

**МИНИСТЕРСТВО ОБРАЗОВАНИЯ РЕСПУБЛИКИ БЕЛАРУСЬ**

**УЧРЕЖДЕНИЕ ОБРАЗОВАНИЯ  
«БРЕСТКИЙ ГОСУДАРСТВЕННЫЙ ТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ»**

**Кафедра иностранных языков по экономическим специальностям**

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**ENGLISH READER IN MICROECONOMICS  
for Russian-speaking students of academic  
economics departments**

**Сборник текстов на английском языке  
для обучения чтению специальной литературы  
студентов экономических специальностей неязыковых вузов**

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Содержит тематически систематизированный текстовый материал на английском языке объемом около 200 тысяч печатных знаков для обучения чтению специальной литературы.

Для студентов первого курса экономических специальностей, продолжающих изучение английского языка после окончания средней школы.

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## ПРЕДИСЛОВИЕ

Настоящее пособие представляет собой переработанный, дополненный и исправленный сборник экономических текстов на английском языке тех же авторов, первое издание которого вышло в 2007 году. Необходимость нового издания обусловлена в первую очередь переходом на новые типовые программы и одногодичный курс обучения иностранному языку в неязыковых вузах, в связи с чем вся текстовая часть сборника в новом издании подверглась существенному сокращению и переработке. Кроме того, учтен и годовой опыт работы с предыдущим изданием пособия. В частности, внесены соответствующие изменения и дополнения во все послетекстовые задания при сохранении общей структуры самой разработки.

Пособие, содержащее систематизированный по тематическому принципу текстовый материал на английском языке суммарным объемом около 200 000 печатных знаков, предназначено для использования в качестве средства обучения чтению специальной иноязычной литературы студентов первых курсов экономических специальностей неязыковых вузов, продолжающих изучение английского языка после окончания средней школы.

Пособие рассчитано на 80 – 100 часов учебной работы, в зависимости от уровня начальной иноязычной подготовки студентов и состоит из пяти уроков и двух Приложений. Все уроки пособия сходны по структуре и состоят из (а) основного текста с послетекстовыми заданиями, направленными на проверку понимания его содержания, закрепление лексико-грамматического материала урока и развитие навыков устной речи, (б) дополнительных текстов для развития навыков ознакомительного чтения, (в) микротекстов для письменного перевода на белорусский или русский язык и (г) заданий для письменного перевода с русского языка на английский.

Приложения содержат англо-русский словарь объемом около 800 лексических единиц с указанием частотности употребления каждой из них в основных текстах пособия, а также шесть списков слов, содержащих все встречающиеся в основных текстах пособия, но не вошедшие в словарь: (а) строевые/служебные слова английского языка; (б) неправильные глаголы, (в) полнозначные слова из лексического минимума за курс средней школы, (г) простые наречия, (д) производные наречия и (е) «интернациональные» слова.

Все интернациональные слова разделены с методической целью на четыре группы в зависимости от степени трудности их узнавания и понимания при чтении оригинальных экономических текстов студентом – выпускником средней общеобразовательной школы.

В первую группу вошли слова, семантизируемые простой транслитерацией с необходимыми в ряде случаев поправками на различное звуко-буквенное и морфологическое оформление слов-коррелятов в русском и английском языках. Фактически, это – межязыковые двойники, легко узнаваемые и понимаемые при любых условиях их презентации практически всеми учащимися. Это именно те слова, которые, наряду с прочно усвоенными «исконно английскими» словами из числа лексического минимума за курс средней школы, образуют исходную лексическую основу для выполнения учебных действий на начальном этапе обучения.

Слова, включенные во вторую группу, сходны со словами первой группы в плане выражения, однако разнятся от последних как употребительностью (из-за принадлежности к различным пластам лексики и, довольно часто, различным частям речи), так и семантической структурой и объемом значений, причем основное значение соответствующего русскоязычного «двойника» и часто лежит на периферии семантического поля последнего. Перевод таких слов на русский язык посредством транслитерации приводит, как минимум, к стилистическим ошибкам, во избежание которых необходима замена «транслитерата» соответствующим синонимом.

Третью группу слов составляют так называемые «ложные друзья переводчика» – своеобразные межъязыковые омонимы, семантизация которых посредством транслитерации и их отождествления соответствующими словами родного языка неизбежно приводит к грубым смысловым ошибкам в переводе.

Четвертую группу слов образуют лексические единицы, узнавание и/или понимание которых затруднено из-за резкого расхождения как в плане выражения, так и в плане содержания коррелирующих с ними слов в русском языке. Данная группа слов вычленяется исключительно с целью использования «общих» элементов в морфологических структурах таких слов в качестве опоры (конкретных ориентиров) для облегчения их запоминания.

Все без исключения тексты в пособии составлены авторами преимущественно на основе материалов, находящихся в свободном доступе на англоязычных сайтах в Интернете. В тематическом отношении все тексты связаны как между собой, так и с проблемами, рассматриваемыми в рамках курса «Микроэкономика», читаемого на кафедре экономической теории студентам первого курса экономических специальностей БрГТУ, что, с одной стороны, несомненно, способствует более глубокому пониманию содержания изучаемых в языковом отношении англоязычных текстов и выполнению на их основе различного рода заданий творческого характера для развития навыков устной речи, а с другой – расширяет и закрепляет знания, получаемые студентами при изучении на родном языке дисциплин экономического характера, способствуя тем самым осуществлению на практике как дидактического принципа междисциплинарных связей, так и принципа профессионально-ориентированного обучения иностранному языку в неязыковом вузе, т.е. обучения студентов будущей специальности средствами иностранного языка.

Во всех без исключения базовых текстах пособия отдельные в смысловом отношении части несут порядковую нумерацию и снабжены подзаголовками для упрощения обращения к текстам и облегчения их понимания при выполнении языковых и/или речевых учебных действий на их основе.

Учитывая прикладной характер разработки, какой-либо специальной методики работы с текстами не предусматривается. Последняя определяется самим преподавателем, исходя из конкретных условий и задач обучения. Однако авторы рекомендуют придерживаться той последовательности прохождения текстового материала, в которой последний представлен в настоящем пособии.

Все основные тексты уроков, наряду с основной массой упражнений, включенных в данное пособие, прошли апробацию на практических занятиях по английскому языку со студентами первых курсов экономического факультета БрГТУ в 2005 – 2009 годах и были признаны пригодными к использованию в учебном процессе.

Авторы выражают уверенность, что данная разработка, в условиях недостатка централизованно изданных и строго ориентированных на обучение студентов будущей специальности средствами иностранного языка пособий, окажется полезной как для целей обучения чтению экономической литературы на английском языке студентов неязыкового вуза, так и подготовки вузов высококвалифицированных специалистов в области экономики в целом.

Авторы

## Text 1.1

Economy, Economic Systems, and Economics

"First things first." – An English proverb.

(1) **Introduction.** Human existence can hardly be imagined without consumption. People have to consume things (goods and services) in order to satisfy their wants and needs. But most of the things that people wish to have in order to meet their needs and wants seldom can be found in Nature in a "ready-made" form. More often than not, people have to produce them using available resources.

(2) **Economy versus economics.** A bad thing about it is that resources used in the production of goods and services are scarce or limited/finite, while people's wants are, on the contrary, unlimited/infinite. As a result, the number of goods which can be produced at a given time from available resources is limited too. It is for this reason that a system of distribution based on certain principles must exist in a community to efficiently allocate the available resources and goods among those who want to have them. Consequently, a system of managing the production, distribution, and consumption of goods and services under scarcity is normally called *economy* or *economic system*, while a social science involved in studying such systems is called *economic theory* or *economics* for short.

(3) **Economy types.** Any economic system refers to the organizational arrangements and processes through which a society makes its production-, distribution-, and consumption decisions as to *what* to produce, *how* to produce it, and *who* gets what is produced. Different economic systems answer these questions differently.

Depending on whether individual economic agents or government make decisions on the matters of production, distribution, and consumption, *market-type* and *command-type economies* may be distinguished. However, in the modern world neither of the two economy types mentioned above exists in its pure form. All what exists in reality is the *mixed-type economy*, since economic decisions in a modern society are actually made by both individual economic agents and government.

(4) **To sum up.** Thus, *economy* is the human activity that consists in producing, distributing, and consuming goods and services, realized inside an economic system and studied by economics. An economic system is a way of answering the three basic economic questions: *what* to produce, *how* to produce, and for *whom* to produce. These questions result from the *scarcity* of available resources and unlimited people's wants. The two opposing economic systems to answer differently these questions are the *market economy* and the *command economy*. However, all real-world economic systems are nowadays of *mixed type*.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

1. Economics is the study of economies.
2. People's wants and resources are unlimited.
3. All economic systems now in use are of mixed type.
4. People can find all the things they need in Nature.
5. The number of goods which can be produced is unlimited.
6. Most things people need can be found in Nature in a ready-made form.
7. There are three opposing economic systems in the modern world.
8. Any economic system must answer three basic economic questions.

### 2. Choose the most suitable word:

1. People can not live without (*consumption, distribution, production*).
2. Different societies answer their economic questions (*hardly, differently*).
3. No command-type economy (*consists, exists*) now in its pure form.
4. We all are part of (*economy, economics*).

### 3. Fill in the blanks using the words given below:

1. The subject matter of economics is ...
2. Most of the things people wish to have are ...
3. You can't produce things without using ... resources.
4. A social science involved in studying economic systems is called ...
5. People have to consume goods in order to ... their wants and needs.

-----  
*certain, economics, economy, satisfy, scarce.*

### 4. Complete the sentences:

1. The market-type economy is an economy in which ...
2. The three basic economic questions for any society are ...
3. Most economic decisions in a modern society are actually made by ...
4. A system of distribution must exist in a society to efficiently allocate ...

### 5. Restore the correct word order in the sentences that follow:

1. Economic agents in a market economy are made individual by decisions.
2. People have to produce resources using specific things.
3. The economic human activity realized is inside an economic system?

### 6. Answer the following questions without looking back at the text:

1. What is an economy/an economic system?
2. What is economics?
3. What are the three basic questions facing any economic system?
4. What do the market-type and command-type economies differ in?
5. What is the mixed-type economy?

### 7. Render the contents of Text 1.1 in English without looking back at the text.

### 8. Comment on the following statements:

- "Consumption has become an end in itself in modern societies."
- "Economic progress will solve all the problems of mankind."

### 9. Discuss the following question:

"Do we live to consume, or do we consume to live?"

### What Exactly is Economics?

*"Economics is the only field in which two people can share a Nobel Prize for saying opposing things!"— A popular joke about economists.*

(1) **Etymology.** The English word "economics" comes from the Greek words "oikos" (house), and "nemos" (norms), which roughly means "household management".

(2) **Definition of economics.** There's no one universally accepted answer to the question "What is economics?" There are many definitions, past and present, which have been applied to the term economics.

Still, broadly speaking, economics is a social science, a "school of thought" or "theory", and its area of study is human activity involved in meeting people's needs and wants. Economics tells us how people and economies normally behave, and why they behave like that/the way they do, and predicts what will result if certain economic factors are disturbed or changed.

(3) **Early definitions of economics.** Two of the earliest definitions of economics based on the notion of wealth and offered by Adam Smith (1723-1790), generally regarded as the father of economics, are "the science of wealth" and "the science relating to the laws of production, distribution and exchange (of wealth)". Some academic dictionaries still define economics as "a social science that studies the production, distribution, and consumption of goods and services and their management" or as "the science of how people produce goods and services; how they distribute them among themselves, and how they use them", while modern academic definitions of economics involve mostly the notions of scarcity and choice.

(4) **Modern definitions of economics.** Though the exact wording differs from author to author, the standard definition of economics in terms of scarcity and choice is something like this: "Economics is a social science which examines how people choose to use limited or scarce resources in order to satisfy their unlimited wants." This scarcity definition of economics means that people's resources are scarce, and whenever an individual, a business, or a nation faces a competing alternative, a choice must be made. From this point of view, economics is essentially the study of choice and decision-making in a world with limited or, otherwise, scarce resources.

The focus on scarcity continues to dominate neoclassical economics, which, in turn, predominates in most academic economics departments, though it has been criticized in recent years from a variety of quarters. Because scarcity and choice are central concepts in modern economics, they are discussed in more detail in Unit 2 that follows.

(5) **Other definitions of economics.** The above definitions of economics are the dominant but not the only possible ones. Beyond them, there are many other definitions ranging from "the dismal science" and "what economists do" to "the mechanics of utility and self-interest" and "the study of how people earn their daily bread", depending on the school of economic thought the economists represent and/or their sense of humour.

(6) **To sum up.** So, what exactly is economics in modern terms? Economics, first and foremost, is a social science, a "school of thought" or "theory". As such, economics helps to explain the mysteries of human behaviour in relation to the production, distribution and consumption of goods and services under conditions of scarce resources and unlimited wants: why people and economies behave the way they do, and why things happen the way they do.

Neoclassical economics is mostly the study of scarcity and choice. More precisely, it is the study of how individuals and society choose to use limited resources in an effort to satisfy their unlimited wants.

The role of economists is thus to analyze scarcity and make predictions and practical recommendations regarding the most effective ways of using available resources to achieve people's economic desires and goals.

### **A. TEST YOUR UNDERSTANDING**

#### **1. Decide whether the following statements are true or false:**

1. Economics is a social science.
2. There's only one universally accepted definition of economics.
3. The notion of choice is not stressed in older definitions of economics.
4. Economics is the study of the choices people make because of scarcity.
5. Some modern definitions of economics involve the notion of scarcity.

#### **2. Choose the most suitable grammar form:**

1. Some definitions of economics (*offered, were offered*) by A. Smith.
2. There are many definitions which can (*apply, be applied*) to economics.
3. Some definitions of economics (*based, are based*) on the notion of wealth.
4. In recent years, neoclassical economics (*has been, was*) much criticized.
5. Adam Smith (*regards, regarded, is regarded*) as the father of economics.

#### **3. Fill in the blanks using the words given below:**

1. What ... the Greek word "economics" mean?
2. Economics is the study of making choices or ...
3. ... are many good definitions of economics.
4. Economics is essentially the study of how society tries to overcome ....
5. Economics is the study of choice and decision-making in a world of ...

.....  
*does, scarcity, choosing, limited resources, there.*

#### **4. Complete the sentences:**

1. The English word "economics" comes from the Greek ...
2. The subject matter of economics is ...
3. Two of the earliest definitions of economics were ...
4. Modern definitions of economics involve the notions of ...
5. Neoclassical economics is essentially the study of choice and ...

#### **5. Restore the correct word order in the sentences that follow:**

1. Economics is of the study economics.
2. The human activity in meeting people's needs and wants is involved?
3. The focus on neoclassical economics continues to dominate scarcity.



**6. Answer the following questions without looking back at the text:**

1. What exactly is economics?
2. Is economics a true science?
3. What is the Greek for "household management"?
4. Can you give some good definition(s) of modern economics?
5. Can you give some of the earliest definitions of economics?
6. What does the scarcity definition of economics mean?

**7. Render the contents of Text 1.2 in English.**

**8. Comment on the following statement:**

*"The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups."* – Henry Hazlitt.

**Text 1.3**

**Economics: Areas of Studies**

*"Microeconomics looks at the trees, while macroeconomics looks at the forest."* – A popular saying.

(1) **Micro vs macro.** Traditionally, economics is broadly divided into two main/major branches: *microeconomics* which is the study of economy at the level of individual economic entities (individuals, households, and firms), and *macroeconomics* – the study of the behaviour of the economy taken as a whole. In other words, macroeconomics is the study of the entire system of economies, while microeconomics is the study of individual parts of such a system.

(2) **Meso- and megaeconomics.** Some economists also argue that two other branches of economics should be distinguished, namely *mesoeconomics*, which is the study of markets and other similar intermediary institutional arrangements within a nation, and *megaeconomics*, which is the study of economy at the international level. As national economies get more and more connected globally to one another, their study at the international level becomes an extremely important one.

(3) **Micro-macro sub-disciplines.** The main areas of studies into which economics is typically divided can be further sub-divided into numerous sub-disciplines that do not always fit neatly into the micro-macro-meso-mega categorization. These sub-disciplines, in alphabetical order, are: *agricultural economics, business economics, ecological economics, environmental economics, evolutionary economics, international economics, labour economics, managerial economics, resource economics, socioeconomics, transport economics, urban economics, economic geography, economic history, industrial organization*, just to name a few of them.

As to *Finance* that has traditionally been considered a part of economics, it has today effectively established itself as a separate, though closely related to economics, discipline.

(4) **Other subdivisions** of economic study are also possible, the more so that in recent years the subject matter that economists have studied for centuries has expanded, making its boundaries less defined. Since modern economic analysis focuses on decision-making, it can be applied, with varying degrees of success, to any field where people are faced with alternatives – education, marriage, health, etc. Some economists extend economical analysis to all personal decisions regarding not only questions like “How many eggs should I buy?”, but also “How many hours should I spend with my kids?”, and “How long should I spend brushing my teeth?”

(5) **To sum up.** Any modern economy can be represented as a two-level arrangement. The lower level of economy is known as *microeconomy*, which is the subject matter of microeconomics or microeconomic theory. The upper level is called *macroeconomy*, which is the subject matter of macroeconomics or macroeconomic theory. Two of the intermediate, and relatively new, fields of economic study are *meso-* and *mega-economics*. Since modern economic analysis focuses on decision-making, it is often applied to most different fields of human activity.

### A. TEST YOUR UNDERSTANDING

#### 1. Decide whether the following statements are true or false:

- Two of the main branches of economics are micro- and macroeconomics.
- Microeconomics examines an economy as a whole.
- Macroeconomics examines the behaviour of individual economic actors.
- Mega-economics is a separate economic discipline.
- Finance has never been a part of economics.
- Most economists extend economical analysis to all personal decisions.

#### 2. Choose the most suitable grammar form:

- Finance (*has, is, does*) a separate economic discipline.
- Macroeconomics is the study of economies (*has taken, taken*) as a whole.
- The boundaries of economics (*expanded, have expanded*) since A. Smith.
- Economics (*has divided, is divided, is dividing*) into two main branches.
- Economic analyses can (*apply, applies, be applied*) to any field where people (*face, facing, are faced*) with alternatives.

#### 3. Fill in the blanks using the words given below:

- Microeconomics studies economies at the ... of individual economic ...
- Any modern economy can be represented as a two-level ....
- National economies get more and more ... globally to one another.
- Modern economic analysis focuses on ...

.....  
*arrangement, connected, entities, decision-making, level.*

#### 4. Complete the sentences:

- Economics can be broadly divided into ...
- Microeconomics is ...
- Macroeconomics is ...
- Forest is to trees like macroeconomics is to ...

**5. Restore the correct word order in the sentences that follow:**

1. What the matter subject of microeconomics is?
2. Broadly, economics is speaking into main two divided branches.
3. The boundaries of economics nowadays to define are difficult.

**6. Answer the following questions without looking back at the text:**

1. What are the two main branches of economics?
2. What is the difference between microeconomics and macroeconomics?
3. What is mesoeconomics/mega-economics?
4. What are the major macro- and microeconomic sub-disciplines?
5. What is the subject matter of modern economic analyses?
6. Why is it possible to extend economic analyses to almost any field of human activity?

**7. Render the contents of Text 1.3 in English.**

**8. Comment on the following statement:**

*"There are macroeconomic questions, but only microeconomic answers."* –  
Roger Garrison.

## B. FURTHER READING

**1. Read the text below and give three reasons why one should study economics.**

**Why should anybody want to learn economics?** Several reasons. First and above all, the study of scientific economics is going to let you really understand the world you live in and many-many things around you that will concern you all your life – things which your common sense alone couldn't explain. Sometimes your common sense might even mislead you!

And another thing. Learning economics is a good exercise in mental development. It leads to new ways of thinking about things which can be a reward in and of itself. You don't understand what that means yet. But soon you will. When you get to the end of your course in economics you'll realize just how true that is.

Economics, learned well, will provide lifetime support for your own good common sense and enable you to take more informed choice-decisions you will have to make throughout your lifetime – for yourself, your family, your society. We are happy that you decided to learn it. We think you'll be glad you did.

**2. Read the text below and answer the questions:**

- *What careers are available in economics?*
- *What career would you like to follow after graduating from the University?*

**Careers in economics.** Economics has been recognized as a special area of study for over a century. Nowadays, economics and economists are words that almost everyone has heard of and uses, and the press regularly reports on their doings and sayings.

So, what careers are available in economics? About 60% of economists work in business firms, while the rest work for government agencies and colleges and universities. Majoring in economics is, therefore, a spring-board to a very wide variety of careers, not only in businesses, but also in government agencies and not-for-profit organizations. It also is an excellent preparation for graduate study toward master's and doctoral degrees in economics, business, public administration, urban studies, international studies, and other fields.

### C. TRANSLATE INTO RUSSIAN

1. **Economics is everywhere.** It touches every aspect of people's life. It's at work all the time, in everything. Economics is involved in all the things you've been doing all your life. When you're doing things or making things, cooking breakfast or washing up, going places, studying English, playing football, using up your time and energy and money and things to do one thing or another – all those things involve economics. If economics is involved in everything, then how can we ever get away from economics? That's the point. We can't. We just can't.

2. **Defining economics** as "what economists do" does not tell us anything we did not already know. A good definition must explain what it is that makes economics a distinct subject, different from physics or psychology. One should not expect to find a short definition that conveys with absolute clarity all there is to know about economics. Neither should one believe that there is only one correct definition possible. Many good definitions are possible, and each will focus on some important aspect of the subject.

### D. TRANSLATE INTO ENGLISH

1. Без экономики – не обойдешься. Она повсюду. Она во всем. Она в работе все время. С экономикой связано все, что мы делали и делаем в нашей жизни. Она касается всех сторон нашего бытия. Едете ли вы в автобусе, покупаете ли хлеб, читаете ли книгу – экономика всегда рядом.

2. Термин «экономика» происходит от греческих слов *oikos* – «дом, родина» и *nomos* – «учение, закон» и означает «ведение домашнего хозяйства, домоводство».

3. Существует множество определений экономики. Однако общепринятого определения экономики как науки не существует. Говорят, что если задать ста экономистам вопрос «Что такое экономика?», то обязательно получишь сто различных определений, в том числе и такие: «Экономика – это наука о богатстве, наука о том, как люди зарабатывают хлеб свой насущный; то, чем занимаются экономисты; механика полезности и своекорыстия; наука о том, почему люди поступают так, как поступают, и все в жизни происходит так, как происходит».

4. В русском языке термин «экономика» имеет два основных значения, которым в английском языке соответствуют два разных слова – «*economy*» и «*economics*». Во-первых, «экономика» – это все то, что связано с производством, распределением и обменом товаров и услуг с целью их потребления для удовлетворения нужд и потребностей людей; во-вторых, это наука, которая изучает экономическое поведение людей, закономерности протекания хозяйственных процессов.

5. Экономика – это общественная наука. В ней различают две большие области исследования – микроэкономику и макроэкономику. Микроэкономика занимается изучением поведения отдельных хозяйствующих субъектов, таких как фирмы, а макроэкономика – изучением национальной экономики в целом. Выделяются также мезоэкономика (поведение подсистем национальной экономики) и мегаэкономика (поведение мировой экономики в целом). Если говорить образно, то макроэкономика занимается изучением леса в целом, а микроэкономика изучает отдельные составляющие его деревья.

6. Различают две диаметрально противоположных системы хозяйствования, два основных типа экономики. Это – рыночная и административно-командная (плановая) экономики. Однако в современном мире основной тип экономики – смешанный.

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## Text 2.1

**The Problem of Scarcity***"The first lesson of economics is scarcity:**There is never enough of anything to satisfy all those who want it."*—Tomas Sowell.

(1) **Introduction.** Economists argue that people are never satisfied with what they have, and practically everyone wants more of something. If we interview people to find out what they think they need, or want, or desire, the list will be very long indeed. It will include all material desires plus non-material desires, such as love, affection, companionship, power, prestige, and leisure. In contrast to our wants and desires, the resources (such as time, money, or goods) we have at hand to satisfy our desires or achieve our goals are scarce (otherwise, finite or limited).

(2) **Scarcity is universal.** Because wants are unlimited, and resources are not, scarcity exists everywhere and at any point in time. Scarcity is an inescapable fact of our life, like gravity. Neoclassical economists argue that it is scarcity that makes the world go round. In a world without scarcity, there would be no economics!

(3) **What, exactly, is scarcity?** The word *scarcity* comes from the word *scarce*, which means "the amount available is limited" or, alternatively, "the available amounts are not completely unlimited". Consequently, "scarcity", in the economic sense, means "not having sufficient resources to produce enough to fulfill unlimited subjective wants". Both of the following qualifications, thus, must be met if something is going to be called "scarce" in terms of economics: (a) people must want it, and (b) the amount of it must be limited.

(4) **Scarcity is a relative concept.** Whether a thing is scarce or free is not an inherent characteristic of the thing itself. Its scarcity is relative to how much it is wanted by people, and how much of it is available at a given time. Scarcity can thus be defined as the condition that exists whenever the things (resources, goods, and services) available to people are limited relative to the wants and desires for them.

(5) **A measure of relative scarcity is price.** The signal that indicates the relative scarcity of the resources necessary to produce the goods and services as well as individual and collective preferences for goods and services are prices. When a thing is abundant (not scarce at all), its price is zero, and you can get it for free or with no efforts. Conversely, when a resource is scarce, its price is high. When the price is rising, the commodity is becoming relatively scarcer. When the price is falling, the commodity is becoming relatively less scarce.

(6) **Things that are not scarce don't have economic value.** If you can get something for free or with no efforts, it means that no one wants any more of it than is already available. It is abundant (available in unlimited quantities), its price is zero, and it has no economic or exchange value.

Conversely, if people want something enough to pay for it or work for it or trade for it, then it's scarce. And the scarcer something is, the higher will be its economic value or the price you pay for it. If only a small amount of something

is available and many people want very much to have it, then it is very scarce. Its price will be very high, and its use will be carefully considered. Thus, value and scarcity are two sides of the same coin, and the abolition of scarcity would mean the abolition of value.

(7) **Scarcity requires choice.** Since neither an individual nor a society can have everything desired, each must make choices as to which of their desires and objectives to fulfil and which to leave unfulfilled. If you don't have enough money to buy, say, all the foods you need (and many, many people don't, by the way), then you have to make choices. And the more scarcity you see on the shelves of the market, the more difficult choices you have to make.

If there were no scarcity of resources, then we could produce and have all of the goods we could ever possibly want and never have to make sacrifices. Such a state of negative scarcity is called *abundance* or *plenitude*.

However, this is not the case in reality. Scarcity does exist, and so does the need to make choices about what things to produce we shall use these resources for.

(8) **To sum up.** We live in the world of scarcity. It is an inescapable fact of our life. Scarcity means that we do not and cannot have enough resources available to satisfy our every want or desire, all our goals.

Scarcity is a relative concept. It is relative to our wants and resources.

Scarcity is reflected by prices. Something is scarce only if people want more of it than they can get for free. As something that you are in need of gets more scarce, it gets more costly. If something is available in unlimited quantities (abundant), its price is zero, and it is of no economic value.

Scarcity and choice go hand in hand: under conditions of unlimited wants relative to limited resources people have to make choices.

Scarcity is a central idea of neoclassical economics. This focus on scarcity continues to dominate neoclassical economics, which, in turn, predominates in most academic economics departments. However, it should be noted that the neoclassical school of economic thought has been criticized from a variety of quarters in recent years.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

#### A. What is scarcity?

1. Scarcity is, like gravity, an inescapable fact of our everyday life.
2. Scarcity confronts people, businesses, and societies.
3. A synonym for scarcity is abundance.

#### B. Scarcity and economics

1. In a world of scarcity there would be no economics.
2. Scarcity is a central idea of neoclassical economics.
3. Some economists argue that the basic economic problem is scarcity.
4. Economics, put simply, is the study of scarcity.

#### C. Scarcity and choice

1. Scarcity forces us to choose.
2. When things are scarce, we have to make choices.
3. Scarcity results in the need to choose among available alternatives.

#### **D. Scarcity, price, and value**

1. Scarcity reflects prices.
2. When a resource is scarce, its price is high.
3. Abundant things are of no economic value.
4. You can have nothing at a zero price.
5. Goods that are not scarce will have a lower market value.

#### **E. Scarcity and wants**

1. Human wants are unlimited.
2. Some people can have anything they want.
3. There is always something more an individual wants.
4. As long as we can get everything we want at a zero price, scarcity will be always with us.

#### **F. Scarcity and resources**

1. Resources of all kinds are scarce.
2. Our resources far exceed our wants.
3. The amount of available resources is infinite.

#### **2. Choose the most suitable word:**

1. Abundant products are (*cheap, expensive, scarce*).
2. A measure of relative scarcity is (*price, income, value*).
3. We cannot (*define, obtain, require*) all we want at a zero price.
4. Scarcity (*affects, reflects, requires*) the choices we have to make.
5. If something is (*abundant, scarce, cheap*) it won't have any value.

#### **3. Fill in the blanks using the words given below:**

1. When a resource is abundant (e.g. air), its price is ...
2. ... scarcity occurs both among the poor and among the rich.
3. Given scarcity, we ... to choose between alternative uses of resources.
4. Where goods are ... it is necessary for individuals and society to make choices as to how they are ... and used.
5. Scarcity exists because human wants for goods and services ... the quantity of goods that can be produced using all ... resources.

*allocated, are forced, available, exceed, relative, scarce, zero.*

#### **4. Complete the sentences:**

1. Abundance does not understand that the world is ...
2. Because economic resources are finite, we cannot ...
3. People never seem to be satisfied with what they have: they ...
4. Scarcity means that we cannot have enough income or wealth to ....
5. Most of us cannot get all of what we want at any one time because ...

#### **5. Restore the correct word order in the sentences that follow:**

1. Life is inescapable of fact an our scarcity?
2. Value that are not things economic scarce don't have.
3. Scarcity is a measure of relative price.

#### **6. Answer the following questions without looking back at the text:**

- A. 1. What is the first lesson of economics?
2. What is scarcity? Why is scarcity a central concept in economics?
3. What is scarcity relative to?
4. Is air/water scarce now? Why?
5. When a resource is scarce, its price is high. Right? Why?
6. What is scarce not?

- B. 1. Why cannot we have everything we want?  
2. Can you afford every item that you would like to own?  
3. Can you think of any society in which all wants are satisfied?  
4. Do you have enough time available for everything that you wish to do?  
5. For many people, making difficult choices every day is a way of life. And what about you?

**7. Render the contents of Text 2.1 in English.**

**8. Discuss:**

- wants that are fun to have, but are not required for human survival;
- time/money as limitations and constraints that affect people's choices;
- the difference between "this AND that" and "this OR that" in terms of scarcity concept.

**9. Prove or refute the idea that –**

- time is a scarce resource;
- if there's no scarcity, there's no profit;
- scarcity is a cornerstone of capitalist economy;
- most natural resources are infinite rather than scarce;
- scarcity is a man-made thing, and can be undone by Man!

**10. Comment on the following sayings:**

- "If you can't get what you want, you'd better settle for what you can get."
- "We never know the value of water till the well is dry."

**B. FURTHER READING**

**1. Read the text below and answer the questions:**

- What is abundance?
- What does the word "spur" mean?
- In what way are war and crime related to scarcity?

"All excess is vicious." A good is scarce if people would consume more of it if it were free. Thus, scarcity (S) can be viewed as the difference between a person's desires (D) and his possessions (P). Mathematically, this can be expressed as  $S = D - P$ . If  $P > D$ , a state of negative scarcity exists which is abundance. For most people desire exceeds possession and this provides the spur to material success. In others, an excess of desire over possession can also lead to conflict, crime and war.

**2. Read the text below and answer the questions:**

- What's worth more: a pile of gold or a pile of salt? Why?

**Gold or salt?** Throughout history, many people have chosen the salt. Gold is pretty, but you can't live without salt, and when it was more scarce than gold, it became valuable enough to use as a currency itself. (The word "salary" is even related to the Latin for "salt".)

Today, of course, salt is close to worthless. Given the choice between a pile of salt and a pile of gold, you'd go for the gold every time, because there's less of it around. **CONCLUSION:** Scarcity has a lot to do with value. In fact, they go hand in hand.

**3. Read the the text below and answer the questions:**

- What is the difference between needs and wants?
- Is music a need or a want?
- What makes people's wants and needs virtually unlimited?



**Wants vs needs.** Humans have many different types of wants and needs. Economics looks only at man's material wants and needs. These are satisfied by consuming (using) either *goods* or *services*.

*Needs* or *necessities* are those goods and services which are required for human survival. Needs are determined by nature, climate and region, and are often finite. A need is something you have to have, something you can't do without. Air, water, food and shelter immediately come to mind. Everyone has a different set of items he or she cannot do without. For a sick person, a medication may also be a necessity.

A *want* or a *desire* is something you would like to have. It is not absolutely necessary, but it would be a good thing to have. A good example is music. Now, some people might argue that music is a *need* because they think they can't do without it. But you don't need music to survive. You do need to eat.

Certain kinds of things can be both needs and wants. For instance, food could be a need or a want, depending on the type of food.

There are four main reasons why wants and needs are virtually unlimited: a) goods eventually wear out and need to be replaced; b) new or improved products become available; c) people get fed up with what they already own; d) with an increase in salary the expectations of the consumer rise.

**4. Read the text below, and depict the classification of the goods given in the text in a tree-type diagram.**

**Commodities** are goods and services created by utilization of resources. *Goods* are defined as *all things (physical items) from which individuals derive satisfaction or happiness*. Goods therefore include air to breathe, and the beauty of a sunset as well as food, cars and the like. *Services* are defined as *all tasks (non-physical items) that are performed for someone else (Or: work that is done for others)* that does not involve the production of goods, such as cleaning, hospital care, restaurant meal preparation, and teaching.

A good is said to be an *economic good* (also known as a *scarce good*) if the quantity of the good demanded exceeds the quantity available at a zero price. In other words, a good is an economic good if people want more of it than would be available if the good were available for free.

A good is said to be a *free good* if the quantity of the good supplied exceeds the quantity demanded at a zero price. Economists argue that there are relatively few, if any, free goods. Free goods are available without the use of resources.

An item is said to be an *economic bad* if people are willing to pay to avoid the item. A bad is anything from which individuals receive dis-utility, or unhappiness. Examples of economic bads include things like garbage, pollution, and illness. No rational individual will voluntarily consume a bad.

Economic goods are said to be *tangible* if they can be touched (such as a car) and *intangible* if they are a quality or a feeling (such as friendship).

Those goods that are directly consumed by individuals to satisfy their needs and wants are referred to as *final goods*. Those goods that are used to produce other goods are called *intermediate* or *capital goods*.

Goods that are normally used over a period of one or more years, such as an automobile, are referred to as *durables*. Those that are used over a short period of time are *nondurables*.

### C. TRANSLATE INTO RUSSIAN

**Scarcity vs shortage.** To say that something is scarce is not to say that there is a shortage of it. Scarcity only means that the available amounts are not completely unlimited.

Shortages are a difference between "amount demanded" and "amount supplied" at a given price. Shortages are caused by government prohibitions against paying higher prices for scarce goods; at the price set by the government, people want more than is available. Alternatively, when prices are allowed to move freely, if the price of a good increases, people may wish the price was lower, but they still are able to obtain the amount they want at the higher price. When prices are allowed to change freely, people get what they pay for, there are no long lines, there is no black market, and the market clears; there is no "shortage"

### D. TRANSLATE INTO ENGLISH

1. Некоторые экономисты считают, что все экономические беды человечества – от ограниченности (нехватки) ресурсов. Но в действительности это не совсем так. Нехватка ресурсов – понятие относительное, поскольку потребность в них определяется характером и множественностью наших желаний.
2. Сколько человеку ни дай, ему все мало. При этом многие люди не ценят то, что у них есть. Они желают часто того, чего у них нет, жертвуя ради этого тем, что у них есть, хотя то, что у них было, гораздо лучше того, что им в конечном счете достается. Мораль: что имеем, то не ценим, а потерявши – плачем.
3. Нехватка ресурсов и необходимость выбора, касательно наиболее эффективных путей использования имеющихся ресурсов, идут рука об руку.
- Б. 1. Экономические ресурсы, которые может использовать для удовлетворения своих потребностей будь-то человечество в целом, или отдельные страны, предприятия и домашние хозяйства, – ограничены. Это аксиома, не требующая доказательств.
2. Ограниченность ресурсов является той «отправной точкой», с которой начинается становление и развитие экономической науки. Действительно, если бы ресурсы не были ограничены, то блага производились бы в неограниченном количестве, а потребности удовлетворялись бы полностью. В таких условиях не нужна была бы экономическая наука, не нужно было бы «экономить».
3. Ресурсы ограничены всегда, даже тогда, когда всего очень много. Ограниченность ресурсов имеет две стороны – редкость и недостаточность. А сама ограниченность представляет практически универсальным свойством ресурсов, входящих в сферу экономической жизнедеятельности людей.
4. Ограниченность ресурсов – такой же неизбежный факт нашей жизни, как и всемирное тяготение. Экономисты-неоклассики утверждают, что именно нехватка ресурсов движет миром. В мире изобилия не существовало бы никакой экономики.
5. Ограниченность в экономическом смысле – это отсутствие такого количества ресурсов для производства товаров и услуг, которое достаточно для удовлетворения потребностей людей.
6. Когда ресурс имеется в изобилии (в неограниченном количестве), то его цена (экономическая или обменная ценность) равна нулю, поскольку его можно получить бесплатно и/или без усилий. И наоборот. Когда ресурс становится ограниченным, то его цена (экономическая ценность) возрастает. Таким образом, цена отражает степень ограниченности ресурса.
7. Ограниченность ресурсов и экономическая ценность – это две стороны одной медали. Устранение нехватки ресурса означало бы устранение его экономической ценности.

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*"People define themselves by the choices they make."* – A popular saying.

(1) **Introduction.** Economics is sometimes called the study of choice because at the heart of any economic activity are the actions and choice-decisions of human beings. How are these choices made? How do the individual and the business and the society decide what to do with their scarce things? And what difference does it all make? These are the questions of economics. Thus, at the basis of any economic theory there must be some assumptions about human behaviour, about how human beings act and how human beings decide how to act and, more precisely, how they choose to act.

(2) **Who, exactly, chooses?** Everyone. Each person, each family, each business, each educational or religious or political organization, each society, each nation, everyone. The successful ones are the ones who are making the right choices.

(3) **Why do we choose?** Life is a series of choices. We must choose. We are forced to choose. We can't but choose! There's no way about it. Too many things we want to have are scarce or limited. So we have to choose because we can't have everything we want at any one time.

(4) **What if nothing were scarce?** It is easy to see that if either our wants were limited or our resources were unlimited, everything would be free. We would not necessarily have to make choices. We could "have it all." There would be enough of everything for all of us to have all we could ever want and some left over. But that's just not the way it is. We live in the world of scarcity, and almost everything is scarce. So, like it or not, we must choose and conserve and economize. We have no choice about that!

(5) **What do we choose?** Because of scarcity, we have to make choice-decisions. We must decide which of our desires we will satisfy and which we will leave unsatisfied. Also, we must decide how to best employ or, in terms of economics, to best allocate available resources to achieve maximum satisfaction of our wants. Most simply put, we must decide what to do with what we have in order to get as much as we can of what we want. If we're smart or lucky (or maybe both) we will choose the way that does the most to help us to achieve our desires or objectives. That's what most of us are trying to do, anyway.

(6) **How are choices made?** Rational self-interest is the term economists use to describe how people make choices. Rational self-interest is the assumption that individuals behave in a reasonable (rational) way in making choices to further their own interests, fulfill their own goals, advance their own values, or achieve their own both monetary and non-monetary (such as love, prestige, helping others, and all that) objectives. So whatever people consider to be most important to them, those are the objectives which will guide their choices.

