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КАФЕДРА ИНОСТРАННЫХ ЯЗЫКОВ ЭКОНОМИЧЕСКИХ СПЕЦИАЛЬНОСТЕЙ

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ENGLISH READER IN MICROECONOMICS

СБОРНИК ТЕКСТОВ НА АНГЛИЙСКОМ ЯЗЫКЕ
ДЛЯ ОБУЧЕНИЯ ЧТЕНИЮ СПЕЦИАЛЬНОЙ ЛИТЕРАТУРЫ
СТУДЕНТОВ ЭКОНОМИЧЕСКИХ СПЕЦИАЛЬНОСТЕЙ НЕЯЗЫКОВЫХ ВУЗОВ

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Содержит тематически систематизированный текстовой материал на английском языке объемом около 250 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

1. Настоящее пособие представляет собой систематизированный по тематическому принципу текстовой материал на английском языке суммарным объемом около 250 000 печатных знаков (около 50 000 слов), предназначенный для использования в качестве средства обучения чтению специальной иноязычной литературы студентов 1-го курса экономических специальностей БрГТУ, продолжающих изучение английского языка после окончания средней школы.

2. Пособие рассчитано на 90 – 120 часов учебной работы, в зависимости от уровня изначальной иноязычной подготовки студентов, и состоит из пяти уроков и двух Приложений.

3. Все уроки пособия сходны по структуре и состоят из (а) основного текста и заданий на проверку понимания его содержания и закрепление лексико-грамматического материала урока, (б) дополнительных текстов для развития навыков ознакомительного чтения и (в) текстов для письменного перевода на белорусский или русский язык.

4. Приложения содержат англо-русский словарь объемом около 900 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, (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.

5. 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 — межъязыковые 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 русского слова, как правило, не совпадает с основным значением его английского «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 с 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.

6. 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 по кафедре экономической теории студентам первого курса экономических специальностей БрГТУ. Что, с одной стороны, несомненно, способствует более глубокому пониманию содержания изучаемых в языковом отношении 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 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.

7. 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.

8. 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.

9. 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 – 2007 учебных годах и были признаны пригодными к использованию в учебном процессе.

10. Авторы выражают уверенность, что данная разработка, в условиях отсутствия 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 вузом высококвалифицированных специалистов в области экономики.

Авторы

UNIT 1 WELCOME TO ECONOMICS!

Text 1.1

Economics: An Introduction

"All beginnings are hard."
An English proverb

(1) **Economics is everywhere**. It touches every aspect of people's life. It's at work all the time, in everything.

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 you ever get away from economics? That's the point. You can't. You just can't.

(2) **Economics vs "intuition" and "common sense".** Economics is involved in all the things you've been doing all your life. So how have you been able to get along all these years without knowing any economics? You haven't. The fact is, you know quite a lot of basic economics already. Everybody does. The good news is that you already know, right now, 30 or 40 or maybe 50 percent of the economics you will know when you get to the end of your University course in economics. But right now, when solving your everyday problems you don't call it "economics". You call it "intuition" or "common sense".

(3) **Why 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.

A. EXERCISES

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

1. Economics is not just money.
2. We can't get away from economics.
3. Economics makes the world go round.
4. There are many reasons to study economics.
5. Economics is illustrated by newspaper stories every day.

6. You can't live your life without knowing a bit of economics.
7. Economics is part of almost everything you could ever think about.
8. There's a lot you just can't understand until you learn some economics.
9. Economics, learned well, lets people take more informed choice-decisions.
10. There are so many things a person just can't understand without some scientific knowledge of economics.

2. Choose the most correct answer:

1. Economics is ... .
   a) *everywhere* b) *here, there and everywhere* c) *God knows where*
2. Economics is ... all the time.
   a) *at work* b) *at rest* c) *out at lunch*
3. Everybody ... one thing or another.
   a) *does* b) *makes* c) *knows*
4. When you get to the end of your course in economics you'll know ... about it.
   a) *a thing or two* b) *nothing* c) *everything*

3. Fill in the blanks:

1. That's ... point.
2. Economics is at ... work all ... time.
3. Economics touches ... aspect of people's life.
4. Sometimes our good common sense ... mislead us.
5. ... fact is, you know ... lot of ... economics already.

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the (3), - (2), every, can, a.

4. Complete the sentences:

1. Economics is ... (3)
2. When solving your everyday problems you don't ... .
3. The study of scientific economics lets you ... .
4. Learning economics is ... and leads to ...
5. Learned well, economics can provide ... .

5. Answer the following questions without looking back at the text:

1. Is economics involved in all the things you've been doing all your life?
2. In what way does studying English involve economics?
3. Can we solve our everyday problems without knowing any economics?
4. What helps people solve their everyday problems without knowing any scientific knowledge of economics?
5. Are you happy that you decided to learn economics?

6. Render the contents of Text 1.1 in English.

7. Comment on the following statements:

- *"Economics is everywhere."*
- *"You cannot get away from economics".*

Text 1.2

What 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?" Broadly speaking, economics is a social science, and its area of study is human activity involved in meeting needs and wants. However, beyond this there are many definitions, past and present, which have been applied to the term economics.

(3) **The earliest 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)*". Economists today do not use these definitions because the boundaries of economics have considerably expanded since Smith. Economists do more than study exchange and production, though exchange remains at the heart of modern economic theory.

(4) **Contemporary definitions of economics.** Most contemporary academic definitions of economics involve the notions of scarcity and choice. 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.*"

(5) **What does the scarcity definition of economics mean?** It 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.

(6) **Other definitions.** As was said above, there's no one universally accepted answer to the question "What is economics?" Many good definitions are possible, and each will focus on some important aspect of the subject.

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 economists prefer to define it as "*a social science concerned with the study of how a given society allocates scarce* *resources to meet the unlimited wants and needs of its members*" or simply as "*the science/study of scarcity (and choice)*".

These are, of course, not the only definitions of economics, though the dominant ones. Beyond this, 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 schools of economic thought they represent.

(7) **So, what exactly is economics?** Most simply put, economics, in modern terms, is the study of scarcity and choice. More precisely, economics is the study of how individuals and society choose to use limited resources in an effort to satisfy people's unlimited wants. Because scarcity and choice are central in these definitions, they are discussed in more detail in Unit 2 that follows.

A. EXERCISES

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 contemporary definitions of economics involve the notion of scarcity.

2. Choose the most suitable word/grammar form:

1. There are many definitions which (***applied, have applied, have been applied***) to the term economics.
2. The boundaries of economics have (***broadly, considerably, universally***) expanded since Adam Smith.
3. In recent years, neoclassical economics (***criticized, has criticized, has been criticized***) from a variety of points.
4. Economists today do not use the definitions of economics (***accepted, applied, offered***) by A.Smith.
5. Economics is a social science that examines how people (***apply, accept, choose***) among the available alternatives.

3. Fill in the blanks:

1. Economics is the study ... economies.
2. Economics is the study of making choices ... choosing.
3. Economics studies ... individuals make economic choices.
4. Economics is essentially the study ... how society tries to overcome scarcity.
5. Economics is the study of choice and decision-making ... a world ... limited resources.
6. Knowledge of economics helps people understand how economic events will affect ... , and how ... can best react to these events.
7. The dominant definition of economics is something ... this: "Economics is the study of how societies use their limited resources ... produce wealth".

how, in, like, of(3), or, them, they, to.

4. Complete the sentences:

1. The English word "*economics*" comes from ... .
2. Two of the earliest definitions of economics are ... .
3. Most contemporary academic definitions of economics involve ... .
4. One of the earliest definitions of economics was offered by ... .
5. Economics is ... . (3)

5. Answer the following questions without looking back at the text:

1. What is economics?
2. Is economics a science?
3. Is there a universally accepted definition of economics?
4. What is the Greek for "household management"?
5. Can you give some good definition(s) of modern economics?
6. Can you give some older definitions of economics?

6. Render the contents of Text 1.2 in English.

7. Comment on the following statement:

- *"Economics is the only field in which two people can share a Nobel Prize for saying opposing things!"*

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.** Economics is broadly divided into two main branches: *microeconomics* which is the study of decision-making by individuals (or households) and by firms, and *macroeconomics* — the study of the behaviour of the economy taken as a whole. In other words, microeconomics is the study of economics at the level of the individual economic entity: the individual firm, the individual consumer, and individual worker. Macroeconomics is the study of the overall economy: the consumer sector, the business sector, the government sector, and the international sector.

(2) **Mesoeconomics.** Some authors also argue that "*mesoeconomics*", which considers the intermediate level of economic organization such as markets and other institutional arrangements, should be considered a third branch of economic study.

(3) **Micro-macro sub-disciplines.** Economics can also be divided into numerous sub-disciplines that do not always fit neatly into the macro-micro categorization. These sub-disciplines, in alphabetical order, are: *agricultural economics, ecological economics, environmental economics, evolutionary economics, international economics, labour economics, managerial economics, resource economics, socioeconomics, transport economics, urban economics, as well as economic archaeology, economic geography,*

economic history, industrial organization, public finance, just to name a few of them.

Other subdivisions 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 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?"*

On the other hand, *finance* that has traditionally been considered a part of economics, has today effectively established itself as a separate, though closely related, discipline.

A. EXERCISES

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

1. Two of the main branches of economics are micro- and macroeconomics.
2. Microeconomics examines an economy as a whole.
3. Macroeconomics examines the economic behaviour of individual actors.
4. Economics can be divided into numerous sub-disciplines.
5. Finance has never been a part of economics.

2. Choose the most suitable word:

1. Microeconomics is the study of economics at the level of the (***individual, personal, aggregate, overall***) economic entity.
2. Macroeconomics is the study of the behaviour of (***individuals, businesses the economy, economics***) taken as a whole.
3. The boundaries of economics are (***easy, difficult***) to define nowadays.
4. Economic analyses can be (***described, expanded, considered, applied***) to any field where people are faced with (***alternatives, decision***).

3. Fill in the blanks:

1. Microeconomics is the study of ... by individuals and by firms.
2. Macroeconomics is the study of the ... sector, the business ... , the government ... , and the ... sector.
3. Economic analysis ... decision-making.
4. ... has today effectively established itself as a separate discipline.

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sector(2), consumer, decision making, focuses on, finance, international.

4. Complete the sentences:

1. Economics is broadly divided into ... .
2. Microeconomics is ... .
3. Macroeconomics is ... .
4. Forest is to trees as macroeconomics is to ... .

5. Economics can be divided into numerous sub-disciplines: ... .
6. Since economic analysis focuses on decision-making, it can also be applied to ... .

5. Answer the following questions without looking back at the text:

1. What are the two main branches into which the study of economics is divided?
2. What are the sub-disciplines into which they are subdivided?
3. What is the difference between microeconomics and macroeconomics?
4. What is mesoeconomics?

6. Render the contents of Text 1.3 in English.

7. Comment on the following statement:

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

B. FURTHER READING

1. Read the text below and answer the questions:

- *What careers are available in economics?*
- *What qualities are economics graduates most valued for by employers?*
- *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.

Virtually all four-year colleges offer courses in economics and most allow students to major in the subject. Economics graduates are considered generalists who are well-trained in analytical thinking. Many employers find such graduates valuable because they are good at problem-solving; they are adaptable to a rapidly changing business environment; and they are trainable. Employers know these workers can quickly learn on the job the specific skills they need.

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.

UNIT 2 THE BASIC ECONOMIC TRILOGY: SCARCITY, CHOICE AND COST

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."
Thomas 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 and money, we have at hand to satisfy our desires or achieve our goals are limited or scarce.

(2) **The problem of unlimited wants and scarce resources.** To see how this concept of unlimited wants and scarce resources works, think about your own situation. Do you have enough time available for everything that you wish to do? Can you afford every item that you would like to own? Most likely, not. That is it.

(3) The same problem — the problem of unlimited wants and scarce resources — also applies to society as a whole. Can you think of any society in which all wants are satisfied? Most societies would prefer to have better health care, higher quality education, less poverty, full employment, a cleaner environment, etc. Unfortunately, again, there are not enough resources available to satisfy all of these goals.

(4) Problems of scarcity and unlimited wants apply to all people and all nations regardless of political, social, and religious orientation. Methods of dealing with these problems will, of course, differ from individual to individual, from business to business, from society to society, but the fundamental problem — the problem of how to get as much as we can of what we want with what we have — is the same everywhere. The role of economists is thus to analyze scarcity and make predictions and practical recommendations regarding the most effective way of using people's scarce resources to achieve their economic desires and goals.

(5) **What, exactly, is scarcity?** Scarcity exists when people want more of an item than is available when the price of the item is zero. 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" means "*not having sufficient resources to produce enough to fulfil unlimited subjective wants*". Note that a state of negative scarcity is abundance or plenitude.

(6) **What is scarce not?** Both of the following qualifications 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. Why is air not scarce? Because there is so much of it around. Suppose there's only a little bit of something around. Will it be scarce? Not necessarily. Something is scarce only if people want more of it than they can get for free or, in other words, at a zero price.

(7) **Scarcity is universal.** We live in the world of scarcity, which is a world of constraints and limitations. Because wants are unlimited, and incomes, goods, time, and other items are not, scarcity exists everywhere and at any point in time. Scarcity is an inescapable fact of 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!

(8) **Scarcity is a relative concept.** Scarcity is the condition whereby the resources, goods, and services available to individuals and society are limited relative to the wants and desires for them. And the more something of value is limited and the more it is wanted, the more scarce it is.

A measure of relative scarcity is price. When the price is rising, the commodity is becoming relatively scarcer. When the price is falling, the commodity is becoming relatively less scarce.

(9) **Things that are not scarce don't have economic value.** If things are not scarce at all, you can get them for free. If you can get things for free, they are of no economic value. If things are of no economic value, they have no price, and nobody wants any of these things anyhow. In other words, if something is abundant (available in unlimited quantities), it has no economic value, and its price is zero. To the individual, air is not scarce (and therefore is of no economic value) because no one wants any more of it than is already available.

Conversely, if people want something enough to pay for it or work for it or trade for it, then it's scarce. As something that you are in need of gets more scarce, it gets more costly. And the scarcer something is, the higher will be its economic value (its exchange value, or the price you pay). 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.

Conclusion: Value and scarcity are two sides of the same coin, and the abolition of scarcity would mean the abolition of value.

(10) **Scarcity requires choice**. Since neither an individual nor a society can have everything desired, each must make choices — 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.

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.

(11) **Basic economic trilogy.** In a world of scarcity, satisfaction of one desire necessarily means non-satisfaction of one or more other desires, which is the cost we have to bear for having employed our resources to fulfil our desires or achieve our goals the way we did. So, when there is scarcity and choice there are costs. The interrelated concepts of scarcity, choice and costs form a basic economic trilogy. Along with unlimited wants, they are the key elements in understanding economics and economic problems.

(12) **To sum up.** Scarcity is a central idea of neoclassical economics. Scarcity means that we do not and cannot have enough income and wealth to satisfy our every want or desire. It is inescapable fact of our life.

Scarcity is a relative concept. It is relative to our wants and resources. The signal that indicates the relative scarcity of the resources necessary to produce the goods and services as well as individual and collective choices for goods and services are prices. Prices reflect scarcity. When a resource is abundant, its price (economic value) is zero. It has no economic value. Conversely, when a resource is scarce, its price is high.

Scarcity and choice go hand in hand — under conditions of unlimited wants vs limited resources — people have to make choices. In a world of scarcity, any choice leads to costs. Along with unlimited wants, scarcity, choice and costs are the most basic concepts of neoclassical economics.

The role of the economist and of economics in general is to explain how we can make the most of this problem of scarcity or, in other words, how to get as much as we can of what we want with what we have.

This focus on scarcity continues to dominate neoclassical economics, which, in turn, predominates in most academic economics departments. However, it should be noted that it has been criticized in recent years from a variety of quarters, including *evolutionary economics, ecology economics, and socioeconomics*.

A. EXERCISES

<u>1. Decide whether the following statements are true or false:</u>

A. The concept of scarcity

1. Scarcity is, like gravity, an inescapable fact of our everyday life.
2. Scarcity is the basic economic problem confronting people and businesses.
3. Scarcity is the shortage that exists when less of something is available than is wanted at a zero price.

B. Scarcity and economics

1. In a world of scarcity there would be no economics.
2. Scarcity is a central idea of modern neoclassical economics.
3. Economists argue that the fundamental economic problem is scarcity.
4. The science of economics, such as it is, revolves around the concept of

unlimited wants.

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.
4. The more scarcity you see on the shelves of the market, the less difficult choices you have to make.

D. Scarcity, price, and value

1. Scarcity reflects prices.
2. When a resource is scarce, its price is high.
3. If something is scarce it won't have any value.
4. You can have all of what you want 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.
4. There is only a limited amount of resources available to produce the amount of goods and services we desire.

2. Choose the most suitable word:

1. Abundant products are (***cheap, expensive, scarce***).
2. We cannot (***define, obtain, require***) all we want at a zero price.
3. Scarcity (***affects, reflects, requires***) the choices a person or society makes.
4. The problem of scarcity is the problem of how to (***allocate, obtain, produce***) scarce resources.
5. People want more goods and services than they have or can (***allocate, produce, purchase***) with their incomes.

3. Fill in the blanks:

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 scarce it is necessary for individuals and society to make choices ... how they are allocated and used.
5. Scarcity exists because human wants for goods and services ... the quantity of goods and services that can be produced using all ... resources.

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are forced, are unlimited, as to, available, exceed, relative, 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. As individuals and as a society, we cannot get all of what we want at any one time because ... .

5. 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?

B. 1. Do you have enough time available for everything that you wish to do?
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. Why cannot we have everything we want?
5. For many people, making difficult choices every day is a way of life. And what about you?

6. Render the contents of Text 2.1 in English.

7. Discuss:

- some wants that are fun to have, but are not required for human survival;
- time and money as limitations and constrains that affect people's choices;
- the goals you want to achieve as the source of benefits;
- the constraints of scarcity as the source of costs;
- the difference between "this AND that" and "this OR that" in terms of scarcity concept;
- the role of the economist and of economics in general in a world of scarcity.

8. Prove or refute the idea that —

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

9. Comment on the following statements:

- *"If you can't get what you want, you'd better damn well settle for what you can get."*- D. Parker, an American humorist.
- *"We never know the value of water till the well is dry."* - An English proverb.

B. FURTHER READING

1. Read the text below and answer the questions:

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

"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?*
- *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* (physical items such as food) or *services* (non-physical items such as heating).

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.

Human wants are determined by society and the culture in which an individual lives. These wants are indeed unlimited and represent the source of the problem facing all economic systems. The wants of individuals can be shown to be ever increasing by observing that items which are considered a luxuries often become necessities after a while. As to wants themselves, they are commonly referred to as "*All the things that people would consume if they had unlimited income*" or "*What people would buy if their income were unlimited.*"

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 reasons why wants and needs are virtually unlimited:

- Goods eventually wear out and need to be replaced.
- New or improved products become available.
- People get fed up with what they already own.
- With an increase in salary the expectations of the consumer rise.

