worker who has received a pay rise is likely to buy more luxury goods.

f) A firm will invest in a machine if the expected rate of return is sufficiently high.

 g) High interest rates in an economy may be expected to discourage aggregate investment.

h) The level of gross national product in the UK is higher this year than in 1981.

i) Our government is performing the price liberalization policy.

j) Minimum wages level in Russia is about 80 roubles.

k) A student's grant depends on his family's income per head and his personal income.

l) Tax rate decrease leads to encouraging business activity in a country.

2. Which of the following statements and why do not belong to the economics studying.

a) maximum demand satisfaction.

b) unlimited desires.

c) unlimited resources.

d) efficient usage of resources.

3. Which of the following statements would not be true for a “pure” command economy?

a) Firms choose how much labour to employ.

b) The distribution of income is government-controlled.

c) The government decides what should be produced.

d) Production techniques are not determined by firms.

e) A government planning office decides what will be produced, how it will be produced, and for whom it will be produced.
VIII. Translate into English.

1. На протяжении многих десятилетий экономисты наблюдают взаимосвязь между уровнем инфляции и уровнем безработицы: чем выше уровень безработицы, тем ниже уровень инфляции. Однако в 1970е годы в экономике наблюдались и высокий уровень безработицы и высокий уровень инфляции. Подобное явление в экономике называют стагнацией.

2. Из сумятицы, вызванной распадом Советского Союза, Прибалтийские страны вышли как страны с рыночной экономикой. В этих странах сложилась наиболее благоприятная экономическая ситуация по сравнению с другими республиками бывшего Советского Союза: валовой национальный продукт неуклонно растет, а уровень инфляции снижается.

3. Будучи последовательными приверженцами экономических реформ, каждая из стран Балтии сталкивается со своими собственными проблемами, решение которых может гарантировать стабильное экономическое развитие.

4. Правительство заявляет, что его целью является дальнейшее укрепление демократии, обеспечение безопасности государства и граждан, экономическое процветание страны и рост национального благосостояния.

5. Аналитики утверждают, что планы правительства начать экономический рост в стране путем урезания роста заработной платы в государственном секторе могут привести к массовым забастовкам. Однако Центральный банк приветствует эти шаги правительства и заявляет, что экономика страны не справится с проблемами инфляции, если рост заработной платы не будет ограничен.

6. Почти все африканские страны имеют импортозамещающие отрасли промышленности по производству товаров широкого потребления.

7. Средний годовой доход на душу населения в беднейших странах составляет 1/12 годового дохода в развитых странах.

8. Проблемы, с которыми сталкивается станкостроительная промышленность в Японии, являются типичными для всех производящих отраслей в стране: избыточные производственные мощности (capacity) и снижающийся спрос.
IX. Speaking.

1. Give your comments on the following statements.
   a) Economics would be out of need if all people could satisfy their unlimited desires.
   b) All individuals at the age of 16 and above belong either to the employed or to the unemployed.

2. Your grandparents have a country house and every year go there and plant vegetables, berries, fruit trees. Do they pursue their self-interests?

3. Let's assume, that in an economy the labour productivity has suffered a decline. Will it affect labour market (employment and unemployment rates; real wages, given the labour market is in the equilibrium).

X. Match the words (1 – 10) with their corresponding definitions (a – j):

1. monetary
2. urban
3. unemployment
4. building blocks
5. inflation
6. approach
7. methodology
8. Gross Domestic product
9. Gross National Product
10. sweep something under the carpet

a) the total value of all the goods and services that a country produces in a year, including income received from money invested in other countries, but not income paid to foreign investors
b) relating to towns and cities, or happening there
c) [usually plural] one of the basic parts that something is made from and cannot exist without
d) the total value of the goods and services that a country produces in a year, not including income received from money invested in other countries
e) an economic process in which prices increase so that money becomes less valuable
f) relating to a country's money and to the systems that a country uses for controlling its money supply
g) a situation in which some people do not have work and do not have an income
h) a particular way of thinking about or dealing with something = view, mind, perspective, viewpoint, logic
i) the methods and principles used for doing a particular kind of work, especially scientific or academic research
j) try to avoid dealing with a problem

**XI. Match the words in the left-hand column with their synonyms:**

| 1. aggregate | a) intended |
| 2. particular | b) add up |
| 3. simultaneous | c) keep |
| 4. deliberate | d) concurrent |
| 5. retain | e) specific |
| 6. judicious | f) system |
| 7. methodology | g) reasoned |

**XII. Match the words (1 – 5) with their antonyms (a – e):**

| 1. urban | a) straight |
| 2. indirect | b) depreciate |
| 3. broad | c) unrelated |
| 4. emphasize | d) rural |
| 5. relative | e) narrow |
XIII. Complete the article with prepositions where necessary:

**Microeconomics and macroeconomics**

Microeconomics looks __ (1) __ interactions through individual markets, given scarcity and government regulation. A given market might be for a product, say fresh corn, or the services of a factor __ (2) __ production, say bricklaying. The theory considers aggregates __ (3) __ quantity demanded by buyers and quantity supplied by sellers __ (4) __ each possible price per unit. It weaves these together to describe how the market may reach equilibrium as to price and quantity or respond __ (5) __ market changes over time.

This is broadly termed supply and demand analysis. Market structures, such as perfect competition and monopoly, are examined as to implications __ (6) __ behavior and economic efficiency. Analysis __ (7) __ change __ (8) __ a single market often proceeds from the simplifying assumption that behavioral relations in other markets remain unchanged, that is, partial-equilibrium analysis. General-equilibrium theory allows __ (9) __ changes __ (10) __ different markets and aggregates across all markets, including their movements and interactions toward equilibrium.

Macroeconomics examines the economy as a whole to explain broad aggregates and their interactions "top down," that is, using a simplified form __ (11) __ general-equilibrium theory. Such aggregates include national income and output, the unemployment rate, and price inflation and subaggregates like total consumption and investment spending and their components. It also studies effects __ (12) __ monetary policy and fiscal policy.

__ (13) __ at least the 1960s, macroeconomics has been characterized __ (14) __ further integration as to micro-based modeling of sectors, including rationality __ (15) __ players, efficient use __ (16) __ market information, and imperfect competition. This has addressed a long-standing concern __ (17) __ inconsistent developments of the same subject.

Macroeconomic analysis also considers factors affecting __ (18) __ the long-term level and growth __ (19) __ national income. Such factors include capital accumulation, technological change and labor force __ (20) __ growth.
XIV. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

Macroeconomic analysis broadly focuses on three things: national output, unemployment and inflation. Output, the most important concept of macroeconomics, refers to the total amount of goods and services a country produces, commonly known as the gross domestic product. The figure is like a snapshot of the economy at a certain point in time.

When referring to GDP, macroeconomists tend to use __ (1) __ GDP, which takes inflation into __ (2) __, as opposed to nominal GDP, which __ (3) __ only changes in prices. The nominal GDP figure will be higher if inflation goes up from year to year, so it is not necessarily indicative of higher output levels, only of higher prices.

The one __ (4) __ of the GDP is that because the information has to be collected after a specified time period has finished, a figure for the GDP today would have to be an estimate. GDP is nonetheless like a stepping stone into macroeconomic analysis. Once a __ (5) __ of figures is collected over a period of time, they can be compared, and economists and investors can begin to decipher the business __ (6) __, which are made up of the __ (7) __ periods between economic recessions (slumps) and expansions (booms) that have occurred over time.

From there we can begin to look at the reasons why the cycles took place, which could be government policy, consumer behavior or international phenomena, among other things. Of course, these figures can be __ (8) __ across economies as well. Hence, we can determine which foreign countries are economically strong or weak.

Based on what they learn from the past, analysts can then begin to __ (9) __ the future state of the economy. It is important to remember that what determines human behavior and __ (10) __ the economy can never be foreseen completely.

1. A. real                       B. retail                   C. nominal                    D. normal
2. A. attention                 B. account                  C. confidence                D. possession
3. A. retains                   B. reflects                 C. receives                  D. rebuilds
4. A. advantage                 B. advance                  C. backside                  D. drawback
5. A. line                      B. graphic                 C. series                    D. numbers
6. A. cycles                    B. circles                  C. rounds                    D. pattern
7. A. alternating               B. altering                 C. constant                  D. substantial
8. A. changed                   B. compared                C. assumed                  D. predicted
9. A. forecast                  B. make up                 C. consist                  D. foremost
10. A. endlessly                B. accidentally            C. concluded               D. ultimately
XV. Translate from Russian into English:

В реальности все рынки взаимосвязаны, цены одних экономических благ оказывают влияние на цены других. А значит, общее равновесие - это равновесие, возникающее в результате взаимодействия всех рынков, когда изменение спроса или предложения на одном рынке влияет на равновесные цены и объемы продаж на всех рынках.

В подобном взаимодействии критичными становятся взаимополняемость или взаимозаменяемость благ. Экономика, так же как и физический мир, пронизана множеством разных невидимых нитей, связывающих разные переменные и ставящих в зависимость на первый взгляд вроде бы независимые вещи.

Например, резкое повышение стоимости магнитной пленки, используемой при производстве аудиокассет, приведет к подорожанию этих кассет и уменьшению объема спроса на них. Поскольку потребители частично переключатся на другие носители звука, то увеличится спрос на рынке компакт-дисков, которые являются заменителями аудиокассет. Одновременно уменьшится спрос на магнитофоны и увеличится спрос на проигрыватели компакт-дисков. Уменьшение спроса на аудиокассеты приведет к уменьшению спроса на труд рабочих, производящих эти кассеты. С другой стороны, увеличение прибыльности производства компакт-дисков повлечет за собой изменение спроса на труд рабочих и увеличение их заработной платы.

Увеличение заработной платы вызовет приток рабочих из других отраслей, где соответственно уменьшится предложение труда и увеличится заработная плата. И так далее. Таким образом, взаимодействие затронет, так или иначе, все рынки. В хозяйстве все оказывается взаимосвязанным, и чтобы определить последствия изменения отдельной цены, необходимо учесть массу всякого рода взаимодействий. Изучая формирование общего равновесия, мы должны проанализировать все основные моменты его образования.