In other words, before taking any economic choice-decision "a rational economic man" (*"Homo economicus"*) weighs, balances or calculates the costs (pains) and benefits (gains) of his decisions and his potential actions in order to choose the one which is the best for himself, which will give him the greatest amount of satisfaction. At least, that is the basis of "neoclassical" economics, the dominant economic school of today.

Strictly speaking, neoclassical economics does not assume that each and every real, concrete human being is rational and self-interested. But if the average is a person who is rational and self-interested, then the system will act "as if" people in general were rational and self-interested. Accordingly, neoclassical economics studies an economic system consisting of rational, self-interested individuals.

(7) **Which choice-decisions are the best ones?** Those which best serve the wishes of the chooser. Every person has a "personal set" of desires and objectives, which makes them unique. *You chase your rainbow and I'll chase mine*, and all that. Because different constraints (such as time, money, preferences, lack of information) limit the options/alternatives from which people can choose, any choice involves deciding in favour of one option (alternative) and discarding others. To make the best decision, a person must choose the option that both is possible and contributes most to the achievement of that person's goals. But which option(s) to forgo, to give up? And which to choose? These are really tough questions for a decision-maker, be it an individual, a business, or society. Are your choices helping you *maximize* your progress as much as possible toward fulfilling your desires, or achieving your objectives? If so, you are making the best choices for you.

It isn't always easy to make the right choices. Everyone makes bad choices sometimes. Even the society as a whole can (and does) make unwise choices. It would be just great if all of us could make the right choices all the time!

(8) **To sum up.** We live in the world of scarcity, and almost everything is scarce. Because of scarcity, we have to make choice-decisions. We must decide what to do with what we have in order to get as much as we can of what we want. An analysis of the choices we have to make forms the basis of the social science of economics.

Neoclassical economics assumes that economic behaviour of people is rational, and motivated primarily by their self-interest. Before taking any economic choice-decision people tend to balance the costs and benefits of their potential actions in order to select the alternative(s) that they believe will give them the greatest amount of satisfaction. So a goal in life for each of us is to look at our wants, determine our opportunities, and try and make the best choices by weighing the costs and benefits of our potential decisions and our potential actions.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

1. We can't have everything we want.
2. Each person's wants and goals are unique.
3. People of all sorts are rational and self-interested.
4. We all have to choose among competing alternatives.
5. Economics is sometimes called the study of human behaviour.
6. All you have to do to succeed in life is to make the right choices.

- Individuals make their choice-decisions based on common sense.
- Any human society consists of rational, self-interested individuals.
- Neoclassical economics is the dominant economic school of today.
- The right choice is the one which best serves the wishes of the chooser.

**2. Choose the most suitable word:**

- What difference does it all (**do, make, take**)?
- People have to (**do, make, take**) choices every day.
- We all make decisions about how to (**use, employ, spend**) our time.
- People's wants and the things they want are (**scarce, unlimited, finite**).
- Which option to (**go, do, forgo**) is a tough question for any decision-maker.

**3. Fill in the blanks using the words given below:**

- Too many ... we want to have are scarce or limited.
- Every person has a "personal ..." of desires and objectives.
- The best decisions are the ... which best serve the wishes of the ...
- Any economic theory is based on certain assumptions about human ...
- People make decisions by weighing ... and ... of their potential actions.
- The way that does the most to help us to achieve our desires is the best ...

*behaviour, benefits, chooser, costs, one, ones, set, things*

**4. Complete the sentences:**

- People define themselves by ...
  - Because of scarcity, we all ...
  - We have to choose because ...
  - Economists argue that individuals always try to ...
  - We must decide what to do with what we have in order to ...
  - Neoclassical economics studies an economic system consisting of ...
- B.1.**
- If our resources were unlimited, everything ...
  - If everything were free, we would not necessarily have ....
  - If ... , there would be no need to choose or conserve or economize.
  - If ... , we would have no reason to worry about economics.
  - We could "have it all" if ...
  - What if nothing were scarce? Then everything ...
  - There would be enough of everything for all of us to have if ...

**5. Restore the right word order in the following sentences:**

- Chase my rainbow, I'll chase you and yours.
- It isn't always right to make the easy choices.
- Because of choices, we make to have scarcity.

**6. Answer the following questions without looking back at the text:**

- Why do people choose?
- How are choices made?
- What do people normally choose?
- Which choices are the right ones?
- How can one make the best economic decision?
- What or who is "*Homo economicus*"?

7. What is rational self-interest?
8. How are the principles of scarcity, choice, and self-interest interrelated?
9. Is there anything to be said for unlimited human desire as a good thing?
10. Do you have a list of carefully chosen objectives? And a program for directing all your money, time and things toward your objectives?

**7. Render the contents of Text 2.2 in English.**

**8. Comment on the following statements:**

- "People are never satisfied with what they have: they always want more."
- "Beggars can't be choosers." / "Poor people don't have much choice."

**B. FURTHER READING**

**1. Read the text below and answer the questions:**

- What would you do in Jack's place?
- Do you agree with the moral of the story?

**Everything has its price.** Economists maintain that when costs and benefits change, people's behaviour will change too. Consider, for example, Jack, a poor but honest man. When he finds \$100 cash in a phone booth, he turns it in to authorities. Had Jack found \$1000 cash, he might have acted similarly. But discovery of \$100,000 might have caused Jack to pause. *MORAL: It may be very costly to be honest under some circumstances!*

**2. Read the text below and answer the questions:**

- What flaw in the human character is often responsible for bad choices?
- What is the first principle to follow when making choice-decisions?

**Thinking in terms of unintended effects.** Because of scarcity, consumers, producers and the government must make choices about how to best allocate resources to achieve maximum satisfaction of human wants. But life doesn't always go as we expect or hope. Sometimes the choices we make can produce the opposite result of what we had intended. This happens in economics as well. Even great leaders are known to take fatal missteps, ignoring the warnings of others. No complicated social theory is needed to explain this. The reason is simple – a flaw in the human character, which is *self-deception*. So the first principle to follow when making a choice-decision, some experts say, is that *you must not fool yourself* (into thinking you can have your cake and eat it too!) – and you are the easiest person to fool!

**C. TRANSLATE INTO RUSSIAN**

**1. Economics** is sometimes called the study of scarcity and choice because economic activity would not exist if scarcity did not force people to make choices. In economics, choices are explained in terms of trade-offs, or alternatives that are available whenever a decision is made. In other words, scarcity results in the need to choose among competing alternatives. So, somehow, in the society, choices have to be made as to how we use the resources we have to achieve as much as we can of what we want.

**2. Most of economics** is based on the simple idea that people make choices by comparing the benefits of option A with the benefits of option B (and all other options that are available) and choosing the one with the highest benefit. Alternatively, one can view the cost of choosing option A as the sacrifice involved in rejecting option B, and then say that one chooses option A when the benefits of A outweigh the costs of choosing A (which are the benefits one loses when one rejects option B). So one must know what the benefits and costs are of alternative opportunities before making some important choice-decision.

**3. Economists** usually assume that human beings make the choices that give them the best possible advantage, given the circumstances they face. Circumstances include the prices of resources, goods and services, limited income, limited technology for transforming resources into goods and services, as well as taxes, regulations, and similar objective limitations on the choices they may make.

This assumption is especially characteristic of neoclassical economists. Some non-neoclassical economists do also accept it, but some do not.

#### D. TRANSLATE INTO ENGLISH

A.1. Жизнь человека – это постоянный выбор и принятие решений.

2. О человеке можно судить по тому выбору, который он делает.

3. Преуспевает в жизни тот, кто делает правильный выбор. Но сделать правильный выбор – не всегда просто.

4. Все мы совершаем иногда ошибки, не так ли? Было бы просто прекрасно, если бы все могли всякий раз делать правильный выбор.

5. Когда люди принимают решение, выбирая что-нибудь, они исходят, в первую очередь, из своих интересов, вкусов и предпочтений.

6. Мы не можем не выбирать. Жизнь заставляет нас выбирать ежедневно и ежечасно. По-другому нельзя.

7. Кого-то выбираем мы, кто-то выбирает нас. С этим ничего не поделаешь. Такова жизнь.

Б. 1. Многообразие потребностей при ограниченности средств приводит к тому, что в действительности будут удовлетворены далеко не все из них.

2. Слово «выбор» означает, что мы не ограничены каким-то одним решением, поскольку, как правило, их множество, и между ними мы и делаем выбор. Между чем идет выбор? Ответ может быть следующим. Выбор идет между экономическими вариантами использования ресурсов, которые проявляются в наилучшем соотношении затрат и результатов.

3. Известно, что каждый ресурс может, во-первых, быть применен для удовлетворения различных потребностей; во-вторых, может быть различной и технология его использования. Исходя из этого, любой экономический выбор выступает как поиск наилучшего варианта применения ресурсов из всех возможных. Отсюда экономическую науку можно характеризовать как теорию выбора оптимального экономического решения.

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The Basic Economic Problem:a Matter of Scarcity and Choice*"You can't have your cake and eat it, too."**"You can't be at two different places at the same time."*

English proverbs

(1) **Introduction.** Do you happen to know that no matter what problem you are facing you're facing an economic problem? When you're trying to decide whether to save your money or spend it, you're facing an "economic problem". But what about deciding whether to study English or watch TV? Or who will get to use how much of what? An "economic problem" too? Sure. An economic problem is a problem of having to choose – like whether to have your cake or eat it.

What about the whole society? Does it face a problem of choosing? Of deciding who will do what, who will get to have how much of what, which things to use up and which to save and all that? Of course it does!

These days people are concerned about the crime rate, inadequate housing, drug abuse, AIDS, unemployment, rising prices, poverty, the population problem and about environmental destruction. Are problems of this sort economic problems? Yes, they are. No argument on that score.

What about the problem of international tensions? wars? terrorism? separatism? drug and human beings traffic? Are these economic problems? Of course they are.

All real-world problems – all the problems that face the human race – are economic problems. True, you'll never find a real-world issue or problem that is purely economic. But almost every real-world issue or problem you can think of has some important economic aspect.

(2) **What is the basic economic problem?** All economic problems – no matter whether they are large or small, individual or national, monetary or non-monetary – result from two undeniable facts. First, the wants of people, as individuals, businesses, or society, are unlimited and endless – as some of these wants are satisfied, more arise naturally.

Second, there is a constraint on people in their attempt to satisfy these wants. The constraint is that there are limited amounts of available resources. As a result, choices must be made about how to use these resources in order to maximize our satisfaction, or progress toward our objective. Since all economic problems we can think of refer to the same two things – the scarcity of resources and unlimited wants, we can talk about some basic economic problem which can be defined as the problem of carefully choosing what to do with our scarce things in order to maximize our progress toward our objective.

(3) **Who faces the economic problem?** Everyone. Each person, each family, each business, each society, each nation. Everyone. The economic problem – the problem of deciding what to do with the things we have – is truly universal. It faces us practically everywhere, and all the time. It is present in everything. It faces each individual, each family, each business. It faces each society, each nation. More and more it is coming to face the entire world as a whole.



(4) **The economic problem relates to all of us in many ways.** It relates to us as individuals who must make choices as to what goals to set and how much of what to use in order to achieve them; it relates to us as consumers who must decide which goods and services to buy. It relates to us as citizens who must vote for political candidates who decide how much of our income to tax and how then to spend those tax revenues. Finally, it relates to us as a society in having to answer some fundamental economic questions such as *What to produce? How to produce? (By what methods? Using what resources?) and For whom to produce?*

(5) **Why do we face the economic problem?** The reason that we face the economic problem – individually and as a nation – is that none of us can have all what we want given the scarcity of available resources. So we have to choose. If we make the best choices we will make the most progress toward our objectives – toward whatever it is that we want most to achieve. If not, not.

(6) **When are we facing the economic problem?** All the time! Every moment of every day of our life we're having to decide what to do with ourselves – with our time and energy, and what to do with our possessions – our money and our things. So many, many choices we all have: to do this or that, to make this or that, to use up this or that, to save this or that. There's just no end to it! All the time all of us think about the different things we might do, and then we try to make the best choices – from our own point of view – as to how to solve the economic problem we are facing.

(7) **To sum up.** The basic economic problem is the problem of having to choose what to do with our scarce resources in order to make the most progress toward whatever it is that we want most to achieve – like whether to have your cake or eat it. The economic problem is inescapable. It results from two undeniable facts: people's unlimited wants, and the scarcity of available resources. It is impossible to avoid it personally or as a nation. And it is facing us all the time.

### **A. TEST YOUR UNDERSTANDING**

#### **1. Decide whether the following statements are true or false:**

1. The wants of people are unlimited.
2. All economic problems result from scarcity.
3. Some people can have all what they want.
4. All real-world problems are purely economic problems.
5. The basic economic problem is the problem of choice.
6. Neither individuals nor societies differ in their basic objectives.
7. The economic problem relates to all of us in one and only way.
8. Any modern economic system must answer one fundamental question.
9. We all are part of the economy, and the basic economic problem is an inseparable part of our life.

#### **2. Choose the most suitable word:**

1. No real-world issue is (*finally, naturally, purely, exactly*) economic.
2. What are the two things which all economic problems refer (*in, on, to*)?

3. The economic problem is the problem of deciding what to do with the things we have in order to (**achieve, obtain, constrain**) our goals.
4. There is a (**constrain, constraint**) on people in their (**aim, attempt**) to satisfy their economic wants.
5. Human wants are endless: as some of them are satisfied, more (**rise, arise, face**) naturally.

**3. Fill in the blanks using the words given below:**

1. Economics as a science tries to ... people's economic behaviour.
2. The amount of ... resources people have is limited.
3. No matter what problem you are facing you're facing ...
4. All economic questions and problems arise from ...
5. Every society has always ... economic problems.
6. Time is a ... thing.

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*an economic problem, explain, faced, scarce, scarcity, available.*

**4. Complete the following sentences:**

1. You can't have your cake and ...
2. You can't be in two different places ...
3. An economic problem is a problem of ...
4. All economic problems we can think of refer to the same two things - ...
5. Any economic system must provide the answers to the three basic economic questions: (a) What will be ... ; (b) How ... ; (c) ...

**5. Restore the right word order in the following sentences:**

1. The all problem of economic relates to us.
2. Economic problem face when the people do?
3. Scarcity made because choices must be of.

**6. Answer the following questions without looking back at the text:**

- A.1. What is the basic economic problem?
2. Do all people and societies face the same basic economic problem?
3. Who exactly faces the economic problem?
4. When do people face the economic problem?
5. The economic problem relates to all of us in the same way, doesn't it?
6. All economic problems result from two undeniable facts. What are they?
7. What do all economic problems have in common?
8. In what way can the basic economic problem be solved?
9. What are the humanity's biggest economic problems at present?

- B.1. Do you have any economic problems? Name some of them, if any.
2. How do you usually tackle your economic problems? / How do you decide what to do with your scarce things?

**7. Render the contents of Text 2.3 in English.**

**8. Discuss:**

- *the problem of poverty and terrorism in terms of the economic problem.*

**9. Comment on the following statement:**

- "Rich people do not face economic problems."

## B. FURTHER READING

### 1. Read the text below and answer the question:

• *What are the three fundamental economic problems facing any economy?*

**Basic economic decisions.** No two economies are organized in exactly the same way, but all have to solve three fundamental problems:

• *What should be produced in the economy?* What quantities of food, mobile phones or banking services should be produced by the economy? How many trees need to be felled to meet the demand for pulp for newspapers and magazines? Should we spend extra money on national defence or should more resources be devoted to health care and education?

• *How should production be organized?* Should a firm use labour or machinery to produce their goods? How many workers should be employed? Where should production take place? These are all examples of important production decisions.

• *For whom should production take place?* Should everybody be entitled to an identical share of production, or should some receive more than others? We know that the distribution of income and wealth in the modern world is not equal. There are large-scale inequalities in people's living standards. Indeed the gap between rich and poor has widened considerably over the last twenty years.

### 2. Read the text below and answer the question:

• *Have you got any conflicting objectives? What are they?*

**Scarcity at work.** For most students the most pressing economic problem is trying to decide how to use their most precious resources – their time and “mental energy”. How about you? If you think about it you'll see that you have lots of conflicting objectives. You want to go out and have fun, get plenty of rest and work out in a gym, daydream about your new love and make progress at school. Last (and one hopes not least) you would like to get a certain amount of education. On graduating from the University you'd like to get an interesting and well-paid job. Lots of conflicting objectives, right? Sure. Frustrating? You bet. But that's scarcity at work. That's economics. That's life.

## C. TRANSLATE INTO RUSSIAN

**1. “Choice-decisions” and businesses.** Businesses usually try to make money. Unless they are able to make enough money to cover their costs, they don't survive for very long. When they're deciding which choices to make it's usually the “profit objective” they have in mind. Each business is constantly facing choices. The business manager must constantly be trying to use all the buildings, machines, equipment, raw materials, management and workers' skills and everything else in the best possible ways. The best ways are the ways that help most to achieve the objectives of the business.

**2. The “choice decisions” of businesses** centre around such questions as: Which product(s) should we produce? How much of it (of each) should we produce? Which kinds of inputs (labour, resources, machinery, etc.) should we use? How much of each kind? When should we add more inputs? Or cut back some? Should we build a larger factory? Maybe initiate an employee training program?

Most of these choices (and many more) are facing most businesses all the time. How do businesses decide about these things? How do they choose? It is assumed that all firms are following rational decision-making, and will make all of the moves which they think will be profitable. They will reject all the others.

**3. "Choice-decisions" and human societies.** How does the society decide what to do and what to make? and what to use up and what to save? and who will get to have how much of what? Seeing how the society solves its economic problem is not obvious. Not unless you understand economics.

The society might aim for any number of objectives defined mostly by the people who have the power to influence the economic choices. Each society has some kind of economic system. It's through the "economic system" that the economic choices are made by "the people in charge" and carried out by the working people. So, it's important who gets to influence the economic choices made by the society, wouldn't you say? (It sure is!) In some societies, control over the economic resources – that is, the power to decide what to do with what, and who will get how much of what – is diffused among many people. In other societies this control is concentrated in the hands of one, or a few.

#### D. TRANSLATE INTO ENGLISH

1. Человек сталкивается с экономическими проблемами повсюду и постоянно. Им просто нет конца! И от них некуда деться. Они повсюду и во всем. Это неопровержимый/общеизвестный факт.
2. Экономические проблемы имеют воистину всеобщий характер. Они касаются всех: и отдельных людей, и предприятий, и общества в целом. Все больше и больше они начинают касаться и всего человечества.
3. В основе экономических проблем лежит противоречие между неограниченными потребностями человека и ограниченностью ресурсов, имеющихся в его распоряжении.
4. Из-за ограниченности ресурсов никто из нас не может получить все, что только он захочет в данный конкретный момент времени. Всем нам постоянно приходится делать выбор касательно того, каким образом использовать имеющиеся у нас ресурсы, чтобы в максимальной мере продвинуться на пути к своей цели, решить стоящую перед нами экономическую проблему.
5. Почти каждый наш выбор – это наш способ решения соответствующей экономической проблемы. Экономическая проблема многогранна. Мы сталкиваемся с ней и как потребители – решая, что и по какой цене купить, и как граждане – отдавая свой голос за того или иного кандидата, от которого будет зависеть, куда будут направляться налоговые отчисления и какими по величине будут сами налоги.
6. Таким образом, существующий конфликт между потребностями и возможностями ставит перед экономикой три важнейшие задачи: (а) Какие товары и услуги должны быть произведены и в каком количестве? (б) Каким образом произвести эти товары? и (в) Кто будет потреблять эти товары и услуги, для кого их нужно производить?

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## Text 2.4:

### Solving the Basic Economic Problem

"If you do not care where you are going, any way will take you there." – An English proverb.

(1) **Introduction.** What do we need to do to solve the economic problem? Basically, solving the economic problem is simple enough. All we need to do is (to) answer this question: How can we best use what we have to achieve what we want? That's what it's all about. But it is a really tough question to answer.

(2) **The best possible way to solve the economic problem is to maximize.** In economics, doing the best you can possibly do with the limited things you have to work with when solving your economic problem is often referred to as maximizing. Maximizing is using each thing you have in the best possible way – in the way that will help you the most to get to your chosen objective(s). When you are maximizing, you are making as much progress as you can on the way of solving your economic problem.

(3) **What are people trying to maximize?** Every time people use up or spend up something, they do it for some reason. They have some objectives and they would like to maximize their progress toward those objectives.

As individuals, people make choices that maximize their self-interest. As consumers, we make choices that maximize our satisfaction from consuming goods and services or by engaging in some activity. As producers, firms make choices that help to achieve a high level of efficiency and maximize their profits. As a society, we make choices that maximize the satisfaction levels of all individuals, aiming for "the greatest happiness for the greatest number".

(4) **To maximize means to economize and optimize.** If you want to use your money, time, and everything else you have to work with so as to maximize whatever you want to maximize, then you have to manage your resources as carefully as possible. You have, in terms of economics, to *economize* and *optimize*. For example, in order to maximize your progress in learning something you must economize and optimize the use of your study time.

(5) **Economizing and optimizing are two sides of the same coin.** The terms economizing and optimizing have the same meaning, but the emphasis is different. Economizing emphasizes the negative side of choosing. Optimizing emphasizes the positive side of choosing.

Economizing says: "I will use my money and time and scarce things I have as sparingly as I can in order to achieve my objectives at the least cost. In other words, I'll try to minimize costs for a given gain (benefit) as much as I can."

Optimizing says: "I will try to use each dollar and each hour and each thing I have in such a way that each will carry me as far and as fast as possible toward my objectives. In other words, I'll try to maximize gains (benefits) for a given cost as much as possible".

In a free society, people who have a clear-cut objective and want to achieve it must manage their resources carefully by both economizing and optimizing.

(6) **Economizing and optimizing are very personal things: some are wise, and some are otherwise.** All of us want what we want. We all have our own objectives, goals, desires, and wants. In order to fulfil them, to get as much as we can of what we want, of whatever means the most to us we all try to use

(sometimes thoughtfully, sometimes instinctively) the things we have to work with – our money, time, energy, and things – as effectively as possible. In other words, while solving our economic problems we all try to economize and optimize the use of our scarce resources; to manage them carefully.

But there's no one universally accepted way of economizing and optimizing. Different people choose to economize and optimize the use of their resources in different ways. Some people make wise choices. They succeed in doing the very best they can with what they have and are happy. Some people make unwise choices. They fail to achieve their dreams or objectives and are miserable. That's the result of each individual's economic problem solving – yours, mine, everybody's.

(7) **How to succeed in life?** The lesson to be learned is that our success in life depends largely on how much effort we actually put into the task of economizing and optimizing our time and money and things when trying to achieve our objectives and get ahead – to have more things and to build some future freedom and security. Those who don't care so much about the future don't have to go to all that trouble. After all, if you do not care where you are going, any way will take you there.

(8) **To sum up.** The economic problem is a problem of having to choose what to do with our scarce resources in order to maximize our progress toward our objective(s). To solve the economic problem and thus to reach our objectives, we need to do is (to) answer the question of how we can best use what we have to work with. People normally try to solve their economic problems by either economizing (minimizing costs for a given gain) or optimizing (maximizing gains for a given cost) the use of the available things. Those who do the best possible job of answering this question get the most they can of what they want. Those who don't, don't.

(9) **Examples.** So far this discussion has been rather abstract. Now let's turn to some practical examples to make the concepts more concrete.

- *Right now you're reading these lines. But there are a dozen other things you might have been doing right now. Right? Sure. So your choice-decision was to study English instead of doing some other thing. It's the way you have solve your own personal economic problem, your problem of choosing – of deciding what to do with what you have in order to reach your objective, or fulfil your desires, or avoid risks, hardships or troubles.*
- *Consider this situation. It is the night before you take your mid-course exam in Economics. You have figured out that you have 12 hours left before you have to go to the exam room. There are several ways that you could use these 12 hours that would make you happy. You could watch the Thursday night football match on TV, you could call friends on the phone, you could sleep or just listen to music, you could go out to a dancing party, or you could study for the exam in hopes of attaining a better grade. All of these activities would ultimately provide satisfaction to you. But there is clearly not enough time in the next 12 hours to do all of these activities. In other words, time your scarce resource. Thus, the economic problem facing you is to choose the activity or combination of activities that will bring you the most satisfaction. Which choice would you make?*

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

1. There are people who always make wise choices.
2. Most of us want to get as much as we can of what we want.
3. As individuals, people make choices that maximize their profit.
4. As producers, people make choices that maximize their costs.
5. As consumers, people make choices that maximize their satisfaction from consuming goods and services.
6. As a society, we make choices that maximize the levels of satisfaction and happiness for the greatest number of citizens.
7. People try to economize and optimize in one and the same way.

### 2. Choose the most suitable word:

1. Each business seeks maximum (*production, progress, profit*).
2. Businesses try to (*achieve, obtain, produce*) a high level of efficiency.
3. When people fail to achieve their dreams they are (*miserable, happy*).
4. We all try to achieve our goals and (*get along, get ahead, go ahead*).
5. If you do not care where you (*go, are going*), any way will take you there.

### 3. Fill in the blanks using the words given below:

1. Each business seeks maximum ... and minimum ...
2. The best possible way to solve the economic problem is to ...
3. To maximize is to make choices that help to ... what we want to have.
4. To solve an economic problem means to ... the available resources in the best possible ...
5. To ... costs for a given gain and ... gains for a given cost are two sides of the same ...

*achieve, allocate, coin, maximize (2), minimize, profit, costs, way.*

### 4. Complete the following sentences:

1. Maximizing is ...
2. Some are wise, some are ...
3. In order to maximize, you have to ... and ...
4. The objective of every business firm is to ...
5. The rule of thumb for solving the economic problem is to ...
6. The aim of each firm as a decision-making agent is to minimize ...
7. People try to ... their scarce resources as ... as possible.

### 5. Restore the correct word order in the sentences that follow:

1. The solving economic problem is enough simple?
2. Negative side of choosing emphasizes the economizing.
3. A given cost means optimizing gains for maximizing.

### 6. Answer the following questions without looking back at the text:

- A.1. Is there any general rule to follow for successfully solving economic problems?
2. What is maximizing /optimizing /economizing?
  3. What, how, and why are people trying to maximize?
  4. Optimizing is a very personal thing, isn't it? Why?
  5. What do our success in life largely depend on?
- B. 1. What do you think is your greatest/most scarce resource?
2. How hard do you usually work at economizing and optimizing when solving your economic problems?
  3. Do you always manage your resources as carefully as possible?

4. Do you care about the future? Do you have any clear-cut objectives?  
5. What are the first five things that mean the most to you? Who or what do you think helps you the most to get to your chosen objective(s)?

**7. Render the contents of Text 2.3 in English.**

**8. Suppose:**

- a business is faced with a choice between using or doing or making or buying or selling one thing ("choice x") or another ("choice y"). If "choice x" looks more profitable than "choice y", which do you think the business will usually choose? Choice x? Choice y? Why?

**9. Comment on the following statement:**

- "Only poor people have to economize and optimize."

**B. FURTHER READING**

**1. Read the text below and answer the questions:**

- How badly do businesses need profits?
- Is profit maximization really the only objective of all businesses? Why?
- Is it true that most businesses operate very close to the breakeven point?

**Theory of the firm: business decisions.** Perhaps the most important of the assumptions that make up theory of the firm is the assumption that the aim of the firm as a decision-making agent is to maximize (economic) profit and, consequently, minimize costs.

But is maximum profit really the one and only objective of all businesses? Actually, no. Business decisions are based on a variety of different motives. But you may be sure that *no business can afford to ignore the question of whether or not it is going to make a profit*. All businesses have costs. The costs are usually at most as high as (and sometimes higher than) the revenues coming in. This means that business profits are usually small. Losses are not unusual. It isn't unusual for business owners, during bad years, to receive no return at all. Most businesses operate very close to the breakeven point. If anything goes wrong, they find themselves fighting for survival. Also don't forget that thousands of businesses go broke every year. All businesses face this problem. How can such things happen? Simply by letting costs get too high or revenues too low.

Making a profit is not the only objective of businesses, true. But the need to make a profit certainly can't be ignored. For the business no other need or objective is as universal, as inescapable, as constantly nagging as the need to make profits and to avoid losses. Why? Because the survival of the business depends on it.

**2. Read the text below and answer the question:**

- What has one got to do to manage his or her cash-flow successfully?

**Economizing: how to manage your cash-flow successfully.** The key to managing one's cash flow successfully is in a well-thought financial cash-flow management plan. Have you ever met someone who complained that "there was too much month left at the end of the money"? This can happen more often than one thinks. In fact, it is quite a normal occurrence, even for those in good financial shape.

To avoid this, one must economize. Economizing is merely determining how much one can spend on each expense item so that the expenses do not exceed income over time. Since "income" is the limiting component, one economizes by incurring expenses based upon the amount of income one expects to receive over time.



Economizing is planning your expenses to match your inflows from income over time. The key to successful economizing is in setting goals and prioritizing them. One can usually predict future income fairly accurately. It's the expenses that pose a problem. Some expenses are unavoidable. But judge carefully. True, one must have a place to live; one must buy clothing; one must have fun from time to time. But how much you spend on these and other items depends upon your personal choice-decisions, which, in turn, depend upon your goals and priorities. You can make a successful cash-flow management plan by projecting your expenses based upon your short-, intermediate-, and long-term income expectations, as well as on your goals and priorities.

### C. TRANSLATE INTO RUSSIAN

**Run, business, run!** Price is the sum of all "elements of cost", plus "profit" by the producing company or corporation, increased by the "profit" amount added by the "supplier" or "distributor", plus inflation, plus all the taxes imposed by Federal State and Local Governments. Beginning in the early sixties, the U.S. "producer" started to feel, and couldn't stand, the pressure of all these costs and regulations being imposed on him; so he began leaving the country to produce his product where it was cheaper to build his product, and less costly and less cumbersome to do business. How simple the problem and how simple the solution!

### D. TRANSLATE INTO ENGLISH

1. Как преуспеть в жизни, сохранить и преумножить то, что больше всего для нас значит, достигнуть того, чего мы больше всего хотим? Экономисты утверждают, что всё, что для этого нужно сделать — это правильно ответить на вопрос: каким образом лучше всего использовать то, что у нас есть. Но сделать это очень трудно. Однако те, кто наилучшим образом отвечают на этот вопрос, получают максимум того, чего они хотят. Те же, кому не удастся правильно ответить на этот вопрос, — не получают.
2. В принципе, решение данной проблемы достаточно простое. Если у вас ясная цель, и вы хотите достичь ее, то вы должны уметь обращаться с имеющимися у вас ресурсами весьма рачительно. На языке экономики, это означает использовать их эффективно, т.е. бережливо и с максимально полной отдачей.
3. Если вам безразлично, куда вы идете, то вы можете не утруждать себя заботами о выборе пути, ибо любой путь вас обязательно туда приведет.
4. Как правило, люди имеют цели. И если люди идут на какие-либо расходы или затраты, то они это делают по какой-то причине, для достижения каких-то целей. И все они желают достигнуть их как можно быстрее и с наименьшими затратами.
5. Люди должны быть творцами своего счастья. У некоторых людей получается как-то, интуитивно либо по рассуждению, делать все наилучшим образом, принимать правильные решения, и они довольны и собой, и жизнью. Другие же, принимают не самые мудрые решения. В результате им не удается осуществить ни своей мечты, ни добиться своих целей. И они чувствуют себя несчастными. Увы, такова наша жизнь. Твоя, моя, каждого.
6. Некоторые считают, что общество должно быть устроено таким образом, чтобы приносить максимальную удовлетворенность максимально большому числу людей. А как считаете вы?

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*"There is no such thing as a free lunch."* – An English proverb

(1) **Introduction.** People (and organizations, and societies) are never satisfied with what they have; they always want more. They want to do more and have more than they can do or have. It's too bad, but the resources they use in making, improving, protecting, enjoying, learning, or doing any one thing can be used for making, improving, learning or doing any other competing thing.

So what happens? It happens that you have to choose among competing alternatives. One of the most important results of this choice-making necessity is that each time you choose to do or have or use one thing, you are automatically denying yourself the opportunity to do or have or use some other thing, which is the *opportunity cost* of our choice-decision – mine, yours, everybody's.

(2) **What, exactly, is opportunity cost?** *Opportunity cost, or economic cost, simply cost, is a key economic concept and one that we can observe daily, though we seldom stop to think of the true costs of the decisions we make each day. It can be defined as the cost of any good, service or activity measured in terms of the lost opportunity to use the good, service, or time in its best alternative activity (and the benefits that could be received from that opportunity).* Put another way, it is *the highest valued option (the next-best or the second-best alternative) that must be sacrificed to attain something or satisfy a want.*

(3) **An opportunity cost is the benefit/opportunity lost.** The basic idea behind the opportunity cost is that most things in life are never free – they come at the opportunity cost of something forgone. In other words, in order to have whatever you decide to have you must give up (or: forgo, discard, pass up) the opportunity to have the "something else" you also wanted. Choices to use our scarce resources in one way are also choices to *not* use our resources some other way.

(4) **How can one evaluate the opportunity cost of a choice-decision?** The simplest way to estimate/evaluate the opportunity cost of any single economic decision is to consider, *"What is the next best alternative choice that could have been made?"* or *"What would I have done if I didn't make the choice that I did?"*

(5) **The cost of any item or activity is not what you pay for it.** It follows that the cost of any item or activity is not just what you pay for it. It always involves the benefits you could have received by taking an alternative action, the "risk" that you could achieve greater benefits with another option.

(6) **Opportunity cost is a subjective concept.** It follows that opportunity cost is a subjective, individual concept, and the evaluation of choices and opportunity costs will differ across individuals, households, and societies. Note once again that an opportunity cost is not the sum of the available alternatives, but rather the benefit of the best one (in the decision-makers' view).

(7) **An opportunity cost is not always a number.** Unlike most costs discussed in economics, an opportunity cost is not always a number. While it is customary to associate cost with the money price of goods (also called the *accounting explicit* or *out-of-pocket* cost), an opportunity cost is the value (be it monetary or otherwise) of the good or activity given up in place of the good or activity actually chosen (also called the *additional, subjective* or *implicit* cost).

(8) **There is no full cost without opportunity cost.** It follows that the full cost of any choice is not the amount you pay at the register. It includes what is directly paid for the item or activity chosen and the cost of giving up the next best alternative, i.e. the opportunity cost of this choice. In economics, it is the true, total measure of the cost of anything.

(9) **The importance of the economic concept of opportunity cost** lies in the fact that you can not assess the true/total cost of your choice-decision without taking into account its opportunity cost.

Opportunity cost also helps us to reflect on the values we place on decisions. If we choose to part with our limited income on good A rather than good B it suggests we value good A more than good B.

(10) **To sum up.** We live in the world of scarcity, and we can't do and have everything we'd like to. The natural fact of scarcity leads to the necessity of making choices among competing alternatives. One of the most important results of this choice-making necessity is that every choice made (or not made for that matter) means that some other choice had to be sacrificed. In economics, the highest valued (in the decision-makers' view) alternative that must be sacrificed to attain something or satisfy a want is referred to as opportunity cost.

Some most important things to remember about opportunity cost are:

- opportunity cost is the benefit lost from making one choice over another;
- opportunity cost is involved in all kinds of decisions, not just economic ones about how to spend your money;
- opportunity cost is a subjective, individual concept, and different people evaluate opportunity costs differently;
- an opportunity cost is not always a number;
- not all forgone opportunities are counted in the calculation of opportunity cost, but only the costliest one of all those forgone;
- you can not assess the true/total cost of your choice-decision without taking into account its opportunity cost.

Finally, we have to learn to live with the discomfort of opportunity cost – the fact that *there is no such thing as a free lunch*, and that most things in life are never free and come at the opportunity cost of something forgone.

(11) **Examples of opportunity cost decisions.** Opportunity cost is a key economic concept and matters of opportunity cost fill our daily life. Examples of it are plentiful/multiple. So, let's turn to some of them to make the concept more concrete.

1. *Let's say you have five dollars. What would you like to spend it on? There are a million things you would love to spend five bucks on, but let's imagine there are only three things out there you really want to buy: gum, soda, and movie tickets. (See the price chart below.)*

Good/Item	Price
Gum	\$ .50
Soda	\$1.00
Movie Ticket	\$5.00

*In order to buy a movie, you need to give up a certain amount of gum and soda. If you buy ten pieces of gum, you give up going to the movie or buying soda. Decisions involve trade-offs. When you make a choice, you give up an op-*

portunity to do something else. The highest-valued alternative you give up is the opportunity cost of your decision. Opportunity cost is the highest-valued forgone activity. It is not all the possible things you have given up.

For example, if you go to the movies you have to give up a certain amount of gum and soda. If you are a sodaholic, you have to give up five sodas. If you are gum fanatic, you surrender ten packs of gum. But, the opportunity cost of a movie is not five sodas and ten packs of gum. It is five sodas or ten packs of gum. Now do you get the idea of opportunity cost?

2. Suppose a city urgently needs a new fire station and a new school building. But it has only enough money to build one or the other. If the city builds the fire station the "cost" is the opportunity to have the school building; if the city builds the school building, the "cost" is the opportunity to have the fire station. Can you see why economists call this the opportunity cost concept?

3. Opportunity cost is not the sum of the available alternatives, but rather the benefit of the best alternative of them. Remember? The opportunity cost of the city's decision to build the hospital on its vacant land is the loss of the land for a sporting center, or the inability to use the land for a parking lot, or the money that could have been made from selling the land, or the loss of any of the various other possible uses – but not all of these in aggregate.

4. The same is true of the decisions made concerning production with scarce resources. Because resources are scarce, producers making decisions to produce a certain good sacrifice the next best alternative good that could be produced with that resource. The good given up is the opportunity cost. In other words, there always a next best alternative good sacrificed; and there is always an opportunity cost decision made when production choices are determined.

5. Let's take now a look at how opportunity cost can (and should) be calculated in our everyday lives. The easiest way to do this is to apply the concept of opportunity cost to the time we allocate for certain activities:

Suppose you have a number of alternatives of how to spend your Friday night: you can go to the movies, you can stay home and watch the football game on TV, or go out for a walk with friends. If you choose to go to the movies, your opportunity cost of that action is what you would have chosen if you had not gone to the movies – either watching the football game or going out for a walk with friends. Note once again that an opportunity cost only considers the next best alternative to an action, not the entire set (the aggregate) of alternatives.

6. And finally, if you gave up the option of playing a computer game to read this text, the cost of reading this text is the enjoyment you would have received playing the game.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

A. Opportunity cost is –

- a result of scarcity;
- a subjective, individual concept;
- the benefit of all activities that are forgone – not only the best one;

- d) a key economic concept, but one that you cannot observe daily;  
 e) is always a number;  
 f) is synonymous with economic cost;  
 g) to be measured in money terms.
- B. Every choice involves –
- a) costs;  
 b) a cost expressed as the next best alternative forgone.  
 c) giving up another opportunity to do, to have, or use something else.
- C. Every choice made means that –
- a) some other choice had to be sacrificed;  
 b) the highest valued option had to be sacrificed;  
 c) you can't choose the next-best alternative;  
 d) you discarded the second-best alternative;  
 e) you gave up everything else
- D. 1. Most things in life are never free.  
 2. Not all economic decisions involve opportunity costs.  
 3. The total cost of any item or activity is what you pay for it.  
 4. The concept of opportunity cost applies to economic decisions only.  
 5. The true cost of any choice-decision involves opportunity costs.  
 6. Costs can be monetary or non-monetary.
- E. 1. Opportunity cost can be thought of as "the road not taken".  
 2. The opportunity cost of an action can be defined as the next best action forgone.  
 3. The opportunity cost of any good or service is the value of all the other goods or services that we must give up in order to produce it.  
 4. The opportunity cost of any decision consists of everything we must give up in order to carry out that decision.  
 5. The opportunity cost of watching TV the day before an exam is much less than on the first day of the semester.
- 2. Choose the most suitable word/grammar form:**
1. Different people (*assume, evaluate*) opportunity costs differently.  
 2. Each choice means (*given, giving, given up, giving up*) something else.  
 3. Opportunity costs are the benefits that are forgone because of (*a choice, scarcity, something else*).  
 4. Opportunity costs are sometimes defined as the benefits you (*receive, could receive, could have received*) by taking an alternative action.  
 5. The thing we most wanted to do but didn't do is called the opportunity cost of the option that (*was chosen, was given up, was forgone*).  
 6. Whenever we are in a world of scarcity, choosing one thing (*consists of, depends on, requires*) giving up something else.  
 7. Economists measure the opportunity cost of anything by (*whatever, anything, what*) has to be given up in order to have it.  
 8. Most things in life come at the opportunity cost of something (*else, forgone, actually chosen*).