4. Read the text below. Define each kind of goods mentioned in the text.

Commodities are goods and services created by utilization of resources. *Goods* are defined as *all things 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 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. Economic goods are not directly obtainable from nature to the extent demanded or desired.

A good is said to be a *free good* if the quantity of the good supplied exceeds the quantity demanded at a zero price. In other words, a good is a free good if there is more than enough available for everyone even when the good is free. Free goods are available without the use of resources. The choice of one use of a free good does not require that we give up another. Economists argue that there are relatively few, if any, free goods.

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 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".

Text 2.2

The Problem of Choice

"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. It is easy to see that if either our wants were limited or our resources were unlimited, we would not necessarily have to make choices — we could "have it all."

(4) **What if nothing were scarce?** Then everything would be free. There would be enough of everything for all of us to have all we could ever want and some left over. We would have no reason to worry about economics. There would be no need to choose or conserve or economize. 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 choices. We must choose which of our desires we will satisfy and which we will leave unsatisfied. Also, we must choose 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.

(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, fulfil their own goals, advance their own values, or achieve their own both monetary and nonmonetary (such as love, prestige, helping others, and all that) objectives.

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.

(7) **People of all sorts are rational and self-interested.** 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 persons.

(8) **Which choices are the right ones?** Those which best serve the wishes of the chooser. Every person has a "personal set" of desires and objectives. 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.

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 best 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 choice all the time! But we all must keep on choosing just the same.

(9) **How to make the best economic decision?** Each person's wants and objectives and goals are unique. You chase your rainbow and I'll chase mine, and all that. So whatever people consider to be most important to them, those are the objectives which will guide their choices.

Any choice involves deciding in favour of one option (alternative) and discarding others. Different constraints (such as time, money, preferences, lack of information) limit the options from which people can choose. To make the best decision, a person must choose the option that is both possible and that contributes most to the achievement of that person's goals. But which option(s) to forego, to give up? And which to choose? These are really tough questions for a decision-maker, be it an individual, a business, or society.

(10) **To sum up.** Because of scarcity, choices must be made, and choices are made in a way that is in the decision-maker's self-interest. An alternative, and equivalent, definition of economics is that economics is the study of how such choices are made. 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. EXERCISES

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

1. Economics, put simply, is the study of scarcity.
2. We all have to choose among competing alternatives.
3. People make decisions about how to use their time every day.
4. Individuals make their choice-decisions based on common sense.
5. Economists assume that people make choices that will give them the greatest amount of satisfaction.

2. Choose the most suitable word/phrase:

1. We can't have everything *we* want at (***any one time, one time, times***).
2. People have to make choices about how to (***allocate, consume, value***) their resources.
3. Our choices depend on which of the available alternatives we (***choose, employ, value***) as the highest.
4. The actions and choice-decisions of human beings are (***at, in, on***) the heart of any economic activity.
5. To make the best decision, a person must choose the option that (***makes, contributes, performs***) most to the achievement of that person's goals.

3. Fill in the blanks:

1. A central idea of economics is that people make decisions by weighing and ... .
2. Most economists assume that economic systems work ... they consiste of rational, self-interested persons.
3. If you don't have enough ... to buy all the things you need then you have make ... .
4. The assumption at the basis of the neoclassical approach is that people are ... and (more of less) ... .

5. Because people's wants and the things they want are ... and the income they have is ... , we must make choices between opportunities.

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unlimited, as if, benefits, choices, limited, money, rational, self-interested, costs.

4. Complete the sentences:

1. Because of scarcity, we all have ... .
2. People define themselves by the choices ... .
3. What if nothing were scarce? Then everything ... .
4. Economists argue that individuals always try to act ... .
5. We must decide what to do with what we have in order to get as ... .

5. Answer the following questions without looking back at the text:

1. Why do people choose?
2. How are choices made?
3. What do people normally choose?
4. Which choices are the right ones?
5. How can one make the best economic decision?
6. What or who is "*Homo economicus*"? How does he behave?
7. What is rational self-interest?
8. How are the principles of scarcity, choice, and self-interest related?
9. Do you have a list of carefully chosen objectives? And a program for directing all your money, time and things toward your objectives?
10. Is there anything to be said for unlimited human desire as a good thing?

6. Render the contents of Text 2.2 in English.

7. Comment on the following statement:

- *"People are never satisfied with what they have: they always want more."*

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 principal 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, and taxes, regulations, and similar objective limitations on the choices they may make. Many important economic ideas rest on this view of decision-making.

This assumption is especially characteristic of neoclassical economists. Some non-neoclassical economists do also accept it, but some do not. A broader (but still neoclassical) neoclassical economics assumes that people choose in the way that best advances their own values, altruistic or self-interested as those values may be.

However, whether people rationally attempt to optimize their well-being or advance their own values given available information is a source of much debate. More recently, irrational behaviour and imperfect information have increasingly been the subject matter of economics.

Text 2.3

The Basic Economic Problem: a Matter of Scarcity and Choice

"You can't have your cake and eat it, too."
"You can't be in two different places at the same time."
English proverbs

Part A

(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". Or whether to pay your tuition or go on a tour abroad or someplace, that's an "economic problem" too.

But what about deciding whether to study English or play football? or cook breakfast or wash up? An "economic problem" too? Sure. An economic problem is *a problem of having to choose* — like whether to have your cake or eat it.

Does your family have an economic problem? Like who will wash the dishes or the car and who will get to use the car and who will get to spend how much of the money? Sure. What about your classmates? Their families? Do they have an economic problem too? Of course they do.

What about your city? The corner grocery? Your local post office? The city market? Your school? Any other organization? Do they have an economic problem? A problem of deciding what to do with what they have? And of who will get to use how much of what? Of course they do.

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* in the long- run *economic problems*. Sure. 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 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 is truly universal. No person, in each of his or her roles in life, — as parent, worker, student, vacationer, spouse, homeowner, taxpayer, concerned citizen or whatever — no organization, no society can escape it. The economic problem — the problem of deciding what to do with the things we have — 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 points of view as to how to solve the economic problem we are facing.

Part B

(1) **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 the question: How can we best use what we have to fulfil our desires? To reach our objectives? To achieve our goals? That's what it's all about. But it is a real 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 vs optimizing.** 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: "No! I will *not* use up my money and time and scarce things for purposes that I don't really care about. I will use them 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: "Yes! 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".

(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 (usually unconscious or partly unconscious) 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 hard do you work at economizing and optimizing?** 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. In a free society, people who have a clear-cut objective and want to achieve it and get ahead — to have more things and to build some future freedom and security — must manage their resources carefully by economizing and optimizing. But 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). People try to maximize their progress toward the chosen objectives (to achieve the maximum value possible for their objectives) by economizing (minimizing costs for a given gain) and optimizing (maximizing gains for a given cost) the use of the available things they have to work with.

The economic problem is inescapable. It is impossible to avoid it personally or as a nation. It faces you, your friends, the nation, the world, and me.

To solve the economic problem and thus to fulfil our objectives all we need to do is (to) answer the question of how we can best use what we have to work with — to minimize costs for a given gain and maximize gains for a given cost. 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 solved 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 is 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. EXERCISES

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

1. Some people can have all what they want.
2. The basic economic problem is the problem of choice.
3. The economic problem refers to the scarcity of resources.
4. As individuals, people make choices that maximize their profit.
5. The economic problem relates to all of us in one and the same way.
6. The aim of each firm as a decision-making agent is to maximize costs.
7. Any modern economic system must answer one fundamental question.
8. Each individual, business, and society tries to economize and optimize.
9. Economists argue that all real-world problems are purely economic problems.
10. Economic actors — individuals, families, households, businesses, and societies — do not differ in their basic objectives.

2. Choose the most suitable word:

1. Each business seeks maximum (***production, progress, profit***).
2. Each business tries to (***achieve, obtain, produce***) a high level of efficiency.
3. The economic problem is the problem of deciding what to do with the things we (***get, have, use***).
4. To maximize is to make choices that are expected to achieve the maximum (***cost, price, value***) possible for some objective.
5. In economics, economizing and optimizing mean (***economizing, optimizing, using***) your scarce resources in a most efficient way.

3. Fill in the blanks:

1. Economics as a science tries to ... people's economic behaviour.
2. No matter what problem you are facing you're facing ... .
3. All economic questions and problems arise from ... .
4. Every society has always ... economic problems.
5. Each business seeks maximum ... .

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an economic problem, explain, faced, profit, scarcity.

4. Complete the following sentences:

1. Maximizing is ... .
2. The objective of every business firm is to ... .
3. The rule of thumb for solving the economic problem is to ... .
4. There is a constraint on people in their attempt to ... their ... .
5. In order to maximize whatever you want to maximize, you have to ... and ... .
6. Any economic system must provide the answers to the following

fundamental economic questions: (a) What will be ... ; (b) How ... ; (c) ...

5. Answer the following questions without looking back at the text:

A.1. What is the basic economic problem?
2. Who faces economic problems?
3. Why do people face economic problems?
4. The economic problem relates to all of us in many ways, doesn't it?
5. Is there any general rule to follow for successfully solving economic problems?
6. What is maximizing /optimizing /economizing?
7. What, how and why do people maximize?
8. Optimizing is a very personal thing, isn't it? Why?

B.1. Do you have any economic problems? What are they?
2. What is your family's/our society's biggest economic problem at present?
3. How do the individual and the business and the society decide what to do with their scarce things?
4. What kind of person are you? Do you mostly go for maximum immediate satisfaction? Or do you sacrifice a lot of present satisfaction and work for long-run objectives?

6. Render the contents of Text 2.3 in English.

7. Suppose:

- a business could expand its output a little and add a little to its profits Would it do that?
- a business could hire another worker and make more profits. Would it d that? But what if hiring a worker would reduce the profits? Would th business do that? Why?
- a business is faced with a choice between using or doing or making or buyin or selling one thing ("choice x") or another ("choice y"). If "choice x" look more profitable than "choice y", which do you think the business will usual choose? Choice x? Choice y? Why?

8. Discuss:

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

9. Comment on the following statements:

- *"Rich people do not face economic problems."*
- *"Only poor people have to economize and optimize."*
- *"Poor people don't have much choice."*

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 satisfactio
Underlying most economic theory is the assumption that people do the thing they do because doing so gives them *utility* or, put most simply, satisfactio

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 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.

3. Read the text below and answer the questions:

- *How badly do businesses need profits?*
- *Is maximum profit the only objective of all businesses? Can a business afford to ignore the question of whether or not it is going to make a profit? Why?*
- *Is it true that most businesses operate very close to the breakeven point?*
- *Does the profit-maximizing model accurately describe what actually occurs in firm decision-making?*

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. Businesses do other things which add to their costs but which bring them no immediate revenues. So most civic-minded business behaviour just can't be explained in terms of the profit maximization assumption only.

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 almost 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.

The profit maximization assumption really isn't exactly true in the real world but it's true enough to be very useful. It's closer to the truth than anything else we can think of.

4. 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? Should production take place in London or Newcastle or in the UK or Malaysia? 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.

5. Read the text below and answer the question:

- *What's your most pressing economic problem?*

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.

6. 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

1. **Utility** is simply satisfaction. Different people derive satisfaction from different things. Some enjoy adrenaline pumping roller coasters, while others would much rather sit at home on the porch and watch the sunset. Howeve[r] you get utility is individual only to you, but the one thing that is not individua[l] to you is the fact that you try to maximize your utility. Regardless of how yo[u] get the most satisfaction, you always try to get as much as you can. However how do we know that you always get the most out of it? If only you could d[o] something that would make you happier, assuming you are rational, yo[u] would.

Utility does present one problem, how do we measure it? Satisfaction i[s] impossible to measure due to its subjectivity. To solve this problem economists have invented the unit called the "utile". It arbitrarily assigns [a] number to the amount of utility someone receives out of a transaction. It i[s] important to realize that the utile does not represent any real amount [of] satisfaction. The usefulness of assigning a number becomes apparent thoug[h] when working with more concepts such as diminishing marginal utility an[d] utility maximization problems.

2. **"Choice-decisions" and businesses.** Businesses usually try to mak[e] money. Unless they are able to make enough money to cover their costs, the[y] 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 constan[tly] facing choices. The business manager must constantly be trying to use all t[he] buildings, machines, equipment, raw materials, management and worke[r] skills and everything else in the best possible ways. The best ways are t[he] ways that help most to achieve the objectives of the business.

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 ba[ck] some? Should we build a larger factory? Maybe initiate an employee train[ing] 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 produce at the profit-maximizing output. Given this assumption, they 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.

Text 2.4

The Discomfort of Opportunity Cost

"The fashion of the world is to avoid cost."
William Shakespeare

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

(1) **Each choice means giving up something else.** People (and organizations, and societies) are never satisfied with what they have: they always want more. They want to do more and to have more than they can do or have. It's too bad, but the resources they use up making, improving, repairing, protecting, enjoying, learning, or doing any *one* thing can't be used for doing, making, improving, learning or doing any other competing thing.

So what happens? It happens that we have to choose among competing alternatives. One of the most important results of this choice-making necessity is that every choice made means that some other choice had to be sacrificed. In other words, each time you choose to do one thing or to go one way you give up the chance to do the other thing or go the other way. If you make a right turn at an intersection, it precludes the possibility of having made a left turn — you can't be at two different places at the same time!

(2) **You've been dealing with these kinds of choice situations all your life.** So has every other person, every organization, every society, and every nation. You can't spend this morning studying English or Maths and play football with your friends in the yard at the same time. Your parents can't spend all their

money on your tuition and still have money to pay for your fancy clothes and anything else you might want. Any government can't overcome poverty and pollution and urban slums and crime and all the other major problems of the society and do everything else they might want to do all at the same time. Something must be given up.

So, each time we decide to do or have one thing we are automatically denying ourselves the opportunity to do or have some other thing, which is the opportunity cost of our choice-decision — mine, yours, everybody's. "You can't have your cake and eat it, too." Remember?

(3) **The opportunity cost is an opportunity lost.** What, exactly, is opportunity cost? Opportunity cost 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.* Put another way, it is *the highest valued (the next-best or the second-best) alternative that must be sacrificed to attain something or satisfy a want.*

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 the opportunity* to have the "something else" you also wanted. It follows also that the cost of any item or activity is not what you pay for it. It always involves the benefits you could have received by taking an alternative action, or the risk that you could achieve greater "benefits" (be they monetary or otherwise) with another option.

The simplest way to estimate the opportunity cost of any single economic decision is to consider, *"What is the next best alternative choice that could be made?"* or *"What would I have done if I didn't make the choice that I did?".*

(4) **Some most important things to bear in mind about opportunity cost.** Firstly, the principle behind the economic concept of opportunity cost applies to *all decisions, not just economic ones.* The word "decide" comes from the Latin *decidere*, meaning "to cut off", being the prefix *de* plus the root *caedere*, "to cut". By definition, any decision that is made "cuts off" other decisions that could have been made.

Secondly, opportunity cost, as such, is not the sum of the available alternatives, but rather the benefit of the best alternative of them (in the decision-makers' view).

Thirdly, unlike most costs discussed in economics, an opportunity cost is not always a number. While it is customary to associate cost with the mone[y] price of goods (also called the explicit or accounting cost), opportunity cost [is] the value of the good or activity given up in place of the good or activ[ity] actually chosen (also called the implicit or additional, subjective cos[t]). Fourthly, the evaluation of choices and opportunity costs is *subjective*; su[ch] evaluations differ across individuals and societies. That's why opportu[nity] cost is a subjective, individual concept.

And finally, the full cost of any choice includes what is directly paid for the item or activity chosen and the cost of giving up the next best alternative (the opportunity cost of this choice). In economics, it is the true, total measure of the costs of anything.

(5) **To sum up.** The first fundamental principle of economics is that most things in life come at the opportunity cost of something forgone. Matters of opportunity cost fill our lives, although we seldom stop to think of the mechanics of this central principle of economics.

The lesson to be learned is that *there is no such thing as a free lunch.* We have to learn to accept the fact that we can't do and have everything we'd like. We have to understand that every choice involves giving up another chance or opportunity to do or use something else. We have to learn to forego some of the things we want. We have to accept the fact that different people evaluate opportunity costs differently. In short, we have to live with the discomfort of opportunity cost.

Now, whenever you hear a political demagogue promising to do all kinds of great things for the people, you'll wonder where all the scarce resources needed to all those great things will come from. You'll always be aware that choices to use our scarce resources in one way are also choices to *not* use our resources in some other way.

(6) **Examples of opportunity cost decisions.** Opportunity cost is a key economic concept and one that you can observe daily. Examples of it are plentiful. So, let's turn to some of them to make the concept more concrete.

1. Suppose you decide to go on a trip to another city to support your favourite football club in a match against their powerful opponents this weekend instead of studying your English. Then suppose your English grade slips down from C to D. You might say that the weekend's trip "cost you" your C in English. (You lost your C because you went on a trip instead of studying your English.) But maybe that's not all. Suppose you had been planning to buy a new speaker for your stereo system or computer but you spent the money on the trip instead. The trip cost you your speaker, too. Right? Maybe the trip also cost you your "true love", who found somebody else to do English (and other things) with. Seems that the " aggregate costs" of the trip to support your favourite club are beginning to get out of hand! Maybe you're about to decide that you made a bad choice.

2. Consider the purchase of a ticket for a rock concert. The cost of the ticket might be as high as $25. In purchasing that ticket, you will forgo the opportunity to purchase anything else with that $25. This is the opportunity cost. By deciding to use resources in one way the decision-maker must give up all opportunities to use them in another way.

3. 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?

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

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

6. Let's consider the hungry student's choices concerning the purchase of after school snack from a vending machine. Assume that the student has and the cost of the drink is $1. The cost of a candy bar is also $1. The stude can have a drink or a candy bar. He can't have both. By choosing the drin the student has given up the chance to have a candy bar. The opportun cost of the drink was the candy bar he could not purchase.

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

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

A. EXERCISES

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

A. 1. Opportunity cost is a result of scarcity.

2. Opportunity cost can be thought of as "the road not taken".

3. Opportunity cost is a subjective, individual concept.

4. The opportunity cost of an action can be defined as the next best action foregone.

5. The opportunity cost of any good or service as the value of all the other goods or services that we must give up in order to produce it.

6. The opportunity cost of any decision consists of everything we must giv up in order to carry out that decision.

7. Choosing the best alternative means you can't choose the next-be alternative.

8. Opportunity cost is the benefit of all activities that are forgone — not only the best one.
9. Opportunity cost is a key economic concept, but one that you cannot observe daily.

B. 1. Most things in life are never free.
2. Not all economic decisions involve opportunity costs.
3. The cost of any item or activity is what you pay for it.
4. Every choice involves giving up another chance or opportunity to do or use something else.
5. The economic concept of opportunity cost applies to all decisions, not just economic ones.