Кроме того, в экономической теории ставится вопрос о механизме достижения этого равновесия. Если на пути к общему равновесию выявятся какие-либо препятствия, то хозяйство будет находиться в состоянии неравновесия при излишках и дефицитах на отдельных рынках. Эта проблема имеет такое серьезное значение, что в XX веке из необходимости ее разработки сформировалась целая ветвь экономической науки - макроэкономика.
UNIT 5 ECONOMIC ANALYSIS (1)

I. Find the following word-combinations in the texts and translate them into Russian.

a) whether this will continue; to conserve scarce and expensive oil; on mastering the tools of the trade; it (model) deduces how people will behave; to concentrate on essentials; to work out; bridges are likely to be congested; sifting through all the facts; the facts alert us to the need; we regard the close factual relationship; without any logical underpinning; sooner or later; the blend of models and data

b) which price exhibited the larger percentage increase; assign the value; contain the same information; may pass unnoticed in the table

II. Find in the texts English equivalents for the following:

a) анализирует вопросы, относящиеся к описанию прошлого; поставит автомобилистов в еще более сложное положение; намеренное упрощение реальности; в час пик; стоять в очереди; особой, ключевой важности (слово); выработать единственную, точно правильную теорию; действительное совпадение; обращение к логическому умозаключению; совпадение, на которое можно не обращать внимания; ложная связь; теория должна проверяться на фактах; оценка того, какие доказательства можно рассматривать как уместные

b) среднегодовые цены на медь и серебро; определять значение; делить на; становится сразу очевидным; строить диаграмму цифровых показателей; увеличилась в шесть раз; необычное поведение переменных; проходить незамеченным, временной ряд, структурный анализ

III. Say what is meant by:

this will penalize car users still further; a series of simplifying assumptions; manageable picture of reality; the crucial word is *relevant*; industrial inputs; to master the tools of trade; to square with relevant facts
IV. Match the terms with their definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. to deliberate</td>
<td>a. a remarkable occurrence of events or ideas at the same time, suggesting but lacking a causal relationship;</td>
</tr>
<tr>
<td>2. to square</td>
<td>b. to determine or mark the location of a point on a graph by means of coordinates;</td>
</tr>
<tr>
<td>3. to deduce</td>
<td>c. to think or consider carefully and fully, especially in order to make a decision;</td>
</tr>
<tr>
<td>4. relevant</td>
<td>d. supporting structures or foundations;</td>
</tr>
<tr>
<td>5. underpinning</td>
<td>e. readily understood or perceived;</td>
</tr>
<tr>
<td>6. time-series</td>
<td>f. a group of facts about smth., set up in the form of a diagram, table, graph, etc.;</td>
</tr>
<tr>
<td>7. coincidence</td>
<td>g. to infer by logical reasoning;</td>
</tr>
<tr>
<td>8. chart</td>
<td>h. a set of variables with value related to the respective times the variables are measured;</td>
</tr>
<tr>
<td>9. apparent</td>
<td>i. relating to a matter in hand;</td>
</tr>
<tr>
<td>10. to plot</td>
<td>j. to bring into agreement;</td>
</tr>
<tr>
<td></td>
<td>k. absolutely necessary;</td>
</tr>
</tbody>
</table>

V. Match the words with their synonyms:

<table>
<thead>
<tr>
<th>Term</th>
<th>Synonym</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. emphasis</td>
<td>a. intentional, prearranged</td>
</tr>
<tr>
<td>2. deliberate</td>
<td>b. proof, affirmation</td>
</tr>
<tr>
<td>3. reasoning</td>
<td>c. stress, accent</td>
</tr>
<tr>
<td>4. to assign</td>
<td>d. analysis, deduction</td>
</tr>
<tr>
<td>5. to accord</td>
<td>e. appoint, delegate</td>
</tr>
<tr>
<td></td>
<td>f. conform, correspond</td>
</tr>
</tbody>
</table>
VI. Fill in the gaps in the texts with suitable words.

population; available; growth rate; food production; insecurity; relates; lack; aggregate; import; increase; significant; fluctuation; persistent; consumption; decline; roughly; crisis; developing; needs; access

The problem of food 1)______ has a long-term and a short-term dimension. The long-term aspect 2)______ to the chronic and 3)______ malnutrition of 4)______ sections of the population while the shorter-term insecurity is caused by year–to-year 5)______ in food 6)______ levels.

With a population 7)______ of approximately 3.5 per cent per year (the highest in the 8)______ world), Africa has been able to manage an 9)______ in food production of only 1.5 per cent per year. Africa is the only one of the world’s developing areas to have suffered such a 10)______.

Many African countries have suffered a precipitous decline in per capita 11)______ since the 1970s, as a result, they now 12)______ approximately 10 million tons of grain a year, an amount 13)______ equivalent to the 14)______ of its entire urban 15)______.

In dealing with Africa’s current food 16)______ and the chronic problems that underlie it, it is essential to recognize that many of the hungry are malnourished not because the 17)______ supply of food is inadequate but because the poor 18)______ the resources to gain 19)______ to the food which is 20)______.

VII. Say whether the following statements are true or false. Extend your ideas.

1. We may accumulate evidence in support of an economic theory, but we can never prove beyond doubt that it is ‘true’.
2. Charts are a useful way of highlighting the important features of a data series.
3. When we observe a strong association between two variables we know that one depends casually upon the other.
4. Cross-section data are more often used in microeconomics because they deal with individuals.
5. Invoking ‘other things equal’ enables us to ignore the complicated parts of an economic model.
6. Economic models deal with straight-line relationships between variables.
7. If you look hard enough at the facts, you will inevitably discover the correct theory.

8. Index numbers are invaluable device if we wish to compare two variables measured in different units.

9. Inflation is measured by the price level.

10. Empirical evidence suggests that, on average, high tube fares on the London Underground are associated with lower passenger use.

VIII. Tasks for thought:

1. Which of the following data sets would be *time series* and which would relate to a *cross section*?

   a) Consumers’ expenditure on durable goods, annually 1980-93.
   b) Households’ expenditure on housing in urban areas in 1994.
   d) Gross national product of the UK for each quarter of 1993.
   f) Unemployment categorized by area, 10 June 1993.

2. Table 1 presents information about agricultural employment in six European countries in the two years 1970 and 1990.

   a) From observation of the figures, comment on the trend in agricultural employment in these countries. In which countries was the trend most and least strong?
   b) For each country, calculate an index for 1990, using 1970 as a base.

<table>
<thead>
<tr>
<th>Country</th>
<th>1970</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>177</td>
<td>100</td>
</tr>
<tr>
<td>Denmark</td>
<td>266</td>
<td>147</td>
</tr>
<tr>
<td>Greece</td>
<td>1279</td>
<td>900</td>
</tr>
<tr>
<td>France</td>
<td>2751</td>
<td>1335</td>
</tr>
<tr>
<td>Italy</td>
<td>3878</td>
<td>1895</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>787</td>
<td>569</td>
</tr>
</tbody>
</table>
IX. Translate into English.

1. Экономика - относительно молодая наука, которая помогает нам ответить на вопрос: «Как мы можем предсказать будущее, используя описание прошлого?» Экономика анализирует информацию, определяет логические связи, отвергая ложные, и строит модели и теории.

2. Экономические теории, развивая сложные и взаимосвязанные модели, базируются на понятии рынка. Анализ экспериментальных данных, подкрепленный теоретическим обоснованием, позволяет прогнозировать развитие экономики. Это чрезвычайно сложная задача, требующая глубокого осмысления реальных данных для отделения ложных эффектов от фактически существующих взаимодействий между компонентами модели.

3. Экономическая информация повсюду присутствует в нашей жизни, особенно в последние несколько лет поток экономической информации прямо обрушился на нас. Каждый день мы слышим по телевидению и радио, встречаем на страницах газет и журналов такие термины как уровень инфляции, инвестиции, валовой национальный продукт, уровень безработицы, инвестиции и т.п.

4. Для ученых-экономистов все эти термины и цифры несут определенную информацию, с помощью которой они строят экономические модели и дают рекомендации правительствам, как решать ту или иную проблему.

5. Говоря об экономическом анализе, мы имеем в виду и модели, и фактические данные. Экономисты используют соединение моделей и фактов, чтобы проанализировать развитие экономической ситуации. Поскольку модели и фактическая информация тесно связаны с реальным миром, стоит упомянуть способы, с помощью которых эти данные получают.
X. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

How the Dow?

In 1896, Charles H. Dow developed what is today known as The Dow Jones Industrial Average (DJIA). It was ___1___ of 12 companies that were traded on the New York Stock Exchange. By watching this ”average” of the prices of a dozen large and ___2___ stocks, investors were able to gauge how the entire market was doing. The DJIA and its sister index, The Dow Jones Transportation Average, gave new ___3___ to the stock market.

Dow’s inventions made investing more understandable and ___4___ for those investors who previously were unsure or untrusting of it.

Though it has changed greatly over the years — including ___5___ to 30 companies and using much more ___6___ methods to calculate and deliver its values in real time — “The Dow” ___7___ the world’s single most quoted and most watched index. It has truly become “the market’s measure “for investors around the globe.

Nowadays The Dow Jones Global Indexes (DJGI) family is a ___8___ global index series designed to provide a complete range of portfolio-management and ___9___ tools. The indexes are ___10___ to be broad yet investable, targeting 95% market capitalization coverage.

<table>
<thead>
<tr>
<th></th>
<th>A compiled</th>
<th>B composed</th>
<th>C contained</th>
<th>D devised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>A distinct</td>
<td>B uncommon</td>
<td>C deduced</td>
<td>D diverse</td>
</tr>
<tr>
<td>3</td>
<td>A credibility</td>
<td>B conformity</td>
<td>C sincerity</td>
<td>D dependence</td>
</tr>
<tr>
<td>4</td>
<td>A liable</td>
<td>B essential</td>
<td>C adjustable</td>
<td>D accessible</td>
</tr>
<tr>
<td>5</td>
<td>A widening</td>
<td>B expanding</td>
<td>C enriching</td>
<td>D comprising</td>
</tr>
<tr>
<td>6</td>
<td>A complicated</td>
<td>B hard</td>
<td>C difficult</td>
<td>D corresponding</td>
</tr>
<tr>
<td>7</td>
<td>A retains</td>
<td>B survives</td>
<td>C remains</td>
<td>D waits</td>
</tr>
<tr>
<td>8</td>
<td>A deliberate</td>
<td>B comprehensive</td>
<td>C simplified</td>
<td>D relevant</td>
</tr>
<tr>
<td>9</td>
<td>A upgrading</td>
<td>B extending</td>
<td>C comprising</td>
<td>D benchmarking</td>
</tr>
<tr>
<td>10</td>
<td>A drawn</td>
<td>B plotted</td>
<td>C designed</td>
<td>D fitted</td>
</tr>
</tbody>
</table>
XI. Fill in the gaps with appropriate prepositions:

1. In March 2009 the change in RPI measured _____(1) a 12-month period turned negative, indicating an overall annual reduction _____(2) prices, for the first time RPI is still_____ (3) 1960.

2. The RPI is still used by the government as a base _____(4) various purposes, such as the indexation of pensions, amounts payable _____(5) index-linked securities including index-linked gilts, and social housing rent increases.

3. Aggregate variables do not interact _____(6) one another independent _____(7) the choices of individuals. And those choices are guided _____(8) the incentives actors face, and the informational signals they receive.

4. In short, economics is about exchange and the institutions ______(9) which exchanges take place.

5. To see how far macroeconomics can lead one adrift consider the current debate _____(10) the minimum wage.

6. The real problem is how _____(11) government policy a market correction was turned into an economy wide crisis.

7. If savings rates and RPI continue to diverge, it means the value of any money _____(12) savings accounts which do not protect _____(13) inflation is diminished marginally in real terms.

8. The RPI tracker chart shows the value of £1,000 invested in a typical savings account five years ago based on Standard & Poor’s UK savings index, compared _____(14) the rise in inflation (RPI) _____(15) the same period.

XII. Speaking:

1. In a small country a disastrous earthquake occurred. It had destroyed the greater part of industrial and agricultural areas. Consider the possible ways of restoring the economy of the country, and what short-term, and long term consequences may take place.

2. Say whether the behavior is rational or not if:
   a) a person prefers smoking to going in for sports;
   b) a talented actress in the prime of her fame quits everything and becomes a nun;
   c) a world tennis-championship winner gives half of his prize for charitable purposes.

3. When analyzing people’s behaviour we use an abstract model of ‘homo economicus’. Give your reasons why it is suitable.
XIII. Translate the text from Russian into English:

Индекс розничных цен (RPI)

Индексом розничных цен является ежемесячный показатель изменения среднего уровня цен на розничном рынке. При этом цены на предметы роскоши обычно не принимаются.

Индекс розничных цен является наиболее распространенной в Великобритании мерой инфляции, которая рассчитывается с 1947 года (Индекс CPI начал рассчитываться лишь с 1996 года). Правительство использует индекс RPI для индексации пенсий, социальных выплат, а также выплат по облигациям (gilts), защищенным от инфляции.