**3. Fill in the blanks using the words given below:**

1. When you choose one thing, you must give up or ... some other.
2. In addition to the monetary costs, economists consider ... of activities.
3. The benefits forgone by particular use of things are referred to as ...
4. The opportunity cost of any action is the next best ... to that action.
5. In a world of scarcity, ... of one want necessarily means non-satisfaction of one or more other ...

*alternative, forgo/pass up, opportunity costs (2), wants, satisfaction.*

**B.** The natural fact of scarcity leads to the necessity of making ... (1). One of the most important results of this choice-making ... (2) is that every choice made (or not made for that matter) means that some other choice had to be sacrificed. In other words, every choice involves giving up another ... (3) to do or use something else. Consider a practical ... (4). Every choice you make to watch TV one more hour requires that you give up the opportunity to do at least the following ... (5): listen to music; sleep; browse at a local store; read from a novel; work out at the gym, or study more of some school ... (6). You can add many more opportunities forgone if you choose to watch TV for more ... (7). Is watching TV for you ... (8) than the best alternative way of spending your free time?

*activities, better, choices, example, hour, necessity, opportunity, subject.*

**4. Complete the sentences:**

1. People are never satisfied with ... : they always want more.
2. People want to do more and to have more than they ....
3. When making a choice, you have to ...
4. Whenever one chooses an action, they give up the opportunity to ...
5. When you have a choice between two alternatives, you will choose ...
6. Each time you choose to go one way you give up the chance to go ...
7. The importance of opportunity cost as an economic concept lies in the fact that it helps to ...
8. If you make a right turn at an intersection, it precludes the possibility of having made a ... - you can't be at two different places at ... !
9. When you make a choice, you have to give up something else, which is the ... of the choice.

**5. Restore the correct word order in the sentences that follow:**

1. An opportunity is the lost opportunity cost.
2. A number not always is an opportunity cost.
3. What an item of the true cost does include?

**6. Answer the following questions without looking back at the text:**

- A. 1. What is opportunity cost?
2. What is the basic idea behind the concept of opportunity cost?
3. What is the simplest way to evaluate the opportunity cost?
4. What is the difference between explicit and implicit (opportunity) cost?

5. Why do all choices have/bear costs?
  6. Is there such a thing as a free lunch? Why?
  7. What sort of discomfort does opportunity cost involve?
  8. What are some of the most important things one should bear in mind about opportunity cost?
- B.**
1. What was the opportunity cost of one of your recent decisions?
  2. What are some of the choices (at least three) you make every day and the opportunity costs associated with each choice?
  3. What are the opportunity costs of your being a student at BSTU? Of your being in this class? Is there an opportunity cost involved in your doing this exercise? How would you assess it?

**7. Render the contents of Text 2.4 in English.**

**8. Describe/Identify:**

- five choices you made today preparing for school. (For each choice list the opportunity cost. Remember, opportunity cost is the next best thing you would choose to do);
- what you gain and what you give up when you decide to spend your weekend watching TV. Is watching TV the best use of one's free time?
- a situation that requires a choice, make a decision, and identify the opportunity cost.

**9. Comment on one of the following sayings/statements:**

- "You can't be at two different places at the same time."
- "An opportunity cost is the cost of a taken opportunity/the road not taken."
- "The opportunity cost is an opportunity lost."
- "All choices involve costs."
- "Time is money."
- "The fashion of the world is to avoid cost." – William Shakespeare.

**B. FURTHER READING**

**1. Read the text below and answer the following questions:**

- Can college education ever be truly free?
- What is the meaning of the word "incurred" used in the text?
- What is the true cost of your going to college?

**What is the true cost of your going to college?** Suppose that you were given a college education without having to pay any fees whatsoever. You could say you were receiving free education. But someone is paying for your education because you are using scarce resources – building, professors' time, electricity and so on. In that sense, the cost of your education is certainly not zero, so it is not free. Or, in other words, your free education cannot be considered a "free lunch" for the economy as a whole.

In case you have to pay for your education the costs of your going to college will first of all include the costs of tuition, fees, and textbooks, though they won't include room and board because these costs are *incurred* no matter what you do – go to work or go to school.

But the biggest cost of going to college for most individuals is forgone income. That is to say, by going to college, you are giving up the opportunity to earn income during that time period. Therefore, there is an opportunity cost to your attending classes and studying—that is, your forgone income.

You can approximate that opportunity cost by estimating what your after-tax income would be if you were working instead of going to school. In the case of a typical 18-year-old American, the opportunity cost of going to college may be \$15,000 to 20,000 a year. For a successful rock star, professional athlete, actor, or model, the cost might be as high as \$5 to \$10 million a year. So, the true cost of your attending a college or university is: *True cost = tuition (direct cost) + forgone wage earnings (the cost of the opportunity lost).*

### 2. Read the text below and comment on its main idea.

**Think neo-classic!** A neo-classic economist is one who disagrees with the statement that whatever is worth doing is worth doing well. Time is scarce because it is limited and there are many things one can do with one's time. If one wants to do all things well, one must devote considerable time to each, and thus must sacrifice other things one could do. **CONCLUSION:** *Sometimes, it is wise to choose to do some things poorly so that one has more time for other things.*

### 3. Read the text below and identify some examples of trade-offs you commonly face in your everyday life.

**A trade-off** usually refers to giving up one advantage in order to gain another. In other words, it is an exchange that occurs as a compromise. In terms of opportunity cost, a trade-off involves a sacrifice that must be made to obtain something.

The most basic trade-off in the human experience is what you do with your time. Adam Smith considered, for example, the trade-off between time, convenience, and money. He discussed how a person could live near town and pay more for rent of his house, or live further away and pay less, "paying the difference out of his convenience."

## C. TRANSLATE INTO RUSSIAN

**1. The opportunity cost** of going to college is the money you would have earned if you worked instead. On the one hand, you lose four years of salary while getting your degree; on the other hand, you hope to earn more during your career, thanks to your education, to offset the lost wages.

Here's another example: if a gardener decides to grow carrots, his or her opportunity cost is the alternative crop that might have been grown instead (potatoes, tomatoes, pumpkins, etc.).

In both cases, a choice between two options must be made. It would be an easy decision if you knew the end outcome; however, the risk that you could achieve greater "benefits" (be they monetary or otherwise) with another option is the opportunity cost.

**2. Scarcity** means we all have to make choices and all choices involve "cost." Not only do you have to make a choice every minute of the day, because of so



city, but also, when making a choice, you have to give up something of value. This cost is called opportunity cost. Opportunity cost is defined as the value of the next best thing you would have chosen. It is not the value of all things you could have chosen. Choice gives us "benefits" and choice gives us "costs". A goal in life for each of us is to look at our wants, determine our opportunities, and try and make the best choices by weighing the benefits and costs.

**3. Specialize where opportunity costs are lowest.** People typically have skills or talents in only one or few areas, and because they lack time or skill to pursue every activity they choose where to focus their energy. Firms and nations too have limited amounts of resources and must choose where to use their resources. The problems faced by individuals, by firms, and by whole nations, and the solutions found by each, are fundamentally the same. In making your choice, it is in your best interest to specialize in the activity that produces the lowest opportunity cost, or, in other words, where your opportunity costs are lowest. The choice of which area to specialize in is made on the basis of relative opportunity costs or, otherwise, comparative advantage, which is the ability to produce a good or a service at a lower opportunity cost than someone else.

**4. Costs.** The firm incurs a variety of costs when it produces, and economists split these in various ways. One way is to split them into *fixed costs* and *variable costs*. Fixed costs are costs that do not vary as the level of production varies. These include such things as rent, business rates and security costs. Variable costs are costs that do vary as output varies and so will include things like raw materials, labour costs, energy costs and so on.

Another very similar way to split costs is into *direct costs* and *indirect costs*. *Direct costs* are similar to variable costs, and are costs that can be directly attributed to the production of each unit of the good. This will therefore be things like the cost of the raw materials, the packaging, the labour time that went into the production and so on. *Indirect costs* are more commonly known in practice as *overheads*, and are general costs that are not specifically related to the product. They may be things like marketing and distribution costs, the cost of secretarial staff, and general bills like phone bills.

#### D. TRANSLATE INTO ENGLISH

1. Примеров тому, что бесплатный сыр может быть только в мышеловке – много.
2. То, что нельзя быть в двух местах одновременно – это аксиома.
3. Народная мудрость гласит: «То, что стоит делать, стоит делать хорошо». Однако с чисто экономических позиций – это не всегда так.
4. Одна из задач в жизни каждого из нас – это определиться со своими желаниями, оценить свои возможности и делать правильный выбор, взвешивая всякий раз плюсы и минусы своих решений (с учетом альтернативных издержек, конечно).
5. Пословица «Что русскому хорошо, то немцу – смерть» отражает, во-первых, тот объективный факт, что не существует единственно правильного решения со всех точек зрения, и, во-вторых, что оценка скрытых издержек принимаемых решений – субъективна/не может не быть субъективной. Другими словами, у каждого из нас свое «что такое хорошо и что такое плохо».

6. Экономические издержки нашего выбора из имеющихся альтернатив являются суммой издержек всех отброшенных альтернатив, а только одной из них – наилучшей/дающей наибольший эффект с нашей точки зрения.
7. Экономические издержки – это обратная сторона любого экономического выбора, который приходится постоянно делать в условиях ограниченности ресурсов.
8. Выбирая одно, мы жертвуем другим./ Выбор одной альтернативы – это отказ другой. Такова жизнь.
9. Истинная цена любой вещи не ограничивается только той суммой денег, которую за нее платим. В эту цену не могут не входить и издержки упущенных возможностей, которые не всегда имеют численное выражение, т.е. не всегда измеряются в деньгах.
10. Необходимо ясно понять, что мир, в котором мы живем – это мир, где мы не можем иметь все, что бы мы ни захотели. Ибо это мир ограниченных ресурсов. И самое главное его неудобство.
11. Если мы готовы расстаться с частью наших доходов, чтобы потратить их на товар А, а не на товар В, то это значит, что мы ценим товар А выше, чем товар В.
12. Альтернативные издержки – это ключевое экономическое понятие. Это цена, которую мы должны заплатить за свой выбор. Эти издержки присущи каждому выбору, а не только экономическому, т.е. связанному с использованием денег.
13. За всем, что у нас есть, незримо стоят тысячи упущенных возможностей. Человеку дано знать истинную цену свершаемых им поступков, принимаемых им решений.
- Б. 1. Если при выборе из двух возможных благ потребитель отдает предпочтение одному, то второе благо, шанс выбрать которое он упустил, является издержками, которые он понес в результате сделанного им выбора. В русскоязычной экономической литературе эти издержки, в зависимости от области исследования, называют то «издержками в результате принятого альтернативного курса», то «потерями – прибылью в результате неиспользования альтернативного курса», то «упущенной выгодой», «вмененными или скрытыми издержками», то «альтернативными или неявными тратами», то «стоимостью/издержками (наилучшей упущенной/потерянной) альтернативной возможности» или, наконец, «экономическими издержками». Все эти «издержки» и «стоимости» являются, по сути, различными формами проявления того, что в англоязычной экономической литературе обобщенно называется «*opportunity cost*». Тем более, что ряд авторов не делает различия между некоторыми из этих понятий.
2. Экономист рассматривает издержки производства не так, как бухгалтер, который интересуется фактическими издержками, так как ему приходится оценивать эффективность деятельности фирмы в прошлом. Экономисты и руководители, наоборот, интересуются перспективами фирмы. Они озабочены предстоящими издержками и тем, как снизить и повысить экономическую прибыль. Они, следовательно, должны интересоваться *вмененными издержками* – издержками, связанными спускаемыми возможностями наилучшего использования ресурсов фирмы.
3. Посмотрим, как вмененные издержки отличаются от бухгалтерских издержек применительно к заработной плате. Например, владелец магазина розничной торговли управляет магазином сам и предпочитает не выплачивать себе жалование. Хотя каких денежных операций не проводится, его торговля требует вмененных издержек, так как владелец мог бы получать жалование где-нибудь в другом месте.
4. Альтернативные издержки производства являются основным движущим мотивом, заставляющим производителей максимизировать их прибыли. Данный показатель используется также при отборе наиболее эффективной производственной программы среди альтернативных ее вариантов.

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*"Enough is enough."* – An English proverb.

(1) **Introduction.** When neoclassical economists analyze consumer decision-making they base their analysis on certain assumptions about human behaviour (that may seem simplistic at first glance). Two most important of them are as follows. First, it is assumed that consumers, taken as a group, tend to act rationally. Second, it is assumed that consumers – individuals, families, households, businesses, and societies – all are guided by the principle of *utility maximization*. They all want to maximize their utility – that is, they always prefer more of a good to less of it, and strive to make the most progress toward their objectives, be it advance, profit, satisfaction, or any other gain, or benefit.

(2) **Definition.** In economics, *marginal* means "at the margin", or, "the next one", "the additional one", "additional" or "extra", while *utility* is a measure or index of the satisfaction, or happiness, or pleasure, or subjective benefit gained by an individual from the consumption of a good or service. So, *marginal utility* means "the additional or extra amount of satisfaction you derive (or: get, gain, receive) from having a little more of something you already have."

It should be noted/born in mind that marginal utility is a subjective concept, since one and the same thing may have different marginal utilities for different people, reflecting different tastes, preferences, or individual circumstances.

(3) **The law of diminishing marginal utility.** Although economists assume that consumers always prefer more of a thing to less of it, they also realize that the increased satisfaction gained from having more of a good depends on how much we have already consumed. As more and more of something is available to you, the additional utility you could get from having even more gets smaller and smaller – the 10th candy bar doesn't taste as good as the first one and so brings less marginal utility. Thus, the more of something you already have, the less important it is to you to get even more of it. If unlimited amounts are available, then the marginal utility (the extra utility from having more) drops all the way to zero. What we're talking about is called the law or principle of *diminishing marginal utility*.

The law of diminishing marginal utility states that *the marginal utility of a good or service decreases/declines as consumption of that good or service increases, holding consumption of all other goods fixed*.

(4) **Marginal utility, market price, and economic value.** The concept of marginal utility grew out of attempts by economists to explain the determination of price. If you expect the marginal utility to be zero you won't pay anything for it. If you think about it you'll realize that the price you would be willing to pay for an additional something reflects the importance of that additional something to you. If you think you're going to gain a lot of additional satisfaction from whatever you're thinking of buying, then you'll be willing to pay a high price. Right? But if you think you'll gain only a little from it, you'll buy it only if the price is low.

We're into an important concept in economics now. It's this: the price you would be willing to pay for something (that is the economic value of that something to you) is never determined by the "total usefulness" of it. The value is de-

terminated by *how useful it would be for you to have more of it than you already have*. In terms of economics, it means that the economic value of a good is directly related to the subjective marginal utility derived from that good in a given period of time, taking into account its scarcity. Thus, water has utility but little market value (market price), since it is generally not scarce.

(5) **Think marginally.** Intuitively, all intelligent people think marginally, more or less. To "think marginally" means to think in terms of additional costs and benefits your decision whether to do a little more or a little less of something involves. Put most simply, what is relevant to any decision is what is gained or lost depending on how the decision is made.

As long as "the marginal return" (*utility; profit*) you're getting is worth more to you than "the marginal effort" (*costs; pains*) you're spending, you're doing just fine.

As long as the additional "value" or "satisfaction" you're getting from the time and effort you're spending is greater than the additional satisfaction you could get from spending that time and effort in any other way, you are optimizing. That's the best you can do. You're making the best marginal choices.

(6) **To sum up.** In analyzing consumer's decision-making, economists assume that consumers display rational behaviour when making their choice decisions. In particular, economists assume that consumers strive to maximize their utility.

Utility is typically defined as the satisfaction or happiness derived by an individual from the consumption of a good or service, while the additional or extra amount of satisfaction individuals gain from having a little more of something they already have is called marginal utility.

The fact that the marginal utility of that good or service decreases as the quantity of the good increases is called the principle or law of diminishing marginal utility.

Since successive increases in consumption of a good provide us with less and less of additional satisfaction we would be willing to pay less and less for more and more of the good we already have. So, the market price (the economic value) of a good is related not to the total usefulness of a good, but to the marginal utility derived from that good at a given time, taking into account its scarcity.

All intelligent people think marginally. In everyday life, to "think marginally" means to make each little choice so it will do you the most good. It means each time you spend each extra bit of effort or time or money or anything, make it the best it can, for you. It means to optimize the use of everything you have to work with. Basically, it's just age-old good common sense.

So, once in a while it's a good idea to stop and remind ourselves that we really do have a choice about how to spend each five minutes during each day, how to spend each dollar we have, how to use each thing we have – and that success in life depends very much on how wisely we make these little choice-decisions, the margin.

(7) **Examples.** So far this discussion has been rather abstract. Let's take some examples of things you're familiar with to make the concepts more concrete.

- *Marginal utility can be illustrated by the following example. If you were really thirsty you'd get a certain amount of satisfaction from a glass of water. This satisfaction would probably decrease with the second glass, and then even more with the third glass. The additional amount of satisfaction that comes with each additional glass of water is marginal utility.*
- *Suppose, you have plenty of fresh, pure water, and there comes someone along and offers to sell you a drink of water. Will you buy? Obviously not. As a rational individual you would not pay a penny for a hundred litres. Does this mean that water is of no value to you? Again, obviously not: It only means that more water (more than you already have) is of no or little value to you. Additional water would bring you the marginal utility (additional or extra satisfaction) of zero. Therefore the amount you would be willing to pay is zero.*
- *The law or principle of diminishing marginal utility states that for any good or service, the marginal utility of that good or service decreases as the quantity of the good increases, ceteris paribus. For example, one automobile is very useful for getting around. An additional automobile might be useful in case the first is being repaired, or for spare parts, but it is not as useful as the first. A third automobile has even less utility than the first two. Given the price of cars, one would not expect many people to own three cars because the benefit they receive on the third car would be unlikely to exceed the price.*
- *All intelligent people think marginally. When you are in line at a fast food restaurant and a new register opens up, you must decide whether to leave your place in line and go to the new line or stay where you are. In doing this, you subconsciously weigh the marginal benefits of moving, which include potentially saving time, against the marginal costs of moving, which include the energy expended from physically moving. If the benefit is greater than the cost, then the action is undertaken by a rational decision-maker. Because this cost of switching lines is very small, people will generally switch lines as long as there is any time to be saved. We can conclude that people actually behave this way by observing that fast food lines tend to be equal in length.*

### **A. TEST YOUR UNDERSTANDING**

#### **1. Decide whether the following statements are true or false:**

1. Utility is simply satisfaction.
2. Different people derive satisfaction from different things.
3. People strive/seek to maximize their utility at all cost.
4. The assumption that individuals tend to maximize their utility is at the core of any economic theory.
5. Marginal utility is the additional satisfaction a consumer gains from consuming one more unit of a good or service.
6. The marginal utility of X is the additional utility from two or more additional units of X.
7. The more people have, the less difference an additional unit of utility will make for them.
8. The less of something you have, the more satisfaction you gain from an additional unit you consume.

9. The consumer's decision is not an all-or-nothing one. Instead, it is a decision to buy or not to buy just one more unit.

10. The higher marginal utility you gain from a product is, the higher willingness it gives to you to pay more for it.

**2. Choose the most suitable word:**

1. Utility is a measure of satisfaction (*received, obtained, gained*) from a good or service.
2. The price you would be willing to pay for a thing or a service is never (*measured, determined, reflected*) by the "total usefulness" of it.
3. The price you are willing to pay for an additional something (*assume, determines, reflects*) the importance of that additional something to you.
4. The marginal utility of a good is a/an (*amount, measure, unit*) of a change in satisfaction caused by consuming more or less of a good.

**3. Fill in the blanks using the words given below:**

- A.
1. Neoclassical economists assume that people make choices ...
  2. Utility is the ... people get from consuming (using) a good or a service.
  3. A choice at the margin is a decision whether to do a little more or a little of something.
  4. Economics tells us that people choose so as to maximize their utility, at least if they are ...
  5. If unlimited amounts are available, then the extra utility from having more drops all the way to ...

*at the margin, less, rational, satisfaction, zero.*

1. Of all the things that people need, air tops the list. Yet, to the individual, as no economic ... (1). Why not? Because it is not ... (2). Would you pay to buy ... (3) air than you already have? Of course ... (4). You already have more than you can ... (5). The marginal utility you could get from an ... (6) portion of air would be zero. ... (7) the amount you would be willing to pay is ... (8).

*additional, more, not, scarce, therefore, use, value, zero.*

**4. Complete the sentences:**

1. Utility/Marginal utility is ...
2. To "think marginally" means ...
3. The principle of diminishing marginal utility states that ...
4. Neoclassical economists assume that individuals seek/strive, try/ to ...

**5. Restore the correct word order in the sentences that follow:**

1. Do they maximize utility strive not to their consumers?
2. Marginal amount of satisfaction means the additional utility.
3. Rational decisions display behaviour when consumers making their choice.

**6. Answer the following questions without looking back at the text:**

- A.
1. What is utility?
  2. What does "marginal"/"marginal utility" mean in economics?
  3. Does marginal utility "diminish" as you get more and more of something?
  4. Do free goods have any marginal utility? Why?
  5. What does the law of diminishing marginal utility state?
  6. What does the economic value of a thing depend on?
  7. What does "to think marginally" mean?

1. What things are of most value to you?/What things do you value most?
2. Is (Are) water/air/English classes of any value to you? Why?
3. Will you buy/do a thing if you know you will gain only a little from it?
4. If you expect the marginal utility of something to be zero, will you pay anything for it? Why?
5. Can you think of any cases where the law of diminishing marginal utility does not apply?
6. Do people really tend to think marginally? And you?

### 7. Render the contents of Text 2.5 in English.

#### 8. Discuss:

- the relationship between the price we pay for a good and the value, or worth of the good to you.

## **B. FURTHER READING**

### 1. Read the text below and answer the questions.

- What is utility? Is it possible to measure utility? How?
- What is your idea of happiness?
- Can you suggest any formula of happiness?

**Utility: economist-speak for a good thing, a measure of satisfaction.**

Underlying most economic theory is the assumption that people do the things they do because doing so gives them *utility* or, put most simply, satisfaction. Moreover, people want as much utility as they can get. In other words, they are assumed to always try to maximize their utility.

A tricky question now is how to measure utility. Money does not (entirely) capture it. You can get richer without becoming more satisfied. So some economists have tried to calculate broader measures of happiness.

They have found that people with jobs are much happier than unemployed people. Low inflation also makes people happier. Extra income increases happiness a bit, but not much. In many countries incomes have risen sharply in recent years, but national surveys of subjective well-being have stayed flat. Within countries, comparing people across the income distribution, richer does mean happier, but the effect is not large. Married people are often happier than single people; couples without children happier than couples with; women happier than men; white people happier than black people; well-educated people happier than uneducated people; the self-employed happier than employees; and retired people happier than economically active people. Happiness generally decreases until you are in your 30s, and then starts rising again.

Other economists are dismissive of such studies. They argue that people are rational maximizers of their own utility, so, by definition, whatever they do maximizes their utility.

### 2. Read the text and explain the diamond-water paradox in terms of both marginal utility and value theory.

**The diamond-water paradox: "total" utility vs "marginal" utility.** The diamond-water paradox is the observation that even though water is essential to human life, the price of water is relatively low. Diamonds are frivolous and unimportant for human existence, yet the price of diamonds is substantially higher.

The marginalist explanation of the paradox is as follows: The total utility or satisfaction of water exceeds that of diamonds. We would all rather do without diamonds than without water. But almost all of us would prefer to win a prize of a diamond rather than an additional bucket of water. To make this last choice, we ask ourselves not whether diamonds or water give more satisfaction in total, but whether more of one gives greater additional satisfaction than more of the other.

Some economists proposed an innovative solution to the diamond-water paradox. They saw that value is subjective — it is in the eye of the beholder. That is, things do not have *inherent* value, but have value only insofar as people desire them: “Comparison of value, this evaluation of different objects changes continually with the need of the person”. Where water is plentiful, people value diamonds highly. A person stranded in a desert, however, would value water over diamonds.

### **3. Read the text below and answer the questions:**

- *What alternatives did the farmer have to solve his economic problem?*
- *Why did he decide to do what he did?*

**Five Sacks of Grain.** An Austrian economist gave the following description of the marginal theory of value, one often used by economics textbooks: “A pioneer farmer had five sacks of grain, with no way of selling them or buying more. He had five possible uses: as basic feed for himself, food to build strength, food for his chickens for dietary variation, an ingredient for making whisky and feed for his parrots to amuse him. Then the farmer lost one sack of grain. Instead of reducing every activity by a fifth, the farmer simply starved the parrots as they were of less utility than the other four uses, in other words they were on the margin.” MORAL: *It is on the margin, and not with a view to the big picture, that we make economic decisions.*

### **4. Read the text below and explain the meaning of the word “disutility”**

**Disutility.** Suppose you go to a buffet and the first plate of food you eat is very good. On a scale of ten you would give it a ten. Now your hunger has been somewhat tamed, but you get another full plate of food. Since you're not as hungry, your enjoyment rates at a seven at best. Most people would stop before their utility drops even more, but say you go back to eat a third plate of food and your utility drops even more to a three. If you kept eating you would eventually reach a point at which your eating makes you sick, providing dissatisfaction, or “disutility”.

### **5. Read the text below. Define “marginal analysis” and explain what it is good for.**

**Marginal analysis.** When economists study individuals' economic decisions they study decisions at the margin, the additional cost or benefit that a person has. Economists refer to these as the *marginal costs* and the *marginal benefits* of the decision.

The general idea behind the concept of marginal analysis is that whenever we make decisions we are weighing the marginal, or extra, cost of doing something against the marginal benefit to you of that action. If the benefit is



greater than the cost, then the action is undertaken by a rational decision-maker. In other words, all we have to do is figure out whether a certain move will bring a "marginal profit" or a "marginal loss". The economist would say it this way: "When faced with a choice, the business will make every move which is expected to bring a marginal profit, and will reject every choice which is expected to bring a marginal loss".

The reason for studying decisions at the margin is that it is the trade-off between marginal benefits and marginal costs that shape economic decisions. We do not generally choose between, say, studying and not studying in total, but we do ask how much will an additional hour of studying raise my grade? Similar questions: "If the store opens an hour earlier, by how much will revenues increase? If I hire this person, how many more goods will we be able to produce?"

#### **6. Read the text below and answer the questions:**

• What are the basic assumptions the neoclassical economic theory of human behaviour is based on? Are they all true to life?

**Perfectly rational person: Laws of behaviour.** Neoclassical economics begins by assuming that people want things and that the amounts of these things are limited. That's easy to believe. Secondly, economics goes on to assume that people try to maximize utility – that people really will try to improve their "satisfaction levels". That's fairly easy to believe, too.

A third assumption is that people are rational. In the theoretical world of "total economic rationality" each person will compete with others to get ahead. I will offer more to buy something before you get a chance at it. I will undercut you and take your customers. Personal feelings of kindness or thoughtfulness for others never have any influence on a person's behaviour in this dog-eat-dog world of "let the devil take the hindmost"!

For centuries economists have talked about the fictional "economic man" ("homo economicus"): – a "perfectly rational person" who always makes all choices so as to maximize utility. Such a totally rational person would always choose the least cost ways of getting or making something and would always spend money in the absolutely most efficient way to maximize utility. Such a person would always budget very carefully – would always optimize and economize all the time.

Neoclassical economic theory also assumes that work is unpleasant and that people will try to avoid it. It assumes that people dislike risk. They hate it so much, usually, that they are willing to pay others great sums of money to reduce risk – that's the idea behind insurance! Generally, anything that reduces uncertainty and risk helps people make better decisions which in turn makes them happier. Also it assumes that our wants are insatiable – that we'll always find something to want more of.

Pure economic theory of human behaviour is based on all these assumptions. Are they all true? No. Not exactly. But is it close enough to the truth to help us to get some understanding of how people behave? Yes. At least economists think so. They think there's enough truth in these "laws of behaviour" to help us to understand better why people do some of the things they do.

## C. TRANSLATE INTO RUSSIAN

1. **History.** The theory of marginal utility was independently developed around 1870 by *William Stanley Jevons* in England, *Carl Menger* in Austria and *Leon Walras* in Switzerland. Their ideas transformed economic analysis. These advances in economic thought are known as the *Neoclassical Revolution* (or *Marginal Revolution*).

During discussions of which of those three had been the first to formulate the theory, a colleague of Jevons discovered a copy of Prussian economist *H. Gossen's Die Entwicklung* (1854). Gossen was recognised as the original author, and his work was reformulated in a less mathematical way, to make it more intelligible to the public.

Although Gossen himself declared that his work was comparable in significance to the innovations of Copernicus, few others agreed; most copies of the book were destroyed and, today, only a few original copies exist.

2. **The concept of marginal utility.** The pioneer developers of the theory of marginal utility observed that value, like beauty, is subjectively determined. Value is imputed to scarce resources by the acting individual. Other things remaining equal, including tastes, the individual imputes less value to each additional unit of any good that he receives as income. This is the principle of marginal utility. *Neoclassical* economists still hold that sensible choice requires comparing marginal utilities and marginal costs. They also think that most people apply the marginalism concept regularly, even if subconsciously in their private decisions.

3. **Marginalism: critics.** Why are diamonds more expensive than water? Many critics of marginalism argue that the reason that diamonds are more expensive than water is not because of their relative natural abundance but because of their cost of production. If diamonds could be produced cheaply from carbon, as modern technology may make possible in the short term, then the price of diamonds will fall, even though the demand for their use is not altered. Therefore, as these critics would claim, it is the cost of production which determines price, not the marginal utility.

## D. TRANSLATE INTO ENGLISH

1. В основе теории принятия решений потребителями лежат некоторые предположения касательно их экономического поведения на рынке товаров и услуг.
2. Предполагается, что, во-первых, потребители в целом поступают рационально; во-вторых, стремятся к тому, чтобы получить максимальную полезность от потребляемых ими экономических поступков и в максимально возможной мере пренебречь к имеющейся у них цели.
3. Полезность — это мера удовлетворенности или удовольствия, радости, или пользы, которую индивид извлекает из потребления товара или пользования услугой.

4. Полезность – это субъективное понятие, и дать строгое определение полезности затруднительно, поскольку у каждого человека есть свое восприятие удовольствия, удовлетворения и свой круг потребностей.

5. Ценность есть мера полезности, какую данная вещь, по мнению людей, им приносит.

6. Люди не стремятся потреблять доступную полезность, если за ту же цену они могут получить другую, которая может, по их мнению, дать им большее удовлетворение.

7. В неоклассической экономике, полезность объявляется целью потребления и рассматривается как свойство экономических благ удовлетворять потребности.

8. Различают общую и предельную полезности. Полезность, которую потребитель извлекает из каждой дополнительной единицы блага, называют предельной. В свою очередь сумма предельных полезностей дает общую полезность некоторого количества блага.

9. Считается, что каждый потребитель имеет свою субъективную шкалу предпочтений; то есть знает, что ему нравится больше, а что меньше. Из множества товарной массы индивид стремится выбрать наиболее предпочтительный товар или набор товаров.

Б.1. Если мы обозначим способность экономических благ удовлетворять потребности человека как «полезность», то принцип рациональности потребителя можно сформулировать следующим образом: при заданных ценах и доходе потребитель стремится распределить свои денежные средства так, чтобы получить максимум полезности.

2. Термин «рациональность» не стоит толковать в таком плане, что человек, истративший весь свой доход на покупку цветов любимому человеку, нерационален, а индивид, отложивший деньги на автомобиль, рационален. С точки зрения экономиста, они оба ведут себя рационально, если они только на самом деле самостоятельно выбрали для себя эти варианты и при этом максимизируют общую полезность.

3. Полезность в политической экономии – это способность вещей служить тем или иным способом человеку. Самая никчемная или самая обычная вещь может приобрести полезность, если ее применение достаточно для удовлетворения возникшей потребности или достижения какой-либо цели и придать ей, тем самым, соответствующую цену. И наоборот. К примеру, если какая-либо вещь утрачивает свое значение как полезного продукта и становится никому не нужной для потребления, то она, как правило, выбрасывается, а ее производство прекращается.

4. В чем же состоит значение понятия предельной полезности для объяснения экономических явлений? Во-первых, с его помощью легко разрешается парадокс, на который обратил внимание еще А.Смит. Речь идет о ценах на алмаз и воду. Поскольку люди без воды жить не могут, постольку цена на нее должна быть максимальной, хотя на самом деле в сравнении с драгоценными алмазами она не имеет никакой цены или же цену самую ничтожную. Это объясняется тем, что цены устанавливаются не по общей полезности благ, а по их предельной полезности. Добыча дополнительного количества алмазов требует все больших расходов, тогда как потребление дополнительных количеств воды почти ничего не стоит, по крайней мере, в повседневном обиходе. Ценность блага напрямую зависит от ограниченности и редкости: запасы воды на земле очень велики, алмазы же встречаются крайне редко. Именно это обстоятельство и учитывается при определении ценности благ с помощью понятия предельной полезности.

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## The Market

*"The market is a place set apart where men may deceive each other."* – Diogenes Laërtius.

(1) **Definition: what exactly is the market?** Although an understanding of markets is at the heart of any study of economics and business studies, there is no universally accepted definition of the term market in economics. The term originally referred to a special place (typically, the main square of the largest village in the vicinity) where products were bought and sold once a week. Modern day flea and farmers' markets are fairly close to the original concept.

Nowadays, a market does not have to be a physical place like a shop. In modern times, a market is any arena, however abstract or far-reaching, in which buyers and sellers make transactions. It is a means by which the exchange of goods and services takes place as a result of buyers and sellers being in contact with one another/communicating with each other, either directly or through mediating agents or institutions. Markets may be general or specialized, large or small, local or global.

(2) **Market participants: buyers, sellers, and intermediaries.** Any market consists of two main groups of people: all those who have commodities for sale, and all those who are interested in buying those commodities, – that is sellers and buyers. In some cases, their number can be very small, in other instances there are millions of people who make up the market.

Besides, most markets comprise groups of people who act as intermediaries between the first seller of a commodity and the final buyer. There are all kinds of intermediaries, from the brokers in the great produce exchanges down to the village grocer. They may be mere dealers with no equipment but a telephone or they may provide storage and perform important services of grading, packing, aging, and so on.

(3) **Other market arrangements.** Markets also include the arrangements by which buyers and sellers communicate their intentions, such as business letters, phone calls, radio-, television-, newspaper-, and Internet ads. These market mechanisms provide information about the quantity, quality, and price of products offered for sale, to facilitate the exchange of goods and services between buyers and sellers and, thus, to efficiently allocate scarce resources.

(4) **Market items: goods, services, and resources.** While, in principle, almost any commodity of value can be exchanged through markets, they are primarily used to exchange goods, services, and resources.

*Goods* are physical, tangible items or products that are used to satisfy wants and needs. *Services* are intangible activities that provide direct satisfaction of wants and needs without the production of tangible products or goods. *Resources* (labour, capital, and land) are inputs that are used in the production of goods and services.

Speaking in broad terms, any item or service of value can be referred to as a good. Economists also study "bads" – items like garbage and "services" like crime you have to pay to get rid of.

(5) **How do people make a trade?** Markets work by placing many interested sellers in one place, thus making them easier to find for prospective buyers, and strike a deal/make an exchange.

Most market exchanges in modern economies involve a commodity on one side and a monetary payment on the other. In essence, a buyer gives up money and receives a good, while a seller gives up a good and receives money.

Buyers and sellers negotiate with each other trying to get the best deal for them. Sellers call out how much they will accept for the item. They know if they receive more than the item value, they will have earned a profit. That's why sellers sell only if the market price is greater than or equal to the price they require to give up a good or resource that they own.

Buyers call out how much they will pay for the item. They know perfectly well that "a penny saved is a penny gained", so if they pay less than the item value, they will have "earned" by saving. That's why buyers purchase products and resources only if the market price is less than or equal to the price they are willing and able to pay.

(6) **Any market transaction is a product of compromise.** If you want to sell, say, your car, you will be looking to get the highest price possible. If you are looking to buy a car you might be looking to get the cheapest price possible for the type of car you want to buy. Therefore, on the one side of the market (the buyers' side), shoppers attempt to purchase goods at the lowest prices after allowing for various considerations of cost and convenience. On the other side of the market (the sellers' side), producers attempt to sell goods at the highest prices after allowing for similar considerations.

Since both parties expect to become better off as a result of the transaction, any voluntary transaction takes place only if the price is mutually agreeable on the basis of a compromise.

A market compromise, like every compromise, fully satisfies no one. In fact, it is just midway between the competing interest of those who are buying something and those who are selling that something. It is a settlement in which each party makes a concession for the purpose of reaching an agreement. Without compromise, it would be difficult to reach agreements and keep the market running.

(7) **Who benefits most from a market exchange?** In contrast to political "solutions", under which the losing side is always forced to submit to the winners, free market exchanges normally leave both sides equally satisfied. According to standard capitalist theory, as explained by Adam Smith in *Wealth of Nations*, when individuals make a trade they value what they are purchasing more than they value what they are giving in exchange for a commodity. If this were not the case, then they would not make the trade but retain ownership of the more valuable commodity. This notion underlies the concept of mutually-beneficial trade where it is held that both sides tend to benefit by an exchange.

(8) **Barter exchanges: no money is needed.** While most markets involve the exchange of money for a commodity, sometimes one commodity can be traded for another, doing what is commonly termed *barter*. In other words, barter is the exchange of goods and services performed directly, without using money. "I'll cook dinner if you do the dishes" and "You scratch my back, and I will scratch yours" are typical examples of barter.

Barter requires a *double coincidence of wants*: A must have what B wants, B must have what A wants. The *transaction costs* (the costs involved in making an exchange) of finding a double coincidence of wants for barter transactions typically very high. That's why most markets involve money because goods and services can be exchanged more easily with money than without it.

(9) **Money exchanges.** Money is an extremely difficult concept to define with precision. Most simply put, it is anything "*what you buy things with*". It is a *medium of exchange*, in terms of which the value of all goods and services is measured. The reason that people value money as a medium of exchange is that it allows for complex exchanges to take place more easily than using barter.

(10) **Market price.** The amount of money for which a lone unit of goods or services is exchanged is called *price*. In other words, price is the money value of a good or service. It is a component of an exchange or transaction that takes place between two parties and refers to what must be given up by one party (the buyer) in order to obtain something offered by another party (i.e. seller).

In economic terms, a *market price* (i.e. *market-determined price*) is the amount of money that a *willing* buyer will pay a *willing* seller for a given good or service. Market price is established at the point of exchange through the interaction of buyers and sellers.

Prices are providers of information. They reflect how much people value goods and what sacrifices society has to make to provide the goods.

(11) **Free market.** A free market is a market where price is determined by trade rather than by government. A completely free market is an ideal form of a market economy where buyers and sellers are allowed to transact (buy/sell/trade) freely without any state intervention in the form of taxes, subsidies or regulation.

Because no national economy in existence fully manifests the ideal of a free market as theorized by economists, some critics of the concept consider it to be a fantasy – outside of the bounds of reality. Some of them hold that "free market is socialism for the rich", and that free markets are for the poor while state protection is for the rich.

Not all advocates of capitalism consider free markets to be practical. Some of them hold it wrong to believe that government is *per se* bad and unproductive while the private sector is *per se* good and productive. In modern economies, they say, there is a marriage between government and the private sector, each benefiting from the other.