C. 1. Every choice involves a cost.
2. Every cost involves opportunity costs.
3. Costs can be monetary or non-monetary.
4. Economists measure the cost of anything by what has to be given up in order to have it.
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. An opportunity cost is (***never, always, not always***) a number.
2. Different people (***assume, consider, evaluate***) opportunity costs differently.
3. Most things in life come at the opportunity cost of something (***actually chosen, else, forgone***).
4. Opportunity costs are the benefits that are forgone because of (***scarcity, a choice, something else***).
5. Opportunity costs are sometimes defined as the benefits you (***receive, could receive, could have received***) by taking an alternative action.
6. 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***).
7. Whenever we are in a world of scarcity choosing one thing (***consists of, depends on, requires***) giving up something else.

3. Fill in the blanks:

A. 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 resources are referred to as ... .
4. The concept of opportunity cost is based on the ... of scarcity of resources.
5. The opportunity cost of any action is imply the next best ... to that action.
6. When you make a choice, you have to give up something else, which is the ... of the choice.
7. In a world of scarcity, ... of one want necessarily means non-satisfaction of one or more other ... .

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assumption, cost, forgo, opportunity costs (2), wants, satisfaction, alternative.

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 one more ...(7). Is watching TV for you ...(8) than the best alternative way of spending your free time?

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

4. Complete the sentences:

1. Choices to use our scarce resources in one way are choices *not* to ... .
2. People are never satisfied with ... : they always want more.
3. People want to do more and to have more than they can ... .
4. When making a choice, you have to ... .
5. Whenever one chooses an action, they give up the opportunity to ... .
6. When you have a choice between two alternatives, you will choose ... .

5. Answer the following questions without looking back at the text:

1. What is opportunity cost?
2. What is the basic idea behind the opportunity cost?
3. What are some of the most important things one should bear in mind about opportunity cost?
4. Does each choice we make mean giving up anything else?
5. Is there such a thing as a free lunch? Why?
6. What is the simplest way to estimate the opportunity cost?
7. What sort of discomfort does opportunity cost involve?
8. Why do all choices have/bear costs?
9. What was the opportunity cost of one of your recent decisions?
10. What are some of the choices (at least five) you make every day and the opportunity costs associated with each choice?
11. 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?

6. Render the contents of Text 2.4 in English.

7. 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?

8. Describe a situation that requires a choice, make a decision, and identify the opportunity cost.
9. A classic trade-off in business is the trio of time, money and quality. It is generally considered that only two of the three can be anchored at any given moment. Analyze the trio in terms of trade-off: it involves in an example from common life.
10. Comment on the following statements:

- *"You can't be at two different places at the same time."*
- *"An opportunity cost is the cost of a taken opportunity."*
- *"The opportunity cost is an opportunity lost."*
- *"All choices involve costs."*
- *"Time is money."*

B. FURTHER READING

1. Read the text below and answer the questions:

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

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 $15,00 to 20,000 a year. For a successful rock star, actor, or model, the cost might be as high as $5 to $10 million a year! The same can be said for athletes drafted by professional teams before they complete their college education. 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 th statement that whatever is worth doing is worth doing well. Time is scarc because it is limited and there are many things one can do with one's time. one wants to do all things well, one must devote considerable time to eac and thus must sacrifice other things one could do. CONCLUSIO Sometimes, it is wise to choose to do some things poorly so that one h 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 ga another. In other words, it is an exchange that occurs as a compromise. terms of opportunity cost, a trade-off involves a sacrifice that must be made obtain something.

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

Governmental trade-offs are among the most controversial political ar social difficulties of any time. All of politics can be viewed as a series of trad offs based upon which core values are most core to the most people politicians.

C. TRANSLATE INTO RUSSIAN

1. The natural fact of scarcity leads to the necessity of making choic One of the most important results of this choice-making necessity is th every choice made (or not made for that matter) means that some oth choice had to be sacrificed. In other words, every choice involves giving another opportunity to do, to have, or use something else. Consider practical example. One cannot be at the beach and in class at the same tin (unless the class is Marine Biology). So the opportunity cost of being in cla is being at the beach. One gives up the beach to be in class. That's why it's cost. The opportunity cost of being at the beach is being in class.

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

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

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

3. Scarcity means we all have to make choices and all choices involve "costs". Not only do you have to make a choice every minute of the day, because of scarcity, 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.

4. Specialize where opportunity costs are the 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. Similarly, firms, large corporations and whole nations often specialize in producing particular goods and services. 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.

5. Costs. The firm incurs a variety of costs when it produces and we 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 (if that can be clearly identified) 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, the cost of the premises (rent and so on) and general bills like phone bills.

Text 2.5

Marginal Utility

"Enough is enough."
English proverb

(1) **What does "marginal utility" mean?** In economics, *marginal* means "at the margin", or, "the next one", "the additional one", "additional" or "extra", while *utility* is a measure of the happiness, or satisfaction, or usefulness gained from a good or service. *So, marginal utility* means "the additional or extra amount of utility you get/receive from having a little more of something you already have."

In microeconomic theory, "marginal" concepts are employed primarily to explicate various forms of "optimizing" behaviour. Individuals, families, households, businesses, and societies — all are seen as striving to maximize their utility, be it advance, profit, satisfaction, usefulness, or any other gain.

(2) **Does marginal utility "diminish" as you get more and more?** Sure. Suppose you have all of something you could possibly ever use. Would you like to have more? Of course not! Any additional amount would have zero value to you. The more of something you already have, the less important it is to you to get even more of it. What we're talking about is called the law or principle of *diminishing marginal utility*. 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. If unlimited amounts are available, then the marginal utility (the extra utility from having more) drops all the way to zero.

(3) **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 (marginal utility) 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. It's this: the economic value of something to you (that is, the price you would be willing to pay for it) is never determined by the "total usefulness" of it. The value is determined by *how useful it would be for you to have more of it than you already have.* Diminishing marginal utility is a very common assumption in economics, but it is not universally assumed.

(4) **Free goods have zero marginal utility; only scarce things have marginal utility and economic value.** Of all the things that people need, air tops the list. Yet, to the individual, air has no economic value. Why not? Because it is not scarce. Would you pay to get any more air than you already have? Of course not. You already have more than you can use! The marginal utility you could get from an additional portion of air would be zero. Therefore, the amount you would be willing to pay is zero.

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.

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

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 do the best it can, for you. It means to optimize the use of everything you have to work with.

Intuitively, all intelligent people think marginally, more or less. Basically, it's just old good common sense. Remember? 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 school (and in life) depends very much on how wisely we make these little choice-decisions at the margin.

(6) **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.** *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.*
- **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 fa food restaurant and a new register opens up, you must decide whether leave your place in line and go to the new line or stay where you are. In doi this, you subconsciously weigh the marginal benefits of moving, which inclu potentially saving time, against the marginal costs of moving, which inclu the energy expended from physically moving. If the benefit is greater than t cost, then the action is undertaken by a rational decision-maker. Because t cost of switching lines is very small, people will generally switch lines as lo as there is any time to be saved. We can conclude that people actua behave this way by observing that fast food lines tend to be equal in length.*

A. EXERCISES

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

1. The marginal utility of X is the additional utility from two or more additional units of X .
2. Marginal value is what one more unit of a good is worth to you in tern of other goods.
3. Much of economics assumes that individuals seek to maximize thei happiness or utility.
4. The more people have, the less difference an additional unit of utilit will make for them.
5. The assumption that individuals tend to maximize their utility is at the co of any economic theory.
6. The less of something you have, the more satisfaction you gain fro an additional unit you consume.
7. Marginal utility is the additional satisfaction a consumer gains from consuming one more unit of a good or service.
8. 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.
9. The higher marginal utility you gain from that 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 the happiness or satisfaction (***received, obtained, gained***) from a good or service.
2. Of all the things that people need, (***air, money, water***) tops the list.
3. The price you would be willing to pay for a thing or a service is never (***available, determined, reflected***) by the "total usefulness" of it.
4. The price you are willing to pay for an additional something (***assume determines, reflects***) the importance of that additional something to you.
5. Diminishing marginal utility is a/an (***additional, very common, accepted***) assumption in economics.

3. Fill in the blanks:

1. Neoclassical economists believe 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 ...

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

4. Complete the sentences:

1. Marginal utility is ... .(3)
2. To "think marginally" means ... .
3. The marginal costs and the marginal benefits of the decision are ... .

5. Answer the following questions without looking back at the text:

A.1. What does "marginal" mean in economics?
2. What is marginal utility?
3. Does marginal utility "diminish" as you get more and more of something?
5. Do free goods have any marginal utility?
6. Only scarce things have economic value, don't they?
7. What does the economic value of a thing depend on?
8. What is the Law of diminishing marginal utility? Have you ever seen businesses making use of this idea?

B.1. Can you think of any cases where the Law of diminishing marginal utility does not apply?
2. If you expect the marginal utility of something to be zero, will you pay anything for it?
3. Do all intelligent people tend to think marginally?
4. Will you buy a thing if you know you will gain only a little from it?
5. Is water of any value to you?
6. What things are of most value to you? What things do you value most?

6. Render the contents of Text 2.5 in English.

7. Discuss:

- the idea behind the concept of marginal analysis;
- the idea of marginal profit.

B. FURTHER READING

1. Read the text and explain the diamond-water paradox in terms of marginal utility.

The diamond-water paradox. 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. Adam Smith, the esteemed and perhaps most famous economist, described the paradox in his seminal work *An Inquiry into the Nature and Causes of the Wealth of Nations.*

What perplexed Smith is now rationally explained in the first chapters of every college freshman's introductory economics text. Smith had failed to distinguish between "total" utility and "marginal" utility.

The marginalist explanation 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.

Anne Robert Jacques Turgot proposed an innovative solution to the diamond-water paradox. He 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.

2. 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. The Austrian economist Eugen von Böhm-Bawerk gave probably the most memorable description of the marginal theory of value, one often used by economics textbooks. Loosely translated it is:

"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." MORALS: *It is on the margin, and not with a view to the big picture, that we make economic decisions.*

3. 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 full 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*".

4. 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 perso 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. 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*".

In business, marginal profits add to total profits (or subtract from losses), while marginal losses subtract from total profits (or add to losses). The more marginal profits the business can get, the larger its total profit will be. All we have to do is figure out whether a certain move will bring a "marginal profit" or a "marginal loss". Then we can tell right away whether the business will make that move.

The reason for studying decisions at the margin is that it is the tradeoff 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?*"

C. TRANSLATE INTO RUSSIAN

History. The theory of marginal utility was independently developed around 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*).

They 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.

This can be put another way. We can say that each additional unit of any resource that a person receives as income satisfies a value that is lower on that individual's subjective scale of value. He satisfied the next-higher value with the previous unit of income.

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. 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.

Economists believe that sensible choice requires comparing margin utilities and marginal costs. They also think that most people apply th marginalism concept regularly, even if subconsciously, in their priva decisions.

UNIT 3 THE MARKET, PRIVATE PROPERTY, AND COMPETITION

Text 3.1

The Mark

"The market is a place set apart where men may deceive each othe

Diogenes Laerti

Part A

(1) **Definition: what exactly is the market?** There is no universally accept definition of the term market in economics. The term originally referred to special place (typically, the main square of the largest village in the vicini where products were bought and sold once a week. Modern day flea marke farmers' markets, gun shows and crafts fairs are fairly close to the origi concept.

Markets work by placing many interested sellers in one place, thus maki them easier to find for prospective buyers. Nowadays, a market does have to be a physical place like a shop. In modern times, a market is a arena, however abstract or far-reaching, in which buyers and sellers ma transactions. It is a means by which the exchange of goods and servi takes place as a result of buyers and sellers being in contact with o another, either directly or through mediating agents or institutions. M businesses have global markets because of the developments in technolo Both general and specialised markets, where only one commodity is trad exist.

Markets also include the arrangements by which buyers and sell communicate their intentions, such as business letters, phone calls, rad television-, newspaper-, and Internet ads. These market mechanisms prov information about the quantity, quality, and price of products offered for sa to facilitate the exchange of goods and services between buyers and sell and, thus, to efficiently allocate scarce resources.

An understanding of markets is at the heart of any study of economics business studies.

(2) **Market participants: buyers, sellers, and intermediaries.** A market consists of two main groups of people: all those who h commodities for sale, and all those who are interested in buying th commodities, — that is sellers and buyers. In some cases, their number be very small, in other instances there are millions of people who make 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, packaging, and so on.

(3) **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* are inputs in the production process (labour, capital, land, and entrepreneurship) 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.

(4) **How do people trade in the market?** 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 to pay.

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.

(5) **Those who want to sell have different aims than those who want to buy.** 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 simil considerations.

(6) **Any market transaction is a product of compromise.** Since bo parties expect to become better off as a result of the transaction, a voluntary transaction takes place only if the price is mutually agreeable on th basis of a compromise.

A market compromise, like every compromise, fully satisfies no one. In fac it is just midway between the competing interest of those who are buyin something and those who are selling that something. It is a settlement which each party makes a concession for the purpose of reaching a agreement. Without compromise, it would be difficult to reach agreemen and keep the market running. In contrast to political "*solutions*", under whic the losing side is always forced to submit to the winners, the free mark normally leaves both sides equally satisfied.

(7) **Barter exchanges: no money is needed.** While most markets involve th exchange of money for a commodity, sometimes one commodity can b traded for another, doing what is commonly termed *barter*. In other word barter is the exchange of goods and services performed directly, witho using money. "*I'll cook dinner if you do the dishes*" and "*You scratch my bac and I will scratch yours*" are typical examples of barter.

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

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

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

Prices reflect how much people value goods and what sacrifices socie have to make to provide the goods. Since all market transactions a voluntary, a transaction takes place only if the price is mutually agreeabl What is produced, then, is the combination of goods and services th maximizes profits for firms (sellers) and satisfaction for housholds (buyers Market price is established at the point of exchange through the interaction buyers and sellers. The difference between the price at which you sell a good and the price at which you bought it in a trade transaction is normally referred to as *profit*.

It is worth noting that the English language has many different words for particular kinds of prices. *Fare, toll, tuition,* and *charge* are all examples. Nevertheless, when exploring general principles, economists normally use the all-purpose word *price* as a synonym for one of the other more-specific "price" words.

Part B

(1) **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 be. The success of your business depends on whether there is a market (or customers) available for your products and services and whether they will want 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".

(2) **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). The attempt to combine socialist ideals with the market economy is known as *mixed economy* or *market socialism*.

(3) **Free market**. A free market is a market where price is determined by trade rather than by government. A completely free market is an idealized form of a market economy where buyers and sells are allowed to transact freely (i.e. buy/sell/trade) 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 in a complex system with opposing interests and different distributions of wealth.

(4) **Criticism of the "free market" concept.** Critics of laissez-faire variously see the "free market" as an impractical ideal or as a rhetorical device that puts the concepts of freedom and anti-protectionism at the service of the wealthy, allowing them to attack labour laws and other protections of the working people.

Some of them hold that "the free market is socialism for the rich", and th free markets are for the poor, while state protection is for the rich.

Not all advocates of capitalism consider free markets to be practical, to Some of them hold it wrong to believe that government is *per se* bad an unproductive while the private sector is *per se* good and productive. In we run modern economies, they say, there is a marriage between governme and the private sector, each benefiting from the other. As illustrations of thi they point at Japan after World War II, Singapore and the other Asian Tiger Sweden and China today.

A. EXERCISES

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

1. Any market involves exchange.
2. The market is first of all a place.
3. Prices are providers of information.
4. The term "market" is used in various meanings.
5. Both buyers and sellers try to trade with each other.
6. Any market transaction is a product of compromise.
7. Any market is, first of all, a physical place like a shop.
8. Buyers and sellers come together in the marketplace.
9. The market is any physical place where trade is conducted.
10. Barter systems are less common than systems that use currency.

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 yours."
3. Money is anything "(***that, what, which***) you buy things with."
4. Barter requires a double coincidence of (***desires, needs, wants***).
5. Without compromise, it is difficult to (***make, keep, reach***) agreements.
6. Markets make sellers easier (***find, to find, to be found***) for prospective buyers.
7. A market is any (***area, arena, place***) in which buyers and sellers make transactions.
8. An understanding of markets is at the (***heart, head, back, centre***) of any study of economics.
9. Broadly speaking, any item or service of value can be (***called, named, referred to***) as a good.
10. All sorts of ads are market (***tools, mechanisms, systems***) typically use to provide information about the products offered for sale.

3. Fill in the blanks:

1. A price is the ... paid for one unit of a good.
2. In market economies ... play very important roles.
3. When goods are exchanged ... using money, this is called barter.
4. Both buyers and sellers expect to become ... as a result of the transacti
5. The world of commercial activity where goods and services are ... and ..

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.

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government, service, sold, prices, without, decisions, bought, amount, better off.

4. Complete the sentences:

1. A good is any item or service of ... .
2. The direct exchange of goods without the use of money is called ... .
3. The situation that exists when A has what B wants and B has what A wants is referred to as ... .
4. People who pay for goods and services are called ... .
5. An economy which relies primarily on interactions between buyers and sellers to allocate resources is known as a ... .
6. The buyers must have something they can ... in exchange for there to be a potential ... .

5. Answer the following questions without looking back at the text:

A. 1. Who or what is the market?

2. What is meant by the word "market" in an economic sense?
3. What are the main market participants and the main market items?
4. How do people behave in the market? What are the aims of buyers and sellers in the market?
5. Why do buyers and sellers make exchanges? Do barter exchanges differ from money exchanges? Give an example of a barter transaction.

B. 1. What is money?

2. What role does the money play in market exchanges?
3. What is price?
4. How is the price established in the market?
5. What is profit and how is it related to price?

C. 1. How would you define "free market"?

2. Is a completely free-market economy an idealized abstraction or a reality?
3. What is "non-market economy"?

6. Render the contents of Text 3.1 in English.

7. Discuss:

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

8. Comment on the following definitions and statements:

- *"The market is any place of sale."*
- *"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 questions:*

- *What 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 counterfei goods. *Underground market* is the name given to unrecorded transactions, whether legal or illegal. For instance, some people choose not to report thei earnings to the Internal Revenue Service 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.

Markets may be general or specialized, large or small, local or global. They may consist of one buyer and one seller or many buyers and many sellers.

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 wher traders set up stalls and buyers browse the merchandise. This kind of mark is very old, and countless such markets are still in operation around the whol world. Such markets are often temporary, with stalls only present for one o two days a week ("market days"), however some are open every day of th week.

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

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

A farmers' market is an opportunity for farmers to sell their produce direc to the public. A key feature is that those who try to sell their goods at su markets should be members of the local community where the market being held — this is essentially therefore a market for local farmers and lo 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 of shares 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.

