English for Academic Purposes
Supplementary Material
to “Economics” by Ch.St.J.Yates
для студентов 1 курса

Москва 2010
ПРЕДИСЛОВИЕ

Настоящее пособие является приложением к учебнику “Economics” Ch.St.J.Yates. Пособие составлено преподавателями кафедры английского языка на факультете экономики. Цель пособия – способствовать развитию у студентов академических навыков в области чтения, говорения, аудирования, письма, а также усвоению специальной терминологии по экономической специальности.

Задания построены в формате международного экзамена IELTS, что позволяет поэтапно подготовить студентов к сдаче этого экзамена по окончании второго курса.

Большая часть заданий сосредоточена на закреплении материала основных текстов учебника.

Пособие предлагает дополнительные тексты по пройденной тематике и ряд заданий к ним в формате IELTS.
UNIT 1 THREE ECONOMIC ISSUES

Text 1 Three economic issues

1 Which paragraph contains the following information?

1 the introduction of the notion oil price shocks
2 the way economies performed before the oil price shocks
3 substitute commodities change the structure of production
4 countries which are better off in comparison with the rest of the world
5 high oil prices make producers economize on oil consumption
6 countries which gained large profits from the oil price increases of 1973-74

2 Do the following statements agree with the information given in the text Three economic issues?

Use TRUE if the statement agrees with the information
FALSE if the statement contradicts the information
NOT GIVEN if there is no information on this

1 From the start of the century until 1973 the price of oil increased steadily in comparison with the prices of other commodities.
2 The OPEC forecast that potential oil substitutes would not negatively affect the quantity demanded on the oil market.
3 Basic economic issues are generally settled by the guidance of price changes.
4 Higher oil prices lead to reduction in consumption of coal.
5 Less expensive oil substitutes make oil prices lower.
6 Germany and Japan gave up producing their own commodities in exchange for oil imports.
7 When the OPEC shocks took place there had already been various substitutes of oil in developed countries.
3 Complete each sentence with the correct ending, A-J, below.

1 When oil prices rise, consumers try  
2 The OPEC members decided to raise prices  
3 During oil shocks chemical manufactures develop artificial substitutes  
4 High prices encourage consumers  
5 Oil shocks allowed oil-exporting countries  
6 Information on what is produced can be used

A to respond to their price increase.  
B to determine the shifts taking place in the economy.  
C to reduce the consumption of it.  
D to reduce the use of oil-based products.  
E to gain extra profits.  
F to economize on purchasing oil-based substitutes.  
G to buy more substitute products.  
H to make world economy less stable.  
I to consume more of what was produced in the world.  
J to increase the buying power of oil-importing countries.

4 Complete the summary of the text Three economic issues from your textbook.

Choose NO MORE THAN TWO words for each answer.

Every group of people must solve three basic problems of daily living: what goods and services to produce, how to produce these goods and services, and for whom to produce these goods and services. Virtually, all these three problems illustrate how society ___1___ available resources. By goods we mean physical ___2___such as steel, cars, and strawberries which are normally purchased by ___3___. By services we mean activities such as massages or live theatre performances which can be ___4___.
By emphasizing the role of society, our definition places economics within the social sciences, the sciences that study and explain human behaviour. This behaviour is generally rational and makes people __5__ price changes. High prices not only make people switch to cheaper __6__, but negatively affect the __7__ related commodities.

The central economic problem for society is how to reconcile the conflict between people's virtually limitless desires for goods and services, and the __8__ of resources (labour, machinery, and raw materials) with which these goods and services can be __9__. In answering the questions what, how, and for whom to produce, economics explains how scarce resources are allocated between __10__.

**Text 2 The Role of Government**

1 Which paragraph contains the following information?

1 high taxes are a disincentive to people
2 the source of government finance
3 governments control what and for whom to produce
4 governments set rules for businesses
5 different scales of government activity in the economy
6 the list of government’s functions

2 Do the following statements agree with the information given in the text?

*Use TRUE if the statement agrees with the information*
*FALSE if the statement contradicts the information*
*NOT GIVEN if there is no information on this*

1 Government expenditure is mainly subsidized through government borrowing.
2 Big-government countries normally lessen the tax burden upon their people.
3 Japan spends more money than Italy on social welfare.
4 Nowadays most economies tend to reduce the government sector in their structures.
5 Social payments provoke people to work more.
Those employees who would like to have a holiday abroad prefer working more hours even if taxes are high.

Governments decide how their revenues are allocated among competing demands.

3 Choose the correct letter, A, B or C.

1) Italy is known to be a big government country because
   A its national income is high
   B its tax revenues are high
   C government spending as a percentage of national income is low

2) Governments affect how commodities are produced by
   A imposing extra taxes
   B introducing safety innovations
   C forcing official rules

3) A large government sector makes economies inefficient because
   A there are a lot of discussions in the society about the way revenues are shared.
   B the government loses control over its transfer payments.
   C people don’t get enough goods and services.

4 Which of the following best describes the main idea of the text?

Choose the correct letter A, B, C or D.

A Different countries choose different scales of government activity.
B Governments and their activities affect how scarce resources are allocated within the nations.
C The question of the government’s role in the economy is highly controversial.
D Governments affect what and for whom to produce in the economy.
While consumers and producers make most decisions that mold the economy, government activities have a powerful effect on the U.S. economy in at least two areas – stabilization and growth.

Perhaps most importantly, the federal government guides the overall pace of economic activity, attempting to maintain steady growth, high levels of employment, and price stability. By adjusting spending and tax rates (fiscal policy) or managing the money supply and controlling the use of credit (monetary policy), it can slow down or speed up the economy's rate of growth -- in the process, affecting the level of prices and employment.

For many years following the Great Depression of the 1930s, recessions -- periods of slow economic growth and high unemployment -- were viewed as the greatest of economic threats. When the danger of recession appeared most serious, government sought to strengthen the economy by spending heavily itself or cutting taxes so that consumers would spend more, and by fostering rapid growth in the money supply, which also encouraged more spending. In the 1970s, major price increases, particularly for energy, created a strong fear of inflation -- increases in the overall level of prices. As a result, government leaders came to concentrate more on controlling inflation than on combating recession by limiting spending, resisting tax increases, and reining in growth in the money supply.
UNIT 2 THE PRODUCTION POSSIBILITY FRONTIER

Text 1 The production possibility frontier

1 Which paragraph contains the following information?

1 the way workers share their facilities
2 the extreme combinations of employment and production
3 a trade-off between food and film production
4 the introduction of a hypothetical economy
5 diminishing returns occur in both industries
6 the film industry exhibits diminishing returns

2 Do the following statements agree with the information given in the text?

Use TRUE if the statement agrees with the information
FALSE if the statement contradicts the information
NOT GIVEN if there is no information on this

1 The more workers there are in the industry, the greater is the effectiveness of production.
2 Each previous additional worker increased the output more than the recently added one.
3 Adding a third worker raises film output by 6 units per week.
4 Output per worker in the film industry remains unchanged as employment rises.
5 With all workers employed in the food industry the economy doesn’t produce films.
6 A trade-off effect negatively affects food industry.

3 Complete each sentence with the correct ending, A-I, below.

1 The production possibility frontier is drawn assuming that the economy
2 Diminishing returns
3 The production possibility curves
4 A trade-off is a process of deciding whether to give up some units of one good or one
5 Transferring workers from film to food industry, the economy
6 PPFs of different economies

A show a menu of possible outputs of goods that can be produced in the economy.
B objective to obtain more of another.
C has a fixed amount of resources (including labour, materials and capital).
D produces more food at the expense of producing less films.
E illustrate a condition that occurs when each additional unit of input adds less to total output.
F has unlimited opportunities to produce nation’s welfare.
G produces more films at the expense of producing less food.
H show their individual production opportunities.
I opportunity to give up some other products.

4. Complete the text using the words below (there are some extra words)

   a composite, factors, rates, available, attainable, effectively, maximum, freely

In Economics, a production possibility curve, is a graph that shows the different (1__________) of
production of two goods and/or services that an economy can produce (2__________) during a
specified period of time with a limited quantity of productive resources, or (3__________) of
production. The PPF shows the (4__________) amount of one commodity that can be obtained
for any specified production level of the other commodity (or (5__________) of all other
commodities), given the society's technology and the amount of factors of production
(6__________________).
5 Fill in the missing words to complete the table: you can check your answers in a dictionary.

<table>
<thead>
<tr>
<th>verb</th>
<th>noun</th>
<th>adjective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>production</td>
<td>2</td>
</tr>
<tr>
<td>satisfy</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>additional</td>
</tr>
<tr>
<td>consider</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>employ</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>assumption</td>
<td>12</td>
</tr>
<tr>
<td>reduce</td>
<td>13</td>
<td>14</td>
</tr>
</tbody>
</table>

Text 2 The production possibility frontier

1 Which paragraph contains the following information?

1 Efficient and inefficient production points.
2 Impossible output combinations.
3 The point at which the economy has spare resources.
4 The society faces the problem of scarce resources.
5 Feasible combinations of outputs.
6 The society decides what and how to produce.

2. Do the following statements agree with the information given in the text?

Use **TRUE** if the statement agrees with the information
**FALSE** if the statement contradicts the information
**NOT GIVEN** if there is no information on this
1 At point G, the economy is not using its resources effectively since it could have more of food only.
2 A feasible combination of output is sometimes inefficient.
3 All points on the curve ensure efficient production combinations.
4 The points that lie outside the PPF can be unattainable but efficient with the given amount of resources.
5 Scarcity of resources makes the society choose between points on and inside the PPF.
6 Choosing a point on the PPF the society answers the questions how and for whom to produce.
7 Point H can be reached if the society finds additional resources.