(12) **Market, non-market, and mixed economies.** An economic system in which goods and services are exchanged by market functions is called a *market economy* (also termed *capitalism*). An alternative economic system in which non-market forces (often government regulations) determine prices is called a *planned economy* or *command economy* (also termed *socialism*). An economic system in which an attempt is made to combine socialist ideals with the market economy is known as a *mixed economy* or *market socialism*.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

- A.**
1. The market is any place of sale.
  2. Any government is *per se* bad.
  3. Prices are providers of information.
  4. Any price agreement is a compromise.
  5. Price is the money value of a good or service.
  6. Resources are outputs that are used in the production of goods.
  7. Barter systems are less common than systems that use currency.
  8. Barter is the exchange of goods and services without using money.
  9. Most market transactions are made on the basis of a compromise.
  10. Market is any arena in which buyers and sellers make transactions.
  11. Markets may consist of one buyer and one seller, or many buyers and many sellers.

- B.**
1. Any market involves exchanges.
  2. Most market exchanges tend to be mutually-beneficial.
  3. Market compromises fully satisfy no one party involved.
  4. Both buyers and sellers tend to benefit by market exchanges.
  5. Intermediaries act between the first seller of an item and the final buyer.

**C.** There is/are –

- a) two main kinds of intermediaries in a free market.
- b) no single definition of the term *market* in economics.
- c) a marriage between government and the private sector in a free market economy.

### 2. Choose the most suitable word:

1. "A penny (*gained, saved*) is a penny (*gained, saved*)."
2. "Scratch my (*back, hand, head*) and I will scratch (*you, your, yours*)."
3. Money is anything "*(that, what, which)* you buy things (*for, at, with*)."
4. An understanding of markets (*is, does, has*) at the (*heart, head, hand*) of any study of economics.
5. The buyers must have (*something, anything*) they can offer in exchange for (*it to be, there to be, –*) a potential transaction.
6. Most market exchanges (*involve, are involved in*) a commodity on one side and a monetary payment on (*another, the other, the others*).

### 3. Fill in the blanks using the words given below:

1. In market economies ... play very important roles.
2. Under the barter system trade is ... , but not impossible.
3. Any seller expects to become ... as a result of the transaction.
4. When goods are exchanged ... using money, this is called barter.
5. The world of commercial activity where goods and services are ... and sold is called a market.
6. A free market economy is an economic system in which individuals, rather than ... , make the majority of ... regarding economic activities.

*government, prices, without, decisions, bought, difficult, better off*

- k. Is a completely free-market economy a fantasy or a reality?
- l. What is a non-market economy/ a mixed economy?
- m. What type of economy does the economy of Belarus/ Russia belong to?
- 7. Write a summary/Render the contents of Text 3.1 using your own words as far as possible.**

**8. Discuss:**

- the difference between a market and a shop;
- the difference between a capitalist economy and a socialist economy.

**9. Comment on the following definitions and statements:**

- *The market is the stage on which economic actors – firms, households, and unions – meet and make key economic decisions for society.*
- *The aim of any seller is to make you, the buyer, part with your money.*
- *The market is a good servant but a bad master.*
- *The free market is socialism for the rich.*

**B. FURTHER READING**

**1. Read the text below and answer the following questions:**

- How many types of markets are discussed in the text?
- Can you briefly define each of them?

A market makes possible the exchange of goods and services between buyers and sellers, and that exchange determines the price of goods and services. Buyers and sellers communicate with each other about the quality and quantity of a product, what the buyers are willing and able to pay, and what the sellers must receive. Food, shares of stock, national currencies, gold, and labour services are bought and sold in, respectively, the supermarket, the stock market, the foreign exchange market, the gold market, and the labour market. Black market is the name given to exchanges that violate the law, such as the buying and selling of illegal drugs and counterfeit goods. Underground market is the name given to unrecorded transactions, whether legal or illegal. For instance, some people choose not to report their earnings in order to avoid paying taxes. Any earnings that go unreported are part of the underground market. And, finally, the political market involves the exchange of votes and political benefits.

**2. Read the text below and answer the questions:**

- What are farmers' markets?
- Why are they still popular in many countries of the world?

**Farmers' markets.** The traditional market square is a city square where traders set up stalls and buyers browse the merchandise. This kind of market is very old, and countless such markets are still in operation around the whole world. Such markets are often temporary, with stalls only present for one or two days a week ("market days"), however some are open every day of the week.

In continental Europe, especially in France, street markets, as well as "marketplaces" (covered places where merchants have stalls, but not entire stores) are commonplace. Both resellers and producers sell their wares (not only fruits, flowers, and vegetables, but also meat and fish, and other products) to the public.



In the USA such markets fell out of favour, but renewed interest in food has caused the reinvention of this type of market, called farmers' markets, in many towns and cities.

A farmers' market is an opportunity for farmers to sell their produce direct to the public. A key feature is that those who try to sell their goods at such markets should be members of the local community where the market is being held. This is essentially therefore a market for local farmers and local people.

### 3. Read the text below and answer the question:

- *What are stock markets?*

**Stock markets.** Stock markets are specific places at which people buy and sell shares of stock, or shares of ownership in corporations. A share of stock represents a piece of the ownership of a firm. For instance, if you buy Ford Motor Company stock, you are one of the owners of Ford. The price of stock is determined by the expectations of buyers and sellers, whose exchange rate reflects their beliefs about whether the firm will be more or less profitable in the future and whether the firm will perform better or worse than other firms. Such stocks are bought and sold through dealers and brokers, or through word of mouth in what is called the *over-the-counter market*.

### 4. Read the text below and answer the question:

- *Who or what is a stock broker?*

**Stock brokers.** What we call the stock market is literally millions upon millions of independent people around the world making independent decisions. A simple example is this: I think or guess AT&T shares will rise in price. I want to buy a hundred. Somebody else might think or guess that AT&T shares are going to fall in price so he wants to sell his 100, but there's a problem. I don't know where he is and he doesn't know where I am. There are specialists who, for a price, get us together so we can make the transaction; we call him a *stock broker*.

### 5. Read the text and explain the difference between the words "wage", "salary" and "rent", as price words.

**Price.** Just as *good* is an all-purpose word in economics, so also is *price*. Price is the amount paid for one unit of a good, such as \$150,000 for a Rolls-Royce. Although prices are usually expressed in terms of money, so often times they are expressed in terms of other goods, such as two candy bars for one ice cream cone. A *wage* is a kind of price – the price for an hour of labour. A *salary* is also a price – the price for a month's or year's worth of labour. A *rent*, too, is a type of price – an amount for the use of a house for a month, say.

## C. TRANSLATE INTO RUSSIAN

1. **History.** In its original meaning, the *market* is a physical coming together of a sizable number of merchants and prospective customers at a pre-arranged time and place (in medieval Europe, typically once a week on the square of the largest village in the vicinity) for the purpose of striking deals, buying and selling a variety of goods and services. Large numbers of customers came to such organized markets because they found it convenient to be

to make many of their necessary purchases on the same day in one central location (minimizing their total travel time and other travel costs) and because the presence of many merchants offering similar wares made it possible for them to strike the best deals in terms of quality and price. Merchants were often attracted from considerable distances to participate in such markets because of the opportunity to sell so many of their wares to such large numbers of potential customers in such a short time.

**2. What is a market?** In the language of modern industrial society, and especially in the language of professional economists, the concept of a market has been generalized and abstracted far beyond the original rather concrete and localized meaning of the term. In the more modern sense of the term, a market is the generalized name tag for the whole process that gets under way whenever a sizable number of people free to buy and/or sell a particular kind of good or service are in more or less close communication with each other so that information about the terms of recent transactions and current offers to buy or sell is generally available to a large number of interested parties at relatively low cost – regardless of the participants' physical proximity or distance.

**3. Barter and money exchanges.** The purpose of markets is to facilitate the exchange of goods and services between buyers and sellers. In some cases money changes hands; in others, only goods and services are exchanged.

The exchange of goods and services directly, without money, is called *barter*. Most markets involve money because goods and services can be exchanged more easily with money than without it. Barter requires a *double coincidence of wants*: The *transaction costs* (the costs involved in making an exchange) of finding a double coincidence of wants for barter transactions are typically very high. Money reduces these transaction costs.

**4. The world-wide market.** Technological innovations of the industrial age both have dramatically increased the size of the areas from which buyers and sellers may be brought together to do business and have greatly reduced the need for them actually to meet face-to-face in one place in order to strike a bargain. The markets for many consumers' durable goods like automobiles or TVs and major agricultural and industrial commodities like oil, natural gas, wheat, beef, steel, forest products and computer chips are now literally world-wide in extent. Of course, for many markets there do still exist central gathering places or locations that play an especially important role in the local, national or even world-wide networks of buyers and sellers – for example, the seasonal women's fashion shows in Paris and Milan, and so on.

**5. Information asymmetry.** In economics, information asymmetry occurs when one party to a transaction has more or better information than the other party. (It has also been called asymmetrical information and markets with asymmetrical information). Typically it is the seller that knows more about the product than the buyer, however, it is possible for the reverse to be true: for the buyer to know more than the seller.

Examples of situations where the seller usually has better information than the buyer are numerous but include used-car salespeople, stockbrokers, real-estate agents, and life insurance transactions. Because of information asymmetry, unscrupulous sellers can "spoo" items (like software or computer games) and defraud the buyer. As a result, many people not willing to risk getting ripped off will avoid certain types of purchases, or will not spend as much for a given item.

**6. The economic concept of markets.** A market can be defined as a set of goods and services which are regarded as substitutes by consumers; a set of buyers, whose preferences together with their budget constraints determine their willingness to pay for those goods and services; and a set of producers (sellers) endowed with production technologies whose physical properties along with opportunity cost, determine the minimum price at which those goods or services are supplied. The market can therefore be considered to be an allocation mechanism that, in the absence of frictions, ensures that goods and services end up in the hands of those who value them the most.

**7. Market efficiency.** The way a market functions depends largely on the behaviour of the players – buyers and sellers. A market is said to perform efficiently if it allocates goods and services to those who value them the most. Likewise a market is likely to perform inefficiently if, for instance, there exists a seller that can behave independently of its competitors, customers and consumers. In such a case the seller is in a position of dominance and may manipulate the market to its own advantage. It is therefore desirable to have efficient markets.

The more nearly perfect a market is, the stronger is the tendency for the same price to be paid for the same thing at the same time in all parts of the market.

**8. The question what to produce is best answered by the market.** A market is a place where you find people, businesses or organizations that will buy your products and services. That is, a market is where your customers will buy. The success of your business depends on whether there is a market (or customers) available for your products and services and whether they will buy your products and services.

If the market system is working, then if you want an income you must do or offer something that the market wants you to do or offer. If the market doesn't want what you have to offer, nobody will buy your goods! If nobody wants the goods you offer you will stop producing them. In this way the market is telling you that you are using your energies and other resources to do something "the market" doesn't want you to do with those resources. And the sooner you get that message, the better for you! That is the way your productive efforts are being directed by "the market".

#### D. TRANSLATE INTO ENGLISH

1. Общепринятого определения рынка, как и многих других экономических понятий, на сегодняшний день не существует. Говоря попросту, рынок – это любое место, где продавцы и покупатели совершают торговые сделки.
2. Рынки могут быть разными: маленькими и большими, местными и глобальными, специализированными и не очень.
3. Рынок – хорош как слуга, но плох – как хозяин.
4. Кто-то еще в древности сказал, что рынок – это обособленное местечко, куда специально приходят люди, чтобы обманывать друг друга.

5. Любой рынок состоит, по крайней мере, из двух групп людей: покупателей и продавцов. Кроме того, составной частью большинства рынков является и группа людей, которые выступают в качестве посредников между первым продавцом и конечным потребителем.

6. И покупатели, и продавцы надеются оказаться в выигрыше в результате сделки. При этом продавец всегда хочет продать как можно дороже, а покупатель – купить как можно дешевле.

7. Все то, что человек использует для удовлетворения своих нужд и вожделений, он называет «благам». Два главных потребительских блага – это товары и услуги.

8. Товары – это физические, осязаемые изделия, которые человек использует для удовлетворения своих желаний и потребностей.

9. Ресурсы – это все то, что необходимо для производства товаров и услуг.

10. Анти-благо – это благо, приносящее отрицательную полезность, например, мусор или преступления.

11. Большинство обменов на рынке включают в себя товар, с одной стороны, и плату в денежной форме, с другой.

12. Деньги – это средство обмена; все то, чем вы расплачиваетесь за товар или услугу. Как экономическое понятие, деньги чрезвычайно трудно поддаются точному определению.

13. Рыночная цена – это та сумма денег, которую покупатель выплачивает продавцу за единицу товара или услугу. Рыночная цена устанавливается в точке обмена через взаимодействие покупателей и продавцов.

14. Мы покупаем товар только тогда, когда рыночная цена ниже или равна той цене, которую мы можем и согласны заплатить.

15. Когда люди совершают торговый обмен, то они ценят то, что приобретают, больше, чем то, что отдают взамен. Если бы это было не так, то они не пошли бы на обмен и сохранили бы в собственности более ценную для них вещь.

16. Бартер – это обмен товарами или услугами, осуществляемый непосредственно/напрямую, без использования денег. Одно из неперемных условий бартерного обмена – это «двойное совпадение желаний». В основе бартера как формы рыночного обмена лежит общеизвестный принцип «Ты – мне, я – тебе».

17. Смешанная экономика – это экономическая система, сочетающая в себе рыночную экономику с государственным регулированием.

18. Сегодня идея свободного рынка, т.е. рынка, на котором цена устанавливается в результате торга без какого-либо вмешательства со стороны правительства – большая редкость.

Б. 1. Рынок – система отношений по поводу обмена товарами и услугами, построенная на принципе соизмерения спроса и предложения.

2. Сердцевина рыночного механизма – отношения между продавцами и покупателями. На эти отношения воздействуют самые разнообразные факторы, такие как ценовые цены, налоги, реклама, средства массовой информации.

3. Рассматривая понятие «цена», целесообразно остановиться на трех ее функциях: измерения (сколько стоит товар/услуга), регулирования (кому-то цена по средствам, а кому-то – увы – нет), стимулирования (высокие цены привлекают производителей, низкие способны их разорить).

4. В современных условиях рынок представляет собою весьма сложный хозяйственный организм. Есть разные варианты определения структуры рынка. Согласно одному из них, выделяются три крупных звена рыночных отношений: рынок труда, товарный рынок и рынок денег и ценных бумаг.

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## B. FURTHER READING

### 1. Read the text below and discuss the Vedantic view on ownership.

Indian spiritual science called *Vedanta* believes that the root of ownership is the feeling that one is separate from the rest of the universe. Given this understanding, one disconnects oneself from the universe, and then attempts to reconnect with objects through a relationship which is called ownership.

*Vedanta* believes that the feeling of ownership is an illusion, which remains with oneself as long as one considers oneself as separate from the Universe. When one understands the fundamental reality that there is only one entity called the Universe, there is no need for ownership and one gets rid of this illusion.

### 2. Read the text below and discuss the problem of slavery.

**Slavery.** The living human body is, in most modern societies, considered something which cannot be the property of anyone but the person whose body it is. Slavery is currently illegal in every country around the world, however, up until the 19th century slavery and ownership of people had existed in one form or another in nearly every society on earth. In most countries, slaves were considered as movable property.

Slavery can be defined as the absolute legal ownership of a person or persons, including the legal right to buy and sell them. The slaves do not have the freedom to live life as they choose, but as they are instructed by their owners. Slavery almost always occurs for the purpose of securing the labour of the slave.

### 3. Read the text and explain what Eminent domain and Zoning are.

**Private property rights are not absolute.** They are subject to community rights. The federal and state governments in the USA, for example, have the right of *Eminent domain*, which is the power to purchase property from owners for public use, even if they do not want to sell, following the payment of a fair amount of money to the owner of the property. The eminent domain power is used frequently to acquire property for highways, railroads, public parks, and urban renewal, though judgments about what constitutes public use are sometimes very controversial.

**Zoning** is another illustration of the way that private property is subject to community rights. Local governments frequently impose restrictions on the use that can be made of land, such as prohibiting the location of houses in industrial areas, limiting the size and height of buildings, and requiring minimum lot sizes for houses. Those restrictions on the use of property often had the effect of dramatically decreasing property value.

### 4. Read the text below and answer the questions:

- What is privatization?
- What are the main reasons and purposes of privatization?
- Can one privatize the state itself?

**Privatization** is the process of converting or "selling off" government-owned assets, properties, or production activities to private ownership. Privatization

**2. Choose the most suitable word/phrase:**

1. In common use, property is simply "(one, ones; one's) own thing".
2. Property rights are guaranteed and protected by (law, people, state).
3. Property is a relationship between people (and, or, with regard to) things.
4. Private property leads to (inequality, mutual benefit, cooperation).

**3. Fill in the blanks using the words given below:**

1. Property is not a thing, but a ... to such a thing.
2. A common form of real estate ... is a cooperative or co-op.
3. Public property is intended to serve the interests of the ... at large.
4. Capitalism is an economic ... in which most economic decisions are made by property ...

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community, title, ownership, owners, system .

**4. Complete the sentences:**

1. Anything that may be owned is called ...
2. The market process can't work without ...
3. The state of exclusive possession of property is called ...
4. Capitalism is an economic system in which most property is ...
5. Personal property is divided into ... property and ... or abstract property.
6. Public property is that which belongs ... a whole community or a state.

**5. Restore the correct word order in the sentences that follow:**

1. The building capitalism is block key of private property?
2. A governmentally people have protected right to own things.
3. The single or universally definition of property has no accepted concept.

**6. Answer the following questions without looking back at the text:**

1. What is property?
2. What can be/can't be property?
3. Who can be a property owner/holder?
4. How many types of property are ordinarily distinguished?
5. What is private property?
6. What is the main function of private property in a market economy?
7. In what way does public property differ from private property?
8. What exactly do we offer for sale when we are selling a thing?
9. What are economic justifications of private property, if any?
10. In what way can one acquire property nowadays?

**7. Write a summary/Render the contents of Text 3.2 using your own words as far as possible.**

**8. Comment on one of the following statements and sayings:**

- "Property is theft."
- "One's body is one's property".
- "What is owned by all, is cared for by none."
- "All private property should be abolished."
- "What people do with their money is nobody's business."

is usually undertaken either to generate revenue for the government or as part of an overall free-market approach to the economy. A similar transfer in the opposite direction is referred to as *nationalization*.

The basic economic argument given for privatization is that governments have few incentives to ensure that the enterprises they own are well run since state-run industries tend to be bureaucratic. Proponents of privatization believe that private market actors can more efficiently produce many goods and services than government due to free market competition. Many proponents do not argue that everything should be privatized; the existence of problems such as market failures and natural monopolies may limit this. However, a small minority thinks that everything can be privatized, including the state itself.

**5. Read the text below and answer the questions:**

- What is (re)nationalization?
- What are the main reasons and purposes of (re)nationalization?

**Nationalization** is acquisition and operation by a country of business enterprises formerly owned and operated by private individuals or corporations. The property holder may or may not be compensated for the loss of property.

In developing nations, a business enterprise is typically nationalized if the government feels the company is exploiting the host country and exporting too high a proportion of the profits. By nationalizing the firm, the government hopes to keep profits at home.

In developed countries, industries are often nationalized when they need government subsidies to survive. In some developed countries, however, nationalization is carried out as a form of national policy, often by Socialist governments.

Nationalizations can also take place when a government seizes criminal property. For example, the French government seized *Renault* because its owners had collaborated with Nazi Germany.

**6. Read the texts below and discuss the moral principles of Western civilization, based on the private property concept.**

**A. A Speech by Chief Seattle (Skokomish) in 1854.** "The Great Chief of the White Man sends word that he wishes to buy our land. The Great Chief of the Red Man sends us words of friendship and good will. This is kind of him, since we know he has little need of our friendship in return. But we will consider your offer. For we know that if we do not sell, the white man may come with guns and take the land.

How can you buy or sell the sky, the warmth of the land? The idea is strange to us. If we do not own the freshness of the air and the sparkle of the water, how can you buy them?

Every part of this earth is sacred to my people. Every shining pine needle, every sandy shore, every mist in the dark woods, every clearing and every mingling insect is holy in the memory and experience of my people. The path which courses through the trees carries the memories of the red man.

The white man's dead forget the country of their birth when they go to walk among the stars. Our dead never forget this beautiful earth, for it is the mother of the red man. We are part of the earth and it is part of us. The perfumed flowers are our sisters; the deer, the horse and the great eagle are our brothers. The rocky crests, the juices in the meadows, the body heat of the pony, and man – all belong to the same family.

So when the Great Chief in Washington sends word that he wishes to buy the land, he asks much of us.

The red man has always retreated before the advancing white man, as the mist of the mountain runs before the morning sun. We know that the white man does not understand our ways. One portion of land is the same to him as the next ... the earth is not his brother, but his enemy, and when he has conquered it, he moves on. He leaves his father's graves behind, and he does not care. He kidnaps the earth from his children. His appetite will devour the earth and leave behind only a desert ...

This we know: The earth does not belong to man; man belongs to the earth. This we know.

Whatever befalls the earth befalls the sons of the earth. Man did not weave the web of life; he is merely a strand in it. Whatever he does to the web he does to himself.

Even the white man cannot be exempt from the common destiny. One thing we know, which the white man may one day discover – our god is the same god. You may think that you own him as you wish to own the land but you cannot. This earth is precious to the great spirit, and to harm the earth is to heap contempt on its creator. The whites too shall pass; perhaps sooner than all other tribes. Continue to contaminate your bed, and one night you will suffocate in your own waste.

Your destiny is a mystery to us, for we do not understand when the buffalo are all slaughtered, the wild horses tamed, the secret corners of the forest heavy with the scent of many men, and the view of the ripe hills blotted by talking wires. The end of living and the beginning of survival.

When the last red man is vanished from this earth, and his memory is only the shadow of a cloud moving across the prairie, the shores and forests will still hold the spirits of my people. For they love this earth as the newborn loves its mother's heartbeat. So if we sell you our land, love it as we've loved it. Care for it as we've cared for it. Hold in your mind the memory of the land as it is when you take it. And with all your strength, with all your mind, with all your heart, preserve it for your children, and love it... as the Great Spirit loves us all."

**B. A convenient forgetting of one's own atrocities: From the history of the USA.** It is estimated that in 1860 there were between 30 and 90 million buffalo on the plains. Their stampedes could be heard for hundreds of miles – called by the natives "Rolling Thunder". These animals had thrived here for thousands of years, and the people that lived here lived in turn off the buffalo



with great economy – taking only sick, old, or weak animals, and using every part with little waste.

When the railroad began to cross the plains, in the mid 1860's, there was a massive influx of whites. Killing buffalo became an industry (\$1.00 per hide), and the railroad made it easy to send the hides back east to be made into car tops, suitcases, and industrial drive belts. The government funded parts of the killing spree, knowing the devastating effect on Native morale and survival.

By 1870, the rolling thunder was silent. Millions of buffalo had been killed, skinned, and left to rot. The herds had dwindled to a few thousand, when the killing finally eased off, partly because of the outcry from a few whites with a conscience.

How would white America react now if some alien came and destroyed all of their cattle, sheep, chickens, and swine?

### C. TRANSLATE INTO RUSSIAN

1. **Property** is the right to the enjoyment of things of economic value, whether the enjoyment is exclusive or shared, present or prospective. The rightful possession of such rights is called *ownership*. Ownership necessarily is supported by correlative rights to exclude others from enjoyment. By extension of usage, the things in which one has property rights are called one's property, thus the person who holds title to a house, even though there is a mortgage outstanding, calls it his or her property.

2. **Aristotle**, in "Politics", advocates private property. He says, "that which is common to the greatest number has the least care bestowed upon it. Every one thinks chiefly of his own, hardly at all of the common interest; and only when he is himself concerned as an individual". In addition, he says where property is common there are natural problems that arise due to differences in labour: "If they do not share equally enjoyments and toils, those who labour much and get little will necessarily complain of those who labour little and receive or consume much. But indeed there is always a difficulty in men living together and having all human relations in common, but especially in the having common property".

3. **Ownership** is the state or fact of exclusive possession or control of property, which may be an object, land/real estate, intellectual or some other kind of property. Ownership is the key building block in the development of the capitalist socio-economic system. The concept of ownership has existed for thousands of years and in all cultures. Ownership is the basis for many other concepts that have formed the foundations of ancient and modern societies such as money, trade, debt, bankruptcy, the criminality of theft and the private vs public property.

4. **The process and mechanics of ownership** are fairly complex since one can gain, transfer and lose ownership of property in a number of ways: selling it for money, exchanging it for other property, giving it as a gift, being robbed of it, misplacing it, or having it stripped from one's ownership through

some legal means. If one finds an object, one can legitimately take ownership of that object as long as no one claims to have previously lost that object.

Ownership is self-propagating in that if an object is owned by someone, any additional goods produced by using that object will also be owned by the same person.

#### D. TRANSLATE INTO ENGLISH

A.1. Рыночный обмен не возможен без института собственности, т.к. чтобы совершать обмен, необходимо обладать правом распоряжаться предметами обмена так, как вам заблагорассудится и передавать это право другому лицу или лицам.

2. Как и многие другие понятия, имеющие основополагающее значение в экономике, понятие собственности не имеет единого общепринятого определения.

3. В бытовом понимании, собственность – это просто «чья-то вещь», система отношений между людьми и окружающими их вещами, которые воспринимаются как принадлежащие или, наоборот, не принадлежащие исключительно им, и с которыми люди могут поступать по своему усмотрению.

4. В научном же понимании, собственность – это не отношения между людьми и окружающими их вещами, а отношения между людьми по отношению к вещам. При таком подходе, собственность – не сама вещь, а (законное) право на эту вещь.

5. Самым распространенным способом приобретения собственности в настоящее время, помимо наследования, является покупка ее за деньги.

6. Собственность можно классифицировать самым разнообразным образом. В зависимости от того, кому принадлежит собственность, различают частную, кооперативную и общественную форму собственности. В зависимости от назначения собственность разделяют на средства производства и средства потребления. Кроме того, говорят о движимой и недвижимой собственности/имуществе.

7. Частная собственность – это то, что принадлежит отдельному лицу. Частная собственность составляет основу рыночной экономики. Институт частной собственности – это краеугольный камень рыночной экономики.

Б. 1. Оправдание существования института частной собственности как «блага» для существования и развития общества всегда ставилось под сомнение многими мыслителями прошлого.

2. Считается, что разделение общества на классы, появление классовых и национальных антагонизмов связано с возникновением частной собственности. Если это так, то разрешение как противоречий, раздирающих человеческое общество, так и пропитавшей его агрессии многим не представляется возможным без уничтожения института частной собственности.

3. Наиболее радикальные критики института частной собственности указывают, что именно частная собственность не позволяет свести к минимуму экономическое неравенство и социальную несправедливость и добиться максимального благополучия для максимально большего числа людей. Кроме того, не следует забывать, что в современных условиях бесконтрольное использование могучих средств труда (атомные электростанции, танкерный флот и т.д.) одним индивидуумом или коллективом ставит под угрозу существование человека и всего живого на земле.

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## Competition, Market Control, and Market Structure

"Competition is a creative destruction." – J. A. Schumpeter

"Competition kills competition". – P. -J. Praeger

(1) **Introduction.** Competition is one of the fundamental features of all organisms. Nowadays, the term is widely used in numerous fields, including biology, business, politics, sports and, of course, economics. Other words with similar meaning in English are *rivalry*, and *contest*.

(2) **Definition.** Competition is *the act of striving against others for the purpose of achieving dominance or acquiring more of something that is scarce*. Typically, competition is a highly dynamic process in which only the fittest survive and thrive.

(3) **Competition as an economic concept.** In economics, competition is one of the most important concepts. As a product of scarcity, it is normally defined as the contest for command over scarce resources: if it is impossible to have everything you want, you must compete with others for what is available.

(4) **Market competition.** Market competition is referred to as rivalry between two or more parties striving for the same customers, – that is their market – and the ability to influence the price and/or quantity of the good sold in a given market.

(5) **Factors that influence market competition.** The intensity, character, and particular forms of market competition between buyers and sellers are largely dependent on a number of factors, the most important of which are:

- the number of competitors operating in the market;
- the quality and type of goods supplied/sold;
- total market demand for a good or service;
- available information on prices and technology;
- natural or artificial barriers preventing potential competitors from entering the market.

(6) **Competitive markets.** When two or more businesses sell the same good or service, they are said to be competing for the same market.

The whole point of competing is to be better than one's rivals. In a competitive market, sellers compete with other sellers trying to find ways to get you to choose them and make you part with your money; buyers compete with other buyers trying to choose where to spend their money in the best possible way.

(7) **Market control.** The ability to influence the price and/or quantity of a good sold is called *market control* or *market power*. The extent or amount of market control by a firm depends largely on the number of competitors in the market: more competitors mean less market control for each firm; fewer competitors mean greater market control for each firm.

A firm that possesses so little market control that it has no ability to affect the price of the good is called a *price taker*, while a firm that possesses sufficient market control that it has the ability to affect the price of the good is called a *price maker*.

price taker, you must accept, or "take", the going market price, the ex-market conditions. There's no way you can change them. As a price you do accept the going market price, but you can "make" your own will.

**Market structures.** The market structure, or the manner in which markets organized, primarily depends on the number of firms operating in the and the extent of market control possessed by each firm.

On the selling/seller's side of the market, one can distinguish four market structure models with different amounts of market control due to different numbers of competitors. These market structure models are: *perfect*, or *pure*, *competition*, *monopolistic competition*, *oligopoly*, and *monopoly*.

The market of *perfect competition* is characterized by infinite numbers of small buyers and sellers who trade in a perfectly identical product or, otherwise, perfect substitutes with no brand names or distinguishing features that differentiate the product; no market control by any of competitors; complete freedom of entry into and exit out of the market; complete information about prices charged by other sellers, and access to the same production technology, which means that no firm can produce its good faster, better, or cheaper than its competitors because of special knowledge of information. Perfect competition is an idealized market structure that is NOT observed in the real world.

In markets of *monopolistic competition*, a large number of relatively small sellers with a modest degree of market control provide buyers with nearly identical/almost the same kind of product (often termed *imperfect* or *close substitutes*).

In an *oligopoly*, a small number of relatively large interdependent firms with substantial market control provide buyers with a number of nearly identical goods and services.

Finally, in a (*pure*) *monopoly*, there is only one seller of for a unique product with no close substitutes. Monopoly is characterized by complete control of the supply side of the market and no competition, since certain barriers (economical, technological, legal) completely prevent other/would-be competitors from entering the market.

• On the buying/buyer's-side of the market, there are also four basic market structure models similar to those on the selling-side. Apart from perfect competition, they are *monopsony*, *oligopsony*, and *monopsonistic competition*.

*Monopsonistic competition* is a market structure characterized by a large number of relatively small buyers, each with a modest degree of market control, seeking to purchase almost the same kind of product. *Oligopsony* is a market dominated by a small number of relatively large buyers, each with substantial market control. *Monopsony* is a market structure characterized by a single buyer of a product and, thus, complete control of the demand side of the market.

### Quick Reference to Basic Market Structures

Market Structure	Seller Entry Barriers	Seller Number	Buyer Entry Barriers	Buyer Number
Perfect Competition	No	Many	No	Many
Monopolistic competition	No	Many	No	Many
Oligopoly	Yes	Few	No	Many
Oligopsony	No	Many	Yes	Few
Monopoly	Yes	One	No	Many
Monopsony	No	Many	Yes	One

*From Wikipedia, the free encyclopedia.*

(9) **Market regularities in competition.** Market competition is characteristic of certain regularities or "laws". Some of them are as follows:

- The more sellers, the more competition to offer a good for sale.
- The more buyers, the more competition to acquire a good offered for sale.
- Less competition among sellers than among buyers lets the sellers charge higher prices.
- Conversely, less competition among buyers than among sellers lets the buyers pay lower prices.
- More competition means less market control; conversely, more market control means less competition.

(10) **Is competition a good thing or a bad thing?** Competition can lead to both beneficial and detrimental results. According to microeconomic theory, no system of resource allocation is more efficient than pure competition. Seen by the mainstream economists as a pillar of market economy, competition among sellers is supposed to lead to lower prices, better quality, and more new products and services, while less competition among sellers is likely to lead, conversely, to high prices, poorer quality, and fewer new products and services.

However, there are cases when competition proves to be intense, extreme and bitter, leading to trade-, advertising-, or even human wars between two more parties, nations including. Companies engaged in bitter competitive rivalries for dominance are likely to stick at nothing in order to gain an advantage in the competition and beat their competitor(s). At times, they are willing to do "whatever it takes" to take business away from their competitor and drive ultimately them out of the market and, thus, become a monopolist.

So, ironically, the more competition develops, the more it tends to reduce the number of competitors. It seems to be only too true that "competition kills competition" in the long run!

(11) **Governing unfair competition.** In modern societies competition is organized within the framework of almost universally accepted rules. The rules are generally intended to ensure that businesses do not employ unethical tactics (like price-fixing, market sharing, or illegal collusion-type mergers) to prevent individual firms from having excessive market power and avoid collusion in between firms in their rivalry against each other.

(12) **Cooperation vs competition.** Cooperation means working with others to achieve a common end, instead of working separately in competition. Many people support cooperation as the ideal form of management of human socio-economic affairs, as opposed to selfish, highly profit-oriented and, thus, predatory practice involved in market competition.

Although cooperation is the antithesis of competition, sometimes it is precisely the need or desire to compete with others that motivates firms to merge and cooperate with each other in order to form a stronger competitive force. However, any form of cooperation among firms that is designed to restrain trade, lessen competition, or monopolize a given market is universally considered illegal.

### A. TEST YOUR UNDERSTANDING

#### 1. Decide whether the following statements are true or false:

A.1. Competition is –

a) a destructive creation.

b) a product of scarcity.

2. Market competition is –

a) a function of a number of factors.

b) characteristic of certain regularities.

c) a rivalry to achieve dominance in a given market.

d) an economic interaction between sellers or buyers in a single market.

e) a situation where firms are forced into a contest for the command of scarce resources.

3. Market competition is –

a) a rivalry between two or more parties for the same customers.

b) a rivalry between sellers for buyers, and between buyers for sellers.

B.1. There are four kinds of basic market structures.

2. The numbers of buyers and sellers in different markets may be different.

3. In markets of perfect competition there is only one seller.

4. Examples of perfect competition are all around us.

5. Under monopoly each seller's product differs from every one else's.

6. A monopolistically competitive firm is like a small monopoly.

7. Any form of cooperation among firms is designed to restrain trade.

#### 2. Choose the most suitable word:

1. Perfect competition means (*more, less, no*) market control.

2. (*Perfect competition, Monopoly, Monopsony*) is an idealized market structure.

3. A price (*taker, maker*) has no ability to (*effect, affect*) the price of the good.

4. Oligopsony is a market dominated by a (*small, large*) number of relatively (*small, large*) buyers.

5. Competition means striving (*against, for, with*) others (*against, for, with*) the (*same, some*) market.

#### 3. Fill in the blanks using the words given below:

1. Firms that sell similar items are called ...

2. Firms can ... with each other by offering more favourable prices.

3. When two or more firms sell the same good, they are said to be ...

- Rivalry between people for an object desired in common, usually resulting in a victor and a loser is called ...
- ... means the inclination to compete.

*compete, competitive, competitiveness, competition, competitors.*

**4. Complete the following sentences:**

- People can compete with ... by offering more favourable exchanges.
- It seems to be ... that "competition ..." in the long run.
- When two or more businesses sell the same goods or service, they are ... for the same market.
- ... between two or more persons or groups for an object desired in common, usually resulting in a victor and a loser is called ...
- Several factors influence the market structure for a particular industry: the number of ... , ... technology, ... barriers, and available information on ...

**5. Restore the correct word order in the sentences that follow:**

- The market competition factors are that what influence?
- The economics in one competition is of most important concepts.
- Detrimental lead competition can to both results and beneficial.

**6. Answer the following questions without looking back at the text:**

- How would you define "competition" and "a competitive market"?
- What is the synonym/ the opposite of "competition"?
- Who or what is a price taker/a price-maker?
- What are the most important factors that shape market competition?
- What are the four basic market structures on the buyers'/sellers' side the market, and their characteristics?
- Is competition a good thing or a bad thing? Prove your point of view.
- What are the most important consequences of market competition on the buyer's/seller's side?
- Is market competition characteristic of any regularities? What are they?
- What forms of cooperation are universally considered illegal?
- What measures are normally taken in modern societies to ensure that businesses do not employ unfair tactics?

**7. Write a summary/Render the contents of Text 3.3 using your own words as far as possible.**

**8. Comment on the following statements:**

- "Competition is a creative destruction." – J. A. Schumpeter.
- "Competition kills competition." – P.-J. Proudhon.
- "Competition is an event in which there are more losers than winners; otherwise it's not a competition. A society based on competition is therefore primarily a society of losers." – John R. Saul.

## B. FURTHER READING

**1. Read the text below and answer the questions:**

- What is a monopoly?
- How can businesses grow to become a monopoly?

"Not all monopolies are created equal". The law prohibits most monopolies but there are some legal monopolies. Legal monopolies include public utilities like water and electricity.

Many firms grow to become a monopoly through mergers. In horizontal mergers, similar firms unite. If two computer manufacturing companies united, that would be a horizontal merger. In vertical mergers, related businesses unite. If a computer manufacturing company and a software company united, that would be a vertical merger. Finally, in conglomerate mergers, different kinds of businesses unite. If a computer manufacturing company and a food processing company united, that would be a conglomerate merger.

**2. Read the text and answer the question:**

- *What is hyper-competitiveness?*

**"Winning isn't everything; it's the only thing."** The tendency toward extreme, unhealthy competition has been termed *hyper-competitiveness*. This concept originated in some theories on neurosis, specifically the highly aggressive personality type that is characterized as "*moving against people*". It is assumed that some people have a need to compete and win at any cost as a means of maintaining their self-worth. These individuals are likely to turn any activity into a competition, and they will feel threatened if they find themselves losing. Researchers have found that men and women who score high on the trait of hyper-competitiveness are more narcissistic and less psychologically healthy than those who score low on the trait. Hypercompetitive individuals generally believe that "*winning isn't everything; it's the only thing*".

**3. Read the text below and answer the question:**

- *What do competition and playing football have in common?*

**Competition** ... Think of it like football or any other competitive team sport. The more teams there are, the harder and smarter all teams have to work to play the best game and please the audience at the same time. Competition encourages change and thereby helps to keep business exciting. Because the market is constantly changing (just like the game), entrepreneurs are constantly taking risks (like the players). However, just like a referee enters the game to enforce rules and regulations, the federal government has its own regulatory agencies to keep business practices in check. Unfortunately, government regulations, or anything that keeps entrepreneurs from entering the market, will make it less competitive.

**4. Read the text below and answer the question:**

- *What are the three forms of economic competition?*

**Economists recognize/differentiate three forms of economic competition** in terms of its scope. The most narrow form is direct competition (also called category competition or brand competition); where products that perform the same function compete against each other. For example, a brand of pick-up trucks competes with several different brands of pick-up trucks. The next form is substitute competition, where products that are close substitutes for one another compete. For example, butter competes with margarine, mayonnaise, and other various sauces and spreads. The broadest form of competition is typically called budget competition. Included in this category is anything that the consumer might want to spend their available money on. For example, a family that has \$20,000 available may choose to spend it on many different items, which can all be seen as competing with each other for the family's available money.



### 5. Read the text below and answer the question:

- What do you think is the message/moral of the story?

Once upon a time a king became curious and wanted to see how hell and heaven operated. He was told that opportunity in both hell and heaven were the same.

Both in hell and heaven there was this huge broad table on which porridge was served in the centre, while people were sitting on each side of this table with a long wooden spoon to serve food. The spoon provided was too long. You could neither serve yourself nor eat with such a long spoon. Thus people in the hell were simply angry and hungry as they could see the food but could not consume it. Their greediness kept them hungry.

The situation in the heaven was different. People were happily serving food to each other across the table with their long spoon. So each one received the food served by another person across the table. In return the other person served this person his day's food. The emotion of serving others was the key to happiness in heaven.