There are several stock exchanges in the United States. The largest and best known is the New York Stock Exchange, located on Wall Street in lower Manhattan. In addition to the New York Stock Exchange there are the American Stock Exchange, also located in New York, and regional exchanges such as the Philadelphia Exchange and the Pacific Exchange, located in San Francisco. Stock exchanges in other nations include the London Exchange and the Tokyo Exchange.

The stock of only a small proportion of the total number of firms is listed on the exchanges, but the firms that are listed are the largest ones and those whose shares are most commonly traded. The markets for stocks offered by other firms are not so formally structured as the stock exchanges. 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 simply put example is this: I think or guess AT&T shares will rise in price so 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 big problem: I don't know where he is and he doesn't know where I am. No sweat. 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", "rent", and "tuition" as price words.

Price. Just as *good* is an all-purpose word in economics, so also is *price*. A price is the amount paid for one unit of a good, such as $150,000 for one Rolls-Royce. Although prices are usually expressed in terms of money, sometimes 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.

Price words sometimes do double duty, which can be confusing. *Wa* usually means an amount per hour but sometimes refers to a perso income from work, which equals the wage per hour times the number hours worked. By *tuition*, a university administrator may mean the tuiti charge per student or the total amount of revenue from tuition charges. T meaning of these words is usually clear from the context, but when there is possibility of confusion, their meaning can be made clear by referring to *wa rate, hourly wage, wage income*, and so forth, as appropriate.

C. TRANSLATE INTO RUSSIAN

1. History. In its original meaning, the *market* is a physical coming together a sizable number of merchants and prospective customers at a pre-arran time and place (in medieval Europe, typically once a week on the m square of the largest village in the vicinity) for the purpose of striking deal buy and sell a variety of goods and services. Large numbers of custom came to such organized markets because they found it convenient to be a to make many of their necessary purchases on the same day in one cen location (minimizing their total travel time and other travel costs) and beca the presence of many merchants offering similar wares made it much m practical to comparison shop for the best deals in terms of quality and pr Merchants were often attracted from considerable distances to participat such markets because of the opportunity to sell so many of their ware such large numbers of potential customers in such a short time.

2. What is a market? In the language of modern industrial society, especially in the language of professional economists, the concept market has been generalized and abstracted far beyond the original r concrete and localized meaning of the term. In the more modern sense o term, a market is the generalized name tag for the whole process that under way whenever a sizable number of people free to buy and/or s particular kind of good or service are in more or less close communic with each other (either personally and directly or else through the mediati advertising, catalogs, news reports, postal carriers, telephone syst computer networks, etc.) so that information about the terms of r transactions and current offers to buy or sell is generally available to a number of interested parties at relatively low cost — regardless o participants' physical proximity or distance.

3. Barter and money exchanges. The purpose of markets is to facilita exchange of goods and services between buyers and sellers. In some c money changes hands; in others, only goods and services are exchang

The exchange of goods and services directly, without money, is *barter*. Most markets involve money because goods and services c exchanged more easily with money than without it. Barter requires a d *coincidence of wants*. The *transaction costs* (the costs involved in mak 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. Such technological innovations of the industrial age as ever cheaper and more rapid transportation and communications over increasing distances 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 worldwide networks of buyers and sellers — for example, the New York Stock Exchange, the Chicago Commodities Exchange, the seasonal women's fashions shows in Paris and Milan, regional baseball card collectors conventions and so on — but in nearly all such cases, it is not really necessary for an individual buyer or seller actually to travel to the relevant marketplace in order to participate in the broader markets of which these are nowadays only a part.)

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.

Examples of situations where the buyer usually has better information than the seller include estate sales as specified in a last will and testament.

Because of information asymmetry, unscrupulous sellers can *"spoof"* 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.

The way a market functions depends largely on the behaviour of the playe — buyers and sellers. A market is said to perform efficiently if it allocat goods and services to those who value them the most. Likewise a market likely to perform inefficiently if, for instance, there exists a seller that ca behave independently of its competitors, customers and consumers. In su a case the seller is in a position of dominance and may manipulate th market to its own advantage. It is therefore desirable to have effici markets.

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

Text 3.2

Propert

"Property is the

P.-J. Proudh

"By abolishing private property one takes away the human love of aggressi

S. Fre

(1) **Introduction.** The concept of a market presupposes the existence certain sorts of property relations in the society involved. At least some goo and services must be legally or socially regarded as *alienable property* private individuals who are recognized as having not just the right to u particular scarce economic resources for their own purposes but also transfer such rights of use to someone else in exchange for money or oth goods or services.

Not all human societies have recognized any such rights to transf ownership, while the very justification for the institution of private property exist has been questioned through centuries by a great number outstanding philosophers, moralists, politicians, scholars, and economists.

(2) **What is property?** The concept of *property* or *ownership* has no single universally accepted definition. Like other foundational concepts which ha great weight in economics, its usage varies broadly.

In common use, property is simply *"one's own thing"*, and refers to th relationship between individuals and the objects which the former see being their own to dispense with as they wish.

In contrast, scholars in the social sciences conceive of property not as relationship between people and things, but as a relationship between peop with *regard to things*. Seen as such, property is not a thing, but a *title* to su a thing, or rights in or to it. When we offer a house for sale, for example, w only offer the *legal title*, which is the exclusive right to the house we a selling. If there are no willing buyers to buy the house at the offered price w have the freedom to retain it, or to sell it at any other price in accordance our own valuation of the property in question.

A common means of acquiring property nowadays is by transfer from the previous owner or owners: one can purchase it with money, trade it for other property, receive it as a gift, inherit it, steal it, find it, or make it.

(3) **Real property and personal property.** Property can be classified into *real property* (also sometimes called *real estate* or *realty*), and *personal property* (also sometimes called *chattel* or *personality*).

Real property, also referred to as *immovable* property or *immovables*, is land and ordinarily anything erected on, growing on, or affixed to it, including buildings and crops.

Personal property, also referred to as *movable* property or *movables*, is anything other than land that can be moved from one location to another. Personal property can be divided into two major categories: *tangible* and *intangible*. Tangible property includes such items as residential buildings, machinery, livestock, automobiles, jewelry, or a jack-knife. Intangible or abstract property includes *intellectual property* (non-corporeal things like ideas, patents, copyrights, trademarks, musical compositions, novels, computer programs), financial *instruments* (like shares of common stock in a corporation, bonds, insurance policies), or *contractual obligations* to provide, say, goods or services at some time in the future.

(4) **Collective property and private property.** Property may be further classified as either public *(collective)* or *private (individual)*. Public property is that which belongs to a whole community collectively or a state. Private property is that which belongs to an individual or a group of individuals. However, the distinction between private and public property arises not only from difference in ownership, but also from difference in purpose. Public property is intended to serve the interests of the community at large; private property, the interests of a limited circle. Family property is private property, even if it belongs to the family as a whole.

(5) **Communal property.** When a group of people shares the ownership of property amongst each other, communal or common ownership of property occurs. A common form of communal real estate ownership is a cooperative or co-op. A co-op is a group of persons who join together, or cooperate, to own a building for mutual benefit.

Lastly, the purpose distinguishes property into goods of consumption and goods/means of production, according as the goods are directly intended either for production, i.e. for producing new goods, or for consumption.

(6) **Private property: pro and contra.** Private property is the key building block of capitalism, — an economic system in which most economic decisions are made by private owners and most property is privately owned.

The concept of private property is simply the idea that you, as a private individual, have the right to own and to do whatever you please with anything which is "yours" — your house, your land, your car, your guitar, your money, your anything. The idea that people have a governmentally protected right to own things and use them as they see fit — is very basic: the market process couldn't work unless people had the right to keep and/or exchanged things they earned, or otherwise produced or bought.

Supporters of private property rights state that this enables both be protection and more efficient allocation of society's scarce resources, provides more wealth and better standards of living for all in the long run.

Critics of this concept argue that private property is inherently illegitima and has no moral justification since it will always lead to inequal domination of one group of people, — that is, private property owners — o the non-property holders. They state, among other things, that even wh property rights encourage the property-holder to develop his prope generate wealth, etc., he will only do so for his own benefit, which may coincide with the benefit of other people or society at large.

The most radical critics hold that only collective ownership will assure minimization of unequal or unjust outcomes and the maximization of bene for all members of a society, and that therefore all private property should abolished.

A. EXERCISES

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

1. Property can be defined as a relationship between people and things.
2. There are only two universally accepted definitions of property.
3. Private property is that which belongs to one or more persons.
4. Most public property is in free access to the general public.
5. Public property is that which is owned by a group of people.
6. Family property is an example of communal property.
7. Personal property may be tangible or unintelligible.
8. One can gain or lose ownership of property in a number of ways.
9. A common means of acquiring property is sales, inheritance, gift, or the
10. Moral justification of private property principle is unquestionable.

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***) thin
4. Private property is (***that, which, that which***) belongs to an individual a group of individuals.
5. A co-op is a group of persons who join together to own a buildin for (***communal, mutual, private***) benefit.

3. Fill in the blanks:

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

5. Private property leads to inequality and domination of private property ... over the non-property ... .

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community, holders, title, ownership, owners(2).

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 ... o a whole community or a state.
7. If one finds an object, one can legitimately take ownership of that object on condition that ... .

5. 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. What is the purpose of property?
5. What is private property?
6. How many types of property are ordinarily distinguished?
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?

6. Render the contents of Text 3.2 in English.

7. Comment on 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."*

B. FURTHER READING

1. Read the text below and discuss the Vedantic view of 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. This is in contradistinction to *chattel slavery*. Chattel slavery is a type of slavery 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. In most countries, chattel slaves are considered as movable property. Slavery almost always occurs for the purpose of securing the labour of the slave.

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.

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

Private property rights are not absolute. They are subject to community rights. The federal and state governments in 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 fai amount of money to the owner of the property. The Fifth and Fourteent Amendments to the United States Constitution require that the governme pay "just compensation". The eminent domain power is used frequently t acquire property for highways, railroads, public parks, and urban renewa though judgments about what constitutes public use are sometimes ve controversial.

Eminent domain is one example of the way that private property is subje to community rights. *Zoning* is another illustration. Local governmen frequently impose restrictions on the use that can be made of land, such a prohibiting the location of houses in industrial areas, limiting the size a height of buildings, and requiring minimum lot sizes for houses. Tho restrictions on the use of property often had the effect of dramatica decreasing property value.

4. Read the text below and answer the questions:

- *What is privatization?*
- *What are the three main methods of privatization?*
- *What are the main reasons and purposes of privatization?*

Privatization is the process of converting or "selling off" government-own assets, properties, or production activities to private ownership. Privatizati is usually undertaken either to generate revenue for the government or part of an overall free-market approach to the economy. The term can refe partial or complete transfer of any property or responsibility held government. A similar transfer in the opposite direction is referred to nationalization. There are three main methods of privatization:

Share issue privatization (SIP) — selling shares on the stock market. Share issue privatization is the most common type.

Asset sale privatization — selling the entire firms or part of it to a strategic investor, usually by auction .

Voucher privatization — shares of ownership are distributed to all citizens, usually for free or at a very low price. Vouchers, like all other private property, could then be sold on if preferred. Voucher privatization has mainly been used in the transition economies of Central and Eastern Europe, such as Russia, Poland, the Czech Republic, and Slovakia.

Proponents of privatization believe that private market actors can more efficiently deliver many goods or service than government due to free market competition. In general, over time this will lead to lower prices, improved quality, more choices, less corruption, less red tape, and quicker delivery. 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.

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. Corruption during the privatization process, however, can result in significant underpricing of the asset.

5. Read the text below and answer the questions:

- *What is (re)nationalization?*
- *What are the main reasons and purposes of 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 enterprises 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. For instance, the French government nationalized steel and chemical companies in the mid-1980s in order to preserve jobs that would have disappeared if free market forces had prevailed. In some developed countries, however, nationalization is carried out as a form of national policy, often by Socialist governments. In 2001, in response to the September 11th attacks, the then-private airport security industry in the USA was nationalized and put under the authority of the Transportation Security Administration. 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 and discuss the moral principles of Wester civilization, based on the private property concept.

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

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

Every part of this earth is sacred to my people. Every shining pine need every sandy shore, every mist in the dark woods, every clearing a humming insect is holy in the memory and experience of my people. The s 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 wa among the stars. Our dead never forget this beautiful earth, for it is t mother of the red man. We are part of the earth and it is part of us. T perfumed flowers are our sisters; the deer, the horse and the great eagle a our brothers. The rocky crests, the juices in the meadows, the body heat the pony, and man — all belong to the same family.

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

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

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

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

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

Your destiny is a mystery to us, for we do not understand when the buf are all slaughtered, the wild horses tamed, the secret corners of the fo 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. From the history of America. 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 our cattle, sheep, chickens, and swine? With wails of torment, and a sense of being deeply wronged, and a convenient forgetting of our own atrocities, committed so recently.

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 mortage 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. Everyone 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 when property is common there 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 an receive or consume much. But indeed there is always a difficulty in men livin 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 o property, which may be an object, land/real estate, intellectual or some othe kind of property.

Ownership is the key building block in the development of the capitali socio-economic system. The concept of ownership has existed for thousan of years and in all cultures. Ownership is the basis for many other concep that has formed the foundations of ancient and modern societies such a money, trade, debt, bankruptcy, the criminality of theft and private vs publi property.

The process and mechanics of ownership are fairly complex since one ca gain, transfer and lose ownership of property in a number of ways: by sellin it for money, exchanging it for other property, giving it as a gift, being robbe of it, misplacing it, or having it stripped from one's ownership through som legal means. If one finds an object, one can legitimately take ownership o 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, an additional goods produced by using that object will also be owned by th same person.

Text 3.3

Competition, Market Control, and Market Structu

"Competition is a creative destructio
J. A. Schumpe
"Competition kills competitio
P.-J. Proudh

Part A

(1) **What is competition?** The Latin root for the verb "to compete" "competere" which means "to seek together" or "to strive togethe Competition is the act of striving against others for the purpose of achievi dominance or acquiring more of something that is scarce. It is one of t fundamental features of all living organisms. Nowadays, the term is wide used in numerous fields, including biology, business, ecology, music, politic sports and, of course, economics.

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

(3) **Market competition.** Market competition is referred to as rivalry betwe two or more parties for customers, — that is their money, and the ability

influence the price and/or quantity of the good sold in a given market. Market competition is a highly dynamic process in which only the fittest survive and thrive.

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.

(4) **Market control.** In market analysis, the ability to influence the price and/or quantity of the 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 possess sufficient market control that it has the ability to affect the price of the good is called a *price maker.*

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

(5) **Market structures.** The market structure, or the manner in which markets are organized, primarily depends on the number of firms operating in the market 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 *substitutes*).

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

Finally, in a (pure) monopoly, there is only one seller of/for a unique pr with no close substitutes. Monopoly is characterized by complete cont the supply side of the market and no competition, since certain ba (economical, technological, legal) completely prevent other/woul competitors from entering the market.

• **On the buying-side of the market**, there are also four basic ma structure models similar to those on the selling-side. Apart from pe competition, they are *monopsony, oligopsony,* and *monopso competition.*

Monopsonistic competition is a market structure characterized by a l number of relatively small buyers, each with a modest degree of m control, seeking to purchase almost the same kind of product.

Oligopsony is a market dominated by a small number of relatively la buyers, each with substantial market control.

Monopsony is a market structure characterized by a single buyer product and, thus, complete control of the demand side of the market.

(6) **Competition regularities.** Market competition is characteristic/typica 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 sa
- Less competition among sellers than among buyers lets the sellers cha higher prices.
- 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.

Part B

(1) **Competitive markets.** When two or more businesses sell the same g or service, they are said to be competing for the same market. A mark some particular good or service is said by economists to be "competitive" substantial number of buyers and sellers trade in the good or ser independently and thus no single buyer or seller is so "weighty" in marketplace as to significantly influence the going price of the good or ser by his/her individual decisions about how many units they personally will or sell.

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

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

- vents sellers from forcing the price up to its highest level: buyers don't ve to buy a good above the going price with a lot of sellers willing and to sell at the market price;
- ces sellers to supply the most wanted products at the lowest cost;
- uses businesses to try new ways to attract customers by lowering prices, vertising, improving quality and developing new products and services t 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.

(3) **Is competition a good thing or a bad thing?** Competition can result in 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 is assumed to drive down prices, stimulate innovation, promote efficiency and social welfare.

More 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 higher prices, poorer quality, and fewer new products and services.

While in some cases, competition can be informal and be more for pride or fun, there are cases when it proves to be intense, extreme and bitter, leading to trade-, advertising-, or even human wars between two or more parties, nations including. No wonder that "competitiveness", or the inclination to compete, has become synonymous with aggressiveness in the English language.

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(s) and drive ultimately them out of the market and, thus, become a monopolist!

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

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

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

Although cooperation is the antithesis of competition, sometimes it i precisely the need or desire to compete with others that motivates firms t merge and cooperate with each other in order to form a stronger competiti force.

However, any form of cooperation among firms that is designed to restrai trade, lessen competition, or monopolize a given market via predator pricing, collusive agreements or mergers, is universally considered illegal.

A. EXERCISES

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

1. "Competition" and "to compete" refer to the same thing.
2. There are four kinds of basic market structures.
3. Market structure refers to the number of buyers and sellers in a particular market.
4. The numbers of buyers and sellers in different markets may be different.
5. Examples of perfect competition are all around us.
6. In markets of perfect competition there is only one seller.
7. Under monopolistic competition each seller's product differs from every one else's.
8. A monopolistically competitive firm appears to have something of a small monopoly.
9. In an oligopoly, a large number of small firms control the market for particular goods and services.
10. Any form of cooperation among firms is designed to restrain trade.

2. Choose the most suitable word:

1. More competition means (***more, less, no***) market control.
2. Companies (***are, grow, sell, seek***) larger through mergers.
3. In markets of perfect competition, there are many buyers (***and, or, but no***) sellers.
4. Where two sellers (***depend on, offer, produce***) similar products or

services, they are in competition with each other.

5. Market competition is a situation where firms are forced into (***a contest, a cooperation, exchanges***) for the command of scarce resources.
6. Market competition is an economic interaction between sellers or buyers in a single market, each attempting to get or pay (***the highest, the lowest, the most favorable***) price.

3. Fill in the blanks in the following texts:

A. Market ...(1) is the number of buyers and sellers in a market. ...(2) are many market structures. In ...(3) competition, there are many buyers and sellers. In a monopolistic ...(4) there are many sellers who ...(5) the same product. In an oligopoly a few large companies ...(6) a market. In a monopoly there is ...(7) one seller. Sometimes companies join ...(8). This is called a ...(9).