3 Complete each sentence with the correct ending, A-I, below.

1 With only three workers employed the economy is inefficient because
2 Point G is not on the curve because
3 More output of one good can be obtained only by sacrificing the output of the other good because
4 The point H is unattainable because
5 The society doesn’t choose the points lying inside the PPF because
6 The PPF doesn’t help to answer for whom question because

A the amount of resources is limited in the economy.
B this means unnecessary loss of output.
C points outside the PPF are said to be unattainable.
D employment resource is being wasted.
E economists need more information than a point on the PPF.
F the economy doesn’t sacrifice the output of food in favor of film output.
G at this point the society has no spare resources.
H the economy doesn’t have enough resources to produce this combination of output.
I point G is feasible but not efficient.
4. Complete the text using the words below (there are some extra words)

represent, primary, simultaneously, generalized, sacrificed, distribution, the supply, the demand,

feasible, satisfies, infeasible, efficiency, simplification

A PPF shows all possible combinations of two goods that can be produced (1) during a given period of time, *ceteris paribus*. Commonly, it takes the form of the curve on the right. For an economy to increase the quantity of one good produced, production of the other good must be (2). Let's consider a hypothetical economy where butter production must be sacrificed in order to produce more guns. PPFs (3) how much of the latter must be sacrificed for a given increase in production of the former.

Such a two-good world is a theoretical (4), necessary for graphical analysis. If one good is of (5) interest, all others can be represented as a composite good. In addition, the model can be (6) to the \(n\)-good case using mathematics.

Assuming that (7) of the economy's factors of production does not increase, making more butter requires that resources be redirected from making "guns" to making "butter". If production is efficient, the economy can choose between combinations (i.e. points) on the PPF. Hence, all points *on* the curve are points of maximum productive (8) (i.e., no more output can be achieved from the given inputs); all points inside the frontier are (9) but productively *inefficient*; all points outside the curve are (10) with the given resources and thus unattainable in the short run. A point on the curve (11) *allocative efficiency*, also called Pareto efficiency, if, for given preferences and (12) of income, no movement along the curve or redistribution of income there could raise utility of someone without lowering the utility of someone else.
5 Fill in the missing words to complete the table: you can check your answers in a dictionary.

<table>
<thead>
<tr>
<th>Verb</th>
<th>noun</th>
<th>adjective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Sacrifice</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>restriction</td>
<td>6</td>
</tr>
<tr>
<td>Accept</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Depend</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Determine</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

6. Listening

*Allowance Helps Children Learn About Money*

You will hear a text *Allowance helps children learn about money*. For questions 1-5, mark one letter (A, B or C) for the correct answer.

1. **The purpose of giving an allowance is**
   A to avoid costly financial mistakes.
   B to learn how to manage finances.
   C to settle timing aspects.

2. **What should children know about the budget?**
   A The budget demands buying clothing and electronics.
   B The budget cannot be overdrawn.
   C The budget requires balanced saving and spending.

3. **The argument against paying children for work around the house?**
   A Children must not consider the house chores as a venture.
   B The house chores cannot provide understanding of how a business works.
   C The house chores constitute the essential part of their family life.
4. **Saving helps children understand that**
   A purchasing expansive items demands cost management.
   B cutting costs enables them to plan for the future.
   C planning for the future depends on costly goals.

5. **Saving some part of the allowance enables children to**
   A learn how a business earns compound interest.
   B learn how to deal with personal finance.
   C accumulate impressive funds.

**UNIT 3/1 THE ROLE OF THE MARKET**

A. **Which paragraph contains the following information?**

1. the role of the market in solving the three economic issues
2. the definition of the market
3. different ways of conducting business
4. the reasons for running a business
5. how prices influence the allocation of resources

B. **Complete each sentence with the correct ending, A-G, below.**

1. In some market places buyers and sellers
2. Limited resources should be allocated
3. Reasonable rents and wages allow businessmen
4. The demand for hamburgers aims resources
5. Competition in the market of scarce supplies makes businessmen
A. are brought together.

B. at hamburger production.

C. to have profits.

D. meet face to face.

E. to produce necessary goods and services.

F. to switch to other products.

G. increase prices.

C. Do the following statements agree with the information given in the text?

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

1. Consumers choose to buy hamburgers instead of steaks because of their lucrative prices.

2. Café owners should pay higher wages to employees since they experience the lack of labour force.

3. Prices which are set once are usually fixed and do not depend on external circumstances.

4. The number of markets involved in the purchase of hamburgers can be unlimited.

5. The general definition of the market is adopted in order to show the role of the market.
4. Complete the summary below.

Choose NO MORE THAN THREE WORDS from the passage.

Markets make 1 ______ interact with each other in different ways. In the market 2______ of all market players are influenced by 3 ______ of prices. This enables the society to allocate 4 _____ economically correctly. Prices in the market allow the society to answer the questions of what, how and for whom to produce. A high price for a product forces buyers to make a decision about the purchase 5 ______ another product.

5. Which of the following best describes the main idea of the text?

Choose the correct letter A, B, C or D.

A. The influence of prices on demand in the market.
B. The importance of buyers and sellers of goods and services.
C. The possibility to set up a business.
D. The necessity to involve several markets in a business.

UNIT 3/2 POSITIVE AND NORMATIVE ECONOMICS

1. Which paragraph contains the following information?

You may use each paragraph more than once.

1. the difference between two branches of economics
2. discussion of arguable points moves investigation ahead
3. definitions of positive and normative economics
4. how one branch of economics influences the other

5. different political views cannot prevent scientists from coming to an agreement

2. Complete each sentence with the correct ending, A-H, below.

1. The objective of positive economics is
   A. the price of wheat reduces.
   B. the prices will go up.
   C. to analyse facts in reality.
   D. to provide competent and comprehensive investigation.
   E. to provide a choice how the economy should act.
   F. problems to be resolved.
   G. positive and normative economics.
   H. research generally makes no sense.

2. The purpose of normative economics is

3. When the government levies taxes on goods

4. In economics, as in other sciences, there are

5. In dealing with normative judgements
3. Do the following statements agree with the information given in the text?

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

1. The purpose of positive economics is controversial: on the one hand, it should give answers to questions about current economic problems; on the other hand, it foresees the behaviour of the economy in future.

2. When applying normative economics, we make decisions greatly depending on our value judgements.

3. Competent and comprehensive research can resolve entirely all important issues in positive economics.

4. Pensioners are popular users of medical service, that is why the government should build more hospitals for them.

5. There is an interconnection between positive and normative economics.

4. Complete the summary using the list of words, A – N, below.

The economic science 1 ________ scientific, i.e. objective explanations of how the economy functions. In this 2 _______ it applies the 3 ________ approach where economists study what it is and what it can be in reality. If an issue in positive economics is scientifically proved, there is no place to any 4 ________ left. But there can be different 5 ________ views on 6 _______ problems which provide 7 ________ for further research. Economists may have their own 8 ______ judgements on economic issues. Here they deal with 9 ______ economics where it becomes difficult to 10 ______ disputes. However, positive economics shows the distinct 11 ______ of how to make a normative choice.
5. Choose the correct letter A, B, C or D.

Which of the following best describes the main idea of the text?

A. Competent research is an integral part in economics.
B. In every economic issue there are both positive and normative sides.
C. Normative statements cannot be proved.
D. The two branches of economics exist separately from each other.

6. LISTENING

1. Complete the sentences below.

Write NO MORE THAN TWO WORDS for each answer.

1. Markets are arrangements through which prices _________ the allocation of scarce resources.
2. The three economic issues are solved by the ___________ in the command economy.
3. To plan what to produce and consume is a __________ task.
4. Businessmen in the free market economy can become __________.
5. The PPF moves __________ when a new car is manufactured.
6. The government fulfils its controlling function via taxation, __________, providing services.

2. Complete the table below.

*Write NO MORE THAN TWO WORDS for each answer.*

<table>
<thead>
<tr>
<th>Type of economy</th>
<th>The government</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Command</td>
<td>takes 2 ________</td>
<td>are told what to 3 ________</td>
</tr>
<tr>
<td>example: the 1 ____</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free market</td>
<td>does not 5 ________ in the market</td>
<td>6 ________ their own interests</td>
</tr>
<tr>
<td>example: 4 ________</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed</td>
<td>7 ________ with the private sector</td>
<td>can decide for themselves</td>
</tr>
<tr>
<td>example: most countries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. SPEAKING

Discuss advantages and disadvantages of each of the three types of economies: command economy, free market economy, mixed economy. Organise your speaking into four parts. You may wish to use the useful expressions below in your answer.

1. Introduction to the topic

2. Advantages

There are several obvious benefits, such as ________________________________
The first thing to be considered can be ..............................................................
One of the main arguments in favour of … is .........................................................
Another positive aspect is ....................................................................................... 
............................................................................................................................... 
3. Disadvantages
On the other hand, .................................................................................................
The most common criticism is ...................................................................................
Another negative effect is ....................................................................................... 
A final drawback is ....................................................................................................
............................................................................................................................... 
4. Summary and own opinion
To sum up ............................................................................................................... 
In conclusion, I believe ...........................................................................................
The advantages/disadvantages outweigh the disadvantages/advantages.................. 
............................................................................................................................... 
UNIT 4/1 MICROECONOMICS AND MACROECONOMICS

1. Which paragraph contains the following information?

   You may use each paragraph more than once.