### C. TRANSLATE INTO RUSSIAN

**1. Competition among the many**, in its perfect form, means many small buyers and sellers, none of whom is too large to affect the market as a whole. With many small buyers or sellers, each will simply respond to market conditions. No buyer or seller will have "market power" or "monopoly power" big enough to have any noticeable influence on market prices, or on the quantities of things being produced and exchanged. In this case, the only way for a seller to gain a competitive advantage is to produce the best possible product.

**2. Monopolistic competition.** A market is said by economists to operate under conditions of monopolistic competition if it satisfies four conditions, three of which are the same as under perfect competition: (1) numerous participants – that is many buyers and sellers, all of whom are small; (2) freedom of exit and entry; (3) perfect information; and (4) heterogeneity of products – as far as the buyer is concerned, each seller's product is at least somewhat different from every other's.

Notice that monopolistic competition differs from perfect competition in only one respect (item 4 in the definition above). While under perfect competition all products must be identical, under monopolistic competition products differ from seller to seller – in quality, in packaging, or in supplementary services offered.

**3. Consequences of competition.** *Competition among sellers* in a competitive market:

- prevents sellers from forcing the price up to its highest level: buyers don't have to buy a good above the going price with a lot of sellers willing and able to sell at the market price;
- forces sellers to supply the most wanted products at the lowest cost;
- causes businesses to try new ways to attract customers by lowering prices, advertising, improving quality and developing new products and services that consumers are willing and able to buy;
- gives consumers greater selection and better products, which, in turn, causes lower prices for the products compared to what the price would be if there were no competition (monopoly) or little competition (oligopoly).

### Competition among buyers:

- prevents buyers from forcing the price down to its lowest level: sellers don't have to sell a good below the going price with a lot of buyers willing and able to pay the market price;
- forces them to spend their limited incomes on the most satisfying goods;
- increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

## D. TRANSLATE INTO ENGLISH

1. Конкуренция – это одна из основных черт всех живых организмов, стремление к достижению господства или завладению тем, что имеется в ограниченном количестве.
  2. Рыночная конкуренция – это соперничество между двумя и более сторонами за один и тот же рынок, одних и тех же потребителей, за способность влиять на цену и объем продаж. В основе рыночной конкуренции лежит своекорыстие и прибыль.
  3. Конкурентная борьба – это прямое следствие ограниченности ресурсов в мире, в котором мы живем: В этой борьбе выживает и процветает наиболее изворотливый. Характер конкурентной борьбы зависит от ряда факторов.
  4. Способность оказывать влияние на рыночную цену и объем продаж называется рыночным контролем или рыночной властью.
  5. Компании, вовлеченные в конкурентную борьбу, склонны не останавливаться ни перед чем и идут на все, лишь бы выйти, оказаться в более выигрышном положении и победить конкурента, «выжать» его из рынка и стать, таким образом, монополистом.
  6. Одна из закономерностей рыночной конкуренции состоит в том, что чем больше продавцов одного и того же товара на данном рынке, тем выше конкуренция между ними.
  7. На рынке продавцы конкурируют между собой, стараясь сделать так, чтобы вы приобрели товар именно у них.
  8. Существует несколько моделей организационных структур рынка как со стороны продавцов, так и со стороны покупателей, обуславливающих различные виды конкуренции. То, как организован и функционирует рынок, в первую очередь зависит от количества фирм, действующих на рынке и доли рыночной власти, которой каждая из них обладает.
  9. Теоретически, в условиях чистой конкуренции, конкуренция между производителями должна вести к наиболее эффективному распределению ресурсов, снижению цены, улучшению качества и разнообразию товаров и услуг. Однако на практике, наоборот, именно конкурентная борьба и стремление к снижению себестоимости часто ведет к ухудшению качества выпускаемой продукции, неэффективному использованию ресурсов и преступному отношению к окружающей среде.
  10. Любая форма сотрудничества между фирмами, имеющая своей целью монополизацию рынка, считается противоправной.
  11. Сотрудничество – идеальная форма взаимодействия как между отдельными людьми, так и фирмами, и странами в целом.
  12. Цель антимонопольного законодательства – не допустить концентрации рыночной власти в руках отдельных фирм и нечестных приемов конкурентной борьбы.
  13. Монополия возникает тогда, когда появляются барьеры, полностью исключающие появление потенциальных конкурентов на данном рынке.
- Б.** Конкуренция – очень важный двигатель научного и технического прогресса, соперничества между производителями и предпринимателями. В этом плане вполне оправдан тезис о том, что рынок и конкуренция в известном смысле – синонимы, так как одно без другого не существует. Конкуренция принуждает производителей к деловой активности, поиску новых возможностей экономического роста. Но конкуренция обладает и разрушительной силой.

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### The Three Classical Factors of Production

"All else passes away, the land only remains." – An ancient saying

(1) **Introduction.** Things we have to work with in order to achieve our goals are referred to as *resources*. When resources are used in the production of goods and services they are called *inputs into production*, or *factors of production*.

There are thousands of different kinds of factors of production – everything from the electricity that runs the machines to the paper that packages the products. They can be classified in many ways. The three basic categories of productive factors – "the classical triad" – included in most classifications are *land, labour, and capital*.

The fourth factor of production often included in such classifications is *entrepreneurship*. *Technology* is sometimes identified as a factor of production too, but it can be argued that technology forms part of capital and labour.

Similarly, all resources can be grouped into those that are *natural* (land), *manufactured* (capital), and *human* (labour).

(2) **Land.** In economics, land is defined as everything in the universe that is created by human beings. It includes more than the mere extension – that is, the solid surface of the earth. Air, sunlight, forests, soil, the "contents of the earth" – water and minerals – are all classified as land, as are all manner of natural forces or opportunities – the "gifts of nature" – that are not created by people.

Most of the land in the world is scarce. It has economic value and is owned by somebody – individuals, businesses, other organizations, or governments. The price paid for the use of land (that is, the income received by the owner of the land) is called *rent*.

It should be noted that natural resources fall into two large groups: *renewable* or, otherwise, *living* resources that can reproduce themselves – such as fish or trees; and *exhaustible* or *nonliving* resources that do not reproduce themselves – e.g. metal ores, oil, or coal, whose rate of use must be carefully considered. We can affect that rate by conservation (use less), or *reusing* (recycling or reclaiming) a particular product or material.

(3) **Labour.** To make the gifts of nature satisfy our needs and desires, human beings must do something with the natural resources; they must exert themselves, and this human exertion in production is called labour. Everything people do to convert natural opportunities into human satisfactions – whether it involves the exertion of brawn, or brains, or both – is labour to the economist. Most simply put, labour is *the productive resource consisting of physical or mental work that people do in producing goods and services*.

*Wages* are the payments people receive when they sell their time and efforts (labour) for a price. The wage rate is "the price of a unit of labour". There are many different kinds of labour. Some labour is unpleasant, so it is not valued so highly and sell for a much lower price (wage rate). Others are valued so highly and sell for high prices; others are valued so highly and sell for a much lower price (wage rate).

(4) **Capital.** When the stuff of nature is worked up by labour into tangible goods, which satisfy human desires and have exchange value, we call those goods *wealth*. When some of the wealth is used to produce more wealth, economists refer to it as *capital*.

Capital's primary role in the economy is to improve the productivity of labour as it transforms the natural resources of land into wants-and-needs-satisfying goods. Capital makes labour more productive: workers use tools and machinery to increase their output. Without capital all production would be done by hand.

Capital can be thought of as falling into two broad forms. *Capital goods* – i.e. *real* or *physical capital* – are tangible items such as buildings, machinery, and equipment produced and used in the production of other goods and services. *Money* or *financial capital* is a fluid, intangible form of capital used for investment. Money capital is raised by selling stocks and bonds in order to finance the acquisition of real capital or capital goods.

Since capital goods are not themselves consumable items, they are contrasted with *consumer goods*, which are bought for personal or household final use. In this sense, capital goods can be considered a form of deferred consumption, or future goods, or goods of "higher-order". Producing more capital goods and fewer consumption goods is the basic act of investment and the primary means of achieving economic growth.

Capital may also be classed as *specialized*, such as railway equipment, or *unspecialized*, such as lumber or other raw materials having many uses.

Capital can also be *private* or *social*. Private capital is usually owned by individuals and private business organizations. Social capital is usually owned by the state and is the *infrastructure* of the economy, such as roads, bridges, schools, and hospitals.

The income earned by capital is *interest*, the counterpart to the wages and rent earned by the other factors of production.\*

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**\*Important note:** It should be noted that "capital" is an extremely vague term whose meaning largely depends on the context in which it is used. Thus, in classical economic theory, capital does not refer to the business sense of financial capital, i.e. money. Rather, it is short-hand for real capital, physical capital, and capital goods – the terms that are used almost synonymously in traditional economic analysis. They all refer to the stock of already/previously-produced durable goods that are used as a means of production to manufacture or produce other goods – now and in the future.

In finance and accounting, capital generally refers to financial wealth, especially that used to start or maintain a business. Land is often referred to as "capital" too, in the sense that one can buy land and use it as a "capital investment", while a combination of land and capital as we have defined them here is often referred to as "real estate".

In business, a distinction is normally made between fixed capital and working capital. Fixed capital is durable, examples being factories, offices, equipment, machinery, new technology and so on. Working capital (or inventories) is circulating capital that is used up quickly in the production process such as raw materials, stocks of finished and semi-finished goods that will be economically consumed in the near future or will be made into a finished consumer good in the near future.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

#### General

1. The production of goods requires the input of some resources.
2. Classical economics distinguishes between three factors of production.
3. The factors of production can be classified in many ways.
4. People are one of the factors of production.

#### Land

1. Land is a free gift of nature.
2. The payment for land is rent.
3. There's a finite amount of land on this planet.
4. All improvements to land are capital because they are the work of man.

#### Labour

1. All human effort is "labour."
2. Labour includes all forms of work.
3. The payment for labour is a wage.
4. All kinds of labour sell for low prices.

#### Capital

1. Capital is all forms of money.
2. Capital is the "produced" factor of production.
3. Capital is used as inputs for further production.
4. Working capital includes finished goods waiting for sale.
5. Capital is used to assist labour in the production process.
6. Capital goods are productive resources used to produce other goods.
7. Real capital is wealth in the form of buildings, equipment, and inventories.

### 2. Choose the most suitable word:

1. All forms of human activity require time and (**work, labour, effort**).
2. Economic resources are (**inputs, outputs**) to produce goods and services.
3. Capital improves the productivity of (**land, labour, people**).
4. Money capital is raised by (**buying, selling**) stocks and bonds.
5. Workers use tools to become more (**productive, producing, effective**).
6. The wage rate is "the price of a (**piece, rate, unit**) of labour".

### 3. Fill in the blanks using the words given below:

- A. 1. There are essentially ... factors of production.  
2. Land includes all natural resources, as well as ... itself.  
3. Resources are of four types: land, labour, capital, and ...  
4. Capital is all forms of means of production: factories, machines, and ...  
5. Goods that are used to produce other goods are called ...  
6. The inputs used in the production process are called ... by economists.  
7. Wealth used to produce more wealth is called ...  
8. Financial capital is the term given to the stocks and ... issued in order to finance the ... of capital goods.

acquisition, bonds, capital(2), equipment, factors, four, land, entrepreneurship.

B. The category of "... (1)" includes all natural resources. These natural resources include the ... (2) itself, as well as any minerals, oil deposits, timber, or water that exist on or below the ground. The labour ... (3) consists of the

physical and intellectual ... (4) provided by human beings. The resource called "... (5)" consists of the machinery and equipment used to produce ... (6). Note that the use of the term "... (7)" differs from the everyday use of this ... (8). Entrepreneurial ... (9) refers to the ability to organize production and bear ... (10).

*risks, term, output, talent, input, services, capital(2), land(2).*

**4. Complete the sentences:**

1. Resources are items used to ...
2. Land is referred to as ...
3. Labour refers to ...
4. Labour is the effort ...
5. A factory with machines is ...
6. Capital consists of produced goods, such as ...
7. Capital goods are human-made goods which ...

**5. Restore the correct word order in the sentences that follow:**

1. A unit of the wage is "the rate price of labour".
2. Is the paid rent for the price called use of land?
3. Capital earned by the interest is income.

**6. Answer the following questions without looking back at the text:**

1. How many factors of production are normally defined by economists?
2. What is wealth? What do we call wealth used to produce more wealth?
3. How do capital and labour differ from land?
4. What is profit/rent/a wage the payment for?
5. Why do wages differ for different types of labour?
6. What is the true nature and role of profit?
7. Could the free market system work without profit?
8. Capital takes many forms, doesn't it? Name and define some of them.

**7. Write a summary/Render the contents of Text 4.1 using your own words as far as possible.**

**8. Identify:**

- examples of natural resources, human resources, and capital goods, used in the production of a given product.
- the capital that is needed to build a cottage.

**9. Comment on the following statements:**

- "A job doesn't have to be unpleasant or painful to be a job."
- "If the work one has is unpleasurable, then it is not work. It is labour."

## B. FURTHER READING

**1. Read the text below and answer the questions:**

- What is human capital?
- What is the difference between human capital and physical capital?

**Human capital**, in the broader sense of the word, is the knowledge, experience, and training that make labour more productive. It is the quality of labour resources which can be improved through investments, education, and training.

In the narrower sense of the word, human capital is the economic wealth or potential contained in a person; some of it is endowed at birth, the rest is the product of training and education, if only in the university of life. It is the set of skills which an employee acquires on the job, through training and experience, and which increase that employee's value in the marketplace. Therefore, investment in skills and education can be viewed as building up human capital.

As a "produced" resource, it is conceptually comparable to standard physical capital and thus can be viewed as a kind of "equipment". The primary difference is that human capital involves the transformation of a human, whereas physical capital involves the transformation of nonhuman materials.

**2. Read the text below and answer the following questions:**

- What is social capital?
- What are its positive and negative effects on the economy?

**Social capital** refers to the connections between individuals and entities that can be economically valuable. It is an invisible glue of relationships and institutions that holds an economy together.

Social networks that include people who trust and assist each other can be a powerful asset. These relationships between individuals and firms can lead to a state in which each will think of the other when something needs to be done. Along with economic capital, social capital is a valuable mechanism in economic growth. For example, if you know someone at a company where you are applying for a job and this connection helps you get the job at the company, you have used social capital.

Social capital can also have negative effects. For example, if a social network is used for manipulative or destructive purposes that will affect the economy negatively, such as when a group colludes to fix market prices.

### C. TRANSLATE INTO RUSSIAN

**1. The classical triad.** The classical and now "old fashioned" economists of the nineteenth century followed the reasoning first laid down by Adam Smith that there were three and only three factors in the production of wealth. Those three factors were land, labour, and capital. To these early economists, this was like saying to the mathematician that two and two makes four.

In his *Progress and Poverty* (1879), Henry George wrote: "Land, labour and capital are the (three) factors of production. The term land includes all natural opportunities or forces; the term labour, all human exertion; and the term capital, all wealth used to produce more wealth. In returns to these three factors is the whole produce distributed." His conclusions seem to be as sound today as they were when he wrote them.

**2. Land, labour, and capital: a natural sequence.** It would seem to be an accident that the factors in production are quite generally mentioned in the order of land first, labour second, and capital third. There is a natural logic to this order. Land was here ages before man arrived on the scene, and labour will be here ages after man has disappeared. Labour came along as man was

evolved, and in time was exerted on land and the products of land to produce wealth. Capital, that is, wealth used to produce more wealth, could be made only after wealth had been produced by the application of labour to land. There is a natural sequence, a natural order in time in which these three factors came into being, an order which emphasizes the very importance and timelessness of land.

**3. Land.** Naturally there can be no production without labour. Likewise there can be no production without land. That is self-evident in agriculture, cattle raising, forestry, and the mining of natural resources. But it also holds just as true in commerce, industry, transportation, banking, insurance, and other service activities. For all business activity requires land, a place, a spot, a site, a location, so many acres or square feet of the earth's surface on which to operate. The factory, the office building, the retail store, the railroad, the bank, need land on which their structures may be located and their activities may be pursued. Without land no human being can live; without land no human occupation can be carried on. How simple and basic a truth it is!

**4. Production.** In microeconomics, *production* is simply the conversion of inputs into outputs. It is an economic process that uses resources to create a commodity that is suitable for exchange (can be sold for money). This can include manufacturing, storing, shipping, and packaging. Some economists define production broadly as all economic activity other than consumption. They see every commercial activity other than the final purchase as some form of production.

Production is a process, and as such it occurs through time and space. Because it is a flow concept, production is measured as a "rate of output per period of time". There are three aspects to production processes:

- the quantity of the commodity produced;
- the form of the good produced;
- the temporal and spatial distribution of the commodity produced.

A production process is efficient if a given quantity of outputs cannot be produced with any less inputs. It is said to be inefficient when there exists another feasible process that, for any given output, uses less inputs. The "rate of efficiency" is simply the amount of (or value of) outputs divided by the amount of (or value of) inputs.

**5. Capital.** Earlier illustrations often depicted capital as physical items, such as tools, buildings, and vehicles that are used in the production process. Since at least the 1960s economists have increasingly focused on more specific, mostly intangible, forms of capital such as "*natural capital*" (ecologies, environment), "*individual capital*" (talent, inborn skills), "*human capital*" (acquired skills), "*social capital*" (inter-personal trust and social connections), "*intellectual capital*" (know-how), "*political capital*" (political influence or corruption). Some theorists argue that, when attached to "capital" as prefixes or modifying adjectives, the words "intellectual", "knowledge", "human" and the like often conceal more than their use can reveal, and may thus do more harm than good in economic analysis. As a result, the term capital is a concept mired in confusion in modern economics, and care must be taken in its use to be sure what it means.



## D. TRANSLATE INTO ENGLISH



- А. 1. Ресурсы – это все то, что мы используем для достижения наших целей. Ресурсы, используемые для производства товаров или услуг, называются факторами производства.
2. Существуют тысячи факторов производства. Условно их можно разбить на три группы, а именно: природные, произведенные (рукотворные) и людские.
3. Природные ресурсы принято разделять на возобновляемые, такие как лес или рыба, и истощаемые, такие как нефть, газ или уголь.
4. В экономической теории деление факторов производства на три основных вида – земля, труд, капитал – считается классическим. В неоклассической теории говорят о четвертом факторе производства, в качестве которого называют предпринимательские способности. В последнее время добавляют такие факторы как технологии и информация.
5. Доход, получаемый владельцем земли, называется рентой; доход, получаемый от капитала, принято называть процентами; доход от предпринимательской деятельности называют прибылью, а доход от продажи труда – заработной платой.
- Б. 1. Земля как фактор производства означает все используемые в производственном процессе естественные ресурсы, природой дарованные блага. Она может использоваться для производства сельскохозяйственной продукции, строительства домов, горючих, железных дорог и т.п. Земля неуничтожима и неумножаема, но подвержена достаточно сильному разрушению вследствие хищнического ее использования.
2. Труд – это целесообразная деятельность человека, требующая приложения умственных и физических усилий в процессе создания материальных благ и услуг. Труд как фактор производства совершенствуется благодаря обучению работников и приобретению ими производственного опыта.
3. В неоклассической школе фактор “труд” включает и предпринимательские способности, как особый фактор производства. Это высоко ценящиеся качества, предполагающие способности к организации производства, умение ориентироваться в рыночной конъюнктуре и брать на себя риск. В неоклассической экономике предпринимательская деятельность рассматривается как самостоятельный фактор производства.
4. Капитал – в широком смысле слова – это все то, что создано трудом человека и способно приносить доход. В более узком смысле – это ресурсы, созданные людьми для производства товаров и услуг. Главная роль капитала – это повышение эффективности труда, требующегося для преобразования природных ресурсов («даров природы») в предметы, необходимые для удовлетворения нужд и потребностей человека.

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## Entrepreneurship

*"Nothing venture, nothing have."*

*"No pains, no gains."*

English proverbs

(1) **What is entrepreneurship?** Entrepreneurship (or, otherwise, "*entrepreneurial ability*", "*enterprise*", "*individual capital*", "*management*", or just "*leadership*") refers to the unique talent that some people have for organizing inputs into the production of goods and services. The success and/or failure of a business often depends on the quality of entrepreneurship.

Some economists mention entrepreneurship as a *fourth* factor of production. However, this seems to be a specialist form of labour or "human capital". When differentiated, the payment for this factor of production is called *profit*.

(2) **What is the entrepreneur?** The entrepreneur is a far-sighted resource-manager who brings together the other three factors of production, gets them organized, and directs them into socially desired production, while taking at that risks with his/her money and the financial capital of others who are willing to share the risks, since uncertainty is everywhere.

Put most simply, the entrepreneur is the one who decides what to produce and how much, which inputs to use, and all that; who hires and pays the owners of the labour, land, and capital. The entrepreneurs hope that if they produce the right amounts of the right things and do it efficiently, they will make a profit. If they don't, they won't. They will lose. Their loss is their "punishment" for using society's resources in ways the society didn't want its resources to be used.

(3) **What the entrepreneur is not.** Many economic texts suggest that entrepreneurs innovate, introduce new or improved products and technologies, but this is not generally true. Most entrepreneurs just copy other businesses or ways of production.

In addition, contrary to popular belief, entrepreneurs aren't generally high-risk takers when they can't affect the outcome of the situation. They tend to set realistic and achievable goals, and when they do take risks, they're usually calculated ones based on facts and experience, rather than instincts.

Entrepreneurs are participants, not observers; players, not fans. More often than not, they are driven not by the need to make money, but by the need to make their dreams a reality, and money is a byproduct of an entrepreneur's motivation rather than the motivation itself.

(4) **The entrepreneur's role in the market economy.** Entrepreneurs occupy a central position in any market economy, stimulating all economic activity. The most dynamic societies in the world are the ones that have the most entrepreneurs, plus the economic and legal structure to encourage and motivate entrepreneurs to greater activities.

It's entrepreneurial energy, creativity and motivation that trigger the production and sale of new products and services. It's the entrepreneur who seeks opportunities to profit by satisfying as yet unsatisfied needs. It's the entrepre-

neur who seeks disequilibrium – a gap between the wants and needs of the customers and the products and services that are currently available – and finds a way to fill that gap.

Because entrepreneurs create all wealth, all jobs, all opportunities and a prosperity in the nation, they are the most important people in a market economy – and there are never enough of them. Are you ready to join the ranks/forces?

(5) **What does it take to become an entrepreneur?** Just who is an entrepreneur? What are the requirements for being a successful entrepreneur? While there's no single entrepreneurial archetype, certain common traits indicate an entrepreneurial personality. First of all, there's a great deal of truth to the notion that entrepreneurs are born, not made. Although our upbringings, belief systems, education, training and development affect our ultimate behaviours, our core personalities remain relatively constant throughout our lives – that is, the entrepreneurial adult first often appears as an entrepreneurial child.

Next, most entrepreneurs who reach their goals are often natural leaders and have a natural instinct for choosing the best way of doing their businesses. They are strong problem-solvers, and they work well under pressure. They are willing to risk their resources in the pursuit of profit. They are persistent and determined to succeed, because their own money and ego are at risk. They continually seek ways to offer their products and services in such a way that they're more attractive than anything else available. They are fast moving and flexible, willing to change quickly when they get new information.

And finally, to be an entrepreneur is to be future-oriented and to be optimistic to believe that success is possible and with the right amount of time and money and a bit of luck, you can do anything to make your dream come true.

## A. TEST YOUR UNDERSTANDING

### 1. Decide whether the following statements are true or false:

1. The entrepreneur is a high risk taker.
2. Entrepreneurship is a subcategory of labour.
3. There is no single entrepreneurial archetype.
4. Profits are the primary goal of entrepreneurs.
5. Entrepreneurship is a scarce human resource.
6. Entrepreneurship is the fourth factor of production.
7. Most entrepreneurs have very similar personality traits.
8. Profit is the payment which goes to the fourth factor of production.

### 2. Choose the most suitable word/phrase:

1. Entrepreneurs are (*born, not made; made, not born*).
2. (*All, Most, Some*) entrepreneurs work well under pressure.
3. Generally, entrepreneurs (*are, are not, not are*) high-risk takers.
4. Entrepreneurs are often (*constant, similar, strong*) problem-solvers.
5. Most entrepreneurs (*introduce, improve, copy*) other ways of production.

**3. Fill in the blanks using the words given below:**

1. The payment for entrepreneurial talent is called ...
2. Entrepreneurial adult first often appears as an entrepreneurial ...
3. Some economists consider entrepreneurship to be a specialist form of ...
4. Entrepreneurial ability refers to the ability to organize ... and bear ...
5. Entrepreneurial talent is the ... of a business organizer to put together all the necessary ... to make the production of goods or services ...

*ability, profit, risks, child, labour, resources, possible, production.*

**4. Complete the sentences:**

1. People who demonstrate entrepreneurial ability are called ...
2. To be an entrepreneur is, first of all, to be ....
3. The most dynamic societies in the world are the ones that ...
4. The entrepreneurs hope that when they sell the product they ...
5. Entrepreneurs normally seek disequilibrium – a gap between ... and ...

**5. Restore the correct word order in the sentences that follow:**

1. Entrepreneurship is called the payment profit for.
2. Are they made, they aren't entrepreneurs aren't born?
3. What a successful requirements are being for the entrepreneur?

**6. Answer the following questions without looking back at the text:**

- A.1. Who is an/the entrepreneur?
2. What does it take to become an entrepreneur?
  3. What makes entrepreneurs such an integral part of a prosperous economy?
  4. What are the basic requirements for being a successful entrepreneur?
  5. What qualities do most entrepreneurs have in common?
  6. Are profits the primary goal of entrepreneurs?
  7. Could the market system work without profit?
  8. Is it correct to consider entrepreneurship as a separate factor of production?

**B. 1. Do you like to work under pressure?**

2. Are you cut out to be an entrepreneur? /Do you have what it takes to be a successful entrepreneur?

**7. Write a summary/Render the contents of Text 4.2 using your own words as far as possible.**

**8. Comment on the following English proverbs in terms of economics:**

- "No pains, no gains".
- "Nothing venture, nothing have."

**B. FURTHER READING**

**1. Read the text below and answer the questions:**

- What was risky about the idea of opening up an ice cream store?
- How much did Ben and Jerry originally invest into their business?
- Did they get their investment back?

**An ice cream store venture.** Ben Cohen and Jerry Greenfield are the entrepreneurs who took the risk to open up an ice cream store. They are the

ones who got the money, found the place, developed the recipes, and opened the store. What was risky about this? They could not be sure that their store would sell enough ice cream to pay them back for all the costs involved in getting the business started. Did they get their \$12,000 back? Well, you be the judge. Last year there were 756 people working at Ben & Jerry's, there were 337 Ben & Jerry's stores, and the company gave away over a million dollars to various charitable causes.

## **2. Read the text below and answer the following question:**

- *What is a key feature that makes an entrepreneur great?*

**Great entrepreneurs** and executives aren't always charismatic, good looking or particularly well spoken. They don't all fit neatly on the cover of *Business Week*. Although one can find a correlation between great education and success, it isn't the education that creates the talent. The education, when it exists in an entrepreneur's resume, is a product of the same key trait that makes an entrepreneur great.

The trait can be described in lots of ways, but some think the number one thing is a results orientation. Entrepreneurs get stuff done. When an entrepreneur is missing from the office you can tell. Things move more slowly. The focus shifts from action to analysis. The real entrepreneur is a self starter who knows when he wakes up in the morning just exactly what needs to be done and he starts doing it. No one has to tell him. The rest of us need to be told. Some of us just don't think we do.

## **3. Read the story and answer the following question:**

- *What suggestion did an English economist make in 1966? Give his reasons.*

**A new factor of production.** According to economic theory, a "factor of production" is something that used to create value and economic performance. In 1966, in a lecture at Medway College, Kent, UK, Len Rogers suggested a new factor of production – information. He argued that it was possible to possess land, labour and capital but "know-how", especially in the exponentially increasing technologic environment, was an essential factor. He gave as a current example, the production of nuclear devices.

## **4. Read the text below and answer the following question:**

- *What are the two personality types described in the text?*
- *What's your personality type?*

**Personality counts.** As is widely known, some entrepreneurs become multimillionaires, others do moderately well, some barely survive, and many don't make it. Does personality matter in becoming a successful entrepreneur? Recent studies say *yes*: successful entrepreneurs do share a number of common personality traits. The research results show that people basically come in two opposing types: *Generalists* and *Specialists*.

*Generalists* are strategic thinkers. They are big picture-oriented, prefer environments where they can use their results-driven nature, enjoy autonomy and independence, and are stronger risk-takers.

Specialists are tactically oriented, prefer being responsible for areas within their areas of expertise, are more detail-oriented, and prefer environments that provide both security and stability. They are typically more risk-averse, unless they are working within their area of expertise.

Generalist personalities will have a dominance factor that is much greater than their compliance factor. This is the source of their need to win and their belief that they are always right. They are therefore self-confident and able to assume risk.

The Specialist personality has a compliance factor that is much greater than the dominance factor. Therefore, doing things by the book-following rules, policies and procedures – is more important to them. They will try to do everything right, which means avoiding risks.

### C. TRANSLATE INTO RUSSIAN

**1. History.** Until the twentieth century, *profit* was assigned to the capitalist and frequently conflated with capital. In the classical view, it is precisely this function rather than interest was attributed to ownership of capital. But in 1912 Joseph Schumpeter, in *The Theory of Economic Development*, featured the revolutionary role of organizer and innovator and contrasted it with that of the conservative financier, thus vividly distinguishing the entrepreneur from the capitalist. The entrepreneur's role in this view is not merely that of manager and risk-taker, but also of visionary – someone who seeks as much to destroy the old order as to create something new. Since innovation usually requires destroying old ways of doing things, Schumpeter gave it the name "creative destruction". Profit is now assigned to entrepreneurship, to innovation. With the rise of "venture capitalists" and other financiers willing to take on more risk and do more for innovation in the hope for supernormal returns, the distinction between capitalist and entrepreneur has again become fuzzier. Now there are entrepreneurial financiers as well as entrepreneurial producers and distributors.

**2. Factors of production.** Goods that are used to produce other goods or services are called economic resources (and are also known as inputs or factors of production). These resources are often categorized into the following four groups: Land, Labour, Capital, and Entrepreneurship.

The category of "land" includes all natural resources. These natural resources include the land itself, as well as any minerals, oil deposits, timber, or water that exists on or below the ground. This category is sometimes described as including only the "free gifts of nature", those resources that exist independent of human action.

The labour input consists of the physical and intellectual services provided by human beings. The resource called "capital" consists of the machinery and equipment used to produce output. Note that the use of the term "capital" differs from the everyday use of this term. Stocks, bonds, and other financial assets are not capital under this definition of the term. Entrepreneurship is mostly the ability of organizing the other factors of production and risk-taking.

## D. TRANSLATE INTO ENGLISH



A. 1. Предприниматель – это центральная фигура в рыночной экономике, стимулирующая всю экономическую деятельность. Считается, что предпринимателями не становятся; ими рождаются.

2. Одно из главных качеств предпринимателя – «предпринимательская жилка» – это способность увидеть дисбаланс, разбежку между возникшей потребностью в товаре или услуге и теми товарами и услугами, которые предлагаются на рынке в данный момент времени, и найти способ заработать на этой, пока еще не удовлетворенной, потребности путем ее удовлетворения.

3. Нередко предпринимателем движет не столько желание заработать деньги, сколько стремление осуществить свою мечту. И тогда деньги в мотивации играют вторичную, а не первичную роль.

4. Часто говорят, что предприниматель занимается инновациями, внедряет новые усовершенствованные изделия и технологии, но это не всегда так. В большинстве случаев, предприниматели просто-напросто копируют существующие способы производства или другие предприятия.

Б. В современной экономической литературе дано немало определений понятия «предпринимательство». Наиболее удачными представляются те, где оно трактуется как специфический фактор воспроизводства (по сравнению с землей, капиталом и трудом). Специфика заключается в том, что субъект предпринимательской деятельности – предприниматель – способен умело соединить различные факторы производства и на рискованной основе организовать выпуск общественно полезного продукта или услуги. Отсюда особое значение имеют личностные качества предпринимателя, не сами последними из которых являются оптимизм и вера в успех.

\*\*\*

**Demand**

"Much will have more."  
 "Appetite comes with eating."

English proverbs

(1) **Introduction.** An old story says that if you want an "educated economist", all you have to do is get a parrot and train the bird to say "supply and demand" in response to every question about the economy! Not smart enough, but it's quite true that the theory of supply and demand, along with the price theory, is a central part of economics. Let's start the discussion of the two concepts with demand as it is a more simple concept to understand than supply.

(2) **The concept of demand.** Each of us buys something because we want to. The more we want something, the more we are likely to pay to get it. The more we would pay for it, the higher our *demand* for it is. If you aren't ready to give up anything (any money) for something, then you have no demand for it. You may have some *desire* for it. But if you aren't ready to pay a price to get it you do not *demand* it. Desire? Yes. Demand? No.

To emphasize this point economists use the term *effective demand* – that is, the demand backed up by ability to pay, and not just based on want or need. (When there is a willingness to purchase a good or service, but where the consumer lacks the real purchasing power to be able to afford the product, or where a particular product cannot be met by existing suppliers, economists speak about *latent demand*.)

Demand, thus, is the amount of a good that consumers are willing and able to buy at all possible/alternative prices over a certain period of time/in a given period of time. The source of willingness is wants and needs, while the source of ability is mostly income.

(3) **Demand is "a propensity to buy".** The "demand" for something doesn't mean "how much of it people are buying." It only means "how much of it people would be buying if ...". If what? If the price happened to be, say, \$5 or \$10 or \$30 or maybe 50 cents. So "demand" in economics doesn't mean what it normally means to most people. In economics, it really means "propensity to buy", – that is, "*how much I would buy, if ...*".

(4) **The Law of Demand: higher price, smaller quantity; lower price, larger quantity.** If you have a demand for something, that means two requirements are being met: (a) you want it, and (b) you are willing and able to spend some money to get it. However, whether or not you actually will buy depends on how high the price is. (You may be willing to pay to get something, but you may *not* be willing to pay a price which you think is too high.) And the higher the price, the less of it you will actually buy; conversely, the lower the price, the more of it you will actually buy.

So, price is a major determinant of demand. You know it is true from your own personal experience. Right? And so you already know the law of demand



which says/postulates: "The quantity demanded of a good is inversely related to its price, *ceteris paribus*". In plain English, it simply means that people would buy more of something at a lower price than they would at a higher price, with all else equal/(with) all other factors held constant/unchanged.

(5) **The three ways to visualize the Law of Demand.** There are various ways to visualize the relationship between price and the quantity/amount of a product that people will/would buy. As was stated above, this relationship is inverse or indirect because as price gets higher, people want less of a particular product, and vice versa.

*Mathematically*, one can say that quantity demanded is a function of price, with all other factors (besides price) held constant, or:

$$Q_d = f(\text{Price, other factors held constant}).$$

(6) **The demand table.** A more elementary way to express the relationship is to represent it in tabular form (in the form of a table/chart). The numbers in

A Demand Schedule	
Price of Widgets	Number of Widgets People Want to Buy
\$4.00	40
\$3.00	70
\$2.00	90
\$1.00	100

the table on the left reflect the way people will behave at each price, i.e. the amount of "widgets" (imaginary products) they will buy as their price goes up or down. For example, when the demand price decreases from \$4.00 to \$1.00, the quantity demanded increases from 40 to 100 widgets because buyers are normally willing and

able to buy more at lower prices. The demand for a good, thus, can be thought of as a schedule of prices and quantities in the mind of the buyer.

(7) **The demand graph.** The same information can also be plotted on a graph where it will look like the graph in Figure 1. The *demand curve* labelled DD is nothing more than a graphical representation of the law of demand. It shows the relation between the demand price measured/plotted on the vertical axis, and the amount of a good one or more consumers are willing and able to buy at different prices measured/plotted on the horizontal axis. Notice that for basic economic analyses the demand curve is often approximated as a straight line.

(8) **Understanding the demand graph.** The typical demand curve slopes downward from left to right. The negative (downward to the right) slope of the demand curve graphically illustrates the indirect law of demand relation between demand price and quantity demanded, i.e. if price rises, the quantity demanded (NOT demand!) will decrease, and less will be purchased in a given period of time; if price falls, the quantity demanded will increase, and more will be bought in a given period of time.

For example, as the demand price decreases from P1 to P2 (see Fig. 1), the quantity demanded (NOT demand!) increases from Qd1 to Qd2, since buyers are willing to buy more at lower prices, and vice versa.

The entire set of price-quantity pairs that reflect buyers' willingness and ability to buy a good is referred to as demand. In a graph, it is represented by the entire demand curve.

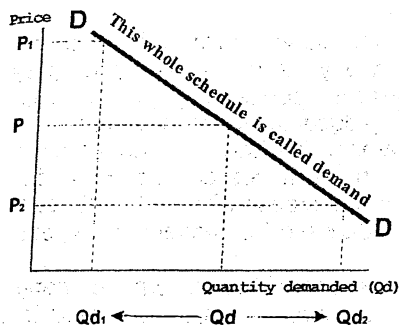


Figure 1. A Change in Quantity Demanded

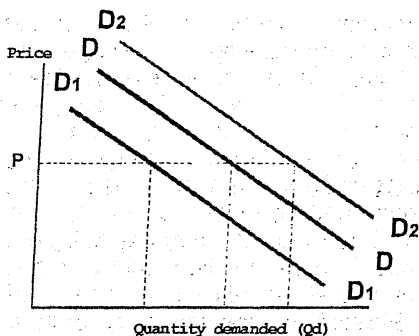


Figure 2. A Shift in Demand

**(9) Movements along the demand curve vs shifts of the demand curve.**

As described above, a demand curve shows the relationship between the price of an item and the quantity of that item demanded over a certain period of time. Any change in the price of a good results in a change in the quantity demanded. In the graph, the changes are reflected as a corresponding *movement along* the existing demand curve to a new point (either upwards or downwards), reflecting (or matching, indicating) the actual price-quantity pair.

Since the entire demand schedule remains the same, the demand curve in question also remains in its place, and there are no shifts of the curve from one position to another (either to the left or to the right) in the graph.

**(10) Demand-shifting factors.** A given demand curve shifts either to the left or to the right (inwards or outwards) only if there is a change in the entire/total demand as a result of a change in or due to any factor other than the price of the good. These non-price influencing factors are sometimes called the *conditions of demand* or *demand determinants*, some of the most important of them being *income, taste, prices of substitutes or complements, expected future prices, information, seasonal changes, and number of buyers*.

In the diagram above (See Fig.2) a decrease in the entire demand has shifted the demand curve to the left, the new demand curve being D1. An outward shift in demand (i.e. to the right) takes the curve to D2.

**(11) Individual, market, and aggregate demand.** As was stated above, the demand for a good is a schedule indicating the quantities individuals are willing and able to buy at all possible prices, everything else remaining constant. An *individual demand* refers to the quantity of a good a consumer is willing to buy and able to buy at all prices within a period of time, with all other factors remaining constant. The *market demand* is simply the horizontal sum/the sum total of the individual demands within the marketplace or, to put it another way, the sum of the amounts demanded by each of the individuals.

For example, if, at the price of \$10, Bill wants to buy 10 units of the product, Jose wants to buy 20 units, and Mary wants to buy 30 units, then, of course, the market demand is 60 units. If Jordan becomes a buyer and wishes to buy 40 units, the market demand rises to 100 units. Therefore, if there are more buyers, there must be more market demand.

*Aggregate demand* is the total demand for goods and services in the economy during a specific time period.

(12) **Price elasticity of demand.** The demand curve shown in Fig.1 demonstrates that at lower prices people would buy more, and at higher prices would buy less. It means that the quantity people buy is very sensitive/ responsive to the change in price. Reduce the price and demand increases: latent demand emerges, and demand is attracted away from other goods and services. For example, if the price moves down from \$4.00 to \$1.00 per unit, the quantity people will buy increases from 40 units to 100 units. The economist would say that the demand for widgets in this example is *relatively elastic, or price elastic*.