B. Market structure refers to ...(1)number of buyers and ...(2) in a particular market. Market ...(3) range from markets of ...(4) competition through markets ...(5) monopolistic competition and oligopoly, all the way to markets ...(6) monopoly. In markets of ...(7) competition, there are many ... (8) and sellers. In markets ...(9) monopolistic competition, ...(10) are many sellers ...(11) buyers with almost the ...(12) kind of product. In ...(13) oligopoly, a few large ... (14) control the market for ... (15) goods and services. Finally, ...(16) a monopoly, there is ...(17) one seller.

4. Complete the following sentences:

1 Firms that sell similar items are called ... .
2. People can compete with ... by offering more favourable exchanges.
3. When two or more businesses sell the same goods or service, they are ... for the same market.
4. ... between two or more persons or groups for an object desired in common, usually resulting in a victor and a loser is called ... .
5. Several factors influence the market structure for a particular industry: the number of ... , ... technology, ... barriers, and available information on ... .

5. Answer the following questions without looking back at the text:

1. How would you define "competition" and "a competitive market"?
2. What are the synonyms/ the opposite of "competition"?
3. Who or what is a price taker/a price-maker?
4. What are the principle market structure models and their key features?
5. What are the most important factors that determine competition in a market?
6. What are the two extreme cases of market structures in terms of competition?
7. What are the four basic market structures on the buyers'/sellers' side of the market?
8. What are the most important consequences of market competition on the buyer's/seller's side?

9. What forms of cooperation are universally considered illegal?
10. What measures are normally taken in modern societies to ensure that businesses do not employ unfair tactics?
11. Is competition a good thing or a bad thing?

6. Render the contents of Text 3.3 in English.

7. Comment on the following statements:

- *"Competition is a creative destruction."* -J. A. Schumpeter
- *"Competition kills competition."*- P.-J. Proudhon
- *"Money won is twice as sweet as money earned."* – An English proverb
- *"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 monopoli but there are some legal monopolies. Legal monopolies include public utilit like water and electricity.

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

2. Read the text and answer the question:

- *What is hypercompetitiveness?*

"Winning isn't everything; it's the only thing." The tendency tow extreme, unhealthy competition has been termed *hypercompetitive*. T concept originated in Karen Horney's theories on neurosis, specifically highly aggressive personality type that is characterized as "moving aga people". In her view, some people have a need to compete and win at cost as a means of maintaining their self-worth. These individuals are likel turn any activity into a competition, and they will feel threatened if they themselves losing. Researchers have found that men and women who sc high on the trait of hypercompetitiveness are more narcissistic and l psychologically healthy than those who score low on the tr Hypercompetitive individuals generally believe that "*winning isn't everyth 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 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 not 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 lea somewhat different from every other's.

Notice that monopolistic competition differs from perfect competition in on one respect (item 4 in the definition). While under perfect competition products must be identical, under monopolistic competition products diff from seller to seller — in quality, in packaging, or in supplementary servic offered.

3. Three kinds of economic competition. Economists differentiate thre forms of economic competition in terms of its scope. The most narrow form direct competition (also called *category competition* or *brand competitio* where products that perform the same function compete against each othe For example, a brand of pick-up trucks competes with several differe brands of pick-up trucks. The next form is *substitute competition*, whe products that are close substitutes for one another compete. For exampl butter competes with margarine, mayonnaise, and other various sauces an spreads. The broadest form of competition is typically called *budg competition*. Included in this category is anything that the consumer mig want to spend their available money on. For example, a family that ha $20,000 available may choose to spend it on many different items, which ca all be seen as competing with each other for the family's available money.

UNIT 4 THE FACTORS OF THE PRODUCTION OF WEALTH

Text 4.1

The Three Classical Factors of Productio

"All else passes away, the land only remain

An ancient say

(1) **Introduction.** Things we have to work with in order to achieve our goals a referred to as *resources*. When resources are used in the production of goo 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 th packages the products. They can be classified in many ways. The three ba categories of productive factors — "the classical triad" — included in mo classifications are: *land, labour, and capital.*

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

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

(2) **Land** is defined as the "*gifts of nature*" — everything in the universe that not 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 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. In both cases, we face a trade-off between how much we use now and what we have to use for the future, though the rate at which we use up non-renewable resources must be most carefully considered. We can affect that rate by conservation (use less), or by 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 that 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 the 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, some is not. Some kinds sell for low prices, others sell for high prices. Doctors and lawyers sell highly skilled labour and receive high "wages". The efforts of unskilled mill workers and migrant farm workers are not valued nearly so highly. Their labour sells for a much lower price (wage rate). But both are selling labour — their own time, energies, and efforts — in the "labour markets".

(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 is the life-blood of capitalism. Economists of the classical school, beginning with Adam Smith, developed the earliest theory of capital, according to which capital arose out of the excess of production over consumption.

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 become more productive and increase their output. Without capital all production would be done by hand.

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

Since capital goods produce goods for future consumption, but are themselves consumable items, they are contrasted with *consumer goo* which are bought for personal or household final use. In this sense, ca goods can be considered a form of deferred consumption, or future goods goods of "higher-order". Producing more capital goods and fe consumption goods is the basic act of investment and the primary mean achieving economic growth.

It should be noted that "capital" is an extremely vague term whose mea largely depends on the context in which it is used. Thus, in classical econo theory, capital does not refer to the business sense of financial capital — money. Rather, it is short-hand for *real capital*, *physical capital*, and *ca goods* — the terms that are used almost synonymously in traditi economic analysis. They all refer to the stock of already/previously-produ durable goods that are used as a means of production to manufactur produce other goods — now and in the future.

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

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

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

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

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

***Important note:** Earlier illustrations often depicted capital as physical items, such tools, buildings, and vehicles that are used in the production process. Since at least

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 of confusion in modern economics, and care must be taken in its use to be sure what it means.

A. EXERCISES

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. Economic resources are inputs to produce goods and services.
4. The factors of production can be classified in *many* ways.
5. 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.
5. Land includes some natural resources, such as minerals, forests, water, and unimproved land.

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.
5. All forms of human activity require time and effort.

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. Financial capital is what is required to fund the acquisition and maintenance of real capital.
8. Physical capital is wealth in the form of physical assets such as buildings, equipment, and inventories.

2. Choose the most suitable word:

1. The fourth factor of production often included in classifications is (***information, entrepreneurship, technology***).
2. Natural resources that do not reproduce themselves are called (***renewable, living, exhaustible***) resources.

3. The wage rate is "the price of a (***piece, rate, unit***) of labour".
4. Capital's primary role in the economy is to improve the productivity of (***land, labour, people***).
5. Money capital is raised by (***buying, purchasing, selling***) stocks and bonds.

3. Fill in the blanks:

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 entrepreneurial ...
4. Capital is all forms of means of production: factories, machines, and ... .
5. Capital refers to products such as buildings, machinery and equipment that are used in ... .
6. Goods that are produced and then used to produce other goods a services are called ... .
7. The physical and mental talents that people contribute to the production process is called ... .
8. The inputs used in the production process are called ... by economists.
9. Financial capital is the term given to the stocks and ... issued in orde to finance the acquisition of capital goods.
10. Wealth used to produce more wealth is called ... .

---

production, four, capital(2), equipment, land, skills, labour, factors, bonds.

B. The category of "...(1)" includes all natural resources. These natu resources include the ...(2) itself, as well as any minerals, oil deposits, timb or water that exist on or below the ground. The labour ...(3) consists of physical and intellectual ...(4) provided by human beings. The resource cal "...(5)" consists of the machinery and equipment used to produce ...(6). N that the use of the term "...(7)" differs from the everyday use of this ... Stocks, bonds, and other financial assets are not *capital* under this definit of the term. Entrepreneurial ...(9) refers to the ability to organize producti and bear ...(10).

---

risks, term, output, output, 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. Consumption goods provide ... .
7. Entrepreneurial activities almost always ... .
8. Capital consists of produced goods, such as ... .
9. Capital goods are human-made goods which ... .

5. Answer the following questions without looking back at the text:

1. How many factors of production are normally defined by economists?
2. Briefly define each factor of production.
3. What is wealth? Give an example.
4. How do capital and labour differ from land?
5. What is profit/rent the payment for?
6. What factor of production gets the profits?
7. What is the true nature and role of profit?
8. Could the free market system work without profit?
9. Capital takes many forms, doesn't it? Name and define some of them.
10. What is a critical distinction between real capital and financial capital?
11. Why do wages differ for different types of labour?
12. Neo-classical economists maintain that productive resources are limited. Is it true or is it a myth? Prove your point of view.

6. Render the contents of Text 4.1 in English.

7. 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.

8. 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 endowed at birth, the rest 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 th can be economically valuable. It is an invisible glue of relationships an institutions that holds an economy together.

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

Social capital can also have negative effects. For example, if a soci network is used for manipulative or destructive purposes that will affect th 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 the nineteenth century followed the reasoning first laid down by Adam Smi that there were three and only three factors in the production of wealth. Tho three factors were land, labour, and capital. To these early economists, th was like saying to the mathematician that two and two makes four.

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

2. Land, labour, and capital: a natural sequence. It would seem to be accident that the factors in production are quite generally mentioned in t order of land first, labour second, and capital third. There is a natural logic this order. Land was here ages before man arrived on the scene, and land w be here ages after man has disappeared. Labour came along as man w evolved, and in time was exerted on land and the products of land to produ wealth. Capital, that is, wealth used to produce more wealth, could be ma only after wealth had been produced by the application of labour to la There is a natural sequence, a natural order in time in which these thr factors came into being, an order which emphasizes the very importance a timelessness of land.

3. Land. Naturally there can be no production without labour. Likewise th can be no production without land. That is self-evident in agriculture, ca raising, forestry, and the mining of natural resources. But it also holds just true in commerce, industry, transportation, banking, insurance, and ot 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.

Text 4.2

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 an entrepreneur?** People who demonstrate entrepreneurial ability are called *entrepreneurs*. The entrepreneur is a farsighted resource-manager who brings together the other three factors of production, gets them organized,

and directs them into socially desired production, while taking risks with his/h money and the financial capital of others who are willing to share the risks.

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

(3) **What the entrepreneur is not.** Many economic texts suggest th entrepreneurs innovate, introduce new or improved products ar technologies, but this is not generally true. Most entrepreneurs just co other businesses or ways of production. However, any new product innovation needs an entrepreneur to bring it to the market, who, at that, tak risks with their own money and the financial capital of others, sin uncertainty is everywhere.

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

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

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

It's entrepreneurial energy, creativity and motivation that trigger t production and sale of new products and services. It's the entrepreneur wh seeks opportunities to profit by satisfying as yet unsatisfied needs. It's t entrepreneur who seeks disequilibrium — a gap between the wants a needs of the customers and the products and services that are curren available — and finds a way to fill that gap.

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

(5) **What does it take to become an entrepreneur?** Just who is entrepreneur? While there's no single entrepreneurial archetype, certa common traits indicate an entrepreneurial personality. For instance, there's great deal of truth to the notion that entrepreneurs are born, not mad Although our upbringings, belief systems, education, training and developme

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. And although it's far from a necessary ingredient for entrepreneurship, the need to succeed is often greater among those whose backgrounds contain an extra struggle to fit into society.

Entrepreneurs are future-oriented: they believe that success is possible and are willing to risk their resources in the pursuit of profit. They are fast moving and flexible, willing to change quickly when they get new information. Entrepreneurs are persistent and determined to succeed, because their own money and ego are at risk. Entrepreneurs are capable of dealing effectively with the legal and governmental requirements of business. Most entrepreneurs who reach their goals are often natural leaders and strong problem-solvers, and they work well under pressure. They continually seek ways to offer their products and services in such a way that they're more attractive than anything else available. They have a natural instinct for the financial condition of their businesses.

For those who don't have this type of personality — which is most of the population — it is critical to understand the requirements for being a successful entrepreneur. Only then will you be prepared to create the right team for the endeavour. The key to success is selection: you must select an opportunity that suits your personality, then hire or select the right people — that is, the people who excel in the areas where you're lacking — to surround yourself with.

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

A. EXERCISES

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

1. The entrepreneur is a risk taker.
2. Entrepreneurship is a subcategory of labour.
3. There's no single entrepreneurial archetype.
4. Profits are the primary goal of entrepreneurs.
5. Entrepreneurship is a scarce human resource.
6. Most entrepreneurs have very similar personality traits.
7. Profit is the payment which goes to the fourth factor of production.
8. Some economists do not regard entrepreneurs as a specialist form of labour input.
9. The fourth factor of production often included in most classifications is technology.
10. At any given time a limited amount of labour, capital, and entrepreneurial ability is available on this planet.

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 productio

3. Fill in the blanks:

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. Entrepreneurship refers to the ability to organize production 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 ... .

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

4. Complete the sentences:

1. An entrepreneur is someone who ... .
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. Answer the following questions without looking back at the text:

A. 1. Who is an entrepreneur?
2. What does it take to become an entrepreneur?
3. What makes entrepreneurs such an integral part of a prosperous econom
4. What are the basic requirements for being a successful entrepreneur?
5. Entrepreneurs aren't born, they are made, aren't they?
6. What qualities do most entrepreneurs have in common?
7. Specify some common traits that indicate an entrepreneurial personality.
8. What is profit a payment for?
9. Could the market system work without profit?
10. Would you invest your savings in some development project without any profit incentive?

B. 1. Do you like to work under pressure?
2. Are you cut out to be an entrepreneur?
3. Do you have what it takes to be a successful entrepreneur?

6. Render the contents of Text 4.2 in English.

7. Comment on the following English proverbs:

- *"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?*

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?*

What 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'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 share a number of common personality traits, and these traits are the predomina indicators of their success-outweighing education, family ties, skills a experience. Moreover, people who choose business ventures that are in li with their true personalities tend to experience the greatest level of succe and fulfillment.

The research results show that people basically come in two opposi types: *Generalists* and *Specialists*.

Generalists are strategic thinkers. They are big picture-oriented, pref environments where they can use their results-driven nature, enjoy autonom and independence, and are stronger risk-takers.

Specialists are tactically oriented, prefer being responsible for areas withi their areas of expertise, are more detail-oriented, and prefer environmen that provide both security and stability. They are typically more risk-avers unless they are working within their area of expertise.

Generalist personalities will have a dominance factor that is much great than their compliance factor. This is the source of their need to win and thei belief that they are always right. They are therefore self-confident and able t assume risk.

The Specialist personality has a compliance factor that is much greater tha the dominance factor. Therefore, doing things by the book-following rules policies and procedures — is more important to them. They will try to d everything right, which means avoiding risks.

C. TRANSLATE INTO RUSSIAN

1. History. Until the twentieth century, *profit* was assigned to the capitalist a frequently conflated with capital. In the classical view, it is precisely th function rather than interest was attributed to ownership of capital. But in 191 Joseph Schumpeter, in *The Theory of Economic Development*, featured th revolutionary role of organizer and innovator and contrasted it with that of th conservative financier, thus vividly distinguishing the entrepreneur from th capitalist. The entrepreneur's role in this view is not merely that of manag and risk-taker, but also of visionary — someone who seeks as much destroy the old order as to create something new. Since innovation usual requires destroying old ways of doing things, Schumpeter gave it the na "creative destruction". Profit is now assigned to entrepreneurship, innovation. With the rise of "venture capitalists" and other financiers willing take on more risk and do more for innovation in the hope for supernorm returns, the distinction between capitalist and entrepreneur has again becor fuzzier. Now there are entrepreneurial financiers as well as entrepreneur producers and distributors.

2. Factors of production. Goods that are used to produce other goods o services are called economic resources (and are also known as inputs o factors of production). These resources are often categorized into th 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.

UNIT 5 DEMAND AND SUPPLY

Text 5.1

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, the very heart of the market system. Supply and demand are the two key forces in a free market, while the two fundamental variables are price and quantity. 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 is our *demand* for it. 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 or is temporarily suppressed, economists speak about *latent demand*.)

Demand, thus, is the amount of a good that consumers are willing and able to buy at various or, to be more precise, at all possible/alternative prices over a certain period of time/in a given period of time. The source of willingness wants and needs, while the source of ability is mostly income.

(3) **Demand is "a propensity to buy"**. The "demand" for something doesn mean "how much of it people are buying." It only means "how much of people would be buying if ... ". If what? If the price happened to be, say, or $10 or $30 or maybe 50 cents. So "demand" in economics doesn't me what it normally means to most people. In economics, it really mea "propensity to buy", — that is "*how much I would buy, if. ...*".

(4) **The Law of Demand: higher price, smaller quantity; lower pric larger quantity**. If you have a demand for something, that means tw requirements are being met: (a) you want it, and (b) you are willing and ab to spend some money to get it. However, whether or not you actually will bu depends on how high the price is. (You may be willing to pay to g something, but you may *not* be willing to pay a price which you think is to high.) And the higher the price, the less of it you will actually buy; conversel the lower the price, the more of it you will actually buy.

You know it is true from your own personal experience. Right? And so yo already know the law of demand which says: "*The quantity demanded of a goo is inversely related to its price, ceteris paribus*". In plain English, it simp means that *people would buy more of something at a lower price than th would at a higher price*, with all else equal/(with) all other factors he constant/unchanged.

(5) **The three ways to visualize the Law of Demand.** There are vario ways to capture/visualize the relationship between price and t quantity/amount of a product that people will/would buy. As was stated abo 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 pri with all other factors (besides price) held constant, or:

$$Qd = f(\textit{Price, other factors held constant}).$$

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 the table on the l reflect the way people will behave at e price, i.e. the amount of "widgets" (imagin products) they will buy as their price goes or down. For example, when the dem price decreases from $4.00 to $1.00, quantity demanded increases from 40 to widgets because buyers are normally wil and able to buy more at lower prices. demand for a good, thus, can be though as a schedule of prices and quantities in mind of the buyer.

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

(6) **The demand curve.** The same information can also be plotted on a *graph*, where it will look like the graph in Figure 1. The *demand curve* labeled DD in Fig. 1 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

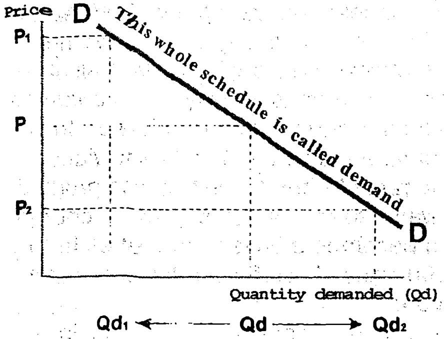

Figure 1. A Change in Quantity Demanded

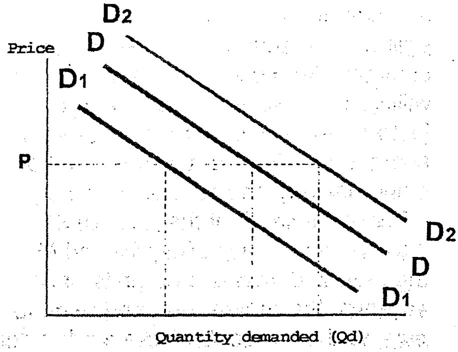

Figure 2. A Shift in Demand

axis. The typical demand curve slopes downward from left to right. For basic analyses the demand curve is often approximated as a straight line.