RPI чрезвычайно важен для понимания и прогнозирования инфляционной ситуации в Великобритании, так как является определяющим индикатором для подписания договоров по заработной плате. Чем выше темпы роста розничных цен, тем быстрее будет расти заработная плата, что приведет к значительному росту инфляции. Этот индекс будет индикатором инфляционных ожиданий британцев. Банк Англии очень пристально следит за этим индексом.

Являясь одним из основных показателей инфляции, RPI очень важен для рынка, однако однозначно описать его влияние на рынок сложно. Чаще всего в условиях здоровой экономики рост RPI ведет к росту британской валюты и одновременно к негативной динамике на фондовыми площадках, так как это в свою очередь вызывает рост процентных ставок в стране и делает инструменты этой страны более доходными и выгодными для приобретения. Однако по классической макроэкономической теории рост инфляции – это чаще всего негатив, поэтому в долгосрочной перспективе это может привести к снижению национальной валюты и к падению фондовых индексов через последующее охлаждение экономики.

Не стоит забывать, что рост инфляции – это в первую очередь рост цен и удорожание национальной валюты. Это в свою очередь ведет к падению потребления. Показатель не слишком изменчив (волатилен) и достаточно хорошо поддается прогнозированию. В условиях ожидания роста или снижения процентных ставок изменение показателя в одну или другую сторону может привести к достаточно сильному изменению валютного курса.
UNIT 6 ECONOMIC ANALYSIS (2)

I. Find the following word-combinations in the texts and translate them into Russian:

a) controversy over the policy; extra revenue; to run the tube and bus services; to organize one’s thinking; picks out the most important elements; in this stark form; directly controls the fare; it might be argued; is completely unresponsive to changes in fares; an economist would initially adopt; we must not view the number of passengers as fixed; other things equal; a bare-bones model; in an effort to simplify

b) examines the relations; is not sufficient to compensate; to capture the average relations; we can infer; commuters abandoned their cars; to forecast revenue raised from; to omit the most important determinants

II. Find in the texts English equivalents for the following:

a) приводить к сокрушительным потерям; вопрос был направлен в суд; построить модель; упрощенная картина реального мира; устанавливать цены; влиять на количество пассажиров; не принимать во внимание; плата за проезд на альтернативных видах транспорта; если цены остаются неизменными; экономист выбрал бы первоначально; плата за проезд важна сама по себе; назвать четко, ясно; стимулировать пассажиров метро; при условии, что погодные условия остаются неизменными весь год; прогнозировать доход; получать от продажи; реальная прибыль; более высокая плата за парковку машин; привести к серьезным ошибкам

b) диаграмма рассеивания; умноженный на; реальный доход; колонка 2 просто воспроизводит колонку 3; степень, до которой мы готовы пренебречь; детерминанты остаются постоянными; мы можем предположить; отказаться от машин в пользу общественного транспорта

III. Say what is meant by:

in the early 80’s there was a controversy over the «Fares fair» policy; influence the number of passengers only through the fare; traveller behavior; we have named explicitly the most important determinants of the demand for tube journeys; it is not sufficient; to quantify each of the effects; writing down a model is a safe way of forcing ourselves to look for all the relevant effects; to pretend that that changes in real fares were the only cause of changes in use; however
suggestive the diagrams, all we have discovered is that fares went up and passengers use did not fall sufficiently to make total revenue go down

IV. Match the terms with their definitions:

1. equation  
a. a short expression given in the written form;
2. equality  
b. spread over a wide area or a long period of time;
3. notation  
c. the situation when smth. obtain the same advantages;
4. to scatter  
d. to make smth. happen in the same way it happened
5. to reproduce  
e. statement in mathematics that shows that two totals or amount are equal;

V. Match the words with their synonyms:

1. sensitive  
a. apprehend
2. capture  
b. neglect
3. ignore  
c. decisive
4. conclusive  
d. resolving factor
5. determinant  
e. responsive

VI. Insert the appropriate prepositions where necessary:

1. Low fares charged by the tube service bring ____ (1) extra revenue ____ (2) the company.
3. Fare multiplied ____ (3) number of passengers equals ____ (4) total fare collection.
4. Other factors can influence ____ (5) the number of passengers who prefer to travel by this means of transport.
5. Not all determinants should be taken ____ (6) account since we consider the model.
6. Raising wages is not sufficient to compensate ____ (7) the rocketing inflation rate.
7. Will we abandon cars _____(8) favour _____(9) public transport?
8. Forecasts cannot capture the full detail of the underlying system, so they rely _____(10) approximate equations.
9. The quality of the measurement instruments should only be checked ______(11) the initial data analysis phase when this is not the focus or research question of the study.
10. Time series analysis comprises ______(12) methods for analysing time series data in order to extract meaningful statistics and other characteristics of the data.
11. Time series data have a natural temporal ordering. This makes time series analysis distinct ______(13) other common data analysis problems, in which there is no natural ordering of the observations.
12. However, empirical investigations can indicate the advantage of using predictions derived _____(14) non-linear models, _____(15) those from linear models.

VII. Insert suitable words into the gaps.

**Economic Models and Theories**

Economists measure and 1)_____ the material side of life, but their main 2)_____ is to understand how economies operate. In 3)______, as in other fields, understanding is valuable because it 4)_____ us to use logic to answer ‘what if’ questions.

For instance, if you understand how a car operates you can 5)_____ what will happen to any car if it runs out of gas. To make such a 6)_____ you apply basic logic to a simple description or 7)_____ of automobile operation. The simpler the model the easier it is to use it to give general answers to ‘what if’ questions but the less 8)_____ the predictions it 9)_____. Thus, the simplest 10)_____ of auto operation would predict only that any car’s engine will stop if it runs out of 11)______, while a more complex model might enable you 12)_____ how far a particular car would move, depending on the road and its speed, when the gas ran out.

Real economies are too 13)_____ to think about logically in 14)______, there are too many different 15)______, services, firms, workers and consumers to keep track of. In order 16)_____ understandable descriptions of reality, we must 17)_____ drastically. But it then follows that all economic theories are wrong - since they leave out some aspects of 18)_____.

Does it 19)_____ generally correct answers to questions of interest? Another way to put this is that the predictions of 20)_____ models should be consistent with the available evidence.
VIII. Give terms for the following:

1. A sequence of measurements of a variable at different points in time.
2. The price of a commodity relative to the general price level for goods.
3. A simplifying assumption which enables the economist to focus on key economic relationships.
4. A deliberate simplification of reality based on a series of simplifying assumptions from which it may be deduced how people will behave.
5. An index of the prices of goods purchased by a typical household.
6. The percentage change in a variable per period (typically per year).
7. Measurements of an economic variable at a point in time for different individuals or group of individuals.
8. A way of expressing data relative to a given base value.
9. A graphical device to show how two variables are related.
10. Pieces of information relating to economic variables.

IX. Say whether the following statements are true or false. Extend your ideas.

1. Economists often find it more convenient and revealing to plot data on charts as this highlights important stories hidden in the data.
2. The retail price index provides a measure of the cost of living, obtained as the weighted average of different commodity prices.
3. Real wage rates are calculated by adjusting nominal wage rates for changes in the cost of living.
4. Economic models help to explain the scatter and serve to remind us of which other things are being held equal.
5. The process of devising an economic model can’t be conducted independently of the data.
6. The measurement ‘at current prices’ is known as the nominal value.
7. The evaluation of models is often straightforward in economics.
8. The position of a nonlinear relationship can’t be affected by changes in the background ‘other things equal’ factors.
9. Index numbers are frequently used by economists to compare variables measured in similar units.
10. Well-known and widely publicized indices include the retail price index and the index of industrial production.

X. Tasks for thought:

1. Consider the following simple economic model, which relates to the demand for chocolate bars:

   \[ \text{Quantity of chocolate bars} = f(\text{price of chocolate bars}, \text{consumer incomes}) \]

   a) Using only words explain this statement.

   b) Do you consider this model to be complete or are there other economic variables which you would have included?

2. Devise a simple economic model to analyze the demand for school lunches.

XI. Translate the sentences into English.

1. Economists use factual and theoretical instruments to explain how the economy works.

2. Theoretical instruments are economic models that give an simplified representation of reality.

3. To explain any phenomenon in economics, it is necessary to construct a model, for which it is necessary to determine which factors can be disregarded, and which are most significant and important.
4. Модели могут иметь вербальную (словесную), математическую или визуальную форму. Точечные диаграммы являются примером визуальной модели и показывают, как взаимодействуют две переменные.

5. Среди экономистов ведутся споры по поводу эффективности визуальных моделей. Одни считают, что только таблицы дают наиболее полную и точную информацию, другие полагают, что наиболее наглядным средством подачи информации являются диаграммы.

6. Экономические теории, разрабатывая сложные и взаимосвязанные модели, базируются на понятии рынка. Анализ экспериментальных данных, подкрепленный теоретическим обоснованием, позволяет прогнозировать развитие экономики.

7. Известный американский экономист В. Леонтьев разработал методику анализа, позволяющего раскрыть взаимосвязь различных производственных секторов экономики через рассмотрение продукта каждой отрасли как элемента конечного спроса и как фактора производства других продуктов.

8. Предсказательная способность важна для моделей, цель которых – предвидеть результаты влияния одних экономических параметров на другие (например, влияние введения налогов на объем продаж какого-то товара).

XII. Speaking.

1. You are aware of the fact that crime may be related to economic factors. In particular, you believe it may have something to do with people not getting jobs.
   a) How would you test your idea? What data would you want and why?
   b) Where would you look for the data?
   c) What ‘other things equal’ problem would you want to keep in mind?

2. You are on the university theatre advisory board and have to help set the price for tickets. Your aim is the maximum possible revenue for the theatre. Describe the model of the relationship between the price of tickets and total revenue.
XIII. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

**Meaning of data, information and knowledge**

The terms information and knowledge are _____ (1) used for overlapping _____ (2). The main difference is in the level of abstraction being considered. Data is the lowest level of abstraction, information is the next level, and finally, knowledge is the highest level among all three. Data on its own carries no meaning. In order for data to become information, it must be ______ (3) and take on a meaning. For example, the height of Mt. Everest is generally considered as "data", a book on Mt. Everest geological __________ (4) may be considered as "information", and a report containing practical information on the best way ______ (5) Mt. Everest's peak may be considered as "knowledge".

Information as a concept bears a __________ (6) of meanings, from everyday ______ (7) to technical settings. Generally speaking, the concept of information is closely related to notions of constraint, communication, control, data, form, instruction, knowledge, meaning, mental stimulus, pattern, perception, and representation.

It is people and computers who collect data and ______ (8) patterns on concepts. These patterns are seen as information which can be used to enhance knowledge and can be interpreted as truth, and are authorized as aesthetic and ethical ______ (9) or marks. Events that leave behind perceivable physical or virtual remains can be traced back through data. Marks are no longer considered data once the link between the mark and observation is broken. In other words, when an occurrence leaves ______ (10) marks, those marks attain the status of data.

1. A consequently  B frequently  C occasionally  D persistently
2. A thoughts  B designs  C concepts  D solutions
3. A interpreted  B dissembled  C assumed  D concluded
4. A characteristics  B qualifications  C credentials  D specifications
5. A to arrive  B to descend  C to come  D to reach
6. A similarity  B diversity  C commonness  D convergence
7. A implication  B consumption  C handling  D usage
8. A impose  B alter  C adapt  D adjust
9. A decisions  B beliefs  C criteria  D assessments
10. A suggestive  B diversified  C perceivable  D identical
Макроэкономическая модель является схемой, предназначенной для описания экономической деятельности страны или региона. Она служит для изучения динамики агрегированных величин, как, например, общее количество произведенных товаров и услуг, суммарный доход, уровень занятости и уровень цен.