   1. the classification of goods into some categories

   2. the division of the sciences into branches

   3. the difference between microeconomics and macroeconomics
4. the importance of some phenomena depending on circumstances

5. the problems of the city

2. Choose the correct letter, A, B, C or D.

1. Microeconomics

   A. uses the relations between different segments of economic life.
   
   B. treats goods as a bundle.
   
   C. is classified according to the approach or methodology.
   
   D. is applied to the whole economy.

2. General equilibrium theory

   A. analyses all markets of goods at the same time.
   
   B. makes the microeconomic analysis too difficult to understand.
   
   C. gives a detailed treatment of economic behaviour.
   
   D. preserves the simplicity of reality.

3. Partial analysis

   A. gives full understanding of consumption and production patterns.
   
   B. pays no attention to consequences caused by some economic phenomena.
   
   C. is considered to be very complicated.
   
   D. studies the interactions in the whole economy only partly.
4. Indirectly induced effects

A. make mine owners pay wages to miners.

B. can be neglected in some cases.

C. ignore the chain which is created during the analysis.

D. need to be put under the carpet.

5. Macroeconomics

A. neglects the interactions in the economy as a whole.

B. compares markets for different types of goods and services.

C. does not distort reality.

D. deals with the processes in the whole economy.

3. Do the following statements agree with the information given in the text?

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

1. The classification of economics into microeconomics and macroeconomics is much wider than that which is done when studying a segment of the economy.

2. Microeconomics cannot be divided into further branches.
3. It is rather easy to analyze economic processes.

4. Partial microeconomic analysis ignores both directly and indirectly induced effects.

5. Indirect effects have a negative impact on microeconomic analysis.

4. Complete each sentence with the correct ending, A-G, below.

1. Microeconomics deals with
   A. helps to keep the research manageable.
   B. the behaviour of agents working within the economic system.
   C. damage real facts completely.
   D. fundamental problems within the economy.
   E. considered as one group.
   F. studied through a simplified analysis.
   G. make sense for economists.

2. Macroeconomics examines

3. Making reasonable simplifications of reality

4. Interactions in the entire economy are

5. In macroeconomic analysis consumer goods are
5. Complete the summary.

Choose NO MORE THAN THREE WORDS from the passage.

The 1 _______ of economic science can be classified according to the 2 _______ into microeconomics and macroeconomics. The former analyses the behaviour of individuals, households or firms and situations in the particular 3 _______. General equilibrium theory, studying every market for every 4 ________, provides the full 5 ________ of production, consumption and exchange in the economy. What 6 _______ the microeconomic analysis not very complicated is 7 ________ of economic processes. Ignoring consequences 8 ________ by economic phenomena makes the analysis partial. Macroeconomics deals with the economy as a whole without focusing on its particular agents. Here simplifications are also used so that an analysis can remain 9 ________.

UNIT 4/2 SUMMARY

6. Complete the summary using the list of words, A – N, below.

Economics is a 1 _______ science concerned with how resources are used to satisfy people’s wants. The science of economics arises from the need to overcome 2 ________. The resources available for production are not 3 ________ to satisfy all our wants. Consequently, we have to choose how best to use those resources. In deciding this, certain trade-offs are necessary. A production possibility frontier shows the trade-off between two 4 ________ uses of a resource. The PPF points out the opportunity cost of producing more of one good by indicating the amount of the alternative good that is 5 ________.
Economics applies 6 ________ analysis based on economic principles to 7 ________ events, 8 ________ outcomes, and recommend policies. Economic policies must take into 9 _______ an individual’s and a society’s 10 _______ judgements as well.

There are three basic types of economic systems and each resolves three key economic questions: what to produce; how to produce; for whom to produce in a different way. In a market economy, the interplay of buyers and sellers in many various markets provides answers to these questions. Markets are places for the 11 ________ of goods and services. In a command economy, a centrally directed, the 12 _______ office decides what will be produced, how it will be produced, and for whom it will be produced. Most economic systems today are actually mixed economies with elements of command and market economies.

**A. exchange**  **D. alternative**  **G. sacrificed**  **J. central**  **M. sufficient**

**B. predict**  **E. social**  **H. scarcity**  **K. value**  **N. account**

**C. limited**  **F. logical**  **I. explain**  **L. planning**

7. LISTENING

1. Complete the notes below.

Write NO MORE THAN TWO WORDS for each answer.

<table>
<thead>
<tr>
<th>Macroeconomics</th>
<th>Microeconomics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• deals with the whole economy</td>
<td>• attracts attention of the 2_______</td>
</tr>
<tr>
<td>• has more 1 ________ in press</td>
<td></td>
</tr>
</tbody>
</table>
2. Complete the notes below.

Write ONE WORD ONLY for each answer.

THE THREE KEY MACROECONOMIC TERMS

<table>
<thead>
<tr>
<th>GNP:</th>
</tr>
</thead>
<tbody>
<tr>
<td>the 1 __________ of all goods and services which the economy produces</td>
</tr>
</tbody>
</table>

2 __________ Price Level:

<table>
<thead>
<tr>
<th>2 __________ Price Level:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a 3 __________ of the average price level which is 4 __________ to the prices in the past</td>
</tr>
<tr>
<td>when going up, indicates 5 __________</td>
</tr>
</tbody>
</table>

Unemployment Rate:

<table>
<thead>
<tr>
<th>Unemployment Rate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>measured in 6 __________</td>
</tr>
<tr>
<td>relates to the labour force (people who 7 ________ a fortune excluded)</td>
</tr>
</tbody>
</table>

UNIT 5 ECONOMIC ANALYSIS (1)

Text 1. The tools of economic analysis.

1. Read through paragraph I quickly and decide which statement expresses the main idea of the paragraph in the best way.

1. Positive and normative economics study different aspects of economy.
2. Positive and normative economics apply different methods of studying economy.
3. Positive and normative economics use different approaches to studying economy.
2. Read paragraphs 3-8 in no more than 4 minutes. Match each paragraph with the sentences A-F below which summarize their content.

A. Argumentative analysis should be applied to test whether the model fits the corresponding facts.
B. Three steps of economic analysis.
C. A false coincidence in facts which seem to be very close on the surface should in the end be ignored.
D. Data deal with quantifying the facts and their links provided by the model.
E. Logical reasoning is needed to prove that the model can be viewed as conforming logically to the facts.
F. A model is a simplified picture of reality, which helps analyze and choose the best way of behavior.

3. Read questions 1-3. Before you answer them, decide in which paragraph (4-7) you will find the answer. Don’t look back at the text at this stage, though you can look back at the summarizing sentences on the margins of the textbook if necessary.

1. How does the author describe the interaction between data and models?
2. What kind of facts can lead to spurious conclusions?
3. What is necessary to do to avoid a factual coincidence?

4. Note completion. Choose one or two words from paragraphs 4, 5 for each answer.

1. The data or facts (1)______________ models in two ways.
2. First, the data help us (2) _______________ the relationships to which our theoretical models draw attention.

3. Like all careful scientists, economists must check that their theories (3) _______________ the relevant facts.

4. Is this a (4) _______________ or the key to a theory of inflation in the UK?

5. The facts alert us to the need to ponder this question, but we can make a decision by recourse to (5) ___________________.

5. **Complete the table below. Choose no more than 3 words or a number from the text for each answer.**

<table>
<thead>
<tr>
<th>The aim of use</th>
<th>The way of use</th>
<th>Representation of tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>models</td>
<td>develop our analysis of how……..</td>
<td>should be checked…..</td>
</tr>
<tr>
<td>data</td>
<td>first, help us……..</td>
<td>make a decision only by a recourse……..</td>
</tr>
</tbody>
</table>
Summary completion. Insert 1-3 words from the lecture to complete the summary given below.

We have chosen two sources of information: government publications and international bodies as getting information from them is not so (1)_____________________.

Another question which seems to be important, deals with presentation of facts. We have found out that tables and figures are helpful, although they have advantages and disadvantages: the figure gives information in a form that makes changes (2)_______________, but on the other hand, the table is more precise.

Apart from tables and figures attention should be paid to (3)____________________ method, which presents sequence of measurements of (4)________________ at different points in time. It can be used to compare unemployment in different age groups of workers. This method is much more likely to be used in (5)__________________.

Economists also use (6)____________________, which record at a point in time the way an economic variable differs across different (7)_________________, and are preferably applied in (8)__________________.
7. Speaking

1. Study the table which represents GDP in current billions of US dollars. Study the bar chart in Figure 2 and label it.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>2745</td>
<td>2788</td>
<td>2917</td>
<td>3323</td>
</tr>
<tr>
<td>2</td>
<td>Russian Federation</td>
<td>592</td>
<td>765</td>
<td>989</td>
<td>1301</td>
</tr>
<tr>
<td>3</td>
<td>Ukraine</td>
<td>65</td>
<td>86</td>
<td>108</td>
<td>143</td>
</tr>
<tr>
<td>4</td>
<td>United States</td>
<td>11812</td>
<td>12580</td>
<td>13336</td>
<td>14011</td>
</tr>
</tbody>
</table>

Figure 2

GDP by countries in current US$
2. Compare the data presented in two figures. Which kind of chart will best make the difference evident? Describe Figure 2 using comparative structures.