(7) **Understanding the demand curve.** 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.

(8) **Movements along demand curves vs shifts in demand curves.** 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 increase or fall in the price of a good results in a *movement along* the existing demand curve for the good from one point to another (either upwards or downwards), but not in a shift of the existing demand curve from one position to another on the graph/plot (either to the left or to the right). In other words, though price is the most important determinant of demand, any changes in price only cause the quantity demanded to change, but the entire demand schedule remains the same.

(9) **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.

(10) **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 buys 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.

(11) **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 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.

(12) **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.

A. EXERCISES

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

1. Demand is the amount of a good that consumers are willing and able to buy at a given price.
2. Latent demand is the ability of consumers not just to want, but be able to buy the product.
3. The quantity demanded of a good usually is a strong function of its price.
4. When price changes, the result is a change in demand.
5. If price only changes, the demand curve for a good or service will not shift.
6. The term "ceteris paribus" is a "short hand" for "all other variables remaining the same".
7. An aggregate demand curve is the sum of individual demand curves for different sectors of the economy.
8. As the price of a well-defined commodity rises, the quantity demanded during a given period of time rises too, ceteris paribus.
9. The law of demand implies that the lower the price, the greater the quantity demanded, and vice versa, ceteris paribus.

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***).
2. The law of demand postulates that the relationship between price and quantity in the mind of buyers is (***inverse, direct, positive***).
3. Demand is the quantities that buyers are willing and able to buy at (***all, any, given***) alternative prices.
4. The law of demand postulates that (***it, this, there***) is an inverse relationship between the price of a good and the demand for a good.
5. A change in price (***always, never, sometimes***) shifts the demand curve for that good.
6. A number of factors may (***cause, influence, reflect***) the demand for a product.
7. (***When, Whenever, Unless***) you are ready, willing and able to pay a price for something you do not demand it no matter how much you may want it.
8. Demand for a particular product or service represents how much people are willing to purchase at (***one price, given price, various prices***).

9. (***The quantity demanded, The market demand, The demand fo good***) is a specific amount that buyers are willing and able to buy at a price.
10. Demand changes when one of the determinants of demand chang A demand change is illustrated as a (***shift of, a movement alo extension or contraction of***) the demand curve.

3. Fill in the blanks:

1. The term for "everything else remaining constant" is ... .
2. A change in price causes a ... along the demand curve.
3. A shift along the demand curve is referred to as a "shift in ... ."
4. A shift in any other variable except price causes a shift in the ...
5. A shift in the entire demand curve is referred to as a "... ."
6. Demand is the expression of ... of a potential buyer to acquire certain quantities of an item for various possible prices.
7. The law of demand is represented graphically by a downsloping demand curve showing that when price decreases, quantity increases ...
8. If any factor ... price changes, the demand for the good changes too.
9. Demand is represented graphically as a ... , with price on the vertical ax and quantity on the horizontal axis.

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entire demand curve, shift in demand, the quantity demande movement/shift, other than, ceteris paribus, and vice versa, downwa sloping curve, willingness and ability.

4. Complete the sentences:

A. 1. The demand curve slopes downward from ... to ... .
2. The term *ceteris paribus* means *holding other factors constant or* ... .
3. Desire refers to people's ... to own a good.
4. Demand little affected by changes in price is ... .
5. Demand sensitive to changes in price is said to be ...
6. In graphing the demand for a good, price is ... along the vertical axis.
7. As prices fall we see an ... of demand. If prices rise we expect to see a . of demand, other factors remaining unchanged.
8. An increase in household income will see demand increasing, resulting in shift of the curve to the ... .
9. A table showing the quantities of a good that a consumer would buy at all different prices within a time period is referred to as a ... .

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

1. How can you define "demand"?
2. What is "demand schedule" and "demand curve"?
3. What is the difference between a change in quantity demanded and a change in demand?
4. What factors can cause a shift in the demand curve?
5. What does "the Law of Demand" say?
6. What prices can be called elastic/inelastic?
7. What are the various kinds of elasticity of demand?

6. Render the contents of Text 5.1 in English.

7. Discuss:

- the distinction between "demand" and "desire" in economics;
- what would cause a movement along the demand curve;
- what would cause the demand curves to shift to the right/ to the left.

B. FURTHER READING

1. Read the text below and answer the question:

- *What is 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.

2. Read the text below and answer the question:

- *What is the difference between a change in demand and a change the quantity demanded?*

A change in the price of the good causes movement along the curve and is a change in quantity demanded. Anything other than a change in the price of the good changes the existing relationship between price and quantity (i.e. demand), which, in turn, shifts the entire demand curve. Since demand is the relationship between the price of the good and the quantity demanded, if demand decreases, a lesser quantity is demanded at each and every price than before.

For example, suppose the price of getwids, a substitute for widgets, falls. Then, people who previously were buying widgets will reconsider their choices, and some may decide to switch to getwids. This would be true at all possible prices for widgets. These changes in the way people will behave at each price will change the demand schedule to look like in the table on your right.

C. TRANSLATE INTO RUSSIAN

1. The concept of demand. Demand is that quantity of a good th consumers are not only willing to buy but also have the capacity to buy at th given price. For example, a consumer may be willing to purchase 2 lb o potatoes if the price is $0.75 per lb. However, the same consumer may b willing to purchase only 1 lb if the price is $1.00 per lb. A demand schedul can be constructed that shows the quantity demanded at each given price. I can be represented on a graph as a line or curve by plotting the quantit demanded at each price. It can also be described mathematically by a demand equation. The main determinants of the quantity one is willing t purchase will typically be the price of the good, one's level of incom personal tastes, the price of substitute goods, and the price of complementar goods.

2. Demand vs quantity demanded. It is very important to distinguish, on th one hand, between quantity demanded and demand and, on the other hand between a change in quantity demanded and a change in demand. Th amount of a good that will be bought at any particular price is referred to a *the quantity demanded* (just one point on the demand curve/line), whil *demand* is the quantity demanded at all possible prices (the whole/entir demand curve/line or schedule). Now, a change in quantity demanded i caused by a change in market price, while a change in demand is caused b a change in a factor or factors other than price.

3. Increase and decrease in demand vs increase and decrease i quantity demanded. When more people want something, the quantit demanded at all prices will tend to increase. This can be referred to as a *increase in demand.* The increase in demand could also come from changin tastes, where the same consumers desire more of the same good than the previously did. Increased demand can be represented on the graph as th curve being shifted right, because at each price point, a greater quantity i demanded. An example of this would be more people suddenly wanting mor coffee. This increase in demand will cause the curve to shift from the initi curve D1 to the new curve D2. Conversely, if the demand decreases, th opposite happens. If the demand starts at D2 and then *decreases* to D1, th price will decrease and the quantity demanded will decrease.

4. Elasticity of demand. The concept of elasticity of demand is very helpf in understanding how the market process works. If a product has clos substitutes, then the responsiveness of demand to change in price is hig and the demand for the product sharply drops. Over the long term business try to overcome elasticity by building consumer goodwill and brand loyalt through advertising. On the other hand, governments usually impose hig taxes on relatively inelastic goods such as alcohol and tobacco. Despite th higher cost of the product, the demand remains relatively similar, and thu governments earn more from their taxation policy.

Text 5.2

Supply

"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 behaviours 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 it 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.* (Go back and compare this statement with the law of demand.)

From the law of supply it follows that the relationship between price and quantity in the mind of producers or sellers is a direct/positive one — that is, both quantity and price change in the same direction: when price increa so does quantity, and the higher the price, the larger the quantity suppli Reasons for positive relationship between price and quantity supplied are t as the price of good increases, the good becomes more attractive producers relative to other goods that can be produced with sim resources.

It should be noted that though the positive relationship is almost always t case, there are a few exceptions. An example is labour: as wages go u people may decide to enjoy their higher wages and work less. As a resu there is no law of supply that matches/parallels the law of demand.

(6) **The three ways to visualize the Law of Supply.** The relationsh between the quantity of a product that sellers want to sell during some ti period (i.e. quantity supplied) and their current market price is wh economists call the *supply schedule*. The supply schedule can be illustrat either in the form of a *table* or a *graph*, or expressed *mathematically* functional form as:

$$Qs = f(\text{price, other factors held constant}).$$

A table/chart is an elementary way to express a supply schedule. Such table constructed for an imaginary product is shown in the following examp below.

A Supply Schedule

Price of Widgets	Number of Widgets People Want to Sell
$1.00	10
$2.00	40
$3.00	70
$4.00	140

The numbers in the table reflect the w sellers will behave at each price, i.e. t maximum quantity of a product they will s as the price goes up or down.

For example, when the supply p increases from $1.00 to $4.00 per unit, quantity supplied increases from 10 to widgets because sellers are normally willin sell more at higher prices. The supply good, thus, can be thought of as a schedu prices and quantities in the mind of the sel

The same supply schedule can be shown with a graph which will look the graph shown in Figure 3 below, with the supply price measured/plotte the vertical axis, and the amount of a good one or more producers are wi and able to sell at different prices measured /plotted on the horizontal axis.

(7) **The supply curve.** The supply curve labelled SS in Fig. 3 is nothing m than a graphical representation of the law of supply. It shows the posi relation between the supply price and the amount of a good one or m producers are willing and able to sell at all possible prices/at every poss price.

Unlike the typical demand curve, the typical supply curve slo (increasingly) upward from left to right. For basic economic analyses supply curve is often approximated as a straight line, just as it is the case the demand curve. Notice that the line does not begin at the origin. There is some price — above zero — at which no seller will sell at all.

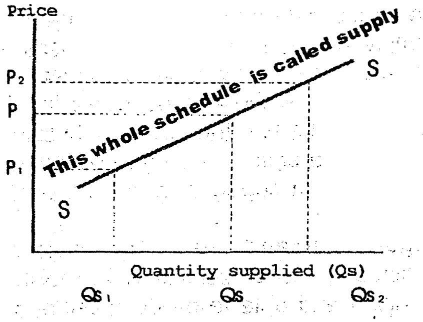

Figure 3. A Change in Quantity supplied

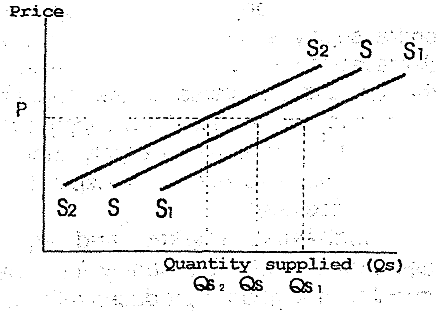

Figure 4. A Shift in Supply

(8) **Understanding the supply curve.** The positive slope of the supply curve, which is the slope one normally expects from a supply curve, graphically illustrates the direct law-of-supply relation between supply price and quantity supplied. The slope implies that 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. Supply is the entire set of price-quantity pairs that reflect sellers willingness and ability to sell a good. In a graph, supply is represented by the entire supply curve.

(9) **Movements along supply curves vs shifts in supply curves.** As with the demand curve, economists differentiate a *movement* along the supply curve and a *shift* in 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. Since price is the most important determinant of supply, any increase or fall in the price charged for a good results in a change in the quantity supplied. In the graph, a change in the quantity supplied is reflected as new point on the existing supply curve (either up or down the line), matching/indicating thus a new 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.

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.

(10) **Supply-shifting factors.** 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-influenci factors, they are sometimes called the *conditions of supply* or *supp determinants*.

A change in any one of the supply non-price determinants will change th entire supply schedule and shift the supply curve. If the change causes decrease in the quantity supplied at each price, the supply curve would shift the left, and vice versa. In the diagram above (See Fig.4) a decrease in th entire supply has shifted the supply curve SS to the left, the new supply cur being S1S1. An outward supply curve shift (i.e. a shift to the right) taking th curve to S2S2 reflects a corresponding increase in supply at each and ever supply price level.

(11) **Individual, market, and aggregate demand.** As with individu demand, an *individual supply* for a particular good or service *refers* to th quantity of a good a producer/seller is willing and able to produce/sell at a possible prices within a period of time, with all other factors remainin constant. The *market supply* is simply the horizontal sum /the sum total of th individual supplies within the marketplace or, to put it another way, the sum o the amounts supplied by each of the sellers. *Aggregate supply* is the tota supply of goods and services in the economy during a specific time period.

(12) **Elasticity of supply.** Price elasticity of supply, or simply elasticity o supply, is the *degree of responsiveness* with which quantity supplied change for a given change in price. It is often referred to as a proportional change i the quantity demanded to a proportional change in price. Elasticity of supp is typically calculated as the percentage change in the quantity supplied of 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 pric changes a little, the supply is said to be (price) elastic. If the quantity change little when the prices changes a lot, it is said to be (price) inelastic. Th degree of responsiveness of quantity demanded to changes in the product price is reflected in the slope of the demand curve: the lower (is) th responsiveness, the steeper (is) the slope. Zero elasticity, or perfect inelastic supply, is graphically represented as a vertical supply curve.

A. EXERCISES

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

1. In economics, supply is the willingness of sellers to sell a range of quantities of a good at one price, during a given time period.
2. Supply can be thought of as the amount of goods flowing across the mark from the sellers to the buyers.
3. The concept of supply is similar to but opposite from the concept of demand.
4. Price is a major determinant of the amount sellers will want to sell.
5. The law of supply can be shown graphically by a down-sloping supply

curve.

6. If the market supply of a good is low, the price will rise provided there is demand for it.
7. The law of supply states that the higher the price, the larger the quantity supplied, all other things constant.
8. The quantity supplied is the amount that will be offered for sale at all possible prices.
9. If we add up all the demand curves of all consumers (for a particular good or service), we can prepare an individual demand curve.
10. Elasticity of supply is the percentage change in the quantity supplied of a good or service divided 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, 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:*

1. The law of supply states the direct relation between supply price and .... .
2. The law of supply says that an increase in price tends to increase the quantity supplied, ...
3. The supply curve will shift to the ... when there is a decrease in supply.
4. The law of supply states that ... of a good or service, all other variables remaining the same, the greater the quantity is supplied.
5. In economics, elasticity usually refers to .... .

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other things equal; price elasticity; the higher the price; left; quantity supplied.

4. *Complete the sentences:*

A. 1. The supply curve slopes upward from ... to ... .
2. As the price charged for a good .... sellers wish to sell ... of that good.
3. The law of supply states that as the price of a well-defined commodity ... the quantity supplied during a given period of time ... , ceteris paribus.
4. Supply is a range of prices and .... .
5. The costs of production is one of the ... of supply.
6. Elasticity is a measure of .... .

B. 1. The factors that are likely to cause the shifts in supply are called the .... .
2. The direct relationship between price and quantity supplied is called .... .
3. As with the demand curve, we move along the supply curve, from one point to another on the same line, if .... .

4. The specific supply relation between price and quantity is termed ... .
5. Changes in price result in ... .
6. We shift the entire supply curve ... .

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

1. What does "supply" mean in economics?
2. What determines the amount of a good or service that sellers are willing and ready to sell during some period of time?
3. How can one prepare a table of individual supply?
4. What are the most important supply-shifting factors?
5. How can you explain *zero elasticity* concept?
6. What is the equilibrium price?
7. What are the two main forces and the two main variables in a free market?

6. *Render the contents of Text 5.2 in English.*

7. *Discuss:*

- the ways prices influence the propensity of sellers to supply goods to the market;
- the ways the supply response to prices;
- the conditions under which the supply curve for new homes would be upward sloping.

B. FURTHER READING

1. *Read the text below and explain the phenomenon of the backw... bending supply curve.*

The backward bending supply curve. Occasionally, supply curves do n... slope upwards. A well-known example is the backward bending supply cur... of labour. Generally, as a worker's wage increases, he is willing to suppl... greater amount of labour (working more hours), since the higher wa... increases the marginal utility of working (and increases the opportunity cost... not working). But when the wage reaches an extremely high amount, t... laborer may experience the law of diminishing marginal utility in relation to h... salary. The large amount of money he is making will make further money... little value to him. Thus, he will work less and less as the wage increas... choosing instead to spend his time in leisure.

2. *Read the text below and explain:*

- *in what case the supply curve becomes vertical;*
- *the meaning of the expression "to scalp the tickets".*

Vertical supply curves. It is sometimes the case that the supply curve i... vertical: that is the quantity supplied is fixed, no matter what the market pric... For example, the amount of land in the world can be considered fixed. In th... case, no matter how much someone would be willing to pay for a piece ... land, the extra cannot be created. Also, even if no one wanted all the land... still would exist. These conditions create a vertical supply curve, giving it ze... elasticity (i.e. no matter how large the change in price, the quantity suppli... will not change).

In the short run near vertical supply curves are even more common. For example, if the Super Bowl 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. If the organizers of this event underestimated demand, then it may very well be the case that the price that they set is below the equilibrium price. In this case there will likely be people who paid the lower price who only value the ticket at that price, and people who could not get tickets, even though they would be willing to pay more. If some of the people who value the tickets less sell them to people who are willing to pay more (i.e. scalp the tickets), then the effective price will rise to the equilibrium price.

C. TRANSLATE INTO RUSSIAN

A. **What is supply?** Supply is simply a schedule (or list) of prices and the Quantity Supplied of a good at each price. In order to Supply one has to be both willing and able to produce the good. The entire relationship between the price of the good and the quantity of the good is Supply and can be illustrated on a graph with a positively sloped line (curve). The whole curve is Supply. 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 (the Marginal unit).

B. **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).

Text 5.3

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 (Qs=Qd), 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 there is no inherent tendency for the equilibrium market price to change. 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, as always, is different from simple theory, and perfect market equilibrium is ever before reach/is never reached because in reality demand and supply are almost constantly changing, making thus the market adjustment an ever going process. Sometimes market equilibrium may not be achievable

because price changes may be costly, buyers and sellers may fix prices for long periods of time, or the government may regulate prices.

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 referred 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 a change in the price.

A surplus exists if the quantity demanded exceeds the quantity supplied at the current market price. This condition emerges 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/ scarce 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**. The two most common ways to visualize the way how supply and demand interact in a free market are in the form of a graph, or in the form of a table.

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) below.

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

The table 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.** Sometimes you have to see it to believe it. 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 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. This is typical in analysis looking at the simplified relationships between supply and demand 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 (Qd=Qs). Note that at the equilibrium point there is no inherent tendency for the market to move from that position once it is there.