Различные типы макроэкономических моделей служат различным целям и обладают различными преимуществами и недостатками. Такие модели могут использоваться для уточнения и иллюстрации основных теоретических принципов, т.е. для проверки, сопоставления и оценки всевозможных теорий, для разработки сценариев “что если?” или для создания экономических прогнозов. Так макроэкономические модели широко используются международными организациями, национальными правительствами и большими корпорациями, также как и экономистами и банками идей. Цель модели состоит в том, чтобы показать, что упрощенные взаимоотношения имеют некоторую возможность прогнозирования, которую можно проверить или применить в действительности.

Большой опасностью неотъемлемой при упрощении, требующемся для соответствия модели всей экономике, является пренебрежение существенными факторами. Например, модели рынка часто исключают “экстерналии”, т.е. внешние эффекты, которые не являются прямым результатом воздействия и могут иметь как положительный, так и отрицательный характер.

Так, производство, вызывающее загрязнение окружающей среды и выхлопные газы, налагают на общество дополнительные затраты, в то время как обезопасив свой дом от пожара, вы улучшаете пожарную безопасность своих соседей. Это дает возможность защитникам окружающей среды утверждать, что если бы экономисты учитывали социальные издержки в своих моделях, то выводы, возможно, были бы другими.
UNIT 7. SUPPLY AND DEMAND (1)

I. Find the following word-combinations in the texts and translate them into Russian.

a) we define the market, a set of arrangements, to bring together the buyer and the seller, to operate through intermediaries, to transact business, to stock the shelves, to bid against each other, superficially different, to guide resource allocation, to purchase at each conceivable price, to become lucrative, distinction

b) equilibrium price, to approach the problem diagrammatically, the horizontal axis, to plot the point, to obtain the demand curve, to re-examine the analysis of excess supply, voluntary participation, to involve buyers in forced purchases, to reconsider price determination, to bid up the price, to eliminate excess demand

II. Find in the texts English equivalents for the following.

a) центы служат ориентиром для распределения ресурсов, фондовая биржа, от имени клиента, устанавливать цену, гарантировать, сосредоточиться на основных характеристиках, изучить взаимодействие этих сил, поведение покупателя и продавца, назначать цену, диапазон цен, ограниченное количество шоколада будет востребовано, при прочих равных, стимул поставлять товар, быть более точным, как цена корректируется (регулируется), чтобы сбалансировать объем спроса и предложения, стремиться увеличить поставки

b) условия на рынке, цена на шоколад, обозначить, рыночное равновесие, ниже равновесной цены, сокращать (урезать) цены

III. Say what is meant by:

the quantity demanded, the quantity supplied, a market is a set of arrangements, at antique auctions the sellers take a passive role, the prices guide the society in choosing what, how, and for whom to purchase, price and quantity cannot be considered separately, buyers bid against each other, to stock the shelves, at each conceivable price, even when chocolate is free only a finite amount will be wanted

IV. Listening.

1. Listen to the lecture.
2. Take notes to give an oral summary of it.
V. Insert suitable words into the gaps.

to cause, exchange, shortages, a demand schedule, interplay, to equal, to be determined, demand curve, surpluses, to be brought together, purchase, a supply schedule, pressures, equilibrium price, equilibrium point, equilibrium, determinants, costs, to assume, supply curve

In our economic system resources are allocated through the 1) ______ of goods and services between producers and consumers. Each good or service commands a price. These prices are 2) ______ by the 3) ______ between the demand for a product and its supply.

4) ______ and its graphic representation, the 5) ______, show the amounts of a good or service buyers would 6) ______ at different prices.

7) ______ and its graphic representation, the 8) ______, show the amounts of a good or service sellers would offer for sale at different prices.

When buyers and sellers are 9) ______ in the market, an 10) ______ is established where the quantity demanded 11) ______ the quantity supplied. This is the 12) ______ price at which there are no 13) ______ and no 14) ______. In competitive markets, prices cannot stay above or below the equilibrium point for very long. Competitive 15) ______ push prices back down or up to the 16) ______.

The 17) ______ of demand are consumer tastes and preferences, income levels, the availability and prices of substitutes and complements, and the population size of the market.

Supply is determined by production 18) ______. The short-run situation 19) ______ that plant size, equipment, and technology do not change; the long-run situation assumes production capacity and technology can change.

A change in demand or supply is reflected by changes along the entire demand or supply schedule. This 20) ______ the schedule to shift left or right.
VI. Give the terms for the following explanations.
1. The price at which the quantity supplied equals the quantity demanded.
2. The price prevailing in a market.
3. A set of arrangements by which buyers and sellers are in contact to exchange goods and services.
4. The situation in which quantity supplied exceeds quantity demanded at a particular price.
5. The quantity of a good that sellers wish to sell at each conceivable price.
6. The situation in which quantity demanded exceeds quantity supplied at a particular price.
7. A market in which price is determined purely by the forces of supply and demand.
8. The quantity of a good that buyers wish to purchase at each conceivable price.
10. An agent who acts on behalf of clients in buying and selling financial securities.

VII. Tasks for thought.
1. Which of the following could cause a rise in house prices?
   a) A decline in house-building.
   b) An increase in lending by building societies.
   c) A rise in mortgage interest rates.
   d) An increase in the willingness of local authorities to sell council houses to tenants.
2. The distinction between shifts of the demand and supply curves and movements along them is an important one. Place ticks in the appropriate columns of Table 1 to show the effects of changes in the ‘other things equal’ categories detailed in the first column. (Two ticks are required for each item).
Table 1. Movements of and along a curve

<table>
<thead>
<tr>
<th>Change in ‘other things equal’ category</th>
<th>Shift of demand curve</th>
<th>Movement along demand curve</th>
<th>Shift of supply curve</th>
<th>Movement along supply curve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in price of competing good</td>
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<tr>
<td>Introduction of new technique of production</td>
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<td>A craze for the good</td>
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<tr>
<td>A change in incomes</td>
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<tr>
<td>A change in price of a material input</td>
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</tbody>
</table>

3.

a) Suppose cold weather makes it more difficult to catch fish. What happens to the supply curve for fish? What happens to equilibrium price and quantity?

b) Suppose cold weather also reduces the quantity of fish demanded because people do not go shopping. Show what happens to the demand curve for fish?

c) What happens to the equilibrium quantity of fish when cold weather sets in and both these effects occur? Can you say what happens to the equilibrium price of fish?

VIII. Translate into English.

1. In the market economic system resources are distributed through the exchange of goods and services between producers and consumers.

2. The producer who can produce a product or service with less production factor inputs, i.e. land, labor, and capital, than another producer has absolute advantage.

3. The more specialized and independent becomes economic activity, the greater importance it has for the smooth functioning of the economic system to coordinate production and distribution.

4. Determinants of demand are consumer tastes and preferences, income levels, availability of substitute goods and their prices, as well as prices and availability of complementary goods.

5. A decrease in the price of a good leads to an increase in demand for it and a decrease in its supply, which leads to a shortage on the market.
6. Модель спроса и предложения объясняет взаимодействие предпринимательского сектора и сектора домашних хозяйств в экономике.

7. Координация принимаемых решений на рынке обеспечивается равновесной ценой и равновесным количеством каждого товара (блага).

8. Цены как результат взаимодействия предложения и спроса сообщают важную информацию, необходимую для согласования решений, принимаемых домашними хозяйствами и фирмами.

9. Повышение спроса на товар неизбежно приводит к росту цен на него, и это стимулирует поставщиков в очень короткие сроки увеличить предложение товара для продажи.

10. Если производитель предполагает, что увеличившийся спрос не является временным явлением, то он начнет вкладывать средства в расширение производства, чтобы обеспечить таким образом долговременные поставки.

IX. Speaking.

1. Sketch a diagram showing the demand and supply curves for a commodity. Suppose that the price of the commodity is set at a level which is above the market clearing price. How will producers and consumers perceive this market situation? How are they likely to react? How would your analysis differ if the market price were to be set below the equilibrium level?

2. Discuss some of the ways in which a change in the demand or supply conditions in a market may spill over and affect conditions in another market. Provide some examples of such spillover effects.

X. Match the words (1 – 13) with their corresponding definitions (a – m):

1. market
2. feature
3. each conceivable price
4. to charge
5. supply
6. demand
7. the quantity supplied
8. the quantity demanded
9. econometrics
10. a surplus
11. intersection
12. a shortage
13. the market equilibrium price

a) a distinct property or piece
b) to ask someone to pay an amount of money for something that you are selling to them or doing for them
c) maximum quantity of a good that sellers are willing to supply at a given price (over a fixed period of time)
d) the quantity demanded equals the quantity supplied at that price
e) any place where the sellers of a particular good or service can meet with the buyers of that goods and service where there is a potential for a transaction to take place
f) the amount of any commodity actually produced and available for purchase
g) each and every possible price
h) a point or line common to lines or surfaces that intersect
i) the branch of statistical theory concerned with the analysis of economic phenomena, in particular the application of statistical methods to economic data.
j) the quantity of a good or service that people want to buy
k) maximum quantity of good that buyers are willing to buy at a given price (over a fixed period of time)
l) occurs if the price is below the market equilibrium price
m) occurs if the price is above the market equilibrium price

XI. Match the words in the left-hand column with their synonyms:

1. lucrative  a) more and more over a period of time
2. increasingly b) bringing a lot of money
3. technical advances c) infer
4. to imply d) to buy
5. to purchase e) progress in science, technology
XII. Match the words in the left-hand column with their antonyms:

1. exceed
2. essential
3. adjust
4. decay
5. frustrated

a) disarrange
b) happy
c) less than a number or amount
d) unimportant
e) fusion

XIII. Complete the sentences with prepositions and articles:

1. Going across, the demand curve shows ___1___ most buyers willing ___2___ buy (if they can!) ___3___ the current price. Going ___4___ and down, the demand curve shows the most buyers are willing ___5___ pay ___6___ that unit of the good, assuming they already have all the previous units: This is that unit's marginal benefit.

2. Going across, the supply curve shows ___7___ most sellers are willing to sell (if they can!) ___8___ the current price. Looking ___9___ the supply curve vertically, the supply price shows ___10___ lowest price ___11___ which sellers are willing ___12___ produce and sell one more unit of the good: This is that unit's marginal cost.

3. Going across, the market is ___13___ equilibrium only ___14___ the price where ___15___ quantity demanded (___16___ most buyers are willing ___17___ buy) equals ___18___ quantity supplied (___19___ most sellers are willing to sell). ___20___ this market clearing price, ___21___ quantity demanded equals ___22___ quantity supplied.

4. When you buy a good, ___23___ definition, someone else has sold it. Thus, ___24___ quantity bought of a good always equals ___25___ quantity sold. However, only ___26___ the market clearing price does ___27___ quantity demanded equal ___28___ quantity supplied.
XIV. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

Market Equilibrium

Equilibrium ___1___ in a market when the price has no ___2___ to change. Only at the market equilibrium price do buyers buy the quantity they want and sellers get to sell the quantity they want.

At any price ___3___ than the equilibrium price, there will be a surplus. Sellers will want to supply more goods than buyers want to buy. The market is not in equilibrium because the sellers who cannot sell all they want will ___4___ buyers by lowering the price.

At any price lower than the equilibrium price, there will be a ___5___. Buyers will want to buy more goods than sellers want to sell. The market is not in equilibrium. Buyers who cannot purchase all they want will seek to ___6___ sellers to supply more by bidding the price ___7___.