Text 2 Index numbers

1. Which paragraph contains the following information?

A. A weighted average shows how similar are the changes over time of price indices to those of actual prices of metals.

B. The graph might make the difference between data immediately evident.

C. It tends to be more useful to deal with index numbers than to study actual prices.

D. The price index is derived by dividing the prices for a certain metal by the value of the base year and by multiplying it by a hundred.

2. Multiple choice.

1) Choose two answers from a group of four. Circle two letters A-D.

We present the data as index numbers because:

A. index numbers are more reliable comparing to actual prices.

B. indices make results of comparison immediately apparent.

C. price indices of metals are the same in the base year.

D. index numbers can be interpreted very quickly.
2) Circle three letters A-F.

Diagrams often draw attention to unusual behavior of the variables

A. as they are more precise.
B. while in a table it might pass unnoticed.
C. because they don’t focus on the long rows of numbers.
D. as rises and falls are more evident in the graphs.
E. which are presented in the tables much more scrupulously.
F. because even insignificant changes in the graph movement can be identified.

3. Which three reasons are given for why a weighted average should be constructed?

A. to study particular movements in the metal prices.
B. the weight reflects the purpose for which the index is constructed.
C. a weighted average serves as a single measure of metal prices.
D. prices of individual metals don’t contribute substantially to making a true comparison.
E. because the price weight is an unchangeable objective value.
F. as the weight undoubtedly changes with the movement of prices.

Reason 1 _______ Reason 2 _______ Reason 3 _______
4. **Summary completion.** Complete the summary below with words from the box. You don’t need to use all the words.

**Box:** multiply  plot  annual average  behavior of variables  calculations  
sixfold  apparent  assign the value  interpreted  presented  
index numbers

To compare prices economists use (1) _______________________. To construct them economists (2)______________________ 100 to price indices of the base year, completing further (3)____________________ . Indices (4)____________________ in a table make immediately (5)____________________ the price changes, while individual prices cannot be (6)______________________ so quickly. But to make (7)_________________________ even more noticeable we need to (8)____________________ price indices in a figure or a graph.

5. **Read the text in no more than four minutes and decide whether the statements are the “fact” or “opinion”. Write F for fact or O for opinion next to each statement.**

**History of early price indices**

No clear consensus has emerged on who created the first price index. The earliest reported research in this area came from Wellshman Rice Vaughan who examined price level change in his 1675 book “A Discourse of Coin and Coinage” Vaughan wanted to separate the inflationary impact of the influx of precious metals brought by Spain from the New World from the effect due to currency debasement (lowering the level of currency). Vaughan compared labor statutes from his own time to similar statutes dating back to Edward III. These statutes set wages for certain tasks and provided a good record of the change in wage levels. Vaughan reasoned that the market for basic labor did not
fluctuate much with time and that a basic laborers salary would probably buy the same amount of goods in different time periods, so that a laborer's salary acted as a basket of goods. Vaughan's analysis indicated that price levels in England had risen six to eightfold over the preceding century.

While Vaughan can be considered a forerunner of price index research, his analysis did not actually involve calculating an index. In 1707 Englishman William Fleetwood created perhaps the first true price index. An Oxford student asked Fleetwood to help show how prices had changed. The student stood to lose his fellowship since a fifteenth century stipulation barred students with annual incomes over five pounds from receiving a fellowship. Fleetwood, who already had an interest in price change, had collected a large amount of price data going back hundreds of years. Fleetwood proposed an index consisting of averaged price relatives and used his methods to show that the value of five pounds had changed greatly over the course of 260 years. He argued on behalf of the Oxford students and published his findings anonymously in a volume entitled “Chronical Preciosum”.

1. Basic labour market remained constant over the time. ________

2. Labourers’ earnings would buy the same amount of goods in different time periods. ________

3. Workers’ wages were identified with a basket of food. ________

4. Students’ scholarships tend to reduce since the XV century. ________

5. The value of money had changed greatly over the course of 260 years. ________
6. Speaking

1. What can help us make a decision about shares of what companies to buy?
2. How can econometrics help governments and companies in evaluating their performance?
3. Why shall companies’ management be aware of changes in RPI? (indicator of inflation-personnel policy, pricing policy).
4. Study the graph, representing the changes in America’s debt, which amounted to 190% of GDP in 2008-2009.
5. Describe the graph, using the words of change, such as: to rise/a rise, to fall/a fall, to increase/an increase, to decrease/a decrease, to peak/a peak, to fluctuate/a fluctuation, to steadily grow/sudden growth, a sharp increase, to decline/a decline, to drop/a drop, to rocket, to plummet, to remain stable and so on.

![America’s rising burden](image)
Check your progress

Reading A

1. Write no more than three words or a number for each answer.

1) What index is used to measure changes in the cost of living?

________________________________________________

2) What is considered in the first stage of index construction?

________________________________________________

3) What weighted average is being studied during the second stage of construction?

________________________________________________

4) Which index shows the weighted average of the quantity of produced goods?

________________________________________________

2. Do the following statements agree with the information given in Reading A?

Use  TRUE if the statement agrees with the information
FALSE if the statement contradicts the information
NOT GIVEN if there is no information on this

1. RPI is an index of prices of goods purchased by all households.

2. The comparison of annual increase of RPI defines the inflation rate.

3. Commodity groupings are confined only to English economy.
4. The distinction between nominal and real values is of great importance in predicting further economic development.

3. Fill in the missing words to complete the table: you can check your answers in a dictionary.

<table>
<thead>
<tr>
<th>verb</th>
<th>noun</th>
<th>adjective</th>
</tr>
</thead>
<tbody>
<tr>
<td>measure</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>manufacture</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>purchasing</td>
</tr>
<tr>
<td>7</td>
<td>weight</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>quantity</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>comparative</td>
</tr>
<tr>
<td>relate</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>construction</td>
<td>16</td>
</tr>
</tbody>
</table>

4. Make up words combinations with adjectives from the table above.

*Example:* purchasing power of money, comparative analysis
Reading B

1. There are six paragraphs in the text. Which paragraph tells us about:

   1) The way to calculate the index of weekly wage rates.
   2) The definition of nominal earnings.
   3) The real state of things with the wages up to 1983.
   4) The importance of distinction between real and nominal values for economists.
   5) What Table 2-7 illustrates.
   6) The behavior of RPI between 1971-83.

2. Do the following statements agree with the information given in the text?

   Use TRUE if the statement agrees with the information
   FALSE if the statement contradicts the information
   NOT GIVEN if there is no information on this

1) Table 2-7 shows the index of managers´ earnings in the UK between 1971-1983.
2) The table tells us that during the period of 1971-1983 the population in Great Britain became better-off.
3) Manual workers´ income increased faster during this period than managers´ income.
4) During the period of 1971-83 nominal earnings of manual workers increased a little bit less than four times.
5) Nominal earnings measure the amount of goods and services that can be purchased by a representative worker.
6) The rise in wages during this period could not catch up with the growth of prices.
3. Complete the definition of nominal variable using the list of words, A-F, below:

A-production, B-money, C-contrasted, D-measured, E-levels, F-data

Nominal variable

Nominal variable is an economic variable measured in (1______________________) terms. Examples include nominal income (2____________________), and price and wage (3____________________). Nominal variables are (4____________________) with real variables, which are (5____________________) in physical units, such as employment or steel (6____________________), and variables which are pure numbers, such as elasticities and percentage shares.

4. Choose the appropriate preposition to the words from the list given below. Mind that some prepositions can be used more than once.

by from in up on to

1. The index of weekly wage rates is constructed (1) _____ data on weekly wage rates measured (2)_____ pounds.
2. We cannot say whether an increase (3)____ the value of this index made workers better off until we know what was happening (4)_____ the prices of goods (5)_____ which workers spend their incomes.
3. Each number in the first row is divided (6)_____ the corresponding number in the second row then multiplied (7)_____100.
4. Real earnings measure the quantity of goods that could be purchased (8)_____ the monthly wage income.
5. (9)_____ the third row of Table 2-7 we can see that real earnings did rise between 1971 and 1983, but only (10)_____ 14 per cent.
5. A. You are going to read an entry on inflation from *Oxford Dictionary of Economics*. Before you begin, write down any words that come into your mind when you think about the topic.

B. Read the text and be ready to answer the following questions:

1) Can you give a short definition of inflation?

2) How is inflation measured?

3) At what point can we speak about rising inflation?

4) What causes cost inflation?

5) What can trigger demand inflation?

6) Can you describe an inflationary spiral?

7) What is hyperinflation characterized by?

**Inflation**

Inflation - A persistent tendency for prices and money wages to increase. Inflation is measured by the proportional changes over time in some appropriate price index, commonly a consumer price index or a *GDP deflator*. Because of changes in the type and quality of goods available, measures of inflation are probably not reliable to closer than a margin of 1 or 2 per cent a year, but if prices rise faster than this there is no doubt that inflation exists. Economists have attempted to distinguish cost and demand inflation. Cost inflation is started by an increase in some element of costs, for example the oil price explosion of 1973-4. Demand inflation is due to too much aggregate demand. Once started, inflation tends to persist through an inflationary spiral, in which various prices and wage rates rise because others have risen. The inflation tax is the real cost to the holders of money due to its loss of real purchasing power during inflation. *Hyperinflation is extremely rapid inflation, in which prices increase so fast that money largely loses its convenience as a medium of exchange.*
6.  Listening

Questions 1-8. Complete the notes below

*Write NO MORE THAN THREE WORDS for each answer.*

Section 1.