At prices above the equilibrium point (that is, where Qs>Qd), there is *excess supply* which creates a *surplus* of the product, while at prices below

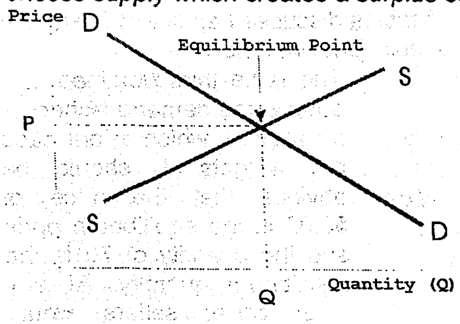

Figure 5.
Market Equilibrium

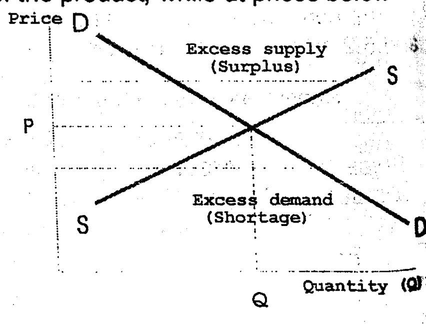

Figure 6.
Excess demand vs Excess supply

the equilibrium (that is, where Qs<Qd), there is *excess demand.* The effect of excess supply is to force the price down, while excess demand creates *shortages* and forces the price up. All these situations are shown in Figure 6 above which has both demand and supply on it.

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 ceilings.** Theoretically, if left alone, a market will naturally settle into equilibrium. However, the government at times interferes with the market and sets the price for the market to reshape/alter the economy in order to protect the interests of either consumers or producers.

If the government sets a minimum price for a market, then that legal minimum price that can be charged for a good is called the *price floor* (Qd < Qs). A price floor implies that there is excess supply in the market. 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, and milk. 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 a *price ceiling* (Qd > Qs). Price ceilings cause excess demand or shortage in the market. For a price ceiling to be effective, it must be set below the market equilibrium price. (See Fig.8) Good examples of markets with price ceilings are apartment rentals and credit card interest rates.

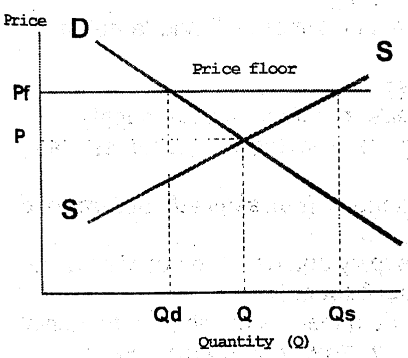

Figure 7. Price Floor

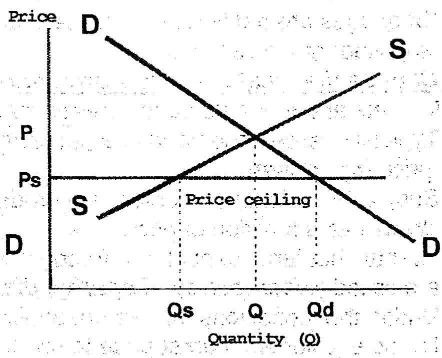

Figure 8. Price Ceiling

They, however, lead to either excess supply or excess demand in the market implying that either "too many" resources are being used to produce the good or "too few". Resource allocation is therefore not optimal.

The price ceilings cause persistent shortages, while the price floors cause persistent surpluses. This is the cost of imposing these restrictions.

Is the ceiling or the floor a "good" thing? It depends. Some groups will be helped while others will be hurt. For example, caps on apartment rents help tenants but hurt landlords. Often when there is market disequilibrium, other methods of rationing will appear: black-markets, quality deterioration, and so on.

A. EXERCISES

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

1. Perfect market equilibrium is never reached in real life.
2. The exact shape of the curve for a given market is never known.
3. For the market to be "cleared," price must be equal to or higher than equilibrium price.
4. In a market economy the supply and demand for a given product tend to be constant.
5. Under the conditions of market equilibrium no supplier is left with any unwanted inventory.
6. The MCP is the only price at which the quantity demanded is equal to the quantity supplied.
7. If the government sets a minimum price then the market price cannot go below that minimum.
8. Buyers want to buy as many goods as possible, while sellers want to sell as many goods as possible.
9. The point of intersection of supply and demand curves on the graph is referred to as the point of equilibrium.
10. The price at which buyers are willing to buy the same number of goods that sellers are willing to sell is always a compromise.
11. Shortages are a difference between "amount demanded" and "amount supplied" at a given price.

2. Choose the most suitable word/phrase:

1. Markets are where demand (***meets, needs, receives, wants***) supply.
2. Typically, excess demand creates (***surplus, shortages***) and forces the price (***up, down***).
3. Supply and demand curves are traditionally (***considered, determined, drawn***) as a function of price.
4. Events that tend to push the forces of supply and demand out of balance are called (***discrepancy, disparity, disturbances***).
5. Under the conditions of market equilibrium there is no inherent tendency for the equilibrium market price to (***change, drop, fall, go up, rise***).
6. In a market economy producers and consumers interact to (***adjust, define, determine, shape***) what the equilibrium price and quantity will be.
7. If sellers are charging more than buyers are willing and able to pay,

a(n) (***surplus, shortage, equilibrium, diminishing return***) of product will result.

8. If sellers are charging less than buyers are willing and able to pay, a(n) (***surplus, equilibrium, shortage***) of product will result.
9. As price goes up buyers purchase (***the same amount of, more, substitute, less***) products.
10. In a market economy, who determines the price and quantity demanded of goods and services that are sold? — (***Consumers; The Government; Producers; Both consumers and producers; None of the above***).

3. Fill in the blanks:

1. With a market surplus, prices tend to ... .
2. The only price that sellers will receive and buyers will pay at any time in the spot market is ... .
3. At the MPC the quantity of goods ... into the market by the sellers is equal to the quantity of goods ... out of the market by the buyers.
4. People are ... to buy as much of the good as they would like at the ... price.
5. At the equilibrium price, buyers want to buy ... the same amount of a ... that sellers want to sell.
6. The point of equilibrium marks one price and one ... on which both the buyers and the sellers ... .

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fall, unable, being pulled, the market equilibrium price, being pushed, current, quantity, good, agree.

4. Complete the sentences:

1. A surplus exists if ... .
2. A shortage exists if ... .
3. For the market to be "cleared," price must be ... .
4. There is neither excess demand nor excess supply when ... .
5. Market disequilibrium results if ... .
6. The greater the discrepancy between supply and demand, the greater the tendency for ... .
7. To find the equilibrium price and the equilibrium quantity for a good, it is necessary to ... .

5. Answer the following questions without looking back at the text:

1. What is the equilibrium market price/ market-clearing price?
2. How can you define "market equilibrium"?
3. What is meant by "points of disequilibrium"?
4. How do the two opposing forces of supply and demand shape the market?
5. What do the aims of buyers and sellers differ in?
6. What is a surplus/shortage in economics?
7. Who or what pushes the forces of supply and demand out of balance?
8. What is a price-floor / a price-ceiling ?

9. Why do the sellers have to drop the price they are asking for a good?
10. Why does the government quite often interfere with the market?
11. Why an entrepreneur cannot charge any price they want to for their products

6. Render the contents of Text 5.3 in English.

7. Discuss:

- the idea of the "just right price";
- government intervention with markets. (Offer some observations on how government affects markets, both favourably and unfavourably.)

8. Comment on the following quotation:

- *"That government is best that governs least."*- Thomas Jefferson

B. FURTHER READING

1. Read the text below and answer the question:

- *What is rationing?*

Non-price competition. 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 is either through legal non-price competition or through illegal transactions at prices higher than the ceiling. The results include foregone consumption, queuing, bribery, theft, illegal sales, and other "black", "grey" or "informal" market behaviour.

In markets such as in the former Soviet Union prices were artificially low by fiat, (i.e. high prices were outlawed). Soviet citizens famously waited in line (or "queued") for price-controlled goods and services such as food, clothing, cars, apartments, and medicine. From the point of view of those waiting in line, such goods were in perpetual "short supply"; they were willing to pay more than the official price ceiling (as evidenced by their willingness to pay in the form of hours spent in line), but were legally prohibited from doing so. This method for determining the allocation of goods in short supply is known as "*rationing*".

2. Read the text below and discuss the role of taxes in modern economies.

Taxes. Another way 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.

So, if the government charges a $1 tax on every pack of cigarettes, and the cigarette sellers want to pass this tax on to the buyers, then the supply curve will shift upwards by $1. (Note that the $1 shift is the *vertical* distance between the pre-tax and post-tax curves). The net result is that for any price, the stores will sell fewer packs of cigarettes, to make up for the extra cost of the tax. In effect, if consumers want to maintain their previous levels of consumption, cigarettes would now cost $1 more per pack. However, the new equilibrium shows that prices will be in between p and (p+1), and the new quantity will be less than the initial quantity. We can see how this works on the graph below.

3. Read the text and discuss the role government normally plays in a modern economy.

Government plays a large role in all modern economies. 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 government 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.

C. TRANSLATE INTO RUSSIAN

1. A key function of the market. To this point, we have considered the demand and supply concepts separately/individually. 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:

$$\mathbf{Qd} = \mathbf{f}\text{ (price, constants)}$$
$$\mathbf{Qs} = \mathbf{g}\text{ (price, constants)}$$

Price, thus, 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.

2. **Pricing.** A free market consists of voluntary trade without interventionist regulation. Prices, for example, 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 (as well as the quantity to be traded). 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 (the buyers wish to buy fewer goods at that price than the sellers are willing to produce), 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.

3. **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 floors are usually put in to benefit buyers. In most cases, price ceilings are below market price. 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. If the ceiling is set below market price, however, there will be 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, than 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 any bread, or not having enough bread to go around.

4. **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.

5. **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. Most of the warring countries attempted to equalize distribution of scarce commodities by rationing and price fixing. 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. In the decades following World War II, as the countries of Eastern Europe were trying to industrialize their economies, extensive black-market operations developed because of a scarcity of consumer goods. 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.

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☑ **Служебные слова:** a(463)*, about(32), above(13), across(2), after(6) against(5), all(116), along(9), among(13), amongst(1), an(76), and(581), another(16), any(60), anybody(1), anything(13), around(4), as(217), at(102), because(32), back(2), before(6), behind(2), below(9), besides(2), between(34), beyond(2), both(21), but(53), by(83), down(9), due(2), during(5), each(57), either(19), every(20), everybody(3), everyone(7), everything(18), few(7), for(179), from(73), he(5), his(7), her(3), him(1), himself(1), how(67), I(18), if(95), in(360), into(22), it(226), its(23), itself(5), like(18), many(28), me(2), mine(3), much(34), my(6), neither(3), near(2), no(59), nobody(3), none(1), nor(2), not(1), nothing(4), of(762), on(73), one(68), ones(7), onto(2), or(325), opposite(1), other(92), others(10), our(59), ourselves(3), out(14), over(7), round(1), since(16), something(42), the(1362), their(60), them(31), themselves(5), them(1), these(33), they(108), this(59), those(25), though(8), to(714), toward(9), under(4), unless(1), unlike(2), until(1), up(10), us(15), we(127), what(96), when(48), where(20), which(87), while(22), who(46), whom(1), whose(2), why(12), will(91), with(111), within(5), without(9), would(51), yet(3), you(251), your(85), yours(4), yourself(2).

☑ **Неправильные и модальные глаголы:** be(911) {*are(225), been(16), being(16), is(492), was(6), were(10)*} , bear(2), beat(1), become(9), begin(2), bid(1), bring(6), build(5), buy(54), can(106), choose(34), come(10), cost(78), could(22), cut(3), deal(2), do(142), draw(2), drink(5), drive(3), fall(7), find(12), forego(5), eat(2), get(49), give(44), go(36), grow(1), have(200), hear(1), hold(9), hurt(2), keep(3), know(11), lead(8), learn(12), leave(19), lose(1), let(4), make(79), may(16), meet(5), might(9), mislead(1), must(41), overcome(1), pay(31), put(12), read(5), rise(7), run(5), say(19), see(16), seek(5), sell(57), set(11), shall(1), should(14), show(14), sleep(1), speak(2), spend(19), steal(1), take(24), tell(2), think(20), thrive(2), understand(12), undertake(1), write(2), can(106), could(24), may(16), might(9), must(41), should(14), will(91), would(51), write(1).

☑ **Простые, сложные и составные наречия:** abroad(1), ahead(1), almost(9), already(10), also(33), although(4), always(13), anyhow(1), anyway(1), apart(1), away(7), awhile(1), best(36), better(10), downwards(3), else(13), even(9), ever(6), everyday(2), everywhere(4), far(6), fast(4), first(9), further(2), here(3), however(13), just(26), less(23), maybe(6), mere(2), more(110), most(59), never(8), nevertheless(1), next(7), now(11), nowadays(3), often(19), once(5), only(33), otherwise(8), outwards(3), rather(9), quite(2), seldom(1), soon(2), someplace(1), sometimes(17), still(2), then(26), there(66), therefore(6), thus(20), throughout(2), today(4), together(6), too(13), up(43), upward(1), upwards(1), very(17), well(5), whenever(2), whereby(1), whether(12), whichever(1), whatever(10), yes(1).

☑ **Полнозначные слова из лексического минимума за курс средней школы:** adjective(1), alone (2), ancient (2), answer(8), apartment(2), aware (1), back(1), bad(6), bird(1), black(1), blood(1), bread(1), breakfast(2), bridge(1), brush(one's teeth)(1), cake(2), call(33), candy-bar(5), car(9), century (2), child(1), China(1), city(7), classmates(1), clean(1), clear(4), close(3), clothes(1), cook(3), corner(1), dancing(1), day(4), daily(2), dictionary(1), difficult(3), dinner(1), dish(2), discuss(3), dozen(1), dream(2), early(3), easy(6), egg(1), end(4), endless(1), English(13), enjoy(2), example(24), exercise(1), family(9), fan(1), farm(1), farmer(1), father(1), favourite(1), first (1), fish(1), food(3), forest(1), fourth(2), free(23), freedom(4), Friday(1), friend(5), full(5), fun(1), game(4), glad(1), glass(4), good(80), government(13), grade(3), great(24), Greek(1), hand(6), happiness(2), happy(4), heart(4), help(7), high(44), home(2), hope(2), hour(5), house(5), hungry(1), kill(1), knowledge(3), land(25), language(2), large(15), lesson(3), letter(1), life(18), lifetime(2), like(5), listen(1), little(12), live(9), long(10), look(9), love(3), low(4), luck(1), lucky(1), lunch(1), man(1), Maths(1), milk(1), million(2), money(49), morning(1), movies(3), music(2), musical(1), name(2), nation(12), new(21), news(1), newspaper(1), night(3), novel(1), old(2), open(1), paper(1), parent(1), parrot(1), parents(1), past(1), people(85), perfect(10), phone(2), place(15), play(5), player(1), please(1), politics(1), population(2), question(16), railway(1), ready(4), road(1), room(1), school(10), second(4), shelf(1), shop(1), short(1), small(13), society(38), square (1), state(13), story(1), study(35), sugar(1), sunlight(1), talk(2), task(1), taste(2), team(1), teeth(1), thing(70), third(4), Thursday(1), ticket(3), tiger(1), time(55), train(1), tree(1), trip(7), true(12), TV(2), vacation(1), verb(1), village(2), walk(2), want(104), war(3), wash(3), watch(3), water(8), week(1), weekend(2), welcome(1), wish(5), word(29), work(26), world(19), wrong(1), yard(1), year(5).

☑ **Производные наречия:** accordingly(1), actually(6), alternatively(1), automatically(1), barely(1), basically(2), broadly(5), carefully(6), cheaply(1), clearly(1), closely(1), collectively(1), commonly(2), completely(3), consequently(1), considerably(1), constantly(1), continually(1), conversely(5), differently(1), directly(4), early(1), easily(2), economically(1), effectively(3), efficiently(2), equally(1), especially(1), essentially(1), exclusively(1), extremely(2), fairly(2), finally(4), firstly(1), fourthly(1), freely(1), fully(3), generally(6), governmentally(1), graphically(3), highly(4), increasingly(2), independently(1), individually(1), inherently(1), instinctively(1), intensely(1), interchangeably(1), intuitively(1), inversely(1), ironically(1), largely(4), lastly(1), legally(1), legitimately(1), marginally(5), mathematically(2), mentally(1), mostly(2), mutually(3), naturally(2), nearly(3), neatly(1), necessarily(3), normally(9), obviously(3), ordinarily(1), originally(1), partly(1), perfectly(3), personally(2), physically(1), possibly(3), potentially(1), practically(1), precisely(3), previously(2), primarily(4), privately(1), probably(1), purely (1), really(8), quickly(2), relatively(9), roughly(1), secondly(1), separately(1), significantly(1), similarly(1), simply(14), socially(2), sparingly(1), specifically(2), strictly(1), subconsciously(1), synonymously(1), temporarily(1), theoretically(1), thirdly(1), thoughtfully(1), traditionally(1), truly(1), typically(3), ultimately(2), unfortunately(1), universally(8), urgently(1), usually(5), variously(1), widely(1), wisely(1); downward(3), inward(2), outward(4), upward(2).