Elasticity means *sensitivity, or responsiveness of buyers to price changes*. When used without a modifier, it usually refers to *price elasticity* which is the percentage change in quantity demanded of a good or service divided by the percentage change in its (own) price.

If the quantity bought does not change very much when the price changes we say that responsiveness is low, and the demand is *relatively inelastic, or price inelastic*. The degree of responsiveness of buyers/quantity demanded to changes in the product's price is reflected in the slope of the demand curve: the higher (is) responsiveness, the steeper (is) the slope.

#### A. TEST YOUR UNDERSTANDING

##### 1. Decide whether the following statements are true or false:

1. Supply and demand are the two key economic forces in a free market.
2. Demand is the amount of a good that consumers are able to buy.
3. When price changes, the result is a change in demand.
4. The quantity demanded of a good usually is a strong function of its price.
5. If price changes, the demand for a good or service will change as well.
6. Latent demand is the ability of consumers not just to want, but be able to buy the product.
7. The term "ceteris paribus" is the Latin for "all other variables remaining the same".
8. An aggregate demand curve is the sum of individual demand curves for different sectors of the economy.
9. As the price of a commodity rises, the quantity demanded rises too, ceteris paribus.
10. The law of demand implies that the lower the price, the greater the quantity demanded, and vice versa, ceteris paribus.
11. The demand is said to be price inelastic if the quantity bought is very sensitive to the change in price.

##### 2. Choose the most suitable word/phrase:

1. If you are ready to give up a lot of money for something, then your demand for it is (*small, low, high, inelastic*).
2. The law of demand postulates that there is an (*inverse, direct, positive, negative*) relationship between the price of a good and the demand for it.
3. Demand is the quantities that buyers are willing and able to buy at (*one, any, all possible*) price(s).
4. The quantity demanded is a specific amount that buyers are willing and able to buy at (*one, any, various possible*) price(s).

5. (*When, Whenever, Unless*) you are willing and able to pay a price for something you do not demand it no matter how much you may want it.
6. Demand for a particular product or service represents how much people are willing to purchase at (*one, a given, all possible*) price(s).

**3. Fill in the blanks using the words given below:**

1. The Latin expression for "everything else remaining constant" is ...
2. A change in price causes a ... along the demand curve.
3. A change in any other variable except price causes a shift of the ...
4. A shift of the entire demand curve is referred to as a "..."
5. If any factor ... price changes, the demand for the good changes too.
6. An increase in household income will see demand ...
7. Demand is the expression of ... of a potential buyer to acquire certain quantities of an item for ... possible prices.

*demand curve, shift in demand, movement, other than, ceteris paribus, increasing, various, willingness and ability.*

**4. Complete the sentences:**

- A.**
1. The demand curve slopes downward from ... to ...
  2. In Latin, the term *ceteris paribus* means *holding ...*
  3. Demand sensitive to changes in price is said to be ...
  4. Demand little affected by changes in price is ...
  5. Desire refers to people's ... to own a good.
  6. In graphing the demand for a good, price is plotted along the ...
  7. An increase in demand will see the demand curve shifting to the ...
  8. As prices fall we see an ... of quantity demanded. If prices rise we expect to see a ... of quantity demanded, other factors remaining unchanged.

**B.** 1. An individual demand is ...

2. The market demand is ...
3. Latent demand is ...
4. A change in demand is ...
5. The quantity demanded is ...
6. The demand curve is ...
7. Elasticity of demand means ...
8. The determinants of the market demand are ...

**5. Restore the correct word order in the sentences that follow:**

1. Is a major price determinant of demand?
2. The approximated demand is often as a straight line curve.
3. Responsiveness of buyers means elasticity price to changes.

**6. Answer the following questions without looking back at the text:**

1. How can you define *demand*?
2. What is *demand schedule/ demand curve*?
3. What is the difference between a change in quantity demanded and a change in demand?
4. What factors can cause a movement along/a shift of the demand curve?
5. What does "the Law of Demand" say?
6. What is (*price*) *elasticity of demand*? How is it normally measured?

**7. Write a summary/Render the contents of Text 5.1 using your own words as far as possible.**

### 8. Discuss:

- the distinction between "demand" and "desire" in economics;
- what would cause a movement along the demand curve;
- what would cause a demand curve to shift to the right/to the left.

### **B. FURTHER READING**

#### **1. Read the text below and answer the following questions:**

- *What is a Giffen good/ a Veblen good/ an inferior good?*
- *Is there any good for which an upward bending demand curve can be constructed?*

The typical negative (downward to the right) slope of the demand curve graphically illustrates the indirect law of demand relation between demand price and quantity demanded, i.e. the higher the price, the less of it you will actually buy, and vice versa, *ceteris paribus*. But what about positively-sloped demand curves? Are there any of them? The answer is that despite years of searching, no generally accepted example of a good that has an upward-sloping demand curve (also known as a *Giffen good*) has been found.

Some suggest that luxury cosmetics can be classified as a Giffen good. As the price of a high end luxury cosmetic drops, consumers see it as a low quality good compared to its peers. The price drop may indicate lower quality ingredients, thus consumers would not want to apply such an inferior product to their face.

Another example is a prestige good (eg. a luxury car). Since it is expensive, a drop in price may actually reduce demand. However, in this case, the good purchased is actually prestige, and not the car itself. So, when the price of the luxury car decreases, it is actually decreasing the amount of prestige associated with the good (also known as a *Veblen good*).

However, even with downward-sloping demand curves, it is possible that an increase in income may lead to a decrease in demand for a particular good probably due to the existence of more attractive alternatives which become affordable: a good with this property is known as an *inferior good*.

#### **2. Read the text below and explain the difference between demand and quantity demanded.**

**Demand** is simply a schedule (or list) of prices and the quantity demanded of a good at each price. In order to demand one has to be both willing and able to buy the good. If one is not able to buy the good, then they don't demand they are simply wishing they could have it. The entire relationship between the price of the good and the quantity of the good is demand and can be illustrated on a graph with a negatively sloped line (curve). The whole curve is demand. A particular point on the curve is the quantity demanded of a good or service that relates to a specific price. The demand curve tells us the quantity demanded at each and every price. It also tells us the highest price one will pay for one more unit of the good.

## C. TRANSLATE INTO RUSSIAN



**1. The concept of demand.** Demand is that quantity of a good that consumers are not only willing to buy but also have the capacity to buy at the given price. For example, a consumer may be willing to purchase 2 lb of potatoes if the price is \$0.75 per lb. However, the same consumer may be willing to purchase only 1 lb if the price is \$1.00 per lb. A demand schedule can be constructed that shows the quantity demanded at each given price. It can be represented on a graph as a line or curve by plotting the quantity demanded at each price. It can also be described mathematically by a demand equation. The main determinants of the quantity one is willing to purchase will typically be the price of the good, one's level of income, personal tastes, the price of substitute goods, and the price of complementary goods.

**2. Demand vs quantity demanded.** It is very important to distinguish, on the one hand, between quantity demanded and demand and, on the other hand, between a change in quantity demanded and a change in demand. The amount of a good that will be bought at any particular price is referred to as *the quantity demanded* (just one point on the demand curve/line), while *demand* is the quantity demanded at all possible prices (the whole/entire demand curve/line or schedule). Now, a change in quantity demanded is caused by a change in market price, while a change in demand is caused by a change in a factor or factors other than price.

**3. Increase and decrease in demand vs increase and decrease in quantity demanded.** When more and more people want something, the quantity demanded at all prices will tend to increase. This can be referred to as an *increase in demand*. The increase in demand could also come from changing tastes, where the same consumers desire more of the same good than they previously did. Increased demand can be represented on the graph as the curve being shifted right, because at each price point, a greater quantity is demanded. Conversely, if the demand decreases, the opposite happens.

**4. Elasticity of demand.** The concept of elasticity of demand is very helpful in understanding how the market process works. If a product has close substitutes, then the responsiveness of demand to a change in price is high, and the demand for the product sharply drops. Over the long term businesses try to overcome elasticity by building consumer goodwill and brand loyalty through advertising. On the other hand, governments usually impose high taxes on relatively inelastic goods such as alcohol and tobacco. Despite the higher cost of the product, the demand remains relatively similar, and thus governments earn more from their taxation policy.

**5. A few concluding remarks on terminology.** Broadly speaking, demand is a relationship between price and quantity, *ceteris paribus*. Because the relation between the price of a good and the quantity demanded is the same whether it is represented in a graph, a table/chart, or mathematical equation, economists often use the terms *curve*, *schedule*, and *function* interchangeably. That is, we may refer to a demand curve in a graph as the "demand schedule" or "demand function". A second important point of terminology is that the word *demand*, when used all by itself, can be confusing. It has two

different meanings. Sometimes the word refers to the *entire demand curve* (the entire relation between price and the amount demanded), and sometimes to a *particular quantity demanded* (the quantity demanded at a particular price). To avoid confusion, it is best *not* to use the word *demand* by itself but always to speak of either the *demand curve* or the *quantity demanded*, or one of their equivalents, whichever is meant.

## D. TRANSLATE INTO ENGLISH

1. **Спрос** — одно из фундаментальных понятий рыночной экономики, означающее желание и возможность покупателя приобрести определенное количество товара за определенный период времени при всех возможных ценах. Источником желания являются потребности и потребности человека, а источником платежеспособности — текущие доходы и сбережения.
2. В экономической литературе принято различать личный, рыночный и совокупный спрос. Кроме того, различают платежеспособный (действительный) и латентный (скрытый) спрос.
3. Латентный спрос — это представленная на рынке потребность в товарах, которая не удовлетворяется из-за отсутствия на рынке необходимых товаров и услуг или из-за недостаточной платежеспособности потребителя.
4. Ведущая роль в определении поведения покупателя на рынке принадлежит цене. Цена — главный детерминанта спроса. При прочих равных условиях, покупатель приобретает товара больше, если цена будет ниже. Повышение же цены, наоборот, уменьшит количество запрашиваемого товара.
5. Обратная связь между ценой товара и объемом спроса носит название «закон спроса». Закон спроса гласит: «Чем выше цена, тем меньше количество товара, которое предъявляется спрос; и, наоборот, чем ниже цена, тем большее количество товара покупается потребителями, при прочих равных условиях».
6. Спрос на определенный товар изображается графически в виде кривой, имеющей отрицательный наклон (т.е. идущей вниз, слева направо). Кривая показывает, как количество товара при изменяющихся ценах и прочих равных условиях покупается на рынке за тот или иной промежуток времени.
7. Объем (величина) спроса означает количество товара, которое покупатель желает приобрести по данной цене в данный период времени.
8. Изменение объема (величины) спроса означает передвижение с одной точки на другую точку на одной кривой спроса. Причиной изменения объема спроса служат изменение цены данного товара.
9. Графически, изменение спроса в целом выражается в смещении всей кривой спроса либо вправо (увеличение спроса), либо влево (сокращение спроса). Причиной являются изменение цены данного товара, а изменение других факторов спроса, которые по своему названию неценовых. К ним, в частности, относятся: число покупателей на рынке и предпочтения потребителей; цены на взаимозаменяемые товары; изменение вкусов потребителей; ожидание будущего изменения цены.
10. (Ценовая) эластичность спроса — это степень чувствительности изменения величины покупательского спроса к изменению цены товара. Эластичность спроса измеряется отношением процентного изменения величины спроса на товар к процентному изменению его цены. На графике степень чувствительности видна по наклону кривой спроса: чем выше чувствительность, тем круче наклон кривой.
11. Эластичный спрос — это спрос, тяготеющий к изменению в зависимости от колебаний цены. Спрос, мало изменяемый при изменении цены, называют неэластичным. Как правило, на продукты питания спрос менее эластичен, чем на предметы роскоши. Одним из самых неэластичных товаров является соль, т.к. ее нельзя чем заменить.

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*"He gives twice who gives quickly."*

*"He that comes first to the hill may sit where he will."*

English proverbs

(1) **Introduction to supply.** Thus far, we have been focusing exclusively on buyers, and on demand. But buyers and demand are only half of the market and the market exchange process. It's time now to consider the behaviour of *sellers*, and the concept of *supply* which make up the other part of the market and the market exchange process.

(2) **The concept of supply.** Broadly speaking, supply is similar to but opposite from demand. It is the quantity/amount of a good that producers are willing and able to make/sell at various/all possible prices during a given time period.

(3) **Supply is "the propensity to sell".** Just like demand, supply is an "if ... then ..." concept. It doesn't mean "how much of something sellers are currently selling." It means "how much sellers would sell, if ...". If what? If the price were, say, \$1, or \$5, or \$10, or \$30, or whatever. In other words, supply is not the amount of goods flowing across the market from the sellers to the buyers. In economics, it really means "propensity to sell" – that is, "how much sellers would sell, if ...".

(4) **Supply vs quantity supplied.** Supply can be thought of as the relationship between a range of prices and a range of quantities. In other words, it includes not just the quantity sold at the current price, but any and all quantities that would be sold at other prices – higher and lower. The price part of this relation is termed *supply price* and the quantity part is termed *quantity supplied*.

The supply price is the minimum price that sellers are willing and able to accept for a given quantity of a good. They would be willing to accept more than this price, but not less. The quantity supplied, on the contrary, is the maximum amount of a good that sellers are willing and able to sell at a given supply price/to offer at one price.

Supply price and quantity supplied come together as matched pairs. One supply price, one quantity supplied. Supply, then, can be referred to as the combination of these matched price-quantity pairs.

(5) **The Law of Supply: higher price, higher quantity; lower price, smaller quantity.** Price is a major determinant of the amount sellers will want to sell. Because a higher price leads to higher profits, one expects that a greater quantity should be supplied when the price is higher. So we can conclude that *as the price of the product rises (falls), the quantity supplied will rise (fall), all other variables remaining the same*. Economists call this statement the *law of supply*.

From the law of supply it follows that the relationship between price and quantity is a direct/positive one – that is, both quantity and price change in the same direction: when price increases, so does quantity; and the higher the price, the larger the quantity supplied. Reasons for positive relationship between price and quantity supplied are that as the price of a good increases, the good becomes more attractive to producers relative to other goods that can be produced with similar resources.



(6) **The three ways to visualize the Law of Supply.** The relationship between the quantity of a product that sellers want to sell during some time period (i.e. the quantity supplied) and their current market price is what economists call the *supply schedule*. The supply schedule can be illustrated either in the form of a *table/chart* or a *graph*, or expressed *mathematically* in functional form as:

$$Q_s = f(\text{price, other factors held constant}).$$

(7) **The supply table.** A *table* is an elementary way to express a supply schedule. Such a table constructed for an imaginary product is shown in the following example below.

The numbers in the table reflect the way sellers will behave at each price, i.e. the maximum quantity of a product they will sell as the price goes up or down.

Price of Widgets	Number of Widgets People Want to Sell
\$1.00	10
\$2.00	40
\$3.00	70
\$4.00	140

For example, when the supply price increases from \$1.00 to \$4.00 per unit, the quantity supplied increases from 10 to 140 widgets because sellers are normally willing to sell more at higher prices. The supply of a good, thus, can be thought of as a schedule/list of prices and quantities in the mind of the seller.

(8) **The supply graph.** The same supply schedule can be shown with a graph which will look like the graph shown in Figure 3 below, with the supply price measured/plotted on the vertical axis, and the amount of a good one or more producers are willing and able to sell at different prices measured /plotted on the horizontal axis.

(9) **Understanding the supply graph.** The supply curve labelled SS in Fig. 3 is nothing more than a graphical representation of the law of supply. It shows the positive relation between the supply price and the amount of a good one or more producers are willing and able to sell at all possible prices/at every possible price.

Unlike the typical demand curve, the typical supply curve slopes (increasingly) upward from left to right. Notice that the line does not begin at the origin. There is some price – above zero – at which no seller will sell at all. For basic economic analyses the supply curve is often approximated as a straight line, just as it is the case with the demand curve.

The positive slope of the supply curve graphically illustrates the direct law-of-supply relation between supply price and quantity supplied: the higher the price, the greater the quantity supplied, with all other relevant factors held unchanged, and vice versa.

For example, as the supply price increases from P1 to P2, the quantity supplied (NOT supply) increases from Qs1 to Qs2, since sellers are willing to sell more at higher prices, and vice versa.

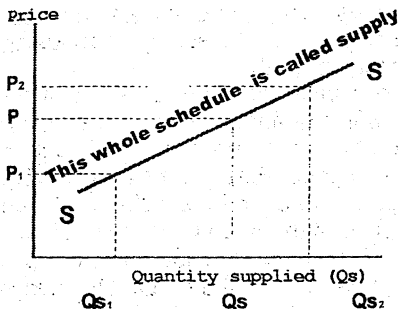


Figure 3. A Change in Quantity supplied

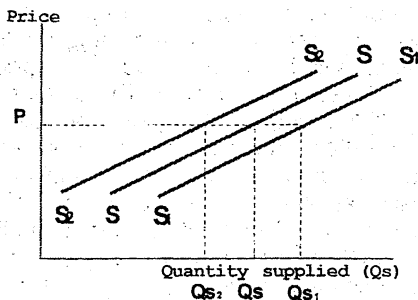


Figure 4. A Shift in Supply

The entire set of price-quantity pairs that reflect sellers' willingness and ability to sell a good is referred to as supply. In a graph, it is represented by the entire supply curve.

(10) **Movements along the supply curve vs shifts of the supply curve.** As with the demand curve, one should differentiate/distinguish between a *movement* along the supply curve and a *shift* of the supply curve.

As described above, a supply curve shows the relationship between the price of an item and the quantity of that item supplied over a certain period of time. Any change in the price of a good results in a change in the quantity supplied. In the graph, the changes are reflected as a corresponding *movement* along the existing supply curve to a new point (either upwards or downwards), reflecting/matching/indicating the actual price-quantity pair.

Since the entire supply schedule remains the same, the supply curve in question also remains in its place, and there are no shifts of the curve from one position to another (either to the left or to the right) in the graph.

(11) **Supply-shifting factors.** A given supply curve *shifts* either to the left or to the right (inwards or outwards) only if there is a change in the entire/whole supply schedule as a result of a change in any factor other than the price of the good. The most important non-price supply-influencing factors are *costs of production; prices of related goods or services, number of sellers or producers, technology and productivity, expected future prices, government taxes, and unexpected events*. Similar to the demand-influencing factors, they are sometimes called the *conditions of supply* or *supply determinants*.

A change in any one of the supply non-price determinants will change the entire supply schedule and shift the supply curve either to the left or to the right. In the diagram above (See Fig.4) a decrease in the entire supply has shifted the supply curve SS to the left, the new supply curve being S2S2. An outward supply curve shift (i.e. a shift to the right) taking the curve to S1S1 reflects a corresponding increase in supply at each and every supply price level.

(12) **Individual, market, and aggregate supply.** As with individual demand, an *individual supply* for a particular good or service *refers* to the quantity of a good a producer/seller is willing and able to produce/sell at all possible prices within a period of time, with all other factors remaining constant. The *market supply* is simply the horizontal sum /the sum total of the individual supplies

within the marketplace or, to put it another way, the sum of the amounts supplied by each of the sellers. *Aggregate supply* is the total supply of goods and services in the economy during a specific time period.

(13) **Elasticity of supply.** Price elasticity of supply, or simply elasticity of supply, is the *degree of responsiveness* with which quantity supplied changes for a given change in price. It is often referred to as a proportional change in the quantity supplied to a proportional change in price. Elasticity of supply is typically calculated as the percentage change in the quantity supplied of a good divided by the percentage change in the price of the good/in its (own) price.

Similar to demand, if the quantity supplied changes a lot when the price changes a little, the supply is said to be (price) elastic. If the quantity changes a little when the prices changes a lot, it is said to be (price) inelastic. The degree of responsiveness of quantity supplied to changes in the product's price is reflected in the slope of the supply curve: the lower (is) the responsiveness the steeper (is) the slope. Zero elasticity, or perfectly inelastic supply, is graphically represented as a vertical supply curve.

### A. TEST YOUR UNDERSTANDING

#### 1. Decide whether the following statements are true or false:

1. The concept of supply is similar to the concept of demand.
2. Supply is the willingness of sellers to sell a good at a given price.
3. Price is a most important determinant of supply.
4. The law of supply can be shown graphically by a down-sloping curve.
5. The higher the price, the larger the quantity supplied, *ceteris paribus*.
6. If the market supply of a good is low, the price will rise provided there is demand for it.
7. Supply is the amount of goods flowing across the market from the sellers to the buyers.
8. The quantity supplied is the amount that will be offered for sale at all possible prices.
9. Elasticity of supply is the percentage change in the quantity supplied of a good or service multiplied by the percentage change in its price.

#### 2. Choose the most suitable word/phrase:

1. The graph depicts the law of supply as a(n) (*upward-sloping, downward-sloping, horizontal, vertical*) line.
2. An increase in supply will shift the supply curve (*to the right, to the left, upwards, downwards*).
3. Price and quantity supplied of a good are (*positively, negatively, indirectly*) related, *ceteris paribus*.
4. The higher the price, the (*higher, lower, larger*) the quantity supplied by a firm will be, everything else held constant.
5. If the supply price increases, then (*the supply, the quantity supplied, the shift in supply*) increases, too.

#### 3. Fill in the blanks using the words given below:

1. The law of supply states the direct relation between supply price and ...
2. The law of supply postulates that an increase in price tends to ... the quantity supplied, other things equal.

- The supply curve will shift to the ... when there is a decrease in supply.
- The law of supply states that ... of a good or service, all other variables remaining the same, the greater the quantity is supplied.
- In economics, elasticity usually refers to ...

*price elasticity, increase, the higher the price, left, quantity supplied.*

**4. Complete the sentences:**

- In a graph, the supply curve slopes ... ward from ... to ...
- As the price charged for a good ... , sellers wish to sell ... of that good.
- Supply is a range of prices and ...
- The costs of production is one of the ... of supply.
- Elasticity is a measure of ...
- The factors that are likely to cause the shifts in supply are called the ...
- The direct relationship between price and quantity supplied is called ...
- The supply curve would shift to the left, if ...
- Changes in price result in ...

**5. Restore the correct word order in the sentences that follow:**

- Similar to supply is opposite but from demand?
- From left the supply curve slopes upward to typical right.
- The direct relationship is between one price and a quantity.

**6. Answer the following questions without looking back at the text:**

- What is supply/supply schedule/supply curve?
- What is the difference between a change in quantity supplied and a change in supply?
- What are the most important supply-shifting factors?
- What does "the Law of Supply" postulate?
- What is (price) elasticity of supply? How is it normally measured?
- What is zero elasticity? How is it represented graphically?

**7. Write a summary/Render the contents of Text 5.2 using your own words as far as possible.**

**8. Discuss:**

- the ways the supply of a given product responds to prices.

**B. FURTHER READING**

**1. Read the text below and explain the phenomenon of the backward bending supply curve.**

The backward bending supply curve. Occasionally, supply curves do not slope upwards. A well-known example is the backward bending supply curve of labour. Generally, as a worker's wage increases, he is willing to supply a greater amount of labour (working more hours), since the higher wage increases the marginal utility of working (and increases the opportunity cost of not working). But when the wage reaches an extremely high amount, the laborer may experience the law of diminishing marginal utility in relation to his salary. The large amount of money he is making will make further money of little value to him. Thus, he will work less and less as the wage increases, choosing instead to spend his time in leisure.

## 2. Read the text below and explain in what case the supply curve becomes vertical:

**Vertical supply curves.** It is sometimes the case that the supply curve is vertical: that is the quantity supplied is fixed, no matter what the market price. For example, the amount of land in the world can be considered fixed. In this case, no matter how much someone would be willing to pay for a piece of land, the extra cannot be created. Also, even if no one wanted all the land, it still would exist. These conditions create a vertical supply curve, giving it zero elasticity (i.e. no matter how large the change in price, the quantity supplied will not change).

In the short run near vertical supply curves are even more common. For example, if an exciting sporting event is next week, increasing the number of seats in the stadium is almost impossible. The supply of tickets for the game can be considered vertical in this case.

## 3. Read the text and discuss the role of taxes as a supply-shifting factor.

One of the ways in which the government can alter the market is through taxes. One such example is in the tobacco market: if the government would like to discourage the sale and use of tobacco, they would charge tobacco sellers a tax on tobacco products. In most cases, sellers pass as much of the added cost on to buyers as possible. Because the sellers don't want to lose any profits, they have to increase their selling price in order to maintain the same profit margin, since they had to pay an extra tax when obtaining the products for resale. In such cases, the supply curve will shift vertically by the exact amount of the tax.

### C. TRANSLATE INTO RUSSIAN

**1. Supply vs quantity supplied.** Supply is simply a schedule (or list) of prices and the quantity supplied of a good at each price. It is the entire relationship between the price of the good and the quantity of the good and can be illustrated on a graph with a positively sloped line (curve). Supply is the whole curve, while a particular point on the curve is the quantity supplied that relates to a specific price. The supply curve tells us the quantity supplied at each and every price. It also tells us the lowest price one will accept to produce one more unit of the good.

**2. Determinants of supply.** The goal of a company, once again, is to maximize profits, calculated as the difference between the total revenues and the total costs of production. So, one of the determinants of supply must be the costs of production. As costs of production rise, profits fall, and therefore the quantity supplied should fall (shift to the left). Conversely, as costs of production fall, the profits rise, and the quantity supplied should rise (shift to the right). Costs include the costs of natural resources such as wood used in building a home, the costs of labor (wages and benefits), and the costs of the capital.

When we considered demand, one of the determinants was also population (the number of buyers). The same is true for supply. One of the determinants of supply is the number of sellers of the product. When the number of sellers increases, the supply should increase (shift to the right). When the number of sellers falls, the supply should decrease (shift to the left) the market to reshape/alter the economy.

## D. TRANSLATE INTO ENGLISH

1. Для описания поведения продавцов на рынке используют термин «предложение».
2. Предложение – одно из фундаментальных понятий рыночной экономики, означающее желание и возможность продавца (произвести и) продать определенное количество товара за определенный период времени при всех возможных ценах.
3. В упрощенной формулировке, предложение – это количество товаров, представленных на рынке.
4. В экономической литературе принято различать индивидуальное, рыночное и совокупное предложение.
5. Ведущая роль в определении поведения продавца на рынке принадлежит цене.
6. Цена – главный фактор, определяющий объем предложения.
7. Закон предложения гласит: «Чем выше цена, тем выше количество товара, поставляемого на рынок; и, наоборот, чем ниже цена, тем меньшее количество товара предлагается потребителям, при прочих равных условиях».
8. Согласно закону предложения, производитель, при прочих равных условиях, изъявляет готовность продать товара тем больше, чем выше становится цена на рынке, поскольку чем выше цена на производимый товар, тем больше его прибыль. И наоборот. Уменьшение цены уменьшит количество поставляемого на рынок товара. При этом существует некая минимальная цена, ниже которой продавец не будет продавать данный товар вообще.
9. Объем (величина) предложения означает количество товара определенного вида, которое продавец желает и способен поставить на рынок по данной цене в данный период времени. Прямая связь между ценой товара и объемом предложения – при прочих равных условиях – носит название «закона предложения». Его графическое выражение представляет собой кривую, имеющую положительный наклон (т.е. направленную вверх, слева направо). Кривая предложения показывает, какое количество товара, при изменяющихся ценах и прочих равных условиях, поставляется на рынок за данный период времени.
10. Изменение объема предложения означает перемещение с одной точки на другую точку на одной кривой предложения. Причиной изменения объема предложения служит изменение цены товара. Рыночная цена на товар данного вида и объем его предложения идут как «неразлучная парочка»: для каждой цены – свой объем предложения.
11. Графически, изменение в предложении выражается в смещении всей кривой предложения либо вправо (увеличение предложения), либо влево (сокращение предложения). Причиной таких сдвигов кривой является не изменение цены данного товара, а изменение других, неценовых факторов предложения. К ним, в частности, относятся: издержки производства; производительность труда; число производителей данного вида товара; цена ресурсов; налоги; ожидание будущего изменения цен и прочее.
12. Как и в случае со спросом, ценовая эластичность предложения (или просто – эластичность предложения) – это степень чувствительности количества поставляемого продавцами товара к изменению цены на этот товар.
13. Эластичность предложения измеряется отношением процентного изменения объема предложения к процентному изменению его цены. На графике степень такой чувствительности видна по наклону кривой предложения: чем ниже чувствительность, тем круче кривая идет вверх.
14. Эластичное предложение – это предложение, объем которого изменяется вслед за изменениями цены. Предложение, незначительно изменяющееся несмотря на колебания цены, называют неэластичным. При нулевой эластичности, или абсолютно неэластичном предложении, кривая предложения направлена вертикально вверх.

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## Supply, Demand, Price, and Market Equilibrium:

### Putting It All Together

"Economic laws are not made by nature. They are made by human beings."

Roosevelt, Franklin D.

(1) **Introduction.** So far, we've looked at supply, we've looked at demand, and the main question that now arises is, "How do these two opposing forces of supply and demand shape the market?" Buyers want to buy as many goods as possible, as cheaply as possible. Sellers want to sell as many goods as possible, at the highest price possible. Obviously, they can't both have their way, and some sort of compromise/price agreement should be reached on the price at which buyers are willing to buy the same number of goods that sellers are willing to sell.

(2) **The equilibrium market price.** In economics, the price at which the quantity demanded exactly equals the quantity supplied is called the *equilibrium market price*. The equilibrium market price is the "just right price" – a price just high enough and just low enough so that the buyers want to buy just exactly as much as the sellers want to sell. At this price, the quantity of goods flowing into the market from the sellers/being pushed into the market by the sellers is equal to the quantity of goods being pulled out of the market by the buyers. The buyers can buy all that they want, so there is no shortage. The sellers can sell all that they want, so there is no surplus. So, the equilibrium market price is the ONLY price at which the quantity demanded is equal to the quantity supplied ( $Q_s=Q_d$ ), and it is the only price that sellers will receive/agree on and buyers will pay at any time in the *spot market*.

(3) **The market-clearing price.** The equilibrium market price is also referred to as the *market-clearing price* (MCP) because it clears the market of/clears away any excess supply or excess demand. Note that for everything that is supplied to be consumed and for the market to be "cleared," price must be equal to or lower than equilibrium price.

(4) **Market equilibrium.** Markets are where demand meets supply. When the price is just right, so that there is neither excess demand nor excess supply, the market is said to be in (*economic*) *equilibrium*.

Microeconomics assumes that market equilibrium is the optimum economic outcome. Under the conditions of market equilibrium every consumer who wishes to purchase the product at the market price is able to do so and the supplier is not left with any unwanted inventory. The result: the market just clears away, and everyone is happy.

(5) **Market disturbances and market disequilibrium.** However, real life, always, is different from simple theory, and perfect market equilibrium is never reached because in reality demand and supply are most constantly changing, making thus the market adjustment an ever going process. The state of the market that exists when the opposing market forces of demand and supply are not in balance/are out of balance is commonly

ferred to as *market disequilibrium*. More specifically, market disequilibrium results if the demand price is not equal to the supply price and the quantity demanded is not equal to the quantity supplied.

(6) **Excess demand and supply: effects of being away from the equilibrium point.** The result of the imbalance between the opposing market forces of demand and supply is the existence of either a shortage or a surplus, which induces/results in a change in the price.

A *shortage* exists if the quantity demanded exceeds the quantity supplied at the current market price. This condition emerges/results if the market price is below the equilibrium price. With a market shortage, prices tend to rise. People are unable to buy as much of the good as they would like at the current price. As such, they are willing to pay any price to get the desired but rare/scarc product and, thus, bid up/raise the current price.

A *surplus* exists if the quantity supplied exceeds the quantity demanded at the current market price. This condition emerges if the market price is above the equilibrium price. With a market surplus, prices tend to fall. Sellers are unable to sell as much of the good as they would like at the current price. As such, they have to drop the price until people do want to buy all their extra stuff.

The greater the difference (the disparity/discrepancy in numbers) between supply and demand, the greater the tendency for prices to change and bring the market (that is, the quantities supplied and demanded) to a new equilibrium.

(7) **Supply-and-demand schedule.** Sometimes you have to see it to believe it. The two most common ways to visualize the way how supply and demand interact in a free market are in the form of a table, or in the form of a graph.

If we combine the supply and demand tables discussed earlier in Texts 5.1 and 5.2 onto a single table, we'll get the table shown/given below. The table

Supply and Demand schedule		
Price of Widgets	Number of Widgets People Want to Buy	Number of Widgets Sellers Want to Sell
\$1.00	100	10
\$2.00	90	40
\$3.00	70	70
\$4.00	40	140

thus obtained is a supply-and-demand schedule for a good, which in our case are widgets. It should be obvious that the price of \$3.00 is the equilibrium price and the quantity of 70 is the equilibrium quantity. At any other price, sellers would want to sell a different amount than buyers want to buy.

(8) **Drawing a supply-and-demand graph.** The same information can be shown with a graph. By now, you are familiar with graphs of supply curves showing the price-quantity combinations at which sellers are likely to offer their goods for sale, and with graphs of demand curves showing the price-quantity combinations at which buyers are ready (willing and able) to purchase those goods.



To find the equilibrium price and the equilibrium quantity for a good, it is necessary to combine the respective supply curve and demand curve onto one graph. The point of intersection of supply and demand curves on the graph is referred to as the *point of equilibrium*. The point of equilibrium marks one price, and one quantity, on which both the buyers and the sellers agree. The price at this point is market equilibrium price, and the quantity is market equilibrium quantity. Points where demand and supply are out of balance are termed *points of disequilibrium*.

Note once again that in the figures, straight lines are often drawn instead of the more true-to-life curves because the shape of the curve does not change the general relationships and lessons of the supply and demand theory. In any case, the exact shape of the curve is not easy to determine for a given market. It should also be noted that supply and demand curves both are drawn as a function of price. Neither is represented as a function of the other.

(9) **Reading a supply-and-demand graph.** In the graph below (Fig.5), we see that at the equilibrium price  $P$ , buyers want to buy exactly the same amount that sellers want to sell, which means that the quantities demanded and supplied at that price are equal ( $Q_d = Q_s$ ).

At prices above the equilibrium point (that is, where  $Q_s > Q_d$ ), there is *excess supply (oversupply)* which creates a *surplus* of the product, while at prices below

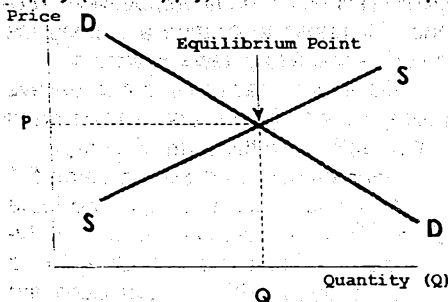


Figure 5.  
Market Equilibrium

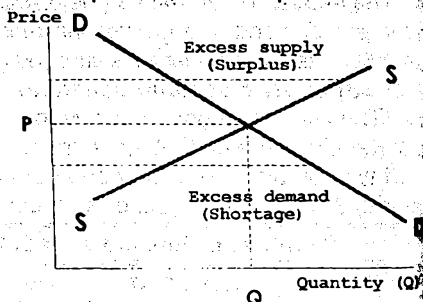


Figure 6.  
Excess demand vs Excess supply

the equilibrium (that is, where  $Q_s < Q_d$ ), there is *excess demand or undersupply* (See Fig.6). The effect of excess supply is to force the price down, while excess demand creates *shortages* and forces the price up.

The equilibrium price will only change when the conditions of either supply or demand, or both change. These conditions are the "all other things" that we mentally held constant when we stated the law of demand or described the supply response to prices. Changes in the conditions of demand or supply will shift either the demand curve or supply curve, or both. This will cause changes in the equilibrium price and quantity in the market.

(10) **Government regulation of the market: price floors and price ceiling**  
Theoretically, if left alone, a free market will naturally settle into equilibrium. However, the government at times interferes with the market and sets the price for product in order to protect the interests of either consumers or producers.

If the government sets/installs/introduces a minimum price for a market, then that legal minimum price that can be charged for a good is called the *price floor* ( $Q_d < Q_s$ ). For a price floor to be effective, it must be set above the market equilibrium price. (See Fig.7) Common examples of price floors are found in agricultural markets such as sugar-, wheat-, or milk market. The minimum wage is also a price floor because it sets a minimum level that employers can pay employees.

If the government imposes a maximum price for a market, then that legal maximum price that can be charged for a good is called the *price ceiling* ( $Q_d > Q_s$ ). For a price ceiling to be effective, it must be set below the market equilibrium price. (See Fig.8). If a price ceiling is set at or above market price, there will be no noticeable effect, and the ceiling is only a preventative measure.

The price ceilings cause persistent shortages, while the price floors cause persistent surpluses. This is the cost of imposing these restrictions.

(11) **Is price-fixing a "good" or a "bad" thing?** It depends. Some groups will benefit/will be helped while others will suffer/will be hurt. Often when price ceilings are binding, and there is a severe market disequilibrium, other methods and ways of dealing with excess demand, or shortages, will appear, such as legal non-price rationing, deterioration in product quality, illegal transactions at prices higher than the ceiling at the black market.

#### A. TEST YOUR UNDERSTANDING

##### 1. Decide whether the following statements are true or false:

1. Perfect market equilibrium is unachievable in real life.
2. Real life is different from simple theories.
3. The exact shape of the supply-and-demand curve is never known.
4. In a free market the price for a good is always a matter of compromise.
5. With market equilibrium no supplier is left with any unwanted inventory.
6. No government is able to regulate prices.
7. The price at which buyers are willing to buy the same number of goods that sellers are willing to sell is always a matter of compromise.
8. In a market economy the supply and demand for a given product tend to be constant.
9. A price that is above the equilibrium price creates a surplus, which leads to a lower price. A price that is below equilibrium creates a shortage, which leads to a higher price.
10. When price ceilings are not binding, one can expect to see such things as non-price rationing, deterioration in product quality, and black markets.

##### 2. Choose the most suitable word/phrase:

1. As price goes (*up, down*) buyers purchase (*more, less*) products.
2. Price (*ceilings, floors*) cause excess persistent (*shortages, surpluses*).
3. If sellers are charging (*more, less*) than buyers are willing and able to pay, a (*surplus, shortage*) of product will result.
4. For the market to be "cleared," price must be equal to or (*higher, lower*) than equilibrium price.
5. The government interferes with the market to protect the interests of (*both consumers and producers, either consumers or producers*).

**3. Fill in the blanks using the words given below:**

1. With a market surplus, prices tend to ...
2. At the MCP people are ... to buy as much of the good as they would like.
3. The ... price that sellers will receive and buyers will pay at any time in the spot market is the market equilibrium price.
4. At the equilibrium price, buyers want to buy ... the same amount of a ... that sellers want to sell.
5. The point of equilibrium marks one price and one ... on which both the buyers and the sellers ...
6. The MCP is the only price at which the quantity ... is equal to the quantity ...

able, agree, demanded, exactly, fall, good, only, quantity, supplied.

**4. Complete the sentences:**

- A.1. For the market to be "cleared," price must be ...
  2. The equilibrium market price is the price ...
  3. Excess demand creates ... and forces the price ...
  4. There is neither excess demand nor excess supply when ...
  5. The cost of imposing price restrictions is ...
  6. Price floors cause excess ... or persistent ... in the market.
  7. The greater the discrepancy between supply and demand, the greater the tendency for ...
- B. 1. A surplus/shortage exists if ...
  2. Market disequilibrium results if ...
  3. If the price is set below the equilibrium market price, ...
  4. A free market will naturally settle into equilibrium if ...
  5. If sellers are charging more than buyers are willing to pay, ...
  6. If the government sets a minimum price, the market price cannot ...
  7. Everyone would be happy if ...

**5. Restore the correct word order in the sentences that follow:**

1. Markets supply are where demand meets?
2. Does the price not force down excess demand?
3. A excess surplus creates supply of the product.