Of course, you can use other (1)____________ if you want, the dollar and so on.

Section 2.

You can see that earnings increased (2)____________. But this does not mean they could buy four times as many goods in 1983 (3)_____________ 1971.

Section 3.

We can say that real variables measure nominal variables as if the purchasing power of money (4)_____________, in other words (5)_______________ the same.

Section 4.

Measuring variables in constant pounds, as we do here, is designed to (6)______________ changes in the general (7)_______________. Actually it is just another way of saying that variables are measured in (8)_______________.

41
Text 1. Economic models

1. Choose the correct answer and circle the appropriate letter A-C.

1) “Fares Fair “policy of cutting bus and tube fares

   A. would increase passengers and bring extra revenue.
   
   B. would lead to disastrous losses in running London Transport.
   
   C. would be efficient if other factors don’t change.

2) A simplified model of reality

   A. takes into consideration only the bus and tube fares.
   
   B. should be viewed as a function of different modes of transport, petrol prices and other factors.
   
   C. should not neglect such factors as passengers’ habits, tradition, weather conditions, etc.

2. Look at paragraphs 6-7 again and find more words in the paragraphs with a similar meaning to those given below.

   to know
   to identify
   to quantify
   to predict
   corresponding
   an omission
   effect
3. **Look at the way the extracts from the text below have been rewritten using different words (paraphrased).**

Is the meaning the same or different?

If the meaning is different, change the paraphrase to make the meaning the same as the extract.

<table>
<thead>
<tr>
<th>Extract</th>
<th>Paraphrase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In the early 1980s there was a controversy over “Fares Fare” policy of cutting bus and tube fares in London.</td>
<td>At the beginning of the 1980s there was a controversial policy of cutting bus and tube fares in London.</td>
</tr>
<tr>
<td>2. Thus in equation (1) we must not view the number of passengers as fixed but develop a “theory” or “model” … of what determines the number of passengers.</td>
<td>So in equation (1) we consider the number of passengers as irregular developing a model which determines the number of passengers.</td>
</tr>
<tr>
<td>3. Since the purpose of our model is to study changes in the number of tube passengers, it will probably be all right to neglect the weather provided weather conditions are broadly the same every year.</td>
<td>As the model studies changes in the number of tube passengers, it might be correct not to ignore the weather which provides the same conditions every year.</td>
</tr>
<tr>
<td>4. Writing down a model is a safe way of forcing ourselves to look for all the relevant effects, to worry about which effects must be taken into consideration and…can be ignored.</td>
<td>Working out a model enables us to take into account corresponding effects and be alerted about which of them are significant and which are minor and can be dropped out.</td>
</tr>
</tbody>
</table>
4. Note completion. Complete the texts with the words given below.

<table>
<thead>
<tr>
<th>suffer</th>
<th>function</th>
<th>representation</th>
<th>issue</th>
<th>equations</th>
<th>sensitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>similar</td>
<td>economy</td>
<td>models</td>
<td>complexity</td>
<td>capture</td>
<td>predictions</td>
</tr>
</tbody>
</table>

**Comparison with models in other sciences**

Complex systems specialist and mathematician David Orrell wrote on this (1)_________________ and explained that the weather, human health and economics use (2)______________ methods of prediction (mathematical models). Their systems - the atmosphere, the human body and the economy - also have similar levels of (3)_________________. He found that forecasts fail because the models (4) ________________ from two problems: i- they cannot (5) __________________ the full detail of the underlying system, so rely on approximate equations; ii- they are sensitive to small changes in the exact form of these (6)_________________. This is because complex systems like the (7)____________________or the climate consist of a delicate balance of opposing forces, so a slight imbalance in their (8)__________ has big effects. Thus, (9) __________________ of things like economic recessions are still highly inaccurate, despite the use of enormous (10)__________ running on fast computers.

5. Listening. Note completion. Listen to the lecture and write no more than three words in each gap.

1. Essentially a scatter diagram shows how (1)_____________________ are related.

2. So we find the point (2) ___________________________ corresponding to one point five 1973 pence.

3. I think it is easier (3) ____________________ the scatter diagram than the table, even though the information is exactly the same.
4. The scatter diagram suggests that, on average, higher real tube fares (4)_______________________ lower passenger use.

5. Our crosses lie quite close to the line AA’ which probably (5)_______________________ of tube fares on passenger use.

6. Speaking

1. You work for a tourist agency and have to set prices for trips to Europe during the down season. Describe the model of relationships between the price for a trip and accommodation, transport fares, petrol price, etc. What “other things equal” would you try to keep in mind? Give your reasons.

Text 2. Scatter diagrams

1. Text 1 consists of four paragraphs 1-4. Which paragraphs include the following information?

A. We examine the different from the table way of presenting relations between fares and revenues.

B. Studying this table makes the comparison between real revenue and real tube fares clear.

C. The idea about the direct influence of tube fares on revenues is not conclusive.

D. By multiplying the real fare by the number of passenger kilometers we get the real tube revenue.

2. Do the following statements agree with the information given in paragraphs 2-4?

Use  TRUE  if the statement agrees with the information

     FALSE  if the statement contradicts the information

     NOT GIVEN  if there is no information on this

1. Our model of passenger use fails to identify other factors so we prefer to neglect them.

2. The rise of real tube fares explains sufficiently the reduction of passenger use of London tube.
3. The revenue increases passenger use in case real fares go up.

4. A line sloping up through crosses in Figure 2-5 indicates the period of high inflation in the given years.

5. If we only assume that other determinants remain fixed the higher fares might cause higher revenue.

3. Read paragraphs 2-4. Complete the sentences with prepositional structures from the text.

1. The years of highest real revenue (1) ________________ years in which the real tube fare was highest.

2. (2)________________________ that we are prepared to neglect the other factors identified in our model of passenger use and pretend that changes in real fares were the only cause of changes in us, Table 2-9 offers a clear answer.

3. Raising real tube fares reduces passenger use, but not sufficiently (3)________________________ the fact that fares are higher.

4. All we have already discovered is that fares (4)_____________________ and passenger use did not fall sufficiently to make total revenue (5)___________________.

5. Higher real petrol prices and higher parking charges made tube revenue rise (6)_____________________ higher prices.

6. Lower prices would have captured so many commuters who abandoned their cars (7)____________________________ buses that revenue might have risen even more.
4. Look at the text again and find words which mean the same as definitions 1-6 below.

1. to continue to be in the same state or condition

2. money that a business or organization receives over a period of time especially from selling goods or services

3. to draw marks or a line to represent facts, numbers, etc.

4. to succeed in recording, showing or describing a situation using words or pictures

5. to leave a place, vehicle, etc. permanently, because of situation making it impossible to stay or use

6. to make something happen in the same way as it happened before

5. Speaking

1. Study the changes in Italian people’s savings during 2001-2009 given in Fig.1 and Fig.2. Compare them to the changes in inflation in the same period of time. What conclusion can you make? Which kind of diagram best suits your analysis?

Figure 1.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(annual %)</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Inflation (annual %)</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>
UNIT 7 SUPPLY AND DEMAND (1)

Texts 3-1 and 3-2 (pages 63 – 66)

1. The text “Supply and demand” has 8 paragraphs.

Choose the correct heading for each paragraph (1-8) from the list of headings(i – xiv) below.

i. Take account of ‘other things’

ii. Not a sufficient quantity

iii. The simulation necessity to realize the proceeding

iv. The demand/supply schedule relationship

v. The markets mentioned above implement equal activities

vi. Demand and supply definitions

vii. The quantity demanded/supplied examples
The market model coherence

Identical tasks performance

The ground size and football tickets interdependency

Various market types

The market sample

Market intermediation

The terms odds

2. Complete each sentence with the correct ending, A-J, below.

1. When you need a new pair of high tops, want a bagel and a latte, plan to upgrade your PC, or need to fly home for Thanksgiving, you must

2. A market is any arrangement that

3. There are also markets for money

4. Some markets are physical places where the buyers and sellers meet and where an auctioneer or a broker

5. The e-commerce markets and currency markets are

6. Each buyer can visit several different stores, and each seller

   A. unorganized collections of buyers and sellers.

   B. knows that the buyer has a choice of stores.

   C. find a place where people sell those items or offer those services.

   D. limits what can be traded in markets.

   E. helps to determine the prices.
F. such as Japanese yen and for financial securities such as Yahoo! stock.

G. groups of people spread around the world who never meet and know little about each other but are connected through the Internet or by telephone and fax.

H. vary in the intensity of competition that buyers and sellers face.

I. do most of your trading in this type of market.

J. enables buyers and sellers to get information and to do business with each other.

3. Do the following statements agree with the information given in the text?

   Use **TRUE** if the statement agrees with the information

   **FALSE** if the statement contradicts the information

   **NOT GIVEN** if there is no information on this

   1. A typical market model is required to study demand and supply interaction.

   2. Economic functions of different markets are distinct.

   3. At auctions intermediaries bid against each other on behalf of buyers.

   4. Ford’s output exceeds Rolls Royce’s one.

   5. There is no way to supply without benefit.

4. Complete the sentences below.

   Choose **NO MORE THAN THREE WORDS** for every sentence.

   1. …. that guarantee that the quantity wanted to purchase is the same as the quantity wanted to sell are defined by …. 