☑ **Интернациональные слова**: (A) abstract(4), abstraction(1), agent(1), aggressiveness(1), alternative(23), analysis(9), analyze(1), anti-protectionism(1), antithesis(1), archaeology(1), archetype(1), aspect(3), author(3), automobile(4), balance(5), bankruptcy(1); barrier(2), barter(7), basis(5), biology(1), block(2), brand(1), broker(1); candidate(1); capital(57), capitalism(4), capitalist(2), category(2), cent(1), center(1), central(5), character(1), characteristic(1), characterize(4), classical(3), classification(2), classify(3), club(2), collective(3), communal(1), company(1), compensate(1), compromise(6), computer(3), concert(1), cooperative(1), credit-card(1), concrete(4), contact(1), context(1), contrast(4), copy(1), corporation(1), corruption(1), critical(1), criticism(1), criticize(2), critics(5), culture(1), dealer(1), demagogue(1), discipline(1), discomfort(2), dollar(2), ecological(1), ecology(3), economic(93), economical(3), economics(104), economist(33), effect(2), effective(7), elastic(3), elasticity(8), electricity(1), elementary(2), element(1), energy(7), equivalent(2), etymology(1), evolutionary(2), fact(9), factor(28), finance(4), financial(7), firm(18), football(7), form(23), fundamental(5), geography(1), graphical(5), guitar(1), history(1), horizontal(4), ideal(5), idealize(3), information(9), infrastructure(1), ingredient(1), instinct(2), instrument(1), intensity(1), interest(8), Internet(1), interview(1), intuition(2), know-how(1), litre(1), macro-micro(1), macroeconomics(2), material(4), mathematical(2), maximization(1), maximize(24), maximum(6), mechanics(3), mechanism(1), mesoeconomics(1), metal(1), microeconomic(2), microeconomics(3), migrant(1), minimization(1), minimize(3), minimum(5), minute(1), model(3), moment(1), monopolist(1), monopolistic(2), monopolize(1), monopoly(4), monopsonistic(2), monopsony(2), moral(1), moralists(1), motivation(3), neoclassical(9), norm(1), office(2), oligopoly(3), oligopsony(2), optimal(1), optimist(1), optimistic(1), optimize(18), optimum(1), organism(1), organization(10), organize(4), orientation(1), parallel (1), passive(1), penny(3), period(13), philosopher(1), physical(7), plan(2), plus(3), political(7), potential(7), practical(4), prefix(2), prestige(2), principle(7), process(9), product(45), program(1), proportional(2), qualification(1), radio(1), realistic(1), recommendation(1), regulate(1), religious(2), resource(71), restaurant(1), result(17), rhetorical(1), risk(9), role(5), sector(6), separatism(1), series(1), signal(1), situation(5), socialism(3), socialist(1), socio-economic(2), socioeconomics(2), specialist(1), specialize(2), sports(1), standard(3), station(3), stereo(1), stimulate(2), style(1), subjective(4), synonym(1), synonymous(2), system(12), tactics(1), talent(3), technological(1), technology(8), telephone(1), television(1), terminology(2), terrorism(1), text(2), theory(11), title(2), traditional(2), transport(1), trilogy(3), typical(9), university(1), vertical(3);

(B) activate(1), arena(1), approximate(2), attack(1), based(4), basic(16), business(33), calculate(3), chance(3), class(1), combination(6), command(2), component(1), composition(1), concept(37), concession(1), constant(10), control(20), cooperate(1), cooperation(5), demonstrate(2), department(2), discussion(3), detail(1), diagram(2), disparity(1), doctor(1), ego(1), exclusive(3), fantasy(2), final(6), finish(2), fluid(1), focus(8), function(6), functional(1), future(12), general(11), generate(1), global(1), graph(19), hospital(2), human(19), idea(6), identical(2), identify(1), illustrate(4), illustration(2), individual(51), industrial(2), inelastic(4), informal(1), innovation(2), intellectual(4), intelligent(3), intense(2), international(3), intervention(1), legal(8), limit(16), local(1), manner(2), machine(2), manager(1), mental(3), method(3), mineral(1), modern(9), monetary(4), motivate(3), national(3), natural(12), nature(3), negative(3), opponent(1), option(6), person(12), personal(12), popular(1), position(4), positive(6), practice(1), private(22), problem(62), productive(6), progress(9), public(6), radical(1), rational(12), real(25), reality(5), seasonal(1), service(59), social(13), sort(4), speaker(7), special(2), specific(4), start(2), stop(3), structure(10), student(5), tendency(3), total(8), training(1), transform(2), type(7), unique (3), universal(10), vacant(1), zero(13);

(C) academic(4), act(7), action(8), activity(11), advocate(1), affair(1), affect(5), aggregate(7), argument(1), bit(3), circle(1), complement(1), complex(3), condition(12), confuse(3), direction(1), design(1), examine(1), excess(14), express(4), extra(7), extreme(3), figure(5), goal(14), guide(1), instance(2), interest(8), list(3), major(3), manifest(1), match(6), measure(8), medium(2), objective(24), obligation(1), operate(2), order(21), original(2), park(1), party(8), pass(1), post(1), present(1), production(36), productivity(2), protection(3), realize(2), rock(1), rule(2), scholar(2), solid(1), square(1), study(35), subject(2), table(121), ultimate(3), voluntary(2);

(D) accordance (1), according (5), accounting(2), advance(2), affection(1), affixed(1), agricultural(2), argue(6), air(7), allocate(4), allocation(3), alphabetical(1), alter(1), amount(33), apply(5), area(3), argue(6), arrangement(2), artificial(1), associate(1), attract(2), attractive(2), beneficial(2), benefit(19), bill(1), broad(3), byproduct(1), cap(1), card(1), carry(1), categorization(1), circulating(1), combine(3), common(16), communicate(1), community(2), compare(2), complete(4), consist(3), contain(1), continue(3), contractual(1), contrary(2), contribute(1), construct(1), core(1), cornerstone(1), corresponding(1), course(12), crime(3), criminality(1), curve(60), depict(1), determinant(6), determine(7), diminish(4), direct(4), disequilibrium(6), distribute(1), distribution(3), divide(5), dominance(2), dominate(3), domination(1), double(2), economize(17), economy(24), educate(1), education(3), educational(1), efficiency(2), efficient(4), emphasis(1), equal(12), equation(1), equilibrium(35), equipment(4), erect(1), escape(1), essence(1), establish(2), estate(4), evaluate(1), evaluation(2), exam(3), expand(3), explicate(1), explicit(1), fix(4), foundational(1), foundation(1), govern(1), governmental(2), gravity(1), illegal(2), illegitimate(1), imbalance(1), imperfect(2), implicit(1), impractical(1), inadequate(1), indicate(4), indirect(2), induce(1), inequality(1), infinite(1), inform(1), institution(2), institutional(1), interaction(1), interested(2), interfere(1), interpersonal(1), interrelated(1), intersection(2), introduce(1), introduction(9), investment(4), labour(25), line(12), location(1), mainstream(1), manifest(2), manufacture(2), margin(2), marginal(31), mark(1), market(216), mark(1), matter(5), mix(2), modify(2), non-corporeal(1), *non-market(2), note(12), number(25), observe(3), occupy(1), opportunity(46), oppose(5), opposite(1), orient(2), origin(1), package(2), pair(4), part(14), particular(10), percent(1), percentage(5), personality(9), point(20), politician(1), prepared(1), pressure(1), prevent(5), primary(6), produce(31), protect(3), provide(9), pure(4), quarter(2), range(3), rate(6), rationing(1), reason(6), reasonable(1), reclaiming(1), recognize(2), recycling(1), reduce(2), reflect(9), regularity(2), regulation(3), relate(9), relation(8), relative(16), relevant(2), remark(1), rent(3), represent(6), reproduce(2), residential(1), self-interest(6), select (3), sense(9), sensitive(1), sensitivity(1), serve(3), separate(2), shape(3), side(16), stripped(1), stick(1), storage(1), sum(12), tax(4), theorist(1), theorize(2), tend(7), term(27), tour(1), triad(1), turn(7), universe(1), urban(2), utility(28), valuation(1), variable(2), variety(2), various(6), visualize(4), web(1).

* В скобках указана абсолютная частота встречаемости слова в базовых текстах пособия.

ПРИЛОЖЕНИЕ 2

АНГЛО-РУССКИЙ СЛОВАРЬ

А

ability (10) способность
able (20) способный
abolish (1) упразднять, отменять
abolition (2) ликвидация, отмена
abundance (1) изобилие
abundant (2) (имеющийся) в изобилии
academic (4) университетский; учебный; теоретический; академический
accept (13) принимать; допускать; получать
access (1) доступ
accordance (1): ***in ~ with*** в соответствии с чем-л.
according (5): ***~ to*** согласно чему-л.; ***~ as*** смотря по тому, как
accounting (2) бухгалтерское дело; ***~ cost*** бухгалтерские издержки
achievable (3) достижимый, выполнимый
achieve (21) достигать, добиваться
acquire (4) приобретать
acquisition (1) приобретение
act (7) 1. см. *action;* 2. поступать, вести себя
action (8) действие, поступок
activity (11) деятельность; действия
addition (1): ***in ~*** вдобавок, кроме того
additional (19) дополнительный, добавочный
adjustment (1) регулирование; установление равновесия
ad = advertisement см. *advertising*
adult (1) взрослый
advance (2) 1. продвижение (*по службе*); 2.продвигать, пропагандировать
advantage (1) преимущество
advertising (2) реклама, объявление
advocate (1) сторонник, преверженнец
affair (10) дело; ***~s*** вопросы, отношения
affect (5) (*отрицательно*) влиять, сказываться
affection (1) привязанность
affixed (1) принадлежащий (*главной вещи*)
afford (2) позволять себе
aggregate (7): ***~ demand/ supply*** совокупный спрос/ предложение
agree (2) соглашаться

agreeable (2) приемлемый
agreement (5) соглашение
agricultural (2) сельскохозяйственный
aim (2) 1.цель; 2.стремиться
alienable (1): *~ property* отчуждаемая собственность
allocate (4) размещать, распределять
allocation (3) распределение
allow (5) позволять; *to ~ for* учитывать; принимать во внимание
all-purpose (1) универсальный
alter (1) (видо)изменять
amount (33) количество, величина, сумма, объем
appear (2) появляться; *to ~ as* выступать (*в роли*)
apply (5) применять(ся)
approximate (2) приближать(ся)
area (3) область
argue (6) утверждать, доказывать,
argument (1) спор
arrangement (2): *institutional ~s* организационные структуры, механизмы
array (1) ряд, множество
artificial (1) искусственный
assume (6) допускать, (пред)полагать
assumption (3) допущение, предположение
assure (1) обеспечивать, гарантировать
attain (2) добиваться, достигать
attempt (4) 1. попытка 2. стараться, стремиться
attract (2) привлекать; *to ~ away from* отвлекать
attractive (2) привлекательный
available (22) имеющийся в наличии, доступный
average (1) средний
avoid (4) избегать
aware(1): *to be ~* знать, осознавать
axis (4) ось

B

back (1): *to ~ up* подкреплять
backgrounds (1) жизненная среда, опыт
bad (5): *economic ~* экономическое антиблаго/зло;
balance (3) 1. *to be in/out of ~* находиться в равновесии/в разбалансированном
состоянии 2. взвешивать, обдумывать

behave (5) поступать, вести себя
behaviour (6) поведение
behavioral (1): ~ ***style*** стиль поведения
being (6) см. *human being*
belief (2) вера; ***popular*** ~ широко распространенное убеждение/мнение
believe (5) верить; считать, полагать
belong (3) принадлежать
beneficial (2) выгодный, полезный
benefit (19) 1. выгода, польза; ~***s*** суммарные выгоды и эффекты;
2. извлекать пользу
bill (1) счет
bit (3) небольшое количество; ***a ~ of*** немного
bitter (2) ожесточенный (о конкуренции)
bonds (2) облигации,/ценные бумаги
bound (1) см. *boundary*
boundary (2) граница, предел
brain (1) см. *exertion*
branch (2) отрасль
brawn (1) см. *exertion*
broad (2) широкий; основной
building (10) 1. здание, сооружение; 2. строительный
buyer (58) покупатель
byproduct (1) побочный продукт

C

cap (1) "потолок" (верхний предел)
capable (1) способный
capture (1) охватывать
case (11) случай; дело; ***in*** ~ в случае
cash (1) наличные деньги
cause (8) вызывать, служить причиной
ceiling (7): ***price*** ~ "потолок" (предел повышения цен)
certain (9) определенный; некоторый
ceteris paribus (3) *лат.* при прочих равных условиях
change (43) 1. изменение, сдвиг; 2. менять(ся), изменять(ся)
charge (6) 1. цена, плата (за что-л.); 2. назначать (цену)
chart (3) таблица
chase (2): см. *rainbow*
chattel (1) движимое имущество

cheap (3) дешевый
choice (80) выбор
circle (1) группа, круг (людей)
circulate (1) находиться в обращении
citizen (2) гражданин
claim (1) заявлять, утверждать
clear-cut (2) четкий, ясный
clearing (1): ***market-~ price (MCP)*** равновесная рыночная цена
coal (1) уголь
coin (1) монета
coincide (1) совпадать
coincidence (2) совпадение
collusion (1) тайный сговор
collusive (1) основанный на тайном сговоре
combine (3) соединять, объединять
commodity (12) товар
community (2) общество
compare (2) сравнивать, ***~ed to*** по сравнению с (чем-л.)
compete (12) конкурировать
competition (49) конкуренция
competitive (6) конкурентный,конкурентноспособный;
~ market свободный рынок
competitiveness конкурентоспособность
competitor (12) конкурент
complements (1) взаимодополняющие товары
complete (4) 1. полный, абсолютный; 2. завершать, заканчивать
complex (3) сложный
comprise (1) включать
conceal (1) скрывать
conceive (1): ***to ~of*** представлять
concern (4) касаться; беспокоиться;
concerning (2) касательно, относительно
concession (1) уступка
conclude (3) (с)делать вывод
conclusion (1) вывод
condition (12) условие, состояние; ***under ~s*** в условиях
confuse (3) смешивать, путать
connection (1): ***~s*** связи

consequence (3) (по)следствие, результат
conserve (2) сберегать
consider (18) рассматривать; думать, полагать, считать
consideration (2): *~s* соображения
consist (3): *to ~ of* состоять из, заключаться
constraint (4) ограничение
consumable (1) потребляемый
consume (3) потреблять
consumer (14) потребитель, покупатель
consumption (7) потребление
contain (1) содержать
contemporary (1) современный
content (1): *~s* содержимое
contest (1) борьба
continue (3) продолжать
contractual (1) договорной
contrary (2): *~ to* вопреки, несмотря на; *on the ~* наоборот
contribute (1) содействовать, способствовать
convenience (1) выгода
copyright (1) авторское право
core (1): *~ personality* внутреннее «я»
cornerstone (1) краеугольный камень
corresponding (1) соответствующий
cost (17) стоимость; *~s* затраты, издержки
costly (2) дорогостоящий, накладный
counterpart (1) эквивалент
course (12) 1. курс (*учебный*); *of ~* конечно
craft (1): *~s fair* авиасалон
create (6) создавать, производить
creativity (1) изобретательность
crime (3) преступление
crops (1) зерновые культуры
current (10) 1. течение (реки); 2. текущий
curve (60) кривая; *demand/supply ~* кривая спроса/предложения
customary (1) обычный, привычный
customer (5) покупатель

D

deal (3) 1. сделка; *a great ~ of* много 2. *to ~ with* иметь дело (с), заниматься;

debt (1) долг

decide (23) решать(ся), принимать решение

decision (34) решение

decrease (7) 1. уменьшение, снижение; 2. уменьшать(ся), убывать

deferred (1): ~ ***consumption*** отложенное потребление

define (8) определять

definition (18) определение

degree (6) степень, уровень

demand (154) 1. спрос; 2. требовать, быть нужным

deny (1) отрицать, отвергать; не признавать

depend (11) зависеть; ***to be ~ent on*** быть зависимым от

depict (1) изображать

describe (4) описывать

design (1): ***to be ~ed*** быть предназначенным (*для чего-л.)*

desire (27) 1. желание; запрос; 2. желать, хотеть

destruction (1) разрушение

deterioration (1) ухудшение

determinant (6) определяющий фактор; детерминант

determine (7) определять

detrimental (1) пагубный

develop (4) развивать; разрабатывать, расширять

device (1) прием, средство

differ (3) отличаться

difference (5) различие, разница

different (20) различный, разный

differentiate (3) различать, дифференцировать

diminish (4) убывать, уменьшаться

direct (4) 1. прямой; непосредственный 2. направлять

direction (1) направление

discard (1): ***to ~ alternatives*** отбрасывать альтернативы

discover (1) обнаруживать

discrepancy (1) расхождение

disequilibrium (6) нарушение равновесия

dismal (1): ***~ science*** мрачный; скучный

disparity (1) несоответствие

dispense (1): ***to ~ with*** распоряжаться

distinction (2) отличие, различие

distinguish (4) различать, выделять
distribute (1) распределять
distribution (3) распределение
disturbance (1): ***market ~s*** колебания на рынке
divide (5) делить(ся), разделять, подразделять
dominance (2) доминирование, влияние
dominate (3) доминировать, преобладать
domination (1) господство, власть
double (2) двойной
drop (2) падать; снижать(ся); сбавлять (*цену*)
durable (2) длительный; ***~ goods*** товары длительного пользования

E

e.g. (1) *сокр. от exempli gratia* например
earn (6) получать, зарабатывать
earth (2) земля
economics (104) экономика, экономическая наука; ***basic ~*** основы экономики;
economize (17) экономить
economy (24) экономика (страны), хозяйство; ***non-market ~*** нерыночная (плановая) экономика; ***command ~*** административно-командная/регулируемая экономика
educated (1) образованный
education (3) образование
educational (1): ***~ organization*** учебное заведение
efficiency (2) эффективность, производительность
efficient (4) эффективный, рациональный
effort (10) усилие; ***in an ~ to do smth*** пытаясь сделать что-л.
ego (1) я (сам); эго
emerge (3) появляться, возникать
emphasis (1) акцент, упор
emphasize (3) подчеркивать
employ (4) применять, использовать
employee (1) служащий
employer (1) работодатель
employment (1) занятость
enable (2) делать возможным , давать возможность
encourage (2) стимулировать
endeavour (1) усилие, стремление (что-л. сделать)
endless (1) бесконечный

engage (2) вовлекать
ensure (1) гарантировать
enter (2) входить, вступать
enterprise (1) предприятие
entire (14) целый, полный, весь
entity (1) ***individual economic ~*** самостоятельная экономическая единица
entrepreneur (31) предприниматель
entrepreneurship (10) предпринимательство, предпринимательские способности
entry (1) вход, вступление
environment (2) окружающая среда
environmental (2): ***~ economics*** экономика окружающей среды; ***~ destruction*** разрушение окружающей среды
equal (12) 1. равный; 2. равняться
equation (1) уравнение
equilibrium (35) равновесие
equipment (4) оборудование
erect (1) возводить, сооружать
escape (1) уйти, избежать
essence (1): ***in ~*** по существу, в сущности
establish (2) устанавливать; ***to ~ oneself as*** заявить о себе как
estate (4) имущество; ***real ~*** недвижимое имущество, недвижимость
estimate (1) оценивать
etc (3) *сокр. от et cetera* и так далее (и т.д.)
evaluate (1) оценивать
evaluation (2) оценка
event (1) событие
exact (10) точный
examine (1) изучать
exceed (3) превышать
excel (1) превосходить
exception (1) исключение
excess (14) 1. избыток 2. избыточный; дополнительный
excessive (1) излишний
exchange (31) обмен
exclusive (3) исключительный
exert (1): ***to ~ onself*** напрягаться, прилагать усилия
exertion (2): ***~ of brawn/brains*** физические/умственные усилия

exhaustible (1) истощаемый, исчерпаемый
exist (15) существовать, возникать
existence (4) существование, наличие
exit (1) выход
expand (3) расширять
expect (7) ожидать, предполагать
experience (2) опыт
explain (3) объяснять
explicate (1) объяснять
explicit (1): ~ *cost* явные издержки
explore (1) изучать
express (4) выражать, отображать
extend (1) распространять
extent (2) объем, степень
extension (1) протяженность
extra (7) дополнительный, добавочный; избыточный; усиленный; особый
extreme (1) чрезмерный

F

face (18) сталкиваться, стоять перед (кем/чем-л.)
facilitate (1) облегчать
factory (1) завод
fail (3) (по)терпеть неудачу; не удаваться
failure (1) неудача
familiar (2): ***to be ~ with*** быть знакомым
fancy (1) модный
fare (1) плата за проезд
farm (1): ~ ***worker*** сельскохозяйственный рабочий
far-reaching (1) имеющий большие перспективы
far-sighted (1) дальновидный
fast (1) быстрый