**6. Answer the following questions without looking back at the text:**

1. What is the "just right price"?
2. How is it determined in a free market?
3. What causes price to change?
4. How can you define "market equilibrium"?
5. What is the equilibrium market price/the MCP?
6. What is meant by "points of disequilibrium"?
7. Who or what pushes the forces of supply and demand out of balance?
8. What do the aims of buyers and sellers differ in?
9. What is a surplus/shortage in economics?
10. What is a price-floor/ a price-ceiling?
11. Why do some sellers have to drop the price they are asking for a good?
12. What makes government quite often interfere with the market?

13. Can you list the *ceteris paribus* conditions for both demand and supply?

14. Can you offer some observations on how government affects markets, both favourably and unfavourably?

**7. Write a summary/Render the contents of Text 5.3 using your own words as far as possible.**

**8. Explain/Describe:**

- why entrepreneurs cannot charge any price they want to for their products;
- what occurs to price when (a) demand increases, (b) supply falls, (c) demand rises and supply falls;
- why a change in one of the conditions changes either the demand or the supply of a good;
- how price adjusts to changes in demand and supply;
- why a change in one of the *ceteris paribus* conditions changes either the demand or the supply;
- what occurs when the quantities demanded and the quantities supplied are not equal.

**9. Discuss:**

• the idea of government intervention with the market as a good/bad thing.

**10. Comment on the following quotation:**

- "That government is best that governs least." – Thomas Jefferson.
- "Economic laws are not made by nature. They are made by human beings." – Roosevelt, Franklin D.

## **B. FURTHER READING**

**1. Read the text below and answer the questions:**

- What is rationing?
- What are the two basic kinds of rationing?
- What was the first non-food commodity rationed in the USA during the World War II? Why?

The word *rationing* can be rather misleading/confusing as it is often used as a short-cut for two quite different terms, – that is "price-based rationing" and "non-price(-based) rationing". Rationing as such is necessary as long as there are "too many people chasing for too few goods". In terms of economics, it simply means that whenever there is scarcity of supply relative to demand, there must be some means for distributing the goods in question. One of these rationing devices is *price*.

Using prices to ration goods and services means that those with the most money (or other assets) and who want a product the most are first to receive it. Such rationing happens daily in a market economy. It is a corner-stone of capitalist economy.

Non-price rationing follows other principles of distribution. One of them is the "fair share" or "quantity-based" principle. During the Second World War, for example, you couldn't just walk into a shop and buy as much sugar or butter or meat as you wanted in the United States. All these things were rationed, which meant you were only allowed to buy a small amount (even if you could afford more). The government introduced rationing because certain things were in short supply during the war, and rationing was the only way to make sure everyone got their fair share.

War ration books and tokens were issued to each American family, dictating how much gasoline, sugar, meat, shoes, nylon and other items any one person could buy. Interestingly enough, the first non-food item rationed was rubber. The Japanese had seized plantations in the Dutch East Indies that produced 90% of America's raw rubber. President Roosevelt called on citizens to help by contributing scrap rubber to be recycled: *old tires, old rubber raincoats, garden hose, rubber shoes, bathing caps.*


**2. Read the text below and answer the following questions:**

- What are the two kinds of non-price rationing methods mentioned in the text?
- What are ration books?
- What are the positive and negative sides of quantity-based rationing?

When it is illegal to buy or sell a product at a higher price, the only way consumers can compete for the goods in shortage/short supply is either through legal non-price competition or through illegal transactions at prices higher than the ceiling. The results include forgone consumption, queuing, bribery, illegal sales, and other "black", "grey" or "informal" market behaviour.

For example, due to severe shortages of a whole range of commodities dur-

ing World War II, most of the warring countries attempted to equalize product distribution by rationing and price fixing. In order to ensure that everyone got a fair share of what was available, the Government of the UK was also forced to introduce rationing of essential and non-essential goods. Ration books were issued. These contained coupons, and shopkeepers cut out the relevant

R.B.1 16	MINISTRY  OF FOOD 1953-1954
<b>RATION BOOK</b>	
Surname <u>Bush</u>	Initials <u>J</u>
Address <u>95 Mexoley Road</u> <u>Darlington</u>	
IF FOUND RETURN TO ANY FOOD OFFICE	Serial No BF 914246

number of coupons when a customer bought goods. Still, the less scrupulous turned to the black market and a lively smuggling trade/extensive black-market operations developed between Northern Ireland and Eire. Tea and sugar were smuggled south in return for butter and bacon which travelled north.

**3. Read the text and answer the following questions:**

- Why is it impossible to imagine a well-functioning economy nowadays without any government intervention?
- What are the main functions governments perform in modern economies?
- What is the main problem with government intervention?

Government plays an important economic role in all modern economies, including market economies. Indeed, it is hard to imagine an economy with no government role whatsoever. A well-functioning economy requires that the go

ernment play a role in maintaining law and order and defending people against external enemies. This point has an important application in understanding poor economic performance in cities and countries in which crime is prevalent and shop owners' costs are high because thieves frequently rob them. The government determines property rights and maintains a court system that resolves economic disputes over contracts and other agreements. Governments provide assistance to the poor, both through direct expenditures and through incentives for private charities to provide assistance.

True, markets free of any government intervention may function well in some respects, but will function poorly in others. So, the problem with government intervention is how to get to know whether government action can improve the way markets work when they are not working well, and whether observed problems with markets might be due to unwise government policies.

#### **4. Read the text below and answer the questions:**

- *What are the basic assumptions the neoclassical economic theory of human behaviour is based on? Are they all true to life?*

**Perfectly rational person: Laws of behaviour.** Neoclassical economics begins by assuming that people want things and that the amounts of these things are limited. That's easy to believe. Secondly, economics goes on to assume that people try to maximize utility – that people really will try to improve their "satisfaction levels". That's fairly easy to believe, too.

A third assumption is that people are rational. In the theoretical world of "total economic rationality" each person will compete with others to get ahead. I will offer more to buy something before you get a chance at it. I will undercut you and take your customers. Personal feelings of kindness or thoughtfulness for others never have any influence on a person's behaviour in this dog-eat-dog world of "let the devil take the hindmost"!

For centuries economists have talked about the fictional "economic man" ("homo economicus") – a "perfectly rational person" who always makes all choices so as to maximize utility. Such a totally rational person would always choose the least cost ways of getting or making something and would always spend money in the absolutely most efficient way to maximize utility. Such a person would always budget very carefully – would always optimize and economize all the time.

Neoclassical economic theory also assumes that work is unpleasant and that people will try to avoid it. It assumes that people dislike risk. They hate it so much, usually, that they are willing to pay others great sums of money to reduce risk – that's the idea behind insurance! Generally, anything that reduces uncertainty and risk helps people make better decisions which in turn makes them happier. Also it assumes that our wants are insatiable – that we'll always find something to want more of.

Pure economic theory of human behaviour is based on all these assumptions. Are they all true? No. Not exactly. But is it close enough to the truth to help us to get some understanding of how people behave? Yes. At least economists think so. They think there's enough truth in these "laws of behaviour" to help us to understand better why people do some of the things they do.

### C. TRANSLATE INTO RUSSIAN



1. **A key function of the market.** To this point, we have considered the laws of demand and supply separately. As you would remember, the first says that the amount buyers are willing and ready to buy is inversely proportional to price: the higher the price of the product, the less the consumer will demand, all other things held constant; the second says that the amount sellers are willing and ready to sell is directly proportional to price: the higher the price of the product, the more the producer will supply, all other things held constant. In mathematical terms, these relationships are expressed as:

$$Q_d = f(\text{price, constants})$$

$$Q_s = g(\text{price, constants})$$

2. **Price, as is known, acts as a regulator of the quantity of goods and services demanded and supplied.** If the price of a good is too high, consumers will demand less than producers are willing to supply. If the price is too low, consumers demand more than producers are willing to supply. So, a key function of the market is to find the market price at which the quantity supplied and the quantity demanded are in balance. Under these conditions, the willingness and ability of consumers to pay equals the willingness and ability of producers to supply/to offer goods for sale.

3. **Pricing.** In a free market prices are determined by trade/price agreement between buyers and sellers rather than by government. The prices buyers are willing to pay for a commodity and the prices at which sellers are willing to part with that commodity are directly influenced by supply and demand. In abstract terms, the price is thus defined as the equilibrium point of the demand and the supply curves, which represent the prices at which buyers would buy (and sellers sell) certain quantities of the good in question. A price above the equilibrium point will lead to oversupply, while a price below the equilibrium point will lead to the opposite situation (undersupply). When the price a buyer is willing to pay coincides with the price a seller is willing to offer, a trade occurs and price is determined.

4. **Price ceilings.** A price ceiling is an upper limit for the price of a good: once a price ceiling has been put in, sellers cannot charge more than that. Price ceilings are usually put in to benefit buyers. In most cases, price ceilings are set below the market equilibrium price, which is likely to cause a shortage of goods. For instance, if the government thinks that the market price of bread is too high, then they might install a price ceiling.

If the government puts in a price ceiling, then the quantity demanded will exceed the quantity supplied, meaning that not enough bread will be supplied to satisfy demand. Such a situation is called a shortage. Because price ceilings are installed in the interests of the buyers, the government has to decide which situation is preferable for the buyers: not being able to afford bread, or not having enough bread to go around.

**5. Price floors.** The opposite of a price ceiling is a price floor. A price floor is an artificially introduced minimum for the price of a good. In most cases, the price floor is above the market price. Price floors are usually put in to benefit sellers. For example, price floors are sometimes used for agricultural products. The market price can sometimes be so low that farmers cannot make enough money to support themselves. In such cases, the government steps in and sets a price floor, which can cause problems of its own: when the price is artificially raised above the market equilibrium price, the quantity supplied exceeds the quantity demanded. Such a situation is called a surplus: farmers produce many more crops than buyers want to buy at the new, higher price.

**6. Black market** is the selling or buying of commodities at prices above the legal ceiling or beyond the amount allotted to a customer in countries that have placed restrictions on sales and prices. Such trading was common during World War II wherever the demand and the means of payment exceeded the available supply. In the United States black-market transactions were carried on extensively in meat, sugar, tires, and gasoline. In Great Britain, where clothing and liquor were rationed, these were popular black-market commodities. In the United States, rationing terminated at the end of the war, but a black market in automobiles and building materials continued while the scarcity lasted. Black marketing is also common in exchange of foreign for domestic currency, typically in those countries that have set the official exchange value of domestic currency too high in terms of the purchasing power of foreign money. Black-market money activities also grow when holders of domestic currency are anxious to convert it into foreign currency through a fear that the former is losing its purchasing power as a result of inflation.

#### D. TRANSLATE INTO ENGLISH

1. Закон спроса и предложения – основные законы рынка.
2. Экономические законы – это законы, придуманные людьми, а не законы природы.
3. Реальная жизнь сильно отличается от ее упрощенного теоретического описания.
4. Рынки – это место встречи спроса и предложения. Когда нет ни избытка спроса, ни избытка предложения, то говорят, что рынок находится в экономическом равновесии.
5. Интересы продавца и покупателя на рынке прямо противоположны. Одни хотят как можно больше и дороже продать, а вторые – как можно больше и дешевле купить. Поэтому главный вопрос при рыночном обмене – это вопрос компромисса.
6. Рыночное равновесие предполагает, что количество товара, которое покупатели хотят приобрести по данной цене, точно совпадает с количеством товара, которое продавцы готовы продать по этой же цене.
7. Если цена товара такова, что количество товара, которое покупатели хотят приобрести, точно совпадает с количеством товара, которое продавцы готовы продать, то данный отраслевой рынок находится в равновесии. Следовательно, рыночное равновесие – это ситуация, при которой спрос равен предложению.
8. В случае нарушения равенства между спросом и предложением рынок оказывается в разбалансированном состоянии. В результате, на рынке появляется нехватка или, наоборот, избыток товара, что вызывает, в свою очередь, смещение рыночной цены соответственно в большую или меньшую сторону. Чем больше становится разница/разбегка между спросом и предложением, тем больше меняются цены.



9. Для того, чтобы все то, что было поставлено на рынок, было раскуплено, и рынок «очистился», необходимо, чтобы цена на товар соответствовала равновесной рыночной цене или была ниже ее.

10. Избыток товара на рынке возникает тогда, когда объем предложения превышает объем спроса. В этих условиях продавцы не в состоянии продать столько товара, сколько они хотели бы продать по текущей цене, и им приходится снижать цену до тех пор, пока потребители не захотят раскупить оставшийся у них на руках товар.

11. При нехватке товара, покупатели, желая приобрести необходимый им товар, конкурируют между собой, «подбивая» тем самым цену товара. При резко выраженном расхождении между спросом и предложением имеют место неценовые способы преодоления дефицита, такие как государственное регулирование, ухудшение качества товара и некоторые другие.

12. В некоторых случаях правительству приходится вмешиваться в функционирование рынка и устанавливать то, что называется «ценовым потолком» и «ценовой порогом» для определенной группы товаров, чтобы защитить интересы соответственно покупателей или продавцов.

13. Историческая практика показывает, что полностью отрицать положительные свойства командной системы хозяйствования нельзя. При определенных условиях она обнаруживает свою эффективность и необходимость. В частности, практически все страны прибегают к командным методам хозяйствования в экстремальных ситуациях (войны, стихийные бедствия и т.п.). Однако функционирование командной экономики на длительных исторических интервалах признано неэффективным.



☑ **Служебные слова:** a, about, above, across, after, against, all, along, although, among, amongst, an, and, another, any, anybody, anything, around, as, at, because, back, before, behind, below, besides, between, beyond, both, but, by, down, due, during, each, either, every, everybody, everyone, everything, few, for, from, he, his, her, him, himself, how, I, if, in, into, it, its, itself, like, many, me, mine, much, my, neither, near, no, nobody, none, nor, not, nothing, of, on, one, ones, onto, or, opposite, other, others, our, ourselves, out, over, round, since, something, the, their, them, themselves, these, they, this, those, though, to, toward, under, unless, unlike, until, up, us, we, what, when, where, which, while, who, whom, whose, why, will, with, within, without, would, yet, you, your, yours, yourself.

☑ **Неправильные и модальные глаголы:** be (*are, been, being, is, was, were*), bear, beat, become, begin, bid, bring, build, buy, can, choose, come, cost, could, cut, deal, do, draw, drink, drive, fall, find, forgo, eat, get, give, go, grow, have, hear, hold, hurt, keep, know, lead, learn, leave, lose, let, make, may, meet, might, mislead, must, overcome, pay, put, read, rise, run, say, see, seek, sell, set, shall, should, show, sleep, speak, spend, steal, take, tell, think, thrive, understand, undertake, write.

☑ **Полнозначные слова из лексического минимума за курс средней школы:** adjective, alone, ancient, answer, apartment, aware, back, bad, bird, black, blood, bread, breakfast, bridge, brush, cake, call, candy-bar, car, century, child, China, city, classmates, clean, clear, close, clothes, cook, corner, dancing, day, daily, dictionary, difficult, dinner, dish, discuss, dozen, dream, early, easy, egg, end, endless, English, enjoy, example, exercise, family, fan, farm, farmer, father, favourite, first, fish, food, forest, fourth, free, freedom, Friday, friend, full, fun, game, glad, glass, good, government, grade, great, Greek, hand, happiness, happy, heart, help, high, home, hope, hour, house, hungry, kill, knowledge, land, language, large, lesson, letter, life, lifetime, like, listen, little, live, long, look, love, low, luck, lucky, lunch, man, Maths, milk, million, money, morning, movies, music, musical, name, nation, new, news, newspaper, night, novel, old, open, paper, parent, parrot, parents, past, people, perfect, phone, place, play, player, please, politics, population, question, railway, ready, road, room, school, second, shelf, shop, short, small, society, square, state, story, sugar, sunlight, sure, talk, task, taste, team, teeth, thing, third, Thursday, ticket, tiger, time, train, tree, trip, true, TV, unpleasant, vacation, verb, village, walk, want, war, wash, watch, water, week, weekend, welcome, wish, word, work, world, worry, wrong, yard, year.

☑ **Простые, сложные и составные наречия:** abroad, ahead, almost, already, also, always, anyhow, anyway, apart, away, awhile, best, better, else, even, ever, everyday, everywhere, far, fast, first, further, here, however, just, less, maybe, mere, more, most, never, nevertheless, next, now, nowadays, often, once, only, otherwise, outwards, rather, quite, seldom, soon, sometimes, still, then, there, therefore, thus, throughout, today, together, too, up, very, well, whenever, whereby, whether, whichever, whatever, yes.

☑ **Производные наречия:** accordingly, actually, alternatively, automatically, barely, basically, broadly, carefully, cheaply, clearly, closely, collectively, commonly, completely, consequently, considerably, constantly, continually, conversely, differently, directly, early, easily, economically, effectively, efficiently; equally, especially, essentially, exclusively, extremely, fairly, finally, firstly, fourthly, freely, fully, generally, governmentally, graphically, highly, increasingly, independently, individually, inherently, instinctively, intensely, interchangeably, intuitively, inversely, ironically, largely, lastly, legally, legitimately, marginally, mathematically, mentally, mostly, mutually, naturally, nearly, neatly, necessarily, normally, obviously, ordinarily, originally, partly, perfectly, personally, physically, possibly, potentially,

practically, precisely, previously, primarily, privately, probably, purely, really, quickly, relatively, roughly, secondly, separately, significantly, similarly, simply, socially, sparingly, specifically, strictly, subconsciously, synonymously, temporarily, theoretically, thirdly, thoughtfully, traditionally, truly, typically, ultimately, unfortunately, universally, urgently, usually, variously, widely, wisely; downward(s), inward(s), outward(s), upward(s).

☑ **Интернациональные слова:** A. abstract, abstraction, aggressiveness, alternative, analysis, analyze, anti-protectionism, antithesis, archaeology, archetype, aspect, author, automobile, bankruptcy, barrier, barter, biology, block, brand, broker, candidate, capital, capitalism, capitalist, category, cent, center, central, character, characteristic, characterize, classical, classification, classify, club, collective, company, compensate, compromise, computer, concert, cooperative, credit-card, concrete, contact, context, contrast, copy, corporation, corruption, criticism, criticize, critics, culture, dealer, demagogue, discipline, dollar, ecological, ecology, economic, economical, economics, economist, effect, elastic, elasticity, electricity, elementary, element, energy, equivalent, etymology, evolutionary, fact, factor, finance, financial, firm, football, form, fundamental, geography, graphical, guitar, history, horizontal, ideal, idealize, information, infrastructure, ingredient, instinct, instrument, intensity, Internet, interview, intuition, know-how, litre, macro-micro, macroeconomics, material, mathematical, maximization, maximize, maximum, mechanics, mechanism, mesoeconomics, metal, microeconomic, microeconomics, migrant, minimization, minimize, minimum, minute, model, moment, monopolist, monopolistic, monopolize, monopoly, monopsonistic, monopsony, moral, moralists, motivation, neoclassical, norm, office, oligopoly, oligopsony, optimal, optimist, optimistic, optimize, optimum, organism, organization, organize, orientation, parallel, passive, penny, period, philosopher, physical, plan, plus, political, potential, practical, prefix, prestige, principle, process, program, proportional, qualification, radio, realistic, recommendation, regulate, religious, resource, restaurant, result, rhetorical, risk, role, sector, separatism, signal, situation, socialism, socialist, socio-economic, socioeconomics, specialist, specialize, sports, standard, station, stereo, stimulate, style, subjective, synonym, synonymous, system, tactics, talent, technological, technology, telephone, television, terminology, terrorism, text, theory, traditional, transport, trilogy, typical, university, vertical.

B. activate, agent, arena, approximate, attack, balance, basic, based, basis, business, calculate, chance, class, combination, command, communal, component, composition, concept, concession, constant, control, cooperate, cooperation, demonstrate, department, discussion, detail, diagram, discomfort, disparity, doctor, effective, ego, exclusive, fantasy, final, finish, fluid, focus, function, functional, generate, global, graph, hospital, human, idea, identical, identify, illustrate, illustration, individual, industrial, inelastic, informal, innovation, intellectual, intelligent, intense, international, intervention, legal, limit, local, manner, machine, manager, mental, method, mineral, modern, monetary, motivate, national, natural, nature, negative, opponent, option, person, personal, popular, position, positive, practice, private, problem, product, productive, progress, public, radical, rational, real, reality, seasonal, series, service, social, sort, speaker, special, specific, start, stop, structure, student, tendency, total, training, transform, type, unique, universal, vacant, zero;

C. academic, act, action, activity, advocate, affair, affect, aggregate, argument, bit, circle, complement, complex, condition, confuse, critical, direction, design, economy, examine, excess, express, extra, extreme, figure, general, goal, guide, instance, interest, list, major, manifest, match, measure, medium, objective, obligation, operate, order, original, party, party, pass, post, present, production, productivity, protection, realize, rock, rule, scholar, solid, square, study, subject, table, title, ultimate, voluntary;

D. accordance, according, accounting, advance, affection, affixed, agricultural, argue, allocate, allocation, alphabetical, alter, amount, apply, area, argue, arrangement, artificial, associate, attract, attractive, beneficial, benefit, bill, broad, byproduct, cap, card, case,

categorization, circulating, combine, common, communicate, community, compare, complete, consist, contain, continue, contractual, contrary, contribute, construct, core, cornerstone, corresponding, course, crime, criminality, curve, depict, determinant, determine, diminish, direct, disequilibrium, distribute, distribution, divide, dominance, dominate, domination, double, economize, efficiency, efficient, emphasis, equal, equation, equilibrium, equipment, escape, essence, establish, estate, evaluate, evaluation, exam, expand, explicate, explicit, fix, foundational, foundation, future, govern, governmental, gravity, illegal, illegitimate, imbalance, imperfect, implicit, impractical, inadequate, indicate, indirect, induce, inequality, infinite, inform, institution, institutional, interaction, interested, interfere, inter-personal, interrelated, intersection, introduce, introduction, investment, labour, line, location, mainstream, manifest, manufacture, margin, marginal, market, matter, mix, modify, non-corporeal, non-market, note, number, observe, occupy, opportunity, oppose, opposite, orient, origin, package, pair, part, particular, percent, percentage, personality, point, politician, prepared, pressure, prevent, primary, produce, protect, provide, pure, quarter, range, rate, rationing, reason, reasonable, reclaiming, recognize, recycling, reduce, reflect, regularity, regulation, relate, relation, relative, relevant, remark, rent, represent, reproduce, residential, self-interest, select, sense, sensitive, sensitivity, serve, separate, shape, side, stripped, stick, storage, sum, tax, theorist, theorize, tend, term, tour, triad, turn, universe, urban, utility, valuation, variable, variety, various, visualize, web.

## A

ability (9)	[ə'bi:lɪtɪ]	способность
able (16)	['eɪbəl]	способный
abolish (1)	[ə'bɒlɪʃ]	упразднить, отменять
abolition (2)	[,æbəlɪ'ʃən]	ликвидация, отмена
abundance (2)	[ə'bʌndəns]	изобилие
abundant (3)	[ə'bʌndənt]	(имеющийся) в изобилии
abuse (1)	[ə'bjʊ:s]	злоупотребление
academic (4)	[,ækə'demɪk]	университетский; учебный; теоретический; академический
accept (10)	[ək'sept]	принимать; допускать; получать
access (1)	[ˈækses]	доступ
accordance(1):	[ə'kɔ:dəns]	<i>in ~ with</i> в соответствии с чем-л.
according (5):	[ə'kɔ:dɪŋ]	<i>~ to</i> согласно чему-л.; <i>~ as</i> смотря по тому, как
account (1):	[ə'kaʊnt]	<i>to take into ~</i> принимать в расчет; учитывать
accounting (2)	[ə'kaʊntɪŋ]	бухгалтерское дело; <i>~ cost</i> калькуляция
achievable (3)	[ə'tʃi:vəbl]	достижимый, выполнимый
achieve (20)	[ə'tʃi:v]	достигать, добиваться
acquire (3)	[ə'kwɪə]	приобретать
acquisition (1)	[,ækwɪ'zɪʃən]	приобретение
act (7)	[ækt]	1. см. <i>action</i> ; 2. поступать, вести себя
action (8)	[ˈækʃən]	действие, поступок
activity (11)	[æk'tɪvɪtɪ]	деятельность; действия
addition (1):	[ə'dɪʃən]	<i>in ~</i> вдобавок, кроме того
additional (18)	[ə'dɪʃənəl]	дополнительный, добавочный
adjustment (1)	[ə'dʒʌstmənt]	регулирование; установление равновесия
ad = advertisement	[æd]	см. <i>advertising</i>
adult (1)	['ædʌlt]	взрослый
advance (2)	[əd'vɑ:ns]	1. продвижение ( <i>по службе</i> ); 2. продвигать, пропагандировать
advantage (1)	[əd'vɑ:ntɪdʒ]	преимущество
advertising (2)	[ˈædvətaɪzɪŋ]	реклама, объявление
advocate (1)	[ˈædvəkət, -keɪt]	сторонник, приверженец
affair (10)	[ə'feə]	дело; <i>~s</i> вопросы, отношения
affect (5)	[ə'fekt]	(отрицательно) влиять, сказываться
affection (1)	[ə'fekʃən]	привязанность

affixed (1)	[ə'fɪkst]	принадлежащий, прикрепленный
afford (1)	[ə'fɔ:d]	позволять себе
aggregate (7):	[ˈægrɪɡeɪt]	~ <i>demand/supply</i> совокупный спрос/ предложение
agree (2)	[ə'ɡri:]	соглашаться
agreeable (2)	[ə'ɡri:əbl]	приемлемый
agreement (5)	[ə'ɡri:mənt]	соглашение
agricultural (2)	[ˌægrɪ'kʌltʃərəl]	сельскохозяйственный
aim (2)	[eɪm]	1. цель; 2. стремиться
alienable (1):	[ˈeɪlɪənəbl]	~ <i>property</i> отчуждаемая собственность
allocate (4)	[ˈæləkeɪt]	размещать, распределять
allocation (3)	[ˌælə'keɪʃən]	распределение
allow (5)	[ə'laʊ]	позволять; ~ <i>for</i> учитывать; принимать во внимание
amount (33)	[ə'maʊnt]	количество, величина, сумма, объем
appear (2)	[ə'piə]	появляться; <i>to ~ as</i> выступать ( <i>в роли</i> )
apply (5)	[ə'plai]	применять(ся)
approximate (2)	[ə'prɒksɪmeɪt]	приближать(ся)
area (3)	[ˈeəriə]	область
argue (6)	[ˈɑ:ɡju:]	утверждать, доказывать
argument (1)	[ˈɑ:ɡjumənt]	спор
arise (2)	[ə'raɪz]	возникать, появляться
arrangement (2):	[ə'reɪndʒmənt]	<i>institutional ~s</i> организационные структуры, механизмы
artificial (1)	[ˌɑ:ti'fiʃəl]	искусственный
assess (2)	[ə'ses]	оценивать
assume (6)	[ə'sju:m]	допускать, (пред)полагать
assumption (3)	[ə'sʌmpʃən]	допущение, предположение
assure (1)	[ə'ʃʊə]	обеспечивать, гарантировать
attain (2)	[ə'teɪn]	добиваться, достигать
attempt (5)	[ə'tempt]	1. попытка 2. стараться, стремиться
attract (1)	[ə'trækt]	привлекать; ~ <i>away from</i> отвлекать
attractive (2)	[ə'træktɪv]	привлекательный
available (26)	[ə'veɪləbl]	имеющийся в наличии, доступный
average (1)	[ˈævərɪdʒ]	средний
avoid (3)	[ə'vɔɪd]	избегать
axis (4)	[ˈæksɪs]	ось

## B

back (1):	[bæk]	~ <i>up</i> подкреплять
bad (3):	[bæd]	<i>economist ~</i> экономическое антибла-го/зло

balance (3)	[ˈbæləns]	1. <i>be in/out of</i> ~ находиться в равновесии/в разбалансированном состоянии 2. взвешивать, обдумывать
behave (7)	[brˈheɪv]	ступать, вести себя
behaviour (6)	[brˈheɪvjə]	поведение
behavioral (1):	[brˈheɪvjərəl]	~ <i>style</i> стиль поведения
being (6)	[ˈbiːɪŋ]	см. <i>human being</i>
belief (2)	[brˈliːf]	вера; <i>popular</i> ~ широко распространенное убеждение/мнение
believe (5)	[brˈliːv]	верить; считать, полагать
belong (3)	[brˈlɒŋ]	принадлежать
beneficial (2)	[ˌbenɪˈfiʃəl]	выгодный, полезный
benefit (19)	[ˈbenɪfɪt]	1. выгода, польза; ~s суммарные выгоды и эффекты; 2. извлекать пользу
bid (1)	[bɪd]	~ <i>up</i> прибавлять, набавлять (цену)
bill (1)	[bɪl]	счет
binding (1)	[ˈbaɪndɪŋ]	обязательный
bit (3)	[bɪt]	небольшое количество; а ~ <i>of</i> немного
bitter (2)	[ˈbɪtə]	ожесточенный (о конкуренции)
bond (2)	[bɒnd]	облигация; ценная бумага
bound (1)	[baʊnd]	см. <i>boundary</i>
boundary (2)	[ˈbaʊndəri]	граница, предел
brain (1)	[breɪn]	см. <i>exertion</i>
branch (2)	[brɑːntʃ]	отрасль
brawn (1)	[brɔːn]	см. <i>exertion</i>
broad (2)	[brɔːd]	широкий; основной
building (10)	[ˈbɪldɪŋ]	1. здание, сооружение; 2. строительный
buyer (58)	[ˈbaɪə]	покупатель
byproduct (1)	[ˈbaɪˌprɒdʌkt]	побочный продукт
<b>C</b>		
case (11)	[keɪs]	случай; дело; <i>in</i> ~ в случае
cause (3)	[kɔːz]	вызывать, служить причиной
ceiling (8):	[ˈsiːlɪŋ]	<i>price</i> ~ «потолок» (предел повышения цен)
certain (16)	[ˈsɜːtɪn]	определенный; некоторый
ceteris paribus (3)		лат. при прочих равных условиях
change (43)	[tʃeɪndʒ]	1. изменение, сдвиг; 2. менять(ся), изменять(ся)
charge (6)	[tʃɑːdʒ]	1. цена, плата (за что-л.); 2. назначать (цену)
chart (3)	[tʃɑːt]	таблица
chase (2)	[tʃeɪs]	см. <i>rainbow</i>
chattel (1)	[ˈtʃætəl]	движимое имущество

cheap (3)	[tʃi:p]	дешевый
choice (80)	[tʃɔɪs]	выбор
circle (1)	[ˈsə:kl]	группа, круг (людей)
circulate (1)	[ˈsə:kjuleɪt]	находиться в обращении
citizen (2)	[ˈsɪtɪzn]	гражданин
clear-cut (2)	[ˌkli:təˈkʌt]	четкий, ясный
clearing (1):	[ˈkliəriŋ]	<i>market~ price (MCP)</i> равновесная рыночная цена
coal (1)	[kəʊl]	уголь
coin (1)	[kɔɪn]	монета
coincidence (2)	[kəʊˈɪnsɪdəns]	совпадение
collusion (1)	[kəˈlu:ʒən]	тайный сговор
combine (3)	[kəmˈbaɪn]	соединять, объединять
commodity (12)	[kəˈmɒdɪti]	товар
community (2)	[kəˈmjʊ:nɪti]	общество
compete (12)	[kəmˈpi:t]	конкурировать
competition (49)	[ˌkɒmpɪˈtɪʃən]	конкуренция
competitive (6)	[kəmˈpetɪtɪv]	конкурентный, конкурентноспособный; <i>market</i> свободный рынок
competitor (12)	[kəmˈpetɪtə]	конкурент
complements (1)	[ˈkɒmplɪmənts]	взаимодополняющие товары
complete (4)	[kəmˈpli:t]	1. полный, абсолютный; 2. завершать, заканчивать
complex (3)	[ˈkɒmpleks]	сложный
comprise (1)	[kəmˈpraɪz]	включать
conceal (1)	[kənˈsi:l]	скрывать
conceive (1):	[kənˈsi:v]	~ of представлять
concern (4)	[kənˈsɜ:n]	касаться; беспокоиться
concerning (2)	[kənˈsɜ:nɪŋ]	касательно, относительно
concession (1)	[kənˈseʃən]	уступка
conclude (3)	[kənˈklu:d]	(с)делать вывод
condition (12)	[kənˈdɪʃən]	условие, состояние; <i>under ~s</i> в условиях
consequence (3)	[ˈkɒnsɪkwəns]	(по)следствие, результат
conserve (2)	[kənˈsɜ:v]	сбергать
consider (18)	[kənˈsɪdə]	рассматривать, думать, полагать, считать
consideration (2):	[kənˌsɪdəˈreɪʃən]	~s соображения
consist (3):	[kənˈsɪst]	~ of состоять из, заключаться
constraint (4)	[kənˈstreɪnt]	ограничение
consumable (1)	[kənˈsjʊ:məbl]	потребляемый
consume (3)	[kənˈsjʊ:m]	потреблять
consumer (14)	[kənˈsjʊ:mə]	потребитель, покупатель



consumption (7)	[kən'sʌmpʃən]	потребление
content (1):	['kɒntent]	~s содержимое
contest (1)	['kɒntest]	борьба
continue (3)	[kən'tɪnju:]	продолжать
contractual (1)	[kən'træktʃuəl]	договорной
contrary (2):	['kɒntrəri]	~ to вопреки, несмотря на; <i>on the ~</i> на-оборот
contribute (1)	[kən'trɪbjʊ:t]	содействовать, способствовать
convenience (1)	[kən'vi:niəns]	выгода
copyright (1)	['kɒprɪtaɪt]	авторское право
core (1):	[kɔ:]	~ <i>personality</i> внутреннее «я»
corresponding (1)	[,kɒrɪs'pɒndɪŋ]	соответствующий
cost (17)	[kɒst]	стоимость; ~s затраты, издержки
costly (2)	['kɒstli]	дорогостоящий, накладный
counterpart (1)	['kauntəpɑ:t]	эквивалент
course (12)	[kɔ:s]	1. курс ( <i>учебный</i> ); <i>of ~</i> конечно
create (6)	[kri'eɪt]	создавать, производить
creativity (1)	[,kri:ɪ'ɪvɪtɪ]	изобретательность
crime (3)	[kraɪm]	преступление
crops (1)	['krɒps]	зерновые культуры
current (10)	['kʌrənt]	1. течение (реки); 2. текущий
curve (60)	[kə:v]	кривая; <i>demand/supply ~</i> кривая спроса/предложения
customary (1)	['kʌstəməri]	обычный, привычный
customer (5)	['kʌstəmə]	покупатель
<b>D</b>		
deal (3)	[di:l]	1. сделка; <i>a great ~ of</i> много; 2. <i>to ~ with</i> иметь дело (с), заниматься <i>to strike a ~</i> заключить сделку
decide (23)	[dɪ'saɪd]	решать(ся), принимать решение
decision (34)	[dɪ'sɪʒən]	решение
decrease (7)	[dɪ'kri:s]	1. уменьшение, снижение; 2. уменьшать(ся), убывать
deferred (1):	[dɪ'fɜ:d]	~ <i>consumption</i> отложенное потребление
define (8)	[dɪ'faɪn]	определять
definition (18)	[,defɪ'nɪʃən]	определение
degree (6)	[dɪ'ɡri:]	степень, уровень
demand (154)	[dɪ'mɑ:nd]	1. спрос; 2. требовать, быть нужным; <i>effective ~</i> платежеспособный спрос; <i>latent ~</i> скрытый спрос

deny (1)	[dɪˈnaɪ]	отрицать, отвергать; не признавать
depend (11)	[dɪˈpend]	зависеть; <i>be ~ent on</i> быть зависимым от
derive (3)	[dɪˈrɪv]	происходить
describe (4)	[dɪˈskraɪb]	описывать
design (1):	[dɪˈzaɪn]	<i>be ~ed</i> быть предназначенным (для чего-л.)
desire (27)	[dɪˈzaɪə]	1. желание; запрос; 2. желать, хотеть
destruction (1)	[dɪˈstrʌkʃən]	разрушение
deterioration (1)	[dɪˌtɪəriəˈreɪʃən]	ухудшение
determinant (6)	[dɪˈtɜːmɪnənt]	определяющий фактор; детерминант
determine (7)	[dɪˈtɜːmɪn]	определять
detrimental (1)	[ˌdetrɪˈmentl]	пагубный
develop (4)	[dɪˈveləp]	развивать; разрабатывать, расширять
differ (3)	[ˈdɪfə]	отличаться
difference (5)	[ˈdɪfərəns]	различие, разница
different (20)	[ˈdɪfərənt]	различный, разный
differentiate (3)	[ˌdɪfəˈrenʃɪeɪt]	различать, дифференцировать
diminish (4)	[dɪˈmɪnɪʃ]	убывать, уменьшаться
direct (4)	[dɪˈrekt]	1. прямой; непосредственный 2. направлять
direction (1)	[dɪˈrekʃən]	направление
discard (1):	[dɪsˈkɑːd]	<i>~ alternatives</i> отбрасывать альтернативы
discrepancy (1)	[dɪˈskrepənsɪ]	расхождение
disequilibrium (6)	[ˌdɪsekwiˈlɪbrɪəm]	нарушение равновесия
dismal (1):	[ˈdɪzmal]	<i>~ science</i> мрачный; скучный
disparity (1)	[dɪˈspærɪtɪ]	несоответствие
dispense (1):	[dɪˈspens]	<i>~ with</i> распоряжаться
distinction (2)	[dɪˈstɪŋkʃən]	отличие, различие
distinguish (4)	[dɪˈstɪŋɡwɪʃ]	различать, выделять
distribute (1)	[dɪˈstrɪbjʊːt]	распределять
distribution (3)	[ˌdɪstrɪˈbjʊːʃən]	распределение
disturbance (1):	[dɪˈstɜːbəns]	<i>market ~s</i> колебания на рынке
divide (5)	[dɪˈvaɪd]	делить(ся), разделять, подразделять
dominance (2)	[ˈdɒmɪnəns]	доминирование, влияние
dominate (3)	[ˈdɒmɪneɪt]	доминировать, преобладать
domination (1)	[ˌdɒmɪˈneɪʃən]	господство, власть
double (2)	[ˈdʌbl]	двойной
drop (2)	[drɒp]	падать; снижать(ся); сбавлять (цену)
durable (2)	[ˈdjʊərəbəl]	длительный; <i>~ goods</i> товары длительного пользования