   2. The model of the typical market required is focused on inherent characteristics, namely …. 

   3. It is necessary to realize that the terms demand and the quantity demanded …. 

4. Delivery advances would affect the ‘other things’ …. the chocolate bars supply.

5. Other things equal, the lower the …. , the higher the quantity of chocolate demanded.

5. Which of the following best describes the main idea of the text?

Choose the correct letter A, B, C or D.

A. A definition of the market.

B. Different economic functions of the market.

C. The essential features of the market.

D. ‘Other things’ influence.

6. Listening (Unit 7 page 68 – 69)

Listen to the lecture and complete the sentences below.

Write NO MORE THAN THREE WORDS for each answer.

Section 1

• Because we were _____1_____, we only discussed demand and supply.

Section 2

• We now want to _____2_____ of buyers and sellers described in this table.

• At low prices _____3_____ chocolate bars exceeds, is greater than, the quantity supplied.

Section 3

• _____4____ of 30 pence, demand is for 80 million bars.
Section 4

• When we say there is excess demand we really mean the ______ the quantity supplied at this price.

Section 5

• Economists use the term *excess supply* to mean excess in the quantity supplied ______.

Section 6

• They cut, reduce their prices, naturally, to ______.

• This ______ will continue until the equilibrium price of 30 pence is reached.

Section 7

• This means, of course, that the sellers will quickly ______ stock.

UNIT 7 SUPPLY AND DEMAND (1)

Texts 3-3 (pages 70 - 72)

1. Answer the questions below, using *NO MORE THAN THREE WORDS* for each answer.

   1. In what way is it more suitable to learn the equilibrium price and quantity?

   2. At what prices are quantities demanded larger according to figure 3 – 1?

   3. What demand/supply can be analyzed examining figure 3 – 3?

   4. What’s the reason of not being forced to participate in a market?

   5. How do sellers response to unsold stocks?
2. Complete each sentence (1 – 5) with the correct ending, A-H, below reading Figure 3 - 4

**Figure 3 - 4**

1. We graph the demand schedule as a demand curve with the quantity demanded of CD-Rs on
2. The points on the demand curve labeled A through E represent
3. Point B on the graph represents a quantity demanded of 6 million CD-Rs a week
4. If a small quantity is available, the highest price
5. As the quantity available increases, the marginal benefit of each additional unit falls and

   **A.** the rows of the supply schedule.

   **B.** the y-axis and the price of a CD-R on the x-axis.
C. at a price of 1.50 $ a disc.

D. the highest price that someone is willing and able to pay also falls along the demand curve.

E. that someone is willing and able to pay for one more unit is high.

F. at a price of 1$ a disc.

G. the rows of the demand schedule.

H. the x-axis and the price of a CD-R on the y-axis.

3. Complete the description of Figure 3 – 4 using the list of words from the box below

<table>
<thead>
<tr>
<th>A. increases</th>
<th>F. million</th>
<th>K. available</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. plan</td>
<td>G. slopes</td>
<td>L. willing</td>
</tr>
<tr>
<td>C. says</td>
<td>H. pay</td>
<td>M. millionth</td>
</tr>
<tr>
<td>D. remaining</td>
<td>I. tells</td>
<td>N. maximum</td>
</tr>
<tr>
<td>E. decreases</td>
<td>J. $1.50</td>
<td>O. minimum</td>
</tr>
</tbody>
</table>

The demand curve shows the relationship between quantity demanded and price, everything else _____1_____ the same. The demand curve _____2_____ downward: As the price decreases, the quantity demanded _____3_____. The demand curve can be read in two ways. For a given price, the demand curve _____4_____ us the quantity that people _____5_____ to buy. For example, at a price of _____6_____ a disc, the quantity demanded is 4 million discs a week. For a given quantity, the demand curve tells us the maximum price that consumers are _____7_____ and able to _____8_____ for the last discs _____9_____. For example, the _____10_____ price that consumers will pay for the 6 _____11_____ disc is $ 1.00.
4. Do the following statements agree with the information given in the text 3-3?

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

1. Table 3 – 1 enables us to define the equilibrium price.

2. The demand curve slopes downward.

3. The intersection of the curves DD and SS show market equilibrium.

4. The equilibrium position is shown by the point A.

5. DC shows the excess supply at the price £0.40.

5. Which of the following best describes the main idea of the text 3 - 3?

Choose the correct letter A, B, C or D.

A. The table is more convenient to read than the diagram.

B. What do the demand/supply curves show.

C. The price of the good and the quantity relationship in a diagram form.

D. When market equilibrium occurs.
6. Speaking

1. Complete the description of the diagram in Figure 1 using the terms from the box below.

The first step to understanding and analyzing the effect of promotion is to consider how promotion affects sales and revenue. The goal of promotion is to attract consumers and convince them to buy your wine over another's. Since promotion affects the demand for your wine, it is important to have a firm understanding of what the demand for your wine represents. To illustrate how promotion affects sales and revenue, we estimated the demand function for California Cabernet Sauvignon. A simplified representation of the demand for this wine is shown in Figure 1. …

demonstrates | between | the demand curve | the relationship
sold | and | the higher | price
the greater | the quantity | the lower | units
2. Describe Figure 2 and Figure 3.

Figure 2
UNIT 8 SUPPLY AND DEMAND (2)

Text 3-4 (pages 74 - 76)

1. Read the text “Behind the Demand Curve” and choose the correct answer, A, B, C or D according to the text.

1) The demand for cars usually decreases

A. as a result of petrol price rise.
B. with a rise in tube fares.
C. when the price of related goods remains constant.
D. instead of a decrease in the demand for buses.
2) Technological advances
   A. encourage an increase in the demand for complements to the new product.
   B. prevent from purchasing the lower-price new product.
   C. affect the demand for the time goods
   D. relate to the increase in the demand for substitutes for the new product.

3) When incomes rise
   A. the demand for normal goods decreases.
   B. households typically spend a little more on inferior goods.
   C. an increase of consumption tends to occur.
   D. consumer preferences become less affordable.

2. Complete each sentence with the correct ending, A-J, below.

   1. Although each good is unique, it has substitutes –
   2. When a price rises and all other influences on buying plans remain unchanged, the price rises
   3. Faced with a higher price and an unchanged income, people
   4. When income increases, consumers buy more of most goods, and when income decreases,
   5. Although an increase in income leads to an increase in the demand for most goods,
   6. A rock music fanatic has a much greater preference for CD-Rs than does a tone-deaf technophobic, as a consequence,
   7. If the price of a substitute for a CD-R rises,
A. will be one of the goods that people buy less of.
B. other goods that can be used in its place.
C. relative to people’s income.
D. cannot afford to buy all the things they previously bought.
E. the size and the age structure of the population.
F. consumers buy less of most goods.
G. the current demand for computers is less.
H. it does not lead to an increase in the demand for all goods.
I. even if they have the same incomes, their demands for CD-Rs will be different.
J. people buy less of the substitute and more CD-Rs.

3. Complete the text using the list of words from the box below

The prices of productive resources _____1_____ supply. The easiest way to see this influence is to think about the _____2_____ curve as a minimum-supply-price curve. If the price of a productive resource _____3_____, the lowest price a producer is willing to _____4_____ rises, so supply decreases. For example, during 2001, the price of jet fuel _____5_____ and the supply of air transportation decreased. _____6_____, a rise in the minimum _____7_____ decreases the supply of hamburgers. If the wages of disc _____8_____ rise, the supply of CD-Rs decreases.

<table>
<thead>
<tr>
<th>A. accept</th>
<th>D. similarly</th>
<th>G. wage</th>
<th>J. producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. conversely</td>
<td>E. influence</td>
<td>H. supply</td>
<td>K. rises</td>
</tr>
<tr>
<td>C. increase</td>
<td>F. raises</td>
<td>I. increased</td>
<td>L. production</td>
</tr>
</tbody>
</table>
4. Do the following statements agree with the information given in the text “Behind the Demand Curve”?

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

1. New technologies create new products and lower the costs of producing existing products.

2. Demand depends on preferences.

3. The price of related goods and the demand for a certain product are independent.

4. Inferior goods are precisely low-quality ones.

5. The precise definition of complement cannot be formulated.

5. Which of the following best describes the main idea of the text “Behind the Demand Curve”?

*Choose the correct letter A, B, C or D.*

A. Related goods.

B. Complements and substitutes definitions.

C. The other things essence.

D. Consumer incomes and preferences.
1. Choose the correct word in brackets to complete the summary of the lecture.

When any (influence/dependence) on buyers' planned purchases changes, other than the price of the good, there is a change in demand and the demand curve (shifts/slopes). Demand (increases/decreases) and the demand curve shifts rightward if the price of a substitute (rises/falls), the price of a complement (rises/falls). Demand decreases and the demand curve shifts (rightward/leftward) if the price of a substitute (rises/falls), the price of a complement (rises/falls).

UNIT 8 SUPPLY AND DEMAND (2)

Text 3-6 (pages 79 - 81)

1. The text “Behind the Supply Curve” has 7 paragraphs.

Choose the correct heading for each paragraph (1-7) from the list of headings (i – xiii) below.

i. Agriculture development.

ii. Modern facilities influence on output expansion.

iii. Take account of ‘other things’ components.

iv. The quantity supplied dependence on price rise.

v. Technological advances effect.

vi. Less wastage in mass production.
vii. How to persuade producers to supply more output.

viii. Safety regulations and the supply curve shift.

ix. The chocolate business profitability.

x. Technological advances meaning.

xi. The impact of government regulations.

xii. The supply and demand curve shifts.

xiii. The supply curve shift and input prices.