When the market is in equilibrium buyers are actually buying the most they want to at that price and sellers are actually selling the most they ___8___ to at that price. The quantity demanded equals the quantity supplied. Since everyone is actually buying or selling what they want to, no one has any ___9___ to change the price.

This reflects the law of one price. In any given market, all units tend to trade at the same price. Sellers who try to charge more ___10___ business. Any buyers who try to buy for less will not find willing sellers. So all buy and sell at the market clearing price.
XV. Translate the following text into English:

We will take a static image. On graph 6 there are two curves: DD -- demand curve and SS -- supply curve. An increase in the amount of money in circulation, roughly speaking, means a shift of the curve DD to the right and up. And, as we see, the price level noticeably increases. In addition, we see that the scale of this increase depends on where on the supply curve we are located. If it is close to the horizontal, then prices rise slowly, if close to the vertical, then strongly.

But if we do not take a momentary and even not a short-term snapshot of our economy, we must take into account not only the demand curve, but also the supply curve can shift - shift to the right and down and turn. This means that now the business is capable of producing more goods, spending the same amount of money, and (in the case of a turn) that an increase in demand will respond to an intensive expansion of supply. Such shifts of the supply curve occur (in general) thanks to investments, modernization, innovations, that is, also as a result of some inflow of money into the business.

On the same graph 6, moving the curve SS simultaneously with the demand curve DD, we can see that if an increase in money is accompanied by a shift of the supply curve (or leads to it), then inflation turns out to be significantly smaller compared to the case where the curve SS remains in the same place.

These graphical experiments allow us to make the following logical conclusion: the real amount of money in Russia's economy grows constantly, but there is a certain level of growth that allows you to shift the supply curve, that is, to invest, modernize and other things. And when this level is exceeded, inflation decreases; and when the rate of increase in the amount of money in circulation is not high enough, the increase in the amount of money in circulation leads only to an increase in prices.

XVI. Answer the following questions:

1. Why do we hold price constant when we talk about increasing or decreasing demand?
2. Is it the same when people are willing to (1) buy more at each price and (2) pay a higher price for each quantity?
3. If consumers buy fewer burner covers for their stoves when their income goes up, are burner covers a normal good or an inferior good?
4. When the price of a good's complement goes up, what happens to the demand for the good?
5. How does the supply curve move vertically when supply increases or "goes up"? What do up and down refer to in demand and supply diagrams?
UNIT 8 SUPPLY AND DEMAND (2)

I. Find the following word-combinations in the texts and translate them into Russian.

a) depicts the relation between price and quantity demanded; related goods; in everyday language; substitutes and complements; time goods; technological advances; when income rises; nasty cuts of meat; social attitudes; the emphasis on health and fitness

b) moreover, fancy equipment, to provide an incentive, an improvement in technology, enable firms, allow more output from the same inputs, stringent safety regulations, to extract surface mineral deposits

II. Find in the texts English equivalents for the following:

a) прочие факторы, имеющие отношение к кривым спроса; связанные товары; грубо говоря; более точное определение понятия «субститут»; дополняющие друг друга товары; имеет тенденцию к сокращению; скоропортящиеся продукты; прогресс в технологии; товары низкого качества; низкосортное мясо; могут позволить себе тратить больше; вкусы и предпочтения потребителя; спортивное снаряжение

b) (продукт) доступный при более низкой цене; сдвиг в кривой спроса; увеличить (расширить) выпуск продукта; стоимость вводимых факторов производства; усовершенствование системы очистки; семена, устойчивые к болезням; назначать повышенную цену

III. Say what is meant by:

everyday English; holding other things constant while speaking about the relation between price and quantity demanded; substitute; complement; the price is prohibitively high; the technological advance enables the new product to be made available at a much lower price; a normal good; an inferior goods; fancy equipment; to work overtime; time goods; improvement in mass production packaging techniques; less wastage; requires expensive landscaping; the ensuing scarcity will bid up the price

IV. Listening.

1. Listen to the lecture and do the tasks in the textbook.

2. Listen to the lecture again, putting down the important points to give an oral summary.
Most people take it for granted that prices will always 1)______, and understandably so. A 60-year-old American has seen them 2)______ by more than 1,000% in his lifetime. Yet 3)______ inflation is a recent phenomenon. Until about 60 years ago prices in general were as likely 4)______ as to rise. On the eve of the First World War, for example, prices in Britain were almost exactly the same as they had been at the time of the great fire of London in 1666.

Now the world may be 5)______ to that earlier normality. The prices of many things have fallen over the past 12 months or so. It is 6)______ that the world may be in for a new period of global 7)______ (meaning falling consumer prices) for the first time since the 1930s.

Talk of deflation is certainly at its highest 8)______ since then. Gary Shilling, an American economist, 9)______ that American 10)______ will fall by an 11)______ 1-2% a year over the next decade. In Britain, the Centre for Economics and Business Research 12)______ to see 13)______ in nearest future. Several pundits* reckon that continental Europe is heading for deflation rather sooner.

Just how dangerous would that be? The answer is, it depends. In the 1930s, falling prices 14)______ economies into a 15)______ spiral, in which shrinking 16)______, deepening pessimism, financial distress and the 17)______ inability of governments to put things right led to economic 18)______. But deflation can also take a friendlier form – when it is driven by 19)______ in 20)______, for instance. Look around the world, and you see both kinds of deflation at work, and in some places a mixture of the two.

*пуддитс – учёный муж (ироническое название для экономических и финансовых аналитиков)
VI. Give the terms for the following explanations.

1. A good for which demand falls when income increases.
2. Two goods are described thus when an increase in the price of one is generally associated with a fall in demand for the other.
3. The choices made by consumers as to which products to consume.
4. The hours of work that are additional to those formally agreed with the labour force.
5. Rules imposed by governments to control the operation of the market.
6. The manufacture of a product in very large quantities.
7. The means of protecting and selling a product.
8. A good for which demand increases when income rises.
9. Quantity demanded of a good multiplied by its price.
10. The period necessary for complete adjustment to a price change.

VII. Say whether the following statements are true or false. Extend your ideas.

1. A change in the price of a good will cause a shift in its demand curve.
2. An increase in consumers’ incomes will cause an expansion in the demand for all goods.
3. A poor potato harvest will result in higher prices for chips, other things being equal.
4. The price charged for a good is the equilibrium price.
5. An inferior good is one that has been badly produced.
6. If the demand for a good rises following an increase in consumers’ incomes (other things being equal), that good is known as ‘normal’.
7. The imposition of a minimum legal wage will lead to an increase in employment.
8. In everyday parlance, two goods X and Y are known as complements if an increase in the price of X, other things equal, leads to a fall in demand for good Y.
9. The imposition of a pound per unit tax on a good will lead to a pound increase in the price of the good.
10. When the Pope gave permission for Catholics to eat meat on Fridays, the equilibrium price and quantity of fish fell.
VIII. Tasks for thought.

1. Which of these goods might be regarded as ‘substitutes’ for strawberries, and which ‘complements’?
   a) Raspberries  
   b) Fresh cream  
   c) Petrol  
   d) Ice cream  
   e) Roast beef  
   f) Bus journey  
   g) Lap-top computer

2. Which of these goods would you expect to be ‘normal’ goods, and which ‘inferior’?
   a) Colour television  
   b) Coffee  
   c) Rice  
   d) Monochrome television  
   e) Remould tyres

3. In the figure below the supply curve for tents has moved from So to S1. Which of the following could have brought about this move?

   a) The introduction of a new improved method of producing tents.  
   b) A fall in the price of a complement to tents.  
   c) An increase in the wage rate paid to tent workers.  
   d) An increase in consumers’ incomes (assume that a tent is a normal good).  
   e) A fall in the price of a tent component.
IX. Translate into English.

1. Volume (quantity) of demand for any product is the quantity of the product that buyers wish to purchase within a given period of time (for example, a week or a year).

2. The volume of demand depends on the price of the product and other factors, including the prices of other products, as well as consumer incomes and their preferences and tastes.

3. Price plays a leading role in the demand-supply model. As a rule, when all other factors are equal, the volume of demand for the product increases when the price decreases, and the volume of demand for the product decreases when the price increases.

4. Supply volume — it is the quantity of the product that sellers want to produce within a given period of time on the market.

5. Supply volume depends on the price of the product and other factors, among which are the main means of production (physical capital), available production technologies, prices of variable production resources, i.e. all factors determining the costs of sellers.

6. The demand schedule reflects the dependence on the volume of demand for the product and its price at the same time as other factors.

7. Demand curve — it is a graphical representation of the demand schedule. Demand curves are generally declining, as they show that the volume of demand increases with decreasing price.

8. The market is in a state of equilibrium when the price is set at a level where the volume of demand equals the volume of supply.

9. When prices are below the equilibrium price, there is excess demand (or deficiency), when the volume of demand exceeds the volume of supply.

10. When prices are above the equilibrium price, there is excess supply (surplus), indicating an excess of supply over demand.

X. Match the words (1–9) with their corresponding definitions (a–i):

1. an input
2. substitutes
3. complementarity
4. the demand curve
5. shift in demand
6. normal good
7. inferior good
8. total costs
9. input prices
a) a relation between two goods or services in which a rise in the price of one decreases demand for the other, because these goods are often purchased and/or used together

b) shows the quantity demanded of a good at various prices, assuming that the nonprice determinants of demand, such as consumers’ income, don’t change

c) a good whose consumption increases with income

d) two goods that compete with each other

e) change in demand curve such that a different quantity is demanded at each price

f) a good for which, other things being equal, an increase in income leads to a decrease in demand

g) the sum of all the expenditure incurred during an accounting period, either within an organization, on a product, or on a process. it is often convenient to analyse the total costs into fixed costs and variable costs .

h) the prices at which the services of factors of production, or supplies of fuels, materials, and intermediate products can be obtained

i) something used to produce the good, such as labour or materials

XI. Match the words in the left-hand column with their synonyms:

1. to encounter  
   a) consequently

2. wastage  
   b) overwhelmingly

3. subsequently  
   c) perishable products

4. the time goods  
   d) losses, damages

5. prohibitively  
   e) come across

XII. Match the words in the left-hand column with their antonyms:

1. precise  
   a) downward

2. income  
   b) extract

3. upward  
   c) ban

4. quarry  
   d) exact

5. enable  
   e) losses
XIII. Complete the sentences using prepositions from the box:

with, from(2), at(4), above, for, than(2), to(6), below, of, in, up, down

1. When the price differs ___1___ the market clearing price, trade occurs ___2___ the smaller of the quantity demanded or the quantity supplied (barring government subsidies or intervention). If the price is ___3___ the market clearing price, the quantity bought and sold equals the quantity demanded. There is a surplus because sellers want ___4___ sell more ___5___ demanders are buying. If the price is ___6___ the market clearing price, the quantity bought and sold equals the quantity supplied. There is a shortage because demanders want to buy more ___7___ sellers are selling.

2. Vertically, the market is ___8___ equilibrium ___9___ the quantity whose demand price equals its supply price. ___10___ a smaller quantity, buyers are willing ___11___ pay a price exceeding the good's marginal cost (supply price), giving incentives ___12___ sellers ___13___ produce more. ___14___ a larger quantity, buyers are not willing ___15___ pay a price that covers the good's marginal cost: These units will not be produced.

3. The demand and supply curves show how changing the price affects the quantity buyers want ___16___ buy and the quantity sellers want ___17___ sell. Changing the price ___18___ to zero or ___19___ to a trillion dollars does not shift either curve. They already show the effects ___20___ price. The one thing that never shifts the demand curve or supply curve ___21___ a good is the good's price! Never! Remembering this point will steer you away ___22___ most of the mistakes made ___23___ demand and supply curves.
XIV. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

**Key Results of Shifts in Supply**

1. An event that increases supply causes the supply curve to shift ___1___ and to the ___2___. If the demand curve is not affected, then the equilibrium price will decrease and the equilibrium quantity will go ___3___.