## E

e.g. (1)		сокр. <i>от exempli gratia</i> например
earn (6)	[ə:n]	получать, зарабатывать
earth (2)	[ə:θ]	земля
economics (104)	[,i:kə'nɒmɪks]	экономика, экономическая наука; <b>basic</b> ~ основы экономики
economize (17)	[i:'kɒnəmaɪz]	экономить
economy (24)	[i:'kɒnəmi]	экономика (страны), хозяйство; <b>non-market</b> ~ нерыночная (плановая) экономика; <b>command</b> ~ административно-командная/регулируемая экономика
educate (2)	[ˈedju:kert]	давать образование, воспитывать
educational (1):	[,edju:'kerʃən]	~ <b>organization</b> учебное заведение
efficiency (1)	[ɪ'fɪʃənsɪ]	эффективность, производительность
efficient (4)	[ɪ'fɪʃənt]	эффективный, рациональный
effort (10)	[ˈefət]	усилие; <i>in an ~ to do smth</i> пытаюсь сделать что-л.
ego (1)	[ˈi:ɡəʊ, 'egəʊ]	я (сам); эго
emerge (3)	[ɪ'mɛ:dʒ]	появляться, возникать
emphasis (1)	[ˈemfəsis]	акцент, упор
emphasize (3)	[ˈemfəsaɪz]	подчеркивать
employ (4)	[ɪm'plɔɪ]	применять, использовать
employee (1)	[ɪm'plɔɪi/,emplɔɪ'i:]	служащий
employer (1)	[ɪm'plɔɪə]	работодатель
enable (2)	[ɪ'neɪbl]	делать возможным, давать возможность
encourage (2)	[ɪn'kʌrɪdʒ]	стимулировать
endless (1)	[ˈendləs]	бесконечный
engage (2)	[ɪn'geɪdʒ]	вовлекать
ensure (1)	[ɪn'ʃʊə]	гарантировать
enter (2)	[ˈentə]	входить, вступать
enterprise (1)	[ˈentəpraɪz]	предприятие
entire (14)	[ɪn'taɪə]	целый, полный, весь
entity (1)	[ˈentɪti]	<b>individual economic</b> ~ самостоятельная экономическая единица
entrepreneur (31)	[,ɒntreprə'ne:]	предприниматель
entrepreneurship (10)	[,ɒntreprə'ne:ʃɪp]	предпринимательство, предпринимательские способности
entry (1)	[ˈentri]	вход, вступление
environmental (2):	[ɪn,və'ɪrəməntl]	~ <b>economics</b> экономика окружающей среды; ~ <b>destruction</b> разрушение окружающей среды
equal (12)	[i:'kwəl]	1. равный; 2. равняться

equilibrium (35)	[ˌiːkwɪˈlɪbrɪəm]	равновесие
equipment (4)	[ɪˈkwɪpmənt]	оборудование
erect (1)	[ɪˈrekt]	возводить, сооружать
essence (1):	[ˈesəns]	<i>in</i> ~ по существу, в сущности
establish (2)	[ɪˈstæblɪʃ]	устанавливать; ~ <i>oneself as</i> заявить о себе как
estate (4)	[ɪˈsteɪt]	имущество; <i>real</i> ~ недвижимое имущество, недвижимость
estimate (1)	[ˈestɪmeɪt]	оценивать
etc (3)	[etˈsetərə]	<i>сокр. от et cetera</i> и так далее (и т.д.)
evaluate (1)	[ɪˈvæljueɪt]	оценивать
evaluation (2)	[ɪˈvæljueɪʃən]	оценка
event (1)	[ɪˈvent]	событие
exact (10)	[ɪɡˈzækt]	точный
examine (1)	[ɪɡˈzæmɪn]	изучать
exceed (3)	[ɪkˈsiːd]	превышать
exception (1)	[ɪkˈsepʃən]	исключение
excess (14)	[ɪkˈses/ˈeksəs]	1. избыток; 2. избыточный; дополнительный
excessive (1)	[ɪkˈsesɪv]	излишний
exchange (31)	[ɪksˈtʃeɪndʒ]	обмен
exclusive (3)	[ɪkˈskluːsɪv]	исключительный
exert (1):	[ɪɡˈzɜːt]	~ <i>onself</i> напрягаться, прилагать усилия
exertion (2):	[ɪɡˈzɜːʃən]	~ <i>of brawn/brains</i> физические/умственные усилия
exhaustible (1)	[ɪɡˈzɔːstəblɪ]	истощаемый, исчерпаемый
exist (15)	[ɪɡˈzɪst]	существовать, возникать
existence (4)	[ɪɡˈzɪstəns]	существование, наличие
exit (1)	[ˈegzɪt/ˈeksɪt]	выход
expand (3)	[ɪkˈspænd]	расширять
expect (7)	[ɪkˈspekt]	ожидать, предполагать
experience (2)	[ɪkˈspɪəriəns]	опыт
explain (3)	[ɪkˈspleɪn]	объяснять
explicit (1):	[ɪkˈsplɪsɪt]	~ <i>cost</i> явные издержки
express (4)	[ɪkˈspres]	выражать, отображать
extend (1)	[ɪkˈstend]	распространять
extent (2)	[ɪkˈstent]	объем, степень
extension (1)	[ɪkˈstenʃən]	протяженность
extra (7)	[ˈekstrə]	дополнительный, добавочный; избыточный; усиленный; особый
extreme (1)	[ɪkˈstriːm]	чрезмерный

## F

face (18)	[feɪs]	сталкиваться, стоять перед (кем/чем-л.)
facilitate (1)	[fə'sɪlɪteɪt]	облегчать
fail (3)	[feɪl]	(по)терпеть неудачу; не удаваться
failure (1)	[ˈfeɪljə]	неудача
familiar (2):	[fə'mɪlɪə]	<b>be ~ with</b> быть знакомым
far-reaching (1)	[,fɑ:'ri:tʃɪŋ]	имеющий большие перспективы
far-sighted (1)	[,fɑ:'saɪtɪd]	дальновидный
favour (1):	[ˈfeɪvə]	<b>in ~</b> в пользу
feature (2)	[ˈfi:tʃə]	характерная черта; признак
field (2)	[fi:ld]	область
figure (5)	[ˈfɪɡə]	1. рисунок; 2. ~ <b>out</b> подсчитывать
fill (2)	[fɪl]	заполнять, наполнять
finished (2):	[ˈfɪnɪʃt]	~ <b>goods</b> конечные товары
finite (12)	[ˈfaɪnɪt]	конечный, ограниченный
fire station (3)	[ˈfaɪə'steɪʃən]	пожарное депо
fit (4)	[fɪt]	подходить, соответствовать
fittest (4)	[ˈfɪtɪst]	зд. сильнейший
flea (1):	[fli:]	~ <b>market</b> "блошинный" рынок, "барахолка"
flexible	[ˈfleksəbl]	(1) гибкий; легко приспособляемый
floor (8):	[flɔ:]	<b>price ~</b> минимальный уровень цен
flow (4)	[fləʊ]	1. течь; протекать; 2. <b>to go with the ~</b> плыть по течению; <b>cash ~</b> денежный поток наличности
fluid (1)	[ˈflu:ɪd]	ликвидный (о капитале)
follow (7)	[ˈfɒləʊ]	следовать
force (16)	[fɔ:s]	1. сила; 2. заставлять, вынуждать
forgo (4)	[fɔ:'gəʊ]	отказываться, воздерживаться
former (1)	[ˈfɔ:mə]	первый
foundational (1)	[faʊn'deɪʃənəl]	фундаментальный
framework (1):	[ˈfreɪmwɜ:k]	<b>within the ~</b> в пределах/рамках чего-л.
fresh (1):	[frefʃ]	~ <b>water</b> пресная вода
fulfil (9)	[ˈfʊl'fɪl]	выполнять; делать, исполнять, осуществлять
further (2)	[ˈfɜ:ðə]	способствовать, содействовать, продвигать

## G

gain (15)	[geɪn]	1. прибыль, доход; ~s доходы; 2. получать, добиваться
gap (2)	[gæp]	брешь, пробел

garbage (1)	[ˈgɑːbrɪdʒ]	мусор
general (11)	[ˈdʒenərəl]	общий, неспециализированный; <i>in ~</i> вообще
gift (4)	[ɡɪft]	дар, подарок
give (5):	[ɡɪv]	~ <i>up</i> отказываться, бросать
goal (14)	[ɡəʊl]	цель
good (74)	[ɡʊd]	товар; польза; <i>economical ~</i> экономическое благо
govern (1)	[ˈgʌvən]	управлять
grocer (1)	[ˈgrəʊsə]	торговец бакалейными товарами, бакалейщик
growth (1):	[ɡrəʊθ]	<i>economical ~</i> экономический рост
guide (1)	[ɡaɪd]	направлять

## H

half (1)	[hɑːf]	половина
happen (4)	[ˈhæpən]	случаться, происходить
hardship (1):	[ˈhɑːdʃɪp]	~s трудности
health (2)	[helθ]	здоровье; ~ <i>care</i> здравоохранение
hire (2)	[ˈhaɪə]	нанимать на работу
hold (3)	[həʊld]	считать, полагать
household (5)	[ˈhaʊshəʊld]	(домашнее) хозяйство
housing (1)	[ˈhaʊzɪŋ]	жилье
human-being (4)	[ˌhjuːmən ˈbiːɪŋ]	человек

## I

i.e. (11)		<i>сокр. от id est</i> - то есть
illegal (2)	[ɪˈliːɡəl]	незаконный, противозаконный
illegitimate (1)	[ɪlɪˈdʒɪtɪmət]	противозаконный
imaginary (2)	[ɪˈmædʒɪnəri]	воображаемый; нереальный
imbalance (1)	[ɪmˈbæləns]	несоответствие
immovable (2):	[ɪˈmuːvəbl]	~ <i>property</i> недвижимое имущество
imperfect (2)	[ɪmˈpɜːfɪkt]	несовершенный
implicit (1):	[ɪmˈplɪsɪt]	~ <i>cost</i> неявные издержки
importance (1)	[ɪmˈpɔːtəns]	значимость
important (19)	[ɪmˈpɔːtənt]	важный
impose (2)	[ɪmˈpəʊz]	облагать (налогом и т.п.); навязать
impossible (2)	[ɪmˈpɔːsəbl]	невозможный
impractical (1)	[ɪmˈpræktɪkəl]	неосуществимый
improve (6)	[ɪmˈpruːv]	улучшать(ся); совершенствоваться(ся)
inability (1)	[ɪˌnəˈbɪlɪtɪ]	невозможность
include (15)	[ɪnˈkluːd]	включать

income (9)	[ˈɪŋkʌm/ ˈɪn-]	доход, прибыль
increase (5);	[ˈɪŋkriːs]	увеличение, рост
increase (11)	[ɪn ˈkriːs]	возрастать, увеличивать(ся)
indicate (4)	[ˈɪndɪkeɪt]	показывать, указывать
indirect (2)	[ˌɪndɪˈrekt]	косвенный, непрямой
inescapable (3)	[ˌɪnɪˈskeɪpəbl]	неизбежный
infinite (1)	[ˈɪnfɪnɪt]	безграничный
influence (7);	[ˈɪnfluəns]	1. влияние; 2. влиять
informed (1):	[ɪnˈfɔːmd]	~ <i>choice-decisions</i> решения, принятые на основе имеющихся сведений
inherent (3)	[ɪnˈhɪərənt]	свойственный
inherit (1)	[ɪnˈherɪt]	унаследовать
innovate (1)	[ˈɪnəveɪt]	вводить новшества
innovation (2)	[ˌɪnəˈveɪʃən]	новшество
input(s) (4)	[ˈɪnpʊt]	вклад
instance (2):	[ˈɪnstəns]	for ~ например
institutional (2):	[ˌɪnstɪˈtjuːʃənl]	см. <i>arrangement</i> ; ~ <i>economics</i> институциональная экономика
insurance (1):	[ɪnˈʃʊərəns]	~ <i>policy</i> страховой полис
intangible (5)	[ɪnˈtændzəbl]	нематериальный
intend (3)	[ɪnˈtend]	предназначать(ся)
intention (1)	[ɪnˈtenʃən]	намерение
interact (1)	[ˌɪntərˈækt]	взаимодействовать
interaction (1)	[ˌɪntərˈækʃən]	взаимодействие
interdependent (1)	[ˌɪntərɪˈpendənt]	зависящий один от другого
interest (8)	[ˈɪntrest]	интерес; процент(ы)
interested (2)	[ˈɪntərəstɪd]	заинтересованный
interfere (1)	[ˌɪntəˈfɪə]	вмешиваться
intermediary (3)	[ˌɪntəˈmiːdiəri]	посредник
intermediate (1)	[ˌɪntəˈmiːdiət]	промежуточный
interrelated (1)	[ˌɪntərɪˈleɪtɪd]	взаимосвязанный
intersection (2)	[ˌɪntəˈsekʃən]	перекресток; пересечение
introduce (1)	[ˌɪntroʊˈdjuːs]	вводить, представлять
introduction (9)	[ˌɪntroʊˈdʌkʃən]	введение
inventory (2)	[ˈɪnvəntri]	запас, наличные товары; ~s материально-производственные запасы
inverse (2)	[ˌɪnˈvɜːs]	обратный, противоположный
involve (17)	[ɪnˈvɒlv]	включать в себя, содержать(ся); вовлекать(ся)

inwards (2)	[ˈɪnwədz]	внутри; в сторону начала координат
issue (2)	[ˈɪʃuː/ˈɪʃjuː]	вопрос, проблема
item (22)	[ˈaɪtəm]	предмет, вещь
J		
jewelry (1)	[ˈdʒuːəlɪrɪ]	ювелирные изделия
join (2)	[dʒɔɪn]	присоединяться, объединяться
justification (2)	[ˌdʒʌstɪfɪˈkeɪʃən]	оправдание
K		
key (6)	[kiː]	1. ключ; 2. ключевой; главный
kind (10)	[kaɪnd]	вид, разновидность
L		
label (2)	[ˈleɪbəl]	отмечать, помечать
labour (25)	[ˈleɪbə]	труд; ~ <i>economics</i> экономика труда
lack (3)	[læk]	испытывать недостаток, недоставать
land (25)	[lænd]	земля
latent (2)	[ˈleɪtənt]	см. <i>demand</i>
law (20)	[lɔː]	закон
leadership (1)	[ˈliːdəʃɪp]	руководство
leisure (1)	[ˈleɪzə]	отдых
length (1)	[leŋθ]	продолжительность, протяженность
lessen (1)	[ˈlesn]	уменьшать
level (8)	[ˈlevəl]	уровень
limitation (3)	[ˌlɪmɪˈteɪʃən]	ограничение
list (3)	[lɪst]	список, перечень
livestock (1)	[ˈlaɪvstɔk]	(домашний) скот
living (2):	[ˈlɪvɪŋ]	~ <i>resources</i> возобновляемые ресурсы
location (1)	[ləʊˈkeɪʃən]	место
loss (3)	[lɒs]	убыток, потеря; ~s убытки
lot (7):	[lɒt]	1. <i>parking</i> ~ стоянка для автомашин, 2. а ~ (of) много
lower (14)	[ˈləʊə]	снижать, уменьшать
lumber (1)	[ˈlʌmbə]	пиломатериалы
M		
machinery (4)	[məˈʃɪnəri]	оборудование; машины
main (4)	[meɪn]	главный, основной
mainstream (1)	[ˈmeɪnstriːm]	основное направление
maintain (1)	[meɪnˈteɪn]	поддерживать, удерживать, сохранять
major (3)	[ˈmeɪdʒə]	главный, основной
manage (4)	[ˈmænɪdʒ]	распоряжаться; справляться; экономно расходовать



management (4)	[ˈmænɪdʒmənt]	управление; руководство
managerial (1)	[ˈmænəˈdʒɪəriəl]	управленческий; ~ <i>economics</i> экономика управления
manifest (2)	[ˈmænɪfɛst]	выказывать признаки, (про)являть
manufacture (2)	[ˈmænjuˌfæktʃə]	производить, изготавливать
margin (2)	[ˈmɑːdʒɪn]	минимум; предел; край
marginal (31)	[ˈmɑːdʒɪnəl]	предельный; минимальный; ~ <i>utility</i> предельная полезность
mark (1)	[mɑːk]	отмечать, показывать
market (216)	[ˈmɑːkɪt]	рынок; <i>spot</i> ~ рынок наличного товара
marketplace (3)	[ˈmɑːkɪtpleɪs]	рынок; базарная/рыночная площадь; сфера торговли
marriage (2)	[ˈmæɪdʒ]	тесный союз, единение
match (6)	[mætʃ]	1. матч; 2. подходить, соответствовать
matter (5)	[ˈmætə]	1. вопрос; <i>no</i> ~ не важно
meaning (4)	[ˈmiːnɪŋ]	значение
measure (8)	[ˈmeʒə]	1. мера; 2. измерять, определять
mediate (1)	[ˈmiːdiət]	быть посредником
medium (2)	[ˈmiːdiəm]	~ <i>of exchange</i> средство обращения
meet (5):	[mi:t]	<i>to</i> ~ <i>needs/wants</i> удовлетворять нужды/потребности
member (2)	[ˈmembə]	участник
mental (3)	[ˈmentl]	умственный
mention (1)	[ˈmenʃən]	упоминать, ссылаться на
mere (1)	[miə]	простой, чистый
merge (1)	[mɜːdʒ]	сливать(ся); поглощать(ся)
merger (2)	[ˈmɜːdʒə]	поглощение, слияние
midway (1)	[ˌmɪdˈweɪ]	полпути
mind (4):	[maɪnd]	<i>in the ~ of</i> на взгляд, по мнению; <i>to bear in ~</i> иметь в виду
miserable (1)	[ˈmɪzərəbl]	несчастный
mix (2)	[mɪks]	смешивать, путать
modest (2)	[ˈmɒdɪst]	умеренный
modify (2)	[ˈmɒdɪfaɪ]	видоизменять
movable (2)	[ˈmuːvəbl]	~s/~ <i>property</i> движимость, движимое имущество
move (6)	[muːv]	1. движение; 2. двигаться, перемещаться
movement (4)	[ˈmuːvmənt]	движение; передвижение, перемещение
mutual (6)	[ˈmjuːtʃuəl]	взаимный
N		
necessary (6)	[ˈnesɪsəri]	необходимый, нужный, требуемый
necessity (1)	[nɪˈsesɪti]	необходимость
need (27)	[niːd]	1. потребность; 2. нуждаться, требоваться

negotiate (1)	[nɪˈɡəʊʃieɪt]	вести переговоры, обсуждать условия
next-best (1):	[ˈnekstˈbest]	~ <i>alternative</i> следующая/другая лучшая альтернатива
non-corporeal (1)	[ˌnɒn kɔːˈpɔːriəl]	нематериальный
note (12)	[nəʊt]	1. примечание, комментарий; 2. замечать, обращать внимание
notion (4)	[ˈnəʊʃən]	понятие
number (25)	[ˈnʌmbə]	количество, число; цифра; а ~ of некоторое количество, ряд
numerous (2)	[ˈnjuːmərəs]	многочисленный

**O**

object (7)	[ˈɒbdʒɪkt]	предмет; вещь
objective (24)	[əbˈdʒektɪv]	цель, стремление
obligation (1)	[ˌɒblɪˈɡeɪʃən]	обязательство
observe (3)	[əbˈzəːv]	наблюдать, замечать
obtain (2)	[əbˈteɪn]	получать, приобретать
obvious (4)	[ˈɒbvɪəs]	очевидный, явный, понятный
occupy (1)	[ˈɒkjupaɪ]	занимать
occur (1)	[əˈkɜː]	происходить, случаться
offer (16)	[ˈɔːfə]	1. предложение; 2. предлагать
oil (1)	[ɔɪl]	нефть
operate (2)	[ˈɒpəreɪt]	работать; функционировать
opportunity (46)	[ˌɒpəˈtjuːnɪti]	возможность; ~ <i>cost</i> альтернативные издержки
oppose (5)	[əˈpəʊz]	противопоставлять
option (6)	[ˈɒpʃən]	выбор, альтернатива, (возможный) вариант
order (21)	[ˈɔːdə]	порядок, последовательность; <i>in ~ to</i> для того, чтобы
ore (1)	[ɔː]	руда
origin (1)	[ˈɔːrɪdʒɪn]	начало
original (2)	[əˈrɪdʒɪnəl]	первоначальный
outcome (3)	[ˈaʊtkʌm]	итог, последствие, результат
output (1)	[ˈaʊtpʊt]	выпуск
outstanding (1)	[aʊtˈstændɪŋ]	знаменитый, известный
outwards (2)	[ˈaʊtwədz]	наружу; от точки начала координат
own (34) 1.	[əʊn]	свой, собственный; 2. владеть
owner (7)	[ˈəʊnə]	владелец
ownership (18)	[ˈəʊnəʃɪp]	право собственности, собственность; владение

**P**

package (2)	[ˈpækɪdʒ]	1. упаковка; 2. упаковывать
pain (2):	[peɪn]	~s усилия
pair (4)	[peə]	пара

part (14)	[pɑ:t]	1. часть; <i>spare</i> ~s запасные детали/части; 2. ~ <i>with</i> расставаться
participant (2)	[pɑ:'tɪsɪpənt]	участник
particular (10)	[pɑ:'tɪkjələ]	отдельный, особый
party (8)	[pɑ:ti]	сторона, участник; вечер, вечеринка
pass (1)	[pɑ:s]	~ <i>away</i> исчезать, проходить
payment (3)	[peɪmənt]	платеж
per se (2)		<i>лат.</i> сам по себе
percentage (4)	[pə'sentɪdʒ]	процент, процентное отношение
perfect (10)	[pə'fɪkt]	совершенный; ~ <i>competition</i> совершенная конкуренция
perform (2)	[pə'fɔ:m]	выполнять; осуществлять
persistent (3)	[pə'sɪstənt]	постоянный, стабильный
personalty (9)	[pə'snəltɪ]	движимое имущество
pillar (1)	[pɪlə]	основа
place (15)	[pleɪs]	1. место; 2. помещать, размещать; <i>in ~ of</i> вместо
plain (1)	[pleɪn]	обыкновенный, простой
plentitude (1)	[plɛntɪtju:d]	обилие, изобилие
plentiful (1)	[plɛntɪfəl]	многочисленный
plot (2)	[plɒt]	наносить на график
point (20)	[pɔɪnt]	смысл, вопрос; точка, место; <i>That's the point.</i> В этом все и дело
politician (1)	[pɒlɪtɪʃən]	политик
poor (2)	[pɔ:]	плохой; <i>the ~</i> бедные
possess (3)	[pə'zes]	владеть, иметь
possession (2)	[pə'zeʃən]	владение, ~s собственность, имущество
possible (30)	[pɒsəbl]	вероятный, возможный
poverty (3)	[pɒvərtɪ]	бедность
power (4)	[paʊə]	власть
precise (4)	[prɪ'saɪs]	точный
precision (1)	[prɪ'sɪʒən]	точность
predatory (2)	[prɪ'detətəri]	грабительский
prediction (1)	[prɪ'dɪkʃən]	предсказание
predominate (2)	[prɪ'dɒmɪneɪt]	господствовать, преобладать, доминировать
prefer (2)	[prɪ'fɜ:]	предпочитать
preference (1)	[prɪ'fɜərəns]	предпочтение, преференция
pressure (1)	[preʃə]	давление
presuppose (1)	[,prɪ:sə'pəʊz]	предполагать
prevent (5)	[prɪ'vent]	препятствовать, предотвращать, предупреждать
previous (3)	[prɪ'vɪəs]	предыдущий

price (283)	[praɪs]	цена; ~ ( <i>taker</i> ) <i>maker</i> (не)конкурирующий
primary (6)	['praɪməɪ]	основной, важнейший
production (36)	[prə'dʌkʃən]	производство
productive (6)	[prə'dʌktɪv]	производственный, производительный
productivity (2)	[,prɒdʌk'tɪvɪtɪ]	производительность
profit (12)	['prɒfɪt]	1. выгода, (~s) прибыль, доход; 2. получать/извлекать пользу
propensity (4)	[prə'pensɪtɪ]	склонность
property (51)	['prɒpəɪtɪ]	имущество; собственность; право собственности/ владения
prospective (1)	[prə'spektɪv]	ожидаемый; предполагаемый
prosperity (1)	[prɒ'sperɪtɪ]	процветание
protect (3)	[prə'tekt]	защищать
protection (3)	[prə'tekʃən]	защита
prove (1):	[pru:v]	~ <i>to be</i> оказываться
provide (9)	[prə'vaɪd]	давать, предоставлять; обеспечивать
public (6)	['pʌblɪk]	общественный; государственный; общественность; ~ <i>property</i> общественная собственность
pull (1):	[pul]	~ <i>out of the market</i> изымать из рынка
punishment (1)	['plʌnɪʃmənt]	наказание
purchase (15)	['pɜ:tʃəs]	1. покупка; 2. покупать
pure (4)	[pjʊə]	чистый; ~ <i>competition</i> совершенная конкуренция; ~ <i>monopoly</i> чистая монополия
purpose (6)	['pɜ:pəs]	намерение, цель, стремление
pursuit (1)	[pɜ'sju:t]	стремление
push (1)	[puʃ]	продвигать
Q		
quality (8)	['kwɒlɪtɪ]	качество
quantity (91)	['kwɒntɪtɪ]	количество; ~ <i>demanded</i> объем /величина спроса; ~ <i>supplied</i> объем /величина предложения
quarter (2)	['kwɒ:tə]	<i>from a variety of</i> ~( <i>s</i> ) со всех сторон, отовсюду
R		
race (1):	[reɪs]	<i>human</i> ~ человечество
rainbow (1):	['reɪnbəʊ]	<i>You chase your ~ and I'll chase mine.</i> Каждому свое.
range (3)	[reɪndʒ]	диапазон, предел; ~ <i>of prices</i> размах колебаний цен
rank (1)	[ræŋk]	ряд, строй
rare (1)	[reə]	редкий

rate (6)	[reɪt]	темп; <i>crime</i> ~ уровень преступности; <i>interest</i> ~ ставки процента /процентные ставки; <i>wage</i> ~ ставка зарплаты/тарифная ставка
rationing (1)	[ˈræʃənɪŋ]	нормирование
raw (2)	[rɔː]	~ <i>materials</i> сырье
reach (8)	[ri:tʃ]	достигать, добиваться
realize (2)	[ˈriəlaɪz]	понимать, осознавать
reality (5)	[ˈriəlɪti]	недвижимость/недвижимое имущество
reason (6)	[ˈriːzən]	причина, повод, основание
reasonable (1)	[ˈriːzənəbl]	разумный
receive (12)	[rɪˈsiːv]	получать; обретать, приобретать
recent (3)	[ˈriːsənt]	недавний
reclaim (1)	[rɪˈkleɪm]	(повторно) использовать, утилизировать
recognize (2)	[ˈrekəɡnaɪz]	признавать
recycle (1)	[ˈriːsaɪkl]	повторно использовать, перерабатывать
reduce (2)	[rɪˈdjuːs]	понижать, сокращать, уменьшать
refer (29)	[rɪˈfəː]	иметь отношение, относиться
reflect (9)	[rɪˈflekt]	отражать
regard (5)	[rɪˈɡɑːd]	рассматривать; считать; <i>with ~ to/in ~ to</i> относительно; в отношении; что касается
register (1)	[ˈredʒɪstə]	касса, кассовое окошко
regularity (2)	[ˌregjʊˈlærɪti]	закономерность
regulation (3)	[ˌregjʊˈleɪʃən]	правило, регулирование
relate (9)	[rɪˈleɪt]	относиться, иметь отношение, быть связанным с (чем-л.)
relation (8)	[rɪˈleɪʃən]	отношение, связь
relationship (16)	[rɪˈleɪʃənʃɪp]	соотношение; взаимоотношение; взаимосвязь, связь
relative (16)	[ˈrelatɪv]	относительный
relevant (2)	[ˈrelɪvənt]	значимый; существенный; важный
remain (10)	[rɪˈmeɪn]	оставаться
remark (1)	[rɪˈmɑːk]	комментарий
renewable (2)	[rɪˈnjuːəbl]	возобновляемый
rent (3)	[rent]	арендная плата; рента
rental (1)	[ˈrentl]	арендная плата
repair (2)	[rɪˈpeə]	ремонтировать
represent (6)	[ˌreprɪˈzent]	представлять
representation (2)	[ˌreprɪzenˈteɪʃən]	изображение
reproduce (2)	[ˌriːprəˈdjuːs]	воспроизводить

require (3)	[rɪ'kwʌə]	нуждаться; требовать
requirement (3)	[rɪ'kwʌəmənt]	требование; необходимое условие
residential (1)	[ˌrezɪ'denʃəl]	жилой
respective (1)	[rɪ'spektɪv]	соответственный, соответствующий
response (2)	[rɪ'spɒns]	ответ, реакция
responsive (1)	[rɪ'spɒnsɪv]	легко реагирующий, восприимчивый
responsiveness (7)	[rɪ'spɒnsɪvnes]	реакция
restrain (1)	[rɪ'streɪn]	сдерживать; удерживать
restriction (1)	[rɪ'strɪkʃən]	ограничение
retain (2)	[rɪ'teɪn]	держат; удерживать, сохранять
return (1):	[rɪ'tə:n]	<i>marginal</i> ~ предельный доход
reuse (1)	[ri:'ju:z]	снова/повторно использовать
revenue (2)	[ˌrevɪnju:]	доход; выручка
rich (2):	[rɪtʃ]	<i>the</i> ~ богачи, состоятельные люди
rid (1)	[rɪd]	<i>to get ~ of</i> избавиться
right (38)	[raɪt]	1. право; 2. правильный; верный; именно тот, который нужен
rival (2)	[ˌraɪvəl]	конкурент, соперник
rivalry (3)	[ˌraɪvəlɪ]	конкуренция; соперничество
rule (2)	[ru:l]	правило

S

sacrifice (5)	[ˌsækrɪfɪs]	1. жертва; 2. приносить в жертву, жертвовать
sale (8)	[seɪl]	продажа
satisfy (20)	[ˌsætɪsfaɪ]	удовлетворять, соответствовать/отвечать требованиям
save (7)	[seɪv]	беречь, экономить; оставлять, приберегать
scarce (47)	[skeɪs]	ограниченный
scarcity (51)	[ˌskeɪsɪti]	ограниченность
schedule (15)	[ˌʃedju:l]	график
scholar (2)	[ˌskɒlə]	ученый
science (11)	[ˌsaɪəns]	наука
scratch (2):	[skrætʃ]	<i>~ my back and I will ~ yours.</i> - Услыга за услуги./Ты - мне, я - тебе.
seek (3)	[si:k]	стараться; (по)пытаться
select (3)	[sɪ'lekt]	выбирать
self-interest (6)	[ˌselfˈɪntrest]	личная выгода, корысть
self-interested (5)	[ˌselfˈɪntrestəd]	корыстный
selfish (1)	[ˌselfɪʃ]	эгоистичный
seller (69)	[ˌselə]	продавец

semi-finished (1):	[ˌsemiˈfɪnɪʃt]	~ <b>goods</b> товары незавершенного производства
sense (9)	[sens]	смысл, значение; <b>common</b> ~ здравый смысл
sensitive (1)	[ˈsensɪtɪv]	чувствительный; быстро реагирующий
sensitivity (1)	[ˌsensɪˈtɪvɪtɪ]	чувствительность
separate (2)	[ˈsepəreɪt]	отдельный
serve (3)	[sɜːv]	служить, работать
settle (1)	[ˈsetl]	устанавливать(ся)
settlement (1)	[ˈsetlmənt]	соглашение
severe (1)	[sɪˈvɪə]	тяжелый, серьезный, глубокий
shape (3)	[ʃeɪp]	1. форма, вид; 2. формировать
share (3)	[ʃɛə]	1. доля, часть, акция; 2. совместно использовать, разделять
sharing (1)	[ˈʃeərɪŋ]	разделение, совместное пользование
shift (17)	[ʃɪft]	1. изменение, перемещение, сдвиг; 2. перемещать(ся); сдвигать(ся)
shopper (1)	[ˈʃɒpə]	покупатель
shortage (6)	[ˈʃɔːtɪdʒ]	нехватка, недостаток, дефицит
short-hand (1)	[ˈʃɔːthænd]	сокращение
side (16)	[saɪd]	сторона; <b>on the other</b> ~ с другой стороны
similar (7)	[ˈsɪmɪlə]	подобный; похожий, сходный
single (6)	[ˈsɪŋɡl]	один; отдельный; единый
slope (10)	[sleɪp]	наклон, крутизна
smart (2)	[smɑːt]	толковый, сообразительный, находчивый
society (38)	[səˈsaɪəti]	общество; общественность
soil (1)	[sɔɪl]	почва, земля
solid (1)	[ˈsɒlɪd]	твердый
solution (1)	[səˈluːʃən]	решение
solve (12)	[sɒlv]	решать
source (2)	[sɔːs]	источник; причина
spare (2)	[spɛə]	запасная часть
spot (1)	[spɒt]	см. <b>market</b>
statement (2)	[ˈsteɪtmənt]	утверждение
steep (2)	[stiːp]	крутой
stick (1):	[stɪk]	~ <b>at nothing</b> ни перед чем не останавливаться
stock (4)	[stɒk]	запас (товаров); акции; <b>common</b> ~ обычная акция
storage (1)	[ˈstɔːrɪdʒ]	хранение
straight (3)	[streɪt]	прямой

strike (1)	[straɪk]	см. <i>deal</i>
strive (3)	[straɪv]	бороться, соперничать, стремиться
strong (2)	[strɒŋ]	сильный; решительный
study (35)	[ˈstʌdɪ]	(из)учение, исследование
stuff (2)	[stʌf]	вещи, товары
subdivision (1)	[ˌsʌbdɪvɪʒən]	подразделение
subject (2)	[ˈsʌbdʒɪkt]	тема, предмет; ~ <i>matter</i> предмет исследования/обсуждения
subjective (4)	[səbˈdʒektɪv]	субъективный; индивидуальный, личный
submit (1)	[səbˈmɪt]	представить на рассмотрение
subsidy (1)	[ˈsʌbsɪdɪ]	дотация, субсидия
substantial (3)	[səbˈstænʃəl]	важный, значимый, значительный, существенный
substitute (4)	[ˈsʌbstɪtju:t]	заменитель
succeed (3)	[səkˈsi:d]	достигать цели, преуспевать; иметь успех
successive (1)	[səkˈsesɪv]	последующий
suffer (1)	[ˈsʌfə]	пострадать
sufficient (2)	[səˈfɪʃənt]	достаточный
suggest (1)	[səˈdʒest]	предлагать
sum (12)	[sʌm]	1. сумма; 2. <i>to ~ up</i> резюмировать
supplier (2)	[səˈplaɪə]	поставщик
supply (151)	[səˈplaɪ]	1. предложение; 2. предлагать
supporter (1)	[səˈpɔ:tə]	приверженец, сторонник
suppose (9)	[səˈpəʊz]	допускать, думать, (пред)полагать
surface (1)	[ˈsɜ:fɪs]	поверхность
surplus (7)	[ˈsɜ:pləs]	избыток, излишек
surrender (1)	[səˈrendə]	сдаваться, подчиняться
surround (1)	[səˈraʊnd]	окружать
survive (1)	[səˈvaɪv]	выживать
switch (2)	[swɪtʃ]	переключать
T		
table (121)	[ˈteɪbl]	таблица
tabular (1)	[ˈtæbjʊlə]	имеющий форму таблицы, табличный
tangible (6)	[ˈtændʒəbl]	материальный
tax (4)	[tæks]	налог
tend (7)	[tend]	стремиться, иметь тенденцию
tension (1)	[ˈtenʃən]	напряжение
term (27)	[tɜ:m]	термин; <i>in ~s of</i> с точки зрения
theft (1)	[θeft]	кража



thought (5)	[θɔ:t]	мысль
thrive (1)	[θraɪv]	процветать, преуспевать
title (2)	[ˈtaɪtl]	право на собственность
tool (2)	[tu:l]	инструмент
trade (16)	[treɪd]	1. торговля; 2. торговый; 3. торговать
trademark (1)	[ˈtreɪdmɑ:k]	торговая марка
trade-off (1)	[ˈtreɪdɔ:f]	компромисс, уступка
traffic (1)	[ˈtræfɪk]	движение; транспорт
trait (1)	[treɪ/ˈtreɪt]	черта
transact (1)	[trænˈzækt]	совершать/заключать (сделку)
transaction (10)	[trænˈzækʃən]	дело; сделка; операция
transfer (1)	[ˈtrænsfə:]	передача
transfer (3)	[trænsˈfə:]	передавать
trigger (1) давать	[ˈtrɪgə]	начало
trouble (2)	[ˈtrʌbl]	1. беспокойство; 2. беспокоить
try (15)	[traɪ]	1. попытка; 2. пытаться, делать попытку; стараться
tuition (3)	[ˈtju:ɪʃən]	плата за обучение
turn (7)	[tɜ:n]	1. поворот 2. ~ to обращаться к

U

ultimate (3)	[ˈʌltɪmɪt]	конечный; окончательный
unable (2)	[ʌnˈeɪbl]	неспособный
uncertainty (1)	[ʌnˈsɜ:ntɪzi]	неясность, неопределенность
unchanged (2)	[ˈʌn tʃeɪndʒd]	неизменившийся; неизменный
undeniable (1)	[ˌʌndɪˈnaɪəbl]	неоспоримый, неопровержимый
underlie (1)	[ˌʌndəˈlaɪ]	лежать в основе
undersupply (1)	[ˌʌndəˈsʌplɪ]	недопоставлять
undertake (1)	[ˌʌndəˈteɪk]	предпринимать
unemployment (1)	[ˌʌnɪmˈplɔɪmənt]	безработица
unequal (1)	[ʌnˈi:kwəl]	неравный; несправедливый
unexpected (1)	[ˌʌnɪkˈspektɪd]	неожиданный
unfair (1)	[ʌnˈfeə]	нечестный
unfulfilled (1)	[ˌʌnfʊlˈfɪld]	неисполненный
unit (19)	[ˈju:nɪt]	единица; предмет
universe (1)	[ˈju:nɪvɜ:s]	мир, вселенная
unjust (1)	[ˌʌnˈdʒʌst]	несправедливый, незаслуженный
unlikely (1)	[ʌnˈlaɪklɪ]	маловероятно
unlimited (17)	[ʌnˈlɪmɪtɪd]	безграничный, неограниченный; бес- предельный

unproductive (1)	[ˌʌnpɹəˈdʌktɪv]	непроизводительный
unsatisfied (2)	[ʌnˈsætɪsfɑɪd]	неудовлетворенный
unwanted (1)	[ʌnˈwɒntɪd]	лишний, ненужный
unwise (2)	[ʌnˈwaɪz]	не(благо)разумный
upbringing (1)	[ˌʌpbɪŋɪŋ]	воспитание, стиль воспитания
urban (2)	[ˈɜːbən]	городской
usage (1)	[ˈjuːsɪdʒ]	употребление
use (89)	[juːs]	1. употребление, применение; использование; 2. пользоваться, применять, употреблять; ~ <i>up</i> израсходовать, использовать; истратить
useful (5)	[ˈjuːsfəl]	полезный
usefulness (3)	[ˈjuːsfəlɪnəs]	польза; полезность
utility (28)	[juːˈtɪlɪtɪ]	полезность; <i>marginal</i> ~ предельная полезность
<b>V</b>		
vague (1)	[veɪɡ]	неопределенный, неясный
valuable (1)	[ˈvæljuəbl]	ценный; полезный
value (36)	[ˈvæljuː]	1. ценность; стоимость; 2. ценить
variable (2)	[ˈvɛəriəbl]	переменная
variety (2)	[vəˈraɪətɪ]	многообразие, разнообразие; ряд, множество
various (7)	[ˈvɛəriəs]	различный, разный, разнообразный
vary (2)	[ˈvɛəri]	изменять(ся), менять(ся)
vehicle (1)	[ˈviːɪkl]	транспортное средство
venture (1)	[ˈventʃə]	рисковать, отважиться
vice versa (4)	[ˈvaɪsɪˈvɜːsə]	<i>лат.</i> наоборот
vicinity (1)	[vɪˈsɪnɪtɪ]	окрестности; район
view (3)	[vjuː]	точка зрения; мнение
violence (1)	[ˈvaɪələns]	жестокость, насилие
voluntary (2)	[ˈvɒləntəri]	добровольный
vote (1)	[vəʊt]	голосовать
vs (7)	[ˈvɜːsəs]	<i>сокр. от лат. versus</i> против
<b>W</b>		
wage (8)	[weɪdʒ]	заработная плата
way (56)	[weɪ]	способ, путь; образ (действия)
wealth (14)	[welθ]	богатство
weigh (3)	[weɪ]	взвешивать, оценивать, рассматривать
weight (1)	[weɪt]	важность, значимость
well-run (1)	[wel rʌn]	хорошо управляемый
wheat (1)	[wiːt]	пшеница
whole (9)	[həʊl]	весь, целый

<b>widget</b> (5)	[ˈwɪdʒɪt]	(вымышленная) вещь/предмет
<b>willing</b> (35)	[ˈwɪlɪŋ]	желающий
<b>willingness</b> (3)	[ˈwɪlɪŋnɪs]	готовность, желание
<b>wise</b> (3)	[waɪz]	мудрый, разумный
<b>wording</b> (1)	[ˈwɜːdɪŋ]	формулировка
<b>worth</b> (2)	[wɜːθ]	достойный, заслуживающий чего-л.
<b>would-be</b> (1)	[ˈwʊdbiː]	потенциальный, возможный
<b>Z</b>		
<b>zero</b> (13)	[ˈzɪərəʊ]	нуль

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