2. Complete each sentence with the correct ending, A-H, below.

1. Many useful things can be produced, but they are not produced
   A. without a definite plan.

2. The quantity supplied of a good or service is the amount that producers plan to sell
   B. during a given time period at a particular price.

3. The quantity supplied is not necessarily the same amount
   C. when all other influences on producers’ planned sales remain the same.

4. A supply curve shows the relationship between the quantity supplied of a good and its price
   D. illustrated by the law of supply.

5. The amount of any particular good or service that producers plan to sell
   E. depends on many factors.

   F. unless it is profitable to do so.
G. influences the demand.

H. as the quantity actually sold.

3. Do the following statements agree with the information given in the text “Behind the Supply Curve”? 

Use TRUE if the statement agrees with the information

FALSE if the statement contradicts the information

NOT GIVEN if there is no information on this

1. When the price of a good rises, other things remaining the same, producers are willing to increase production.
2. Supply reflects a decision about which technologically feasible items to produce.
3. Sometimes the quantity supplied is greater than the quantity demanded.
4. To study the relationship between the price of a good and the quantity supplied we keep all other influences on the quantity supplied the same.
5. The production cost cutting may result from government pollution control regulations.

4. Complete the text using the list of words from the box below

The Number of Suppliers

The larger the number of firms that produce a good, _____1_____ is the supply of the good. And as firms _____2_____ an industry, the supply in that industry increases. As firms _____3_____ an industry, the supply in that industry _____4_____. For example, over the past two years, there has been
increase in the number of firms that design and manage Web sites. As a result of this increase, of internet and World Wide Web services has increased.

A. The better  D. similarly  G. the demand  J. increases
B. the greater  E. enter  H. leave  K. decreases
C. a huge  F. the supply  I. enormously

5. Which of the following best describes the main idea of the text “Behind the Supply Curve”?

Choose the correct letter A, B, C or D.

A. Technological advances influence.
B. A change in supply.
C. The impact of output costs.
D. Adverse for producers.

UNIT 13 MONEY AND BANKING

Text 1 Money and its Functions

1. Do the following statements agree with the information given in the text Money and its Functions?

Use TRUE if the statement agrees with the information
FALSE if the statement contradicts the information
NOT GIVEN if there is no information on this
1) Money also functions as a unit of account, providing a common measure of value of goods and services.

2) As the extent of specialisation increases, the barter system proves very inefficient and frustrating.

3) The great disadvantage of holding wealth in the form of money has become very apparent in recent years – during periods of inflation its exchange value falls.

4) Mainly token money served as money in the nineteenth century.

5) Bank deposits are the total amount of money that customers pay into a particular bank, and the bank owns this money.

2. Complete the extract with the most suitable word.

Money is a good that is widely used and accepted in _____1_____ involving the transfer of goods and services from one person to another. What we consider _____2_____ today includes not only currency, but also travelers checks, demand deposits and other checkable _____3_____ such as negotiable orders of withdrawal.

Money _____4_____ three distinct functions. First, it serves as a _____5_____ in conducting transactions. It is much more efficient in facilitating the transfer of goods and services than a barter system would be. The second function of money is that it serves as a unit of measurement. Whether or not any transactions take place, the _____6_____ of goods and services is measured in units of money. The unit of measurement within each country is the _____7_____ of that country. The unit of measurement in _____8_____ transactions is quite often the American dollar. Finally, money can be used as a _____9_____. During periods of rapidly rising prices, however, it does not serve this function well.
3. Complete each sentence with the correct ending, A-H, below.

1) Without money, all transactions would have to be conducted by barter,
2) As a store of value money is not unique and even is not the best one because
3) Knowing the value or price of a good, in terms of money, enables both the supplier and the purchaser of the good to make decisions about
4) The essential condition of the survival of token money is
5) Some people aren’t very sensible with their money and

A. it holds its value.
B. the restriction of the right to supply it.
C. it can subsequently be used to buy things we do wish to consume.
D. they waste it on useless things.
E. people purchase it from banks, paying for it by check.
F. it depreciates with inflation.
G. which involves direct exchange of one good or service for another.
H. how much of the good to supply and how much of the good to purchase.

4. Do the following statements agree with the information given in the article

Use TRUE if the statement agrees with the information
FALSE if the statement contradicts the information
NOT GIVEN if there is no information on this

Green back

The dollar, for all its blemishes, is the least hideous-looking. So far this year it has risen against the other main currencies (the yen, pound, and euro) that are traded internationally and held as reserves by central banks.

The case for a further drop in the euro against the dollar has more than just momentum to back it. Business cycles favour it: the euro-area economy is picking up speed again, but America’s recovery
is more advanced. The pressure to tighten fiscal policy in some parts of the euro area will make it hard for the European Central Bank to even consider raising interest rates. A weaker euro also addresses the deeper cause of the present crisis.

A cheaper euro hurts America, which will feel it is owed a chance for export-led growth after almost ruining itself as the world’s main consumer.

Are there any beautiful currencies left? A handful had comfortably outpaced the dollar this year before the latest market tremors had investors grasping for greenbacks. Two such currencies are the Australian dollar and the Canadian dollar. Both are issued by rich countries with stable banks that have not sullied the public finances. Another is the South Korean won. Brazil’s real may over time develop as a reliable store of value. The trouble is, securities issued in these currencies are a tiny fraction of those available in the world’s four main currencies.

1) In a world of ugly currencies, the dollar is sitting pretty.
2) A weaker euro does not help Greece, Portugal and the rest compete with Germany, but it at least gives their firms a chance against imports from outside the euro bloc.
3) The lack of scale and liquidity limits the role of the yen, pound, and euro as reserve currencies.
4) There are many other stable currencies which have certain plain qualities in abundance, and they can compete with the dollar successfully.
5) Treasury bonds, with their liquid markets and unique issuer, look prettier.

5. Speaking
a) Work in pairs. Take it in turns to speak for about three minutes on the following topic. Before you begin, spend a minute thinking about what you are going to say.

Speak about money

You should say:

1. Can you imagine life without money?
2. Do you know anything about the history of money?
3. What kinds of money do you know?
4. What are the dangers of using a credit card to pay with instead of money?
5. What do you know about digital money?
6. What is an ATM?

b) What do you know about a barter economy?

Organise your answer into four paragraphs. You may wish to use the useful expressions below in your answer.

1) Introduction to the topic ________________________________

2) Advantages

There are several obvious benefits, such as ________________

Another positive aspect is _______________________________

3) Disadvantages

The impact has not all been positive _________________________

The most common criticism is ______________________________

Another negative effect is _______________________________

A final drawback is ________________________________

4) Summary and own opinion

To sum up _____________________________________________

In conclusion, I believe _________________________________

The advantages/disadvantages outweigh the disadvantages/advantages__
Text 2 Modern Banking

1. Choose the correct word in brackets to complete these sentences.

1) Assets are valuable items that the bank (owes/ owns) and consist primarily of the bank’s reserves and loans.
2) In implementing fiscal policy, the government adapts its spending and taxing activities in order to decrease (aggregate demand/ aggregate supply) when there is inflation.
3) The left side of the balance sheet itemizes the firms (liabilities/ assets)
4) (Sight deposits/ time deposits) can be withdrawn on sight whenever the depositor wishes.
5) A goldsmith being someone, who worked with gold, for jewellery and so on, had a guarded (warehouse/vault) to keep it safe in.
6) Apart from storing and lending money, banks offer other financial services. Most of these are ways of making money more (assessable/accessible) to customers.
7) Metals have (intrinsic/rare) value because they can be used to make things.
8) (Commodity money/fiat money), like banknotes and coins, has no intrinsic value. It only represents value.
9) Money can be anything that society generally (accepts/except) as payment for goods and services.

2. Find in the text a word which means:

A) “to loan”, para1
B) “obligation”, para2
C) “the most important”, para2
D) “hence”, para2
E) “ contain”, para4
F) “working”, para4
G) “count”, para4
H) “reach”, para4
3. Do the following statements agree with the information given in the article.

Use **TRUE** if the statement agrees with the information

**FALSE** if the statement contradicts the information

**NOT GIVEN** if there is no information on this

The banks battle back

From industry lobbies to global regulators, everyone is brimming with ideas. On May 26th the European Commission became the latest to propose a new bank levy, joining the IMF and governments in Europe and America. On the same day America’s Financial Accounting Standards Board unveiled proposals requiring banks to report the fair value loans on their books.

As the proposals pile up, so does the estimated cost to the banks. In America analysts at Barclays Capital calculate that the hit from domestic legislation alone could amount to 16% of banks’ profits. Analysts at Credit Suisse reckon European banks’ profits could fall by 37% because of proposed regulation.

That would be a shock almost as bad as the crisis itself, which is why in the real world policymakers will have to prioritise. The most important bit of reform is the international set of rules known as “Basel 3”, which will govern the capital and liquidity buffers banks carry. It is here that the most vicious and least public skirmish between banks and their regulators is taking place.