2. An event that decreases supply causes the supply curve to shift ___4___ and to the ___5___. If the demand curve is not affected, the equilibrium will increase and the equilibrium quantity will go ___6___.

3. An event that ___7___ the cost of making a unit will cause the supply curve to shift vertically down. (Note that this is an increase in supply because at the same price, more will be supplied.) An event that ___8___ the cost of making a unit will cause the supply curve to ___9___ vertically up. It is often easier to think of shifts in the supply curve ___10___ of its vertical shift: If Unit costs go up, the supply curve moves up vertically; ___11___, if unit costs go down, the supply curve moves down vertically.

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XV. Translate the following text into English:

1. Сдерживающим фактором для котировок никеля называются также текущие низкие цены на субstitуты, в частности, феррохром: "Для никелевого рынка характерна достаточно высокая конкуренция со стороны материалов, способных заменять никель в производстве нержавеющей стали. Начиная с периода высоких цен 2007 года, активное развитие получила тенденция постепенного снижения доли производства нержавеющей стали с высоким содержанием никеля".

2. И как следствие, география реализации осетинской воды замкнута административными границами республики, так как дополнительные транспортные расходы неизбежно повышают ее цену. И тогда осетинская вода становится за республиканскими пределами, на федеральном и межрегиональном рынках, дороже, чем все остальные родственные товары. При таком раскладе не выдержит конкуренцию даже самая качественная и уникальная по своим свойствам вода. И вполне естественно, что не находится средств и возможностей для широкой рекламной кампании, которая бы способствовала продвижению продукции республиканских производителей на эти рынки.

3. По мнению экспертов, высокая стоимость нефтепродуктов во многом обусловлена непрозрачностью формирования цены на нефть, добытую внутри страны, а также отсутствием альтернативных России источников поставок "чёрного золота". Тем временем Министерство экономики в целях борьбы со спекуляцией и необоснованным завышением цен на нефтепродукты собирается ввести их государственное регулирование.

XVI. Answer the following questions:

1. A new higher demand curve causes the price to increase. How will the higher price shift the demand curve?

2. If the cost of production goes up, does the supply curve shift to the left or to the right?

3. What is the only factor that changes the quantity demanded (and supplied) but not demand (and supply)?

4. If world demand for wheat goes up and at the same time farmers find a cheaper way to grow wheat, what will happen to wheat prices and output?
UNIT 9. PRICE, INCOME AND DEMAND

I. Find the following word-combinations in the texts and translate them into Russian.

a) the downward slope of the curve; relation between price and quantity demanded; obvious measure; each price cut of 1$; negligible effect; to be unit-free; to take account of the market; extra sale; to reduce the quantity demanded; demand curves slope down; explicit warning

b) demand is unit-elastic; to raise revenue; implicitly refer to smth.; to be adjusted for inflation; socially essential identify some considerations; to affect consumer responses to changes; to switch away from smth. to smth.; durable goods; to have much scope to do smth.

II. Find in the text English equivalents for the following:

a) отображать; измерять изменение спроса в зависимости от цены; наклон кривой спроса; реакция на изменение цены; незначительное снижение цены; подобным образом, так же; эластичность спроса по цене; эластичность спроса по доходу; перекрестная эластичность по цене; разделить на …

b) при всех ценах; снижать доход; назначать цену; влиять на реакцию потребителей; выполнять приблизительно одну и ту же функцию; легкость замещения; иметь в наличии, быть доступным; подразумевать; товары длительного пользования; общественное питание

III. Say what is meant by:

quantity demanded increases as the price of a good falls; a trivial cut in the price of a car will have a negligible effect on the quantity demanded; the price elasticity of demand; we shall shortly introduce other demand elasticities; demand is elastic; a better price-fixing policy; the price for oil is price–inelastic; durable goods; the more narrowly we define a commodity the larger will be the price elasticity of demand
IV. Listening.

1. Listen to the lecture answering the questions in the textbook
2. Listen to the lecture again taking notes to be ready to write a summary of the lecture.

V. Fill in the gaps in the following text.

yield, wealth-creation, profits, welfare economics, taxation, market share, precisely, fix the economy, substitution, productivity, shifts, let alone, market, generate, creating value, product, technology, service, entrepreneurs, creation

Innovation has become the industrial religion of the late 20th century. Business see it as the key to increasing 1) _____ and 2) ___. Governments automatically reach for it when trying 3) ___. Around the world, the rhetoric of innovation has replaced the post-war language of 4) ___. It is the new technology that unites the left and the right politics, says Gregory Daines of Cambridge University.

But what 5) _____ constitutes innovation is hard to say, 6) _____ measure. It is usually thought of as 7) _____ of a better product or process. But it could just as easily be the 8) _____ of a cheaper material in an existing 9) _____, or a better way of marketing, distributing or supporting a product or 10) ___.

11) _____ - the most successful, though not the only, practitioners of innovation – rarely stop to examine how they do it. Most of them simply get on with the job of 12) _____ by exploiting some form of change – be it in 13) _____, materials, prices, 14) ___, demographics, or even geopolitics. They thereby 15) _____ new demand, or a new way of exploiting an existing 16) ___. “The entrepreneur “, said Jean-Baptiste Say, the French economist who coined the word around 1800, “17) _____ economic resources out of an area of lower and into an area of higher 18) _____ and greater 19) _____”. Two centuries later, economists are still struggling to understand this most mysterious part of the 20) _____ process.

VI. Give the terms for the following explanations.

1. The percentage change in quantity demanded divided by the corresponding percentage change in income.
2. The quantity demanded is insensitive to price changes: elasticity is between 0 and –1.
3. A good with a positive income elasticity of demand.
4. A measure of the responsiveness of demand for a good to a change in the price of another good.
5. A good with negative income elasticity.
6. A good having an income elasticity of demand less than 1.
7. A good having an income elasticity of demand greater than 1.
8. The quantity demanded is highly responsive to price changes: elasticity is more negative than –1.
9. Expenditure is unchanged when price falls: elasticity is equal to –1.
10. The percentage change in the quantity of a good demanded divided by corresponding change in its price.

VII. Say whether the following sentences are true or false. Extend your ideas.
1. Price elasticities measure the response of quantity demanded to changes in the relative price of goods.
2. The own price elasticity of demand is constant throughout the length of a strait-line demand curve.
3. Price cuts will increase total spending on a good if demand is inelastic.
4. Demand will tend to be more elastic in the long run than in the short run.
5. Total revenue is maximized when the demand elasticity is equal to –1.
6. Broadly defined commodity groups such as food are likely to have more elastic demand than narrowly defined commodities such as rump steak.
7. If two goods are complements, the cross price elasticity of demand is likely to be positive.
8. Income elasticities measure the response of quantity demanded to changes in the real value or purchasing power of income.
9. If two goods are substitutes, the cross price elasticity of demand is likely to be negative.
10. For price changes, we say that demand is more elastic in the long run than in the short run. The same arguments suggest that income elasticities of demand should be higher once consumers have time to adjust to the increase in their incomes. The reason economists emphasize the long-run/short-run distinction for price elasticity, but not for income elasticity of demand, is that changes in income are usually small.
VIII. Tasks for thought.

1. Table 1 presents the quantity of popcorn demanded at various alternative prices:

<table>
<thead>
<tr>
<th>Price per packet</th>
<th>Quantity demanded</th>
<th>Total spending (revenue)</th>
<th>Own price elasticity of demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.10</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.80</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.50</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.20</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.90</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.60</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.30</td>
<td>70</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a) Draw the demand curve on graph paper, plotting price on vertical axis and quantity on the horizontal axis.
b) Suppose price were 1.20. What would be the change in quantity demanded if price were to be reduced by 30 pence? Would your answer be different if you started at any other price?
c) Calculate total spending on popcorn at each price shown.
d) Calculate the own price elasticity of demand for prices between 60p and 2.10 pounds.
e) Draw a graph showing total revenue against sales. Plot revenue on the vertical axis and quantity demanded on the horizontal.
f) At what price is revenue at its greatest?
g) At what price is the demand elasticity equal to –1?
h) Within what ranges of prices is demand:
   (i) elastic?
   (ii) inelastic?

2. Flora Blake likes a nice cup of tea but is equally content to accept a cup of coffee. She takes two teaspoons of sugar in coffee, but none in tea. What signs would you expect to observe for her cross price elasticities between the three commodities?

3. For which of the following commodities would you expect demand to be elastic, and which inelastic?
a) bread;
b) theatre tickets;
c) foreign holidays;
d) fuel and light
e) catering  
f) dairy produce  
g) clothing  

4. Which of the following would an economist describe as inferior or normal goods?  
a) A good with income elasticity of –0.1.  
b) A good with cross-price elasticity of +0.3.  
c) A good with own-price elasticity of –1.1.  
d) A good with income elasticity of +0.9.  
e) A good with income elasticity of –0.2.  

IX. Translate into English.  
1. Мы утверждаем, что объем спроса отдельного потребителя не зависит от объема спроса других, т.к. речь может идти только об индивидуальных вкусах и предпочтениях.  
2. Однако в экономической теории существуют такие понятия как эффект сноба и эффект подражания большинству (bandwagon effect), когда спрос отдельного потребителя на некоторые товары зависит в существенной мере от потребления этих товаров другими, от влияния моды и рекламы.  
3. При анализе спроса на какой-либо товар нас часто интересует не его абсолютный объем, а изменение его в ответ на изменение цены товара.  
4. Объем спроса по разным товарам измеряется в различных единицах, поэтому по абсолютным изменениям объема спроса нельзя судить о реакции спроса на изменение цен по различным товарам. Для этого удобнее пользоваться показателями относительного изменения, что приводит нас к понятию эластичности.  
5. Эластичность спроса по цене в значительной степени зависит от наличия товаров-заменителей; чем больше товаров-заменителей у конкретного товара, тем более чувствительным к изменения цен будет спрос, т.е. мы можем в данном случае говорить об эластичности спроса.  
6. Понятие «эластичность» обеспечивает необходимую информацию о том, как расходы потребителя будут меняться вслед за изменением цены. Эта информация чрезвычайно важна для поставщиков, доход которых зависит от трат потребителей.  
7. Перекрестная эластичность спроса по цене характеризует относительное изменение объема спроса на один товар при изменении цены другого.  
8. Основными факторами, определяющими перекрестную эластичность спроса по цене, являются естественные свойства товаров, их способность замещать или дополнять друг друга.  
9. Эластичность спроса по доходу характеризуется относительным изменением спроса на какой-либо товар в результате изменения дохода потребителя.
UNIT 13 MONEY AND BANKING

I. Find the following word-combinations in the texts and translate them into Russian.

a) the crucial feature of money; unit of account; to hand over; a store of value; to swap for other goods; a barter economy is wasteful; money pays no interest; monetary value; prices are quoted in pounds; interest-bearing bank accounts; a standard of deferred payment; tiny manufacturing costs; legal tender; IOU money

b) a financial intermediary; to credit the public with a deposit; liabilities are used as a means of payment; trustee savings banks; to credit; to debit; a transfer of funds; the asset side of the balance sheet; interest-earning assets; sight deposit; time deposit; to have notification of a withdrawal

II. Find in the texts English equivalents for the following.

a) отсроченные платежи; двойное совпадение желаний; совершать взаимовыгодный обмен; средство сохранения стоимости; расточительный; средство сбережения; приносящий проценты счет в банке; покупательная способность; фактически уменьшать доходы; денежные знаки; законное платежное средство; выписывать чек третьему лицу

b) финансовый посредник, кредитно-финансовое учреждение; денежная масса; государственная лицензия; система взаимозачетов; иметь смысл; сокращать издержки; кассовый резерв; активы, приносящие проценты; ссуда, кредит; фондовая биржа; цены колеблются; ценные бумаги; срочный вклад; точно установленный период времени

III. Say what is meant by;

a barter economy is wasteful; purchasing power of money is eroded by inflation; a token money; IOU money; the deposit; to handle payments by check; a clearing system; liquidity; a sticky period for a firm; sight deposit; time deposit; to have notification of any withdrawal; certificates of deposit

IV. Listening.

1. Listen to the lecture to answer the questions in the textbook.
2. Listen to the lecture again taking notes to give a summary of it.
V. Fill in the gaps in the following text:

backed; considerable; define; acceptable; money; status; currency; commodity; reveals; legal tender; medium of exchange; broad; accepted; supply

Money

Most of us use 1)_____every day. We see it, touch it, and spend it. But how many of us can 2)_____it adequately? Usually money is defined too narrowly. Some define it as the 3)_____ of a nation: others think of it in terms of 4)_____; still others refer to it as the 5)_____. Such definitions, however, automatically exclude large portions of our money. To include all segments of our money 6)______, we must use a 7)_____definition. Thus, we can say that money is commonly 8)_____in exchange for other goods and services.

9)_____ money refers to the use of some commodity as money. Many commodities - such as stones, shells, various crops, metal, and paper - have served as money in various countries of the world. American history 10)_____that tobacco, corn, beads, warehouse receipts, and bank notes, in addition to metal coin and paper currency, have served as money. In fact, many of these monies were given the 11)_____of legal tender, which means that they were 12)_____for the payment of debts, both public and private.

There are two basic types of modern money, each of 13)_____importance: token money and paper money. Token or metallic money consists of coins - a special type of commodity money in which a metal such as gold, silver or copper is used. Paper money takes the form of bills and notes. It may or may not be 14)_____by gold or silver.

VI. Give the terms for the following explanations.

1. Any generally accepted means of payment for the delivery of goods or the settlement of the debt.

2. The function of money whereby it enables the exchange of goods and services.

3. The function of money by which it provides a unit in which prices are quoted and accounts are kept.

4. The function of money by which it can be used to make purchases in the future.
5. An economy with no medium of exchange, in which goods are swapped for other goods.

6. A medium of exchange based on the debt of a private firm or individual.

7. Financial intermediaries with a government licence to make loans and issue deposits.

8. A means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than money.

9. A set of arrangements in which debts between banks are settled, by adding up all the transactions in a given period and paying only the net amounts needed to balance interbank accounts.

10. The speed and certainty with which an asset can be converted into money.

11. In the time of the goldsmiths, the amount entrusted to the goldsmith for safekeeping.

VII. Say whether the following statements are true or false. Extend your ideas.

1. Cigarettes were used as money in the war.

2. Trading is expensive in a barter economy.

3. Money in current accounts in banks is legal tender.

4. If the goldsmiths insisted that all transactions were backed by equal amounts of gold in the vaults, then their actions could not cause growth in the money supply.

5. Banks are the only financial intermediaries.

6. The clearing system represents one way in which society reduces the costs of making transactions.

7. The more liquid an asset, the higher the return received.

8. The monetary base is the quantity of notes and coins in circulation with the non-bank private sector.

9. The more cash that the public wishes to hold, the higher is the money supply.

10. Building society deposits are so liquid that they ought to be included in the definition of money.
VIII. Tasks for thought.

1. Identify each of the following items as legal, token, commodity, or IOU money or, indeed, as not-money:

   a) gold
   b) 1 pound coin
   c) cigarettes
   d) cheque for 100$
   e) petrol
   f) camera accepted in part-exchange
   g) a building society deposit
   h) pigs, turkeys, and cocoa nuts

2. Eight individuals in a barter economy have and want the following goods: Alice has some haddock (пикша) but would like some apples; Barry has some gin but fancies blackcurrant jam; Carol is in possession of doughnuts (пончики) but wants coconuts; Daniel has obtained some jellied eels but really wants doughnuts; Eva has some figs but would prefer jellied eels; Gloria has coconuts but yearns for gin; Henry has apples but would like haddock. Can you work out a series of transactions which would satisfy all concerned?

3. Which of the following characteristics are necessary for an asset to function as money?

   a) backed by a precious metal;
   b) Authorized as legal tender by the monetary authorities
   c) Generally acceptable as a medium of exchange;
   d) Having value in future transactions.

4. Which of the following would be regarded as an asset to a customer of a commercial bank?

   a) A current account bank deposit;
   b) A special deposit;
   c) trade bills held by the bank as reserve assets;
   d) The bank's deposits at the Bank of England;
   e) an overdraft;
   f) Loans advanced by the commercial bank in US$.

5. Assess the liquidity and likely return of each of the following financial assets:

   a) cash
   b) equities
   c) bonds
   d) bills
   e) industrial shares
IX. Translate from Russian into English.

1. Все ценности в экономической системе измеряются деньгами. Товары и услуги продаются за деньги, а эти деньги обмениваются на другие товары и услуги. Термин «деньги» в широком смысле этого слова означает все, что используется как средство обмена.

2. Первоначально ценный металл служил средством сбережения. Даже сегодня американский доллар «поддерживается» запасом золота. Многие годы национальные валюты оценивались с точки зрения «золотого стандарта».

3. Бумажные деньги, выпущенные эмиссионными (issuing) банками, являются законным платежным средством. Стоимость денег определяется их стоимостью как средства обмена или их покупательной способностью. Эта покупательная способность зависит от спроса и предложения.

4. Банки связаны с потоком денег, поступающих в экономику и изымаемых из нее. Банки получают деньги от своих вкладчиков в двух формах: на текущие счета и на депозитные счета. По депозитным счетам банк выплачивает проценты, если клиент оставляет деньги в банке на определенный срок.

5. Если банк предоставляет кредит или ссуду, то эта операция приносит ему доход в виде процента. Норма этого процента всегда выше, чем те проценты, которые банк платит своим вкладчикам.

6. Сегодня главной функцией банка является посредничество между вкладчиками и заемщиками. Интересной формой работы банков является система взаимозачетов. В этой области наблюдается жесткая конкуренция между европейскими и американскими банками.

X. Speaking

1. Discuss why you think that people want to hold money rather than use funds to earn a return.

2. How do you expect the increased use of credit cards to affect the money supply?

3. There is rather a high level of inflation in the country. From your point of view, what measures should the Central bank undertake to slow down the inflationary process?
XI. Match the words (1 – 5) with their corresponding definitions (a – e):

1. clearing bank  
2. commercial bank  
3. sight deposit  
4. time deposit  
5. reserve ratio

a) a type of bank account from which you can take out money immediately without paying a charge and without informing the bank in advance
b) a bank involved in international trading and providing services for business and organizations rather than for individuals
c) one of the banks that issues and accepts cheques and passes them through the banking system
d) the amount of money a financial institution possesses in relation to the amount of money it has lent
e) a bank account in which you must leave your money for a minimum period of time and from which you can only take out money after informing the bank in advance

XII. Match the words in the left-hand column with their synonyms:

1. sight deposit  
2. time deposit  
3. crucial  
4. fixed  
5. to lend  
6. to comprise  
7. liability  
8. notification  
9. account  
10. subsequently

a) to contain  
 b) invariable  
c) term deposit  
d) call deposit  
e) decisive  
f) to loan  
g) payment  
h) obligation  
i) later  
j) information

XIII. Complete the sentences with prepositions:

1) Hongkong Bank’s net interest income increased a)….. 19 % last year.
2) Chrysler might run b) …. money to pay interest c) …. its bonds.
3) Your accountant will make d) ..... your accounts and prepare your tax return.
4) Total public spending will rise e) ..... real terms f) ..... 4 % this financial year and will continue g) ..... this pace in the year to spring 2010.
5) Interest h) ..... the instruments i) ..... the interest rate basket is usually received more frequent by than annually and most often j) ..... intervals of three months.

6) Construction lending has been badly hit by restrictions k) ..... loans.

7) Where can I exchange my dollars l) ..... pounds?

8) Investors have doubled their money after swapping the bonds m) ... a package of cash and shares.

9) Some states allow card payments n) ... certain taxes.

10) Basically, commercial banks – the ones that people use to keep their savings o) ... and to borrow their money p) ... the country’s central bank.

XIV. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

Money: its functions and characteristics

Money is something that ___1___ all of us take for granted in so far as we need it to carry out our daily lives. Riding on a bus, purchasing a soft drink or an ice-cream are simple yet very frequent examples of when we hand ___2___ a few coins or a note to whoever ___3___ these things for us. The process is so simple in fact that we have no need to even think about it. Having said that, all of us (except possibly for Bill Gates of Microsoft) would like more money, but is a different ___4___ as we saw earlier.

The money we pay for purchases is usually our national currency, such as dollars, euros, rubles, rupees and so on. The coins and paper notes themselves have little or no intrinsic value – their value to us stems directly from the fact that sellers have complete ___5___ in the money we are giving to them and so exchange it for the goods and services we ___6___ ... This confidence in turn ___7___ them to buy supplies for their shop or petrol for their bus and so on. In the simple way described above, we have shown the functions of money.

The practice of using money is absolutely ___8___ for the ___9___ operation of businesses and international transactions in the modern global economy. In the absence of the sort of money we know, people would have rely on barter.

From the economist’s standpoint, money has three necessary functions. If any of these functions break down and cannot be met, people lose confidence in money. When this occurs, economic collapse is the only outcome.
Цифра года. 36, 4 рубля за доллар

Исторический рекорд падения стоимости российского рубля по отношению к доллару США был зафиксирован 7 февраля 2009 года: стоимость доллара, установленная Банком России, достигла 36, 4 руб., тогда как на начало года она составляла лишь 29, 4 руб. На международном валютном рынке доллар также рос относительно остальных валют. Впрочем, процесс сдачи американской валютой завоеванных позиций был таким же быстрым и неожиданным. Резкое снижение доллара началось в марте и продолжилось вплоть до июня. За это время стоимость доллара в России упала до 30,51 руб. Последующий небольшой откос к уровню 32,69 руб. в середине августа началась вторая волна со второй половины августа по ноябрь. Годовой же минимум по отношению к рублю долларом был достигнут 13 ноября – 28,67 руб./$.

Схожие движения доллара наблюдались и в других валютных парах, где он весной также значительно подешевел. Наиболее сильно курс доллара снизился в то время, когда звучали упреки Центробанков, в первую очередь китайского, в адрес американского правительства, накачивающего экономику необеспеченными деньгами. Ряд ЦБ усомнились в живучести доллара, заявив о намерении сократить его долю в своих резервах. Продажи доллара были настолько массивными, что всего за две недели торгов в начале марта он “похудел” на 8,8 % относительно евро. По мере ослабления доллара инвесторы спешили избавиться от него, перекладывая средства в более надежные активы – золото и нефть. Цены на них закономерно пошли вверх.

Не менее впечатляющим был и рост фондовых индексов. Российские индексы значительно опередили по темпам роста своих западных конкурентов.
UNIT 14 CENTRAL BANKING

1. Find the following word-combinations in the texts and translate them into Russian

a) to affect the supply of money; monetary base; reserve requirement; open market operations; value of the money multiplier; to earn high interest rates; lucrative lending opportunities; discount rate; lend up to the hilt; flood of withdrawals: to hold some excess cash reserve

b) to determine money demand; interest-bearing assets; to undertake transactions; transaction motive; to cash in our bonds; to have money available; to forego interest; to stave off unforeseen crisis; the asset motive; to earn a good rate of return; to bear interest

II. Find in the text English equivalents for the following word.

a) денежная масса; денежная основа; коэффициент резерва наличности; требуемая резервная норма; учетная ставка; предусмотрительный банк; возможности давать ссуду; увеличить денежную массу; население; восстановить прежний уровень выдачи ссуд; отзыв вклада

b) выбрать переменную; девяткратное увеличение; означать, стоять за; компенсировать издержки; увидеть товар по сниженной цене; перехватить товар за полцены; непредвиденное обстоятельство; непредвиденная выгодная покупка; избежать катастрофы; предсказуемый уровень дохода

III. Say what is meant by:

the money supply is partly a liability of the Bank and partly a liability of commercial banks; money multiplier; a reserve requirement acts like a tax on banks; special deposits; the transaction motive for holding money; the precautionary motive for holding money; to meet contingencies; industrial shares are quite risky

IV. Listening.

1. Listen to the lecture to answer the questions in the textbook.

2. Listen to the lecture again taking notes to give a summary of it.
V. Fill in the gaps in the following text with suitable words.

stock, exchange, banker, adjusting, authority, accounts, national, budgetary, handle, fund, receipts, assets, bonds, issuing, to settle, monetary

The central bank is a country's leading BANK which acts as 1)______to the government and the banking system and acts as the 2)______ responsible for implementing the government's 3)______ policy. Central banks such as the Bank of England in the UK 4)______ the government's financial 5)______ in conjunction with the treasury, taking in 6)______ from taxation and the sale of government 7)______, and making disbursements to the various government departments 8)______ their activities. The central bank acts as the government's broker in its borrowing and lending operations, 9)______ and dealing in government 10)______ and treasury bills to underpin its year-to-year 11)______ position and management of the country's 12)______ debt. Commercial banks hold accounts with the central bank and, in its role as banker to the banking system, the central bank makes it possible for banks 13)______ their indebtedness with one another by 14)______ their accounts as appropriate. The central bank is also responsible for managing the country's 15)______ rate and holding the country's 16)______ of international reserve to be used in the financing of balance of payments deficits.

VI. Give terms for the following definitions.

1. The bank in a country usually having official standing in the government, having responsibility for issuing banknotes, and acting as banker to the government and the banking system.

2. A motive for holding money arising from uncertainty by which people hold money to meet contingences the exact nature of which cannot be foreseen.

3. The role of the Central bank whereby it stands ready to lend to banks and other financial institutions when financial panic threatens the financial system.

4. The interest rate that the central bank charges when the commercial banks want to borrow money.

5. A minimum ratio of cash reserves to deposits which the central bank requires commercial bank to hold.
6. A motive for holding money arising because people dislike risk and are prepared to sacrifice a high average rate of return to obtain a portfolio with lower but more predictable rate of return.

7. The value of money holdings uncorrected for the price level.

8. A motive for holding money reflecting the fact that payments and receipts are not perfectly synchronized.

9. The set of judgements by which the Bank of England decides the details of new-securities in relation to redemption date and rate of interest.

10. A control measure whereby the commercial banks must deposit at the bank of England some of their cash reserves, which couldn't be counted as part of the bank's cash reserves in meeting their reserve requirements.

11. The interest given up by holding money rather than bonds.

VII. Say whether the following statements are true or false. Extend your idea.

1. There is no possibility that the bank of England can go bankrupt because it always meet withdrawals by its depositors by printing new banknotes a little more quickly.

2. The central bank can reduce the money supply by reducing the amount of cash that the commercial banks must hold as reserves.

3. The central bank can induce the commercial banks voluntarily to hold additional cash reserves by setting the discount rate at penalty level.

4. Open market operations are a means by which the Bank alters the monetary base, banks' cash reserves, deposit lending, and the money supply.

5. When you've tried everywhere else to get money for your holidays, you go to the lender of last resort.

6. Public sector borrowing requirement (PSBR) must be met by printing money; therefore there is a direct link between the size of PSBR and money supply.

7. Money is a nominal variable, not a real variable.

8. The existence of uncertainty increases the demand for bonds.

9. The best measure of the opportunity cost of holding money is the real interest rate.

10. An excess demand for money must be exactly matched by an excess supply of bonds: otherwise people would be planning to hold more wealth than they really possess.
VIII. Tasks for thought.

1. In what way would you expect each of the following items to affect the demand for real money balances?
   a) An increase in real income.
   b) An increase in confidence about future.
   c) An increase in the opportunity cost of holding money.
   d) A fall in nominal interest rates.
   e) An increase in the price level.
   f) An increase in the interest differential between risky assets and time deposits.
   g) An increase in uncertainty concerning future transactions.
   h) A fall in the frequency of income payments - for example, a switch from weekly to monthly payment.

2. Which of the following situations would entail an increase in the transactions demand for money?
   a) A general rise in consumer prices.
   b) An expected general rise in consumer prices.
   c) The extension of value-added tax to goods which were previously zero-rated.
   d) An increase in the level of real income.
   e) An increase in the standard rate of income tax.
   f) A fall in interest rates.

3. In which of the following circumstances would a rise in interest rate be expected?
   a) A fall in money supply.
   b) An increase in money demand.
   c) A rise in liquidity preference.
   d) A fall in the price of bonds.
   e) An increase in consumer prices.
Английский банк - один из наиболее значимых банковских учреждений в мире. Он был образован группой лондонских купцов в 1694 году как акционерная компания с уставным капиталом 120 000 фунтов стерлингов. Одним из условий функционирования банка было кредитование под проценты правительства Вильяма III и Марии II.

Английский банк был национализирован лишь в 1946 году. С тех пор Банк является банком правительства, которое и назначает его руководство. В Банк поступают все средства от различных налоговых сборов и оплаты коммунальных услуг и отсюда же уходят перечисления на нужды государственного сектора.

У Английского банка есть особая привилегия, которая отличает его от других банков в стране - он единственный может печатать деньги, выдавать векселя, которые оплачиваются по предъявлении. Именно он является кредитором последней инстанции для коммерческих банков, т.е. он гарантирует, что банки могут получить от него наличность в случае острой необходимости.

В 1973-74 годах разразился серьезный банковский кризис, когда потребовалось вмешательство Банка, чтобы спасти финансовую ситуацию в стране. И после этого встал вопрос о необходимости реформирования денежной политики в стране. В результате реформы осуществление кредитно-денежного контроля было передано более широкому кругу финансовых институтов, а коммерческие банки получили свободу конкурировать за право иметь депозитные вклады и предоставлять ссуды. Так называемые специальные депозиты утратили свою эффективность и были заменены на новую схему, получившую название «Корсет». В дальнейшем были отменены резервные требования и назначение минимальной ставки кредита. Однако в дальнейшем, в конце 80-х, правительству вновь пришлось прибегнуть к политике высоких процентных ставок, чтобы бороться с инфляцией.
X. Match the words (1 – 5) with their corresponding definitions (a – e):

1. interest rate  a) the rate charged by a Central Bank for lending to other banks. Charges in this rate will influence interest rates in the economy as a whole
2. reserve requirement b) the real cost of doing something, including the cost of things that you cannot do because of the choice you have made
3. discount rate c) the percentage rate used for calculating interest over a particular period of time
4. opportunity cost d) a written statement showing that you have received money, goods, or services
5. receipt e) an amount of money the government says that banks must possess, or leave with the Central Bank, calculated in relation to the amount of the loans that it makes

XI. Match the words in the left-hand column with their synonyms:

1) monetary base a) to compensate
2) to study b) to attain
3) to foresee c) to count
4) distinction d) therefore
5) to guarantee e) base money
6) to withdraw f) difference
7) to achieve g) to contemplate
8) to make up h) to hope
9) hence i) to assure
10) to add up j) draw out

XII. Complete the sentences with prepositions:

1) Of the total capital, 19 % is expected to be reserved a) … strategic investors.
2) If you see a computer b) … under $400, you should snap it c) … .
3) Some profits of the firms are usually retained, either to be spent d) … the expansion of is a special loan f) … people who want to buy a house.
4) Many people these days buy things g) … credit instead of buying h) … cash.
5) A mortgage is a special loan e) … people who want to buy a house.
6) High interest rate has an impact i) … the consumer’s ability to buy a new home.
7) Changing interest rates is a method that is used quite frequently j) … slowing k) … or speeding l) … the economy.
8) The interest rate m) … the central bank will influence the rates commercial bank set n) … their customers.
9) If there is a limited amount of money available, the suppliers (the banks) will charge a higher price (the interest rate) as demand o) … money increases.
10) Exchange rate mechanisms are ways to control the value of the national currency p) … other currencies.

XIII. Read the text and choose the correct word or words from A, B, C or D to fill in each gap:

Money supply

Governments measure the money supply in their countries ___1___ information about ___2___ in aggregate demand, the state of financial market and the need for and ___3___ of monetary policy.

Measuring the money supply is not as easy as it might first appear. This is because it is difficult to decide what to include in any measure of money. Economists define ___4___ as money if they ___5___ the functions of money. However, ___6___ to which items carry out these functions varies and can change over time. As a result, governments use a variety of measures of the money supply which are occasionally altered to reflect developments in ___7___ carried out by particular items.

The measures of the money supply can be divided into narrow and broad measures. Narrow measures focus on items which are used primarily as a means of exchange, whereas broad measures include items which are used not only as a means of exchange but also as a store of value.

In the UK the measure of narrow money is M0. This consists of notes and coins and banker’s deposits with the Bank of England. These deposits are used by banks ___8___ debts between each other and ___9___ cash when needed. M0 is sometimes referred to as the monetary base or high-powered money.

M4 is the UK’s broad measure. This includes notes and coins and bank and building society deposits.
Торможение следует

Инфляция в России установила абсолютный рекорд: по итогам 2009 года она составила 8,8 %. Предыдущий рекорд – 9% - был зафиксирован в далеком уже 2006 году. А меньше, чем в 2009 году, инфляция была только в 1991 г. Так что рекорд абсолютный.

Однако столь низкая инфляция – повод не только для радости. Спрос на продукцию предприятий серьезно упал. Сокращение спроса на конечную продукцию вызывало сокращение заказов на комплектующие и даже на экспортное сырье. Например, добыча газа в России в 2009 г. сократилась на 16,7%. В течение всего года волны сокращения спроса регулярно прокатывались по основным производственным цепочкам.

Тем не менее в России существовал сектор экономики, продемонстрировавший удивительную приспособляемость. Речь о секторе банковском: при явном снижении инфляции средние ставки по депозитам все первое полугодие умудрялись расти. Аналитик ФЦ "Инфина" по банковскому сектору и макроэкономики В.Чекина полагает, что низкий уровень инфляции позволит Центробанку продолжить политику смягчения денежно-кредитной политики, что приведет к дальнейшему снижению ставок по вкладам. Гражданам, желающим положить деньги на депозит, имеет смысл сделать это сейчас, пока ставки не вернулись на докризисный уровень. Время аномально высоких процентов по депозитам уже прошло.

В сегодняшней ситуации снижение инфляции и стоимости денег имеет еще один эффект – замедление роста фондового рынка. Мощный рывок российскому фондовому рынку мог бы обеспечить взлет цен на нефть с нынешних $80 до $120 за баррель и выше. Но ожидать такого роста нет оснований. Не далее как 12 января министр
нефти Кувейта шейх Ахмед аль-Саба заявил: “На очередной встрече ОПЕК 17 марта в Вене квоты на добычу нефти останутся без изменений”. Кстати, заявление шейха вызвало падение цен на нефть с $82 до $80 за баррель.