The Basel club of bank supervisors put out proposals which aim to boost capital and get banks to wean themselves off short-term funding. In the submissions they have made in response, banks have been critical. Although they claim to accept the objective of raising safety buffers, banks argue that any big changes will impede economic growth. Many also say that the Basel club’s timetable, which is to have the proposals finalized by this year, is unrealistic.
1) The world is now knee-deep in proposals to reform finance.
2) Basel 3 is closely connected with less problematic side of banks and their regulators.
3) Having saved the banks, governments now find themselves under the wary eye of the markets.
4) There is a behind-the-scene brawl over new capital and liquidity rules.
5) During the crisis there was a total loss of confidence in bank’s capital standards.

4. Listening

You will hear a story about banking, the role of banks. Before you listen, look through the questions below and answer them:

1) Do you know anything about the history of banking?
2) Why do people hold their money in banks?
3) What is a deposit?
4) What do you think about the reason of a financial panic?

Now listen and complete the sentences below.

Write NO MORE THAN TWO WORDS for each answer

5) When people wanted some of their gold to pay for things with, they went and ______ from the goldsmith.

6) As letters, or cheques, were easier to carry around than gold, and a lot less dangerous, people started to say that their ______ were what they had with them plus their deposits.

7) Goldsmiths realized they had a great deal of ______ lying in their vaults – doing nothing.
8) The goldsmith realized that some of the gold in his vault could be lent to the firm, and of course he asked the firm to pay back later with a _____.

9) But he reckoned that it was unlikely that everyone who had deposited gold with him would want it back at the _____.

10) As economists, let’s take a look at what actually happened in that _____.

11) Note that reserves are the amount of gold that is _____, in the vault, to meet _____.

12) But our goldsmith took too much of a risk. He lent eighty percent of the gold he had. This _____.

UNIT 14 CENTRAL BANKING
Text 1 The Bank and the Money Supply

1. Complete the text using the list of words and phrases, A-J, below

   Currency is produced by the government 1)_____ the demand for it by businesses and the general public. The currency enters the economic system when people purchase it from banks 2) _____. Therefore, an increase in currency in circulation does not increase the money supply. It is merely exchanged for different form of money – demand deposits. The money supply is increased when 3) ______businesses, individuals, or governments. The bank loans are 4) _____demand deposits which borrowers can then transfer to someone else 5) _____. The amount borrowed continues to circulate in the banking system as additional money until the loan is repaid. 6)______ controlling the money supply is in the hands of the Federal Reserve System.

   A. in the form of
   B. as payment for
   C. in response to
D. the responsibility for
E. no control over
F. by writing checks
G. paying for it by check
H. banks lend funds to
I. performed at about the same level as
J. in conducting transactions.

2. Fill in the words according to the passage.

Just as a 1)_____ driver keeps an eye on the road and a hand on a wheel, every country’s central bank watches economic data carefully and adjusts the 2) _____ in an effort to keep the economy headed in the right direction. If a central bank allows the economy to expand too rapidly by keeping too much money in circulation, it may cause 3)_____. If it slows down the economy removing too much money from circulation, an economic recession could result, bringing 4)_____ and reduced 5)_____.

Central banks usually print only enough 6)_____ to satisfy the everyday needs of businesses and consumers. Instead if taking 7)_____ and making 8)_____ as normal banks do, a central bank controls the economy by increasing or decreasing the country’s 9)_____.

Once a customer deposits money in any bank, it becomes available for further lending. A bank’s supply of money for lending is limited by its 10)_____ and its 11)______, which are determined by the central bank that often uses them to control the money supply.

3. Do the following statements agree with the information given in the article?

Use  TRUE  if the statement agrees with the information
FALSE  if the statement contradicts the information
NOT GIVEN  if there is no information on this
Banking and IT

When Metro Bank, which claims to be Britain’s first new high-street bank for more than 150 years, opens its first branch in inner London, customers will notice the lollipop jars and water bowls for dogs. New customers will be able to get their account, checkbook, debit and credit cards within 15 minutes, and all the data for each customer will be kept in one place. That puts Metro Bank in an enviable position.

IT at many Western banks is often a hotch-potch of home-made systems. Banks were the first to use mainframes in the 1960s; many are still using the original applications because it is risky to swap them out. Over the years more and more systems have been slapped on. Banks were often profitable enough to afford big IT teams, writing programs themselves rather than buying off the shelf.

As the result banks tend to operate lots of different databases producing conflicting numbers. Reported numbers for the bank’s exposure were regularly billions of dollars adrift of reality, a former executive at Royal Bank of Scotland reports; finding the source of error was hard.

Many banks also do not have a “single view” of their customers, which would allow them to offer tailored products or simply serve them better. Customer’s data are duplicated for each account. This is why talking to a call centre can take forever as employees laboriously switch between applications to sort things out.

But most bigger banks are still grappling with how to move forward. That is good news for start-ups such as Metro Bank, which wants to open more than 200 branches in Britain by 2020.

1) What really sets Metro Bank apart is its state-of-the art IT system.
2) Banks wrote their programs themselves since they could afford that.
3) The reality was you could never be certain that everything was correct in IT programs.
4) Most systems of many banks are organized around people, not accounts.
5) Some banks outsource their IT to providers or use packaged software.
Text 2 The Demand for Money

1. Fill in the words and phrases from the list below:

   the target, interest rates, the discount rate, assumes, unemployment, money,
   long-run increase, tools, the required reserve ratio, the money supply

   The principal 1) ______ of Federal Reserve monetary policy are open market operations, changes in 2) ______, and changes in 3) ______. Prior to 1979, Fed policy was targeted on the control of 4) ______. Since then, 5) ______ has been the control of the money supply itself.

   The monetarist approach 6) ______ that if the money supply is only allowed to rise at the rate of the average 7) ______ in real output, the price level will be stabilized. Monetarist theory is based on a constant velocity of circulation of 8) ______, which may not be the case. If 9) ______ is held constant while taxes are cut and defense expenditures are increased, resulting in large government deficits, interest rates can skyrocket, creating massive 10) ______ and widespread business failures, especially in interest-sensitive industries.

2. Complete each sentence with the correct ending, A-I, below

1) When government expenditures exceed government tax revenues in a given year,
2) The discount rate is the interest rate the Federal Reserve Bank charges banks that need to borrow reserves in order
3) When the Federal Reserve Bank sells some of its stock of bonds,
4) When a central bank decides that the economy is growing too slowly,
5) If the economy shows signs of growing too quickly,
6) Probably the most dramatic way of increasing or decreasing the money supply is through open market operations,
A. to increase or decrease bank lending and bank deposits.
B. it can summarize the bank’s assets and liabilities.
C. where a central bank buys or sells large amount of securities
D. while the bank protected them.
E. a central bank can increase the interest rate on its loans to banks, putting the brakes on economic growth.
F. to meet reserve requirements.
G. the end result is a decrease in the supply of money.
H. the government is running a budget deficit for that year.
I. is financed by government borrowing.

3. Do the following statements agree with the information given in the article?

Use **TRUE** if the statement agrees with the information
**FALSE** if the statement contradicts the information
**NOT GIVEN** if there is no information on this

A Special Case

Markets work. A government would never have made a success of an iPod, iPhone or iPad whereas Steve Jobs at Apple was able to anticipate demand for such hand-held devices. Other companies quickly noted Apple’s success and produced rival devices, thereby driving down prices.

Markets represent the individual decisions of millions of consumers and thousands of produces – the wisdom of crowds. Bureaucrats and politicians would never have enough information to allocate resources as efficiently.

77
Financial markets do not operate in the same way as those for other goods and services. When the price of television set or software package goes up, demand for it generally falls. When the price of a financial asset rises, demand generally increases.

Why the difference? Our desire for goods and services may be driven by fashion or a desire to enhance our status. But those potential qualities are inherent in the goods themselves – the sport car, the designer sunglasses, the fitted kitchen. Such goods may be means to an end but the nature of the means is still important.

Financial assets appeal for one reason only: their ability to enhance, or conserve, the buyer’s wealth. There is nothing that so induces a change in attitude as seeing a friend get rich. People learn through anecdote and example – the friend who sold his house for a million, the colleague who made a fortune buying dotcom stocks.

1) Other companies noted Apple’s success which widened their appeal to consumers.
2) Markets are the most efficient mechanism for allocating resources.
3) When goods prices are rising, manufactures make more of them.
4) The demand for financial assets is like the demand for iPods.

4. Listening
You will hear the kind of information about of functions of a central bank. Before you listen, look at the question below and answer it:

1) What functions of a central bank do you know?
   Now listen and complete the sentences below.
   Write NO MORE THAN THREE WORDS for each answer.
2) Modern fractional banking allows society to produce ______ with, when it comes down to it, relatively small inputs of _____, such as labour, land, capital.

3) Any system of fractional banking will be vulnerable to _____.

4) To reassure people, and to _____ they believe that banks can never get into trouble in the first place, there must be a guarantee that banks can _____ if they really need it.

5) One of the functions of a central bank is to stand as _____.

6) It also reduces uncertainty in the day-to-day _____.

7) Now let’s turn to the second main function. It’s _____ and _____.

8) The central bank is the _____, as you know.

9) It must enable the government to _____, even when it is _____.

10) And the central bank, through its sales of these securities has_____ it initially lent to the government.

11) The second way in which the government can finance the PSBR is, of course, by _____.

5. **Speaking.**

Work in pairs. Take it in turns to speak for about three minutes on the following topic. Before you begin, spend a minute thinking about what you are going to say.

Describe the functions of a central bank.

You should say:

what banks do

what services banks provide

what functions of the Central Bank are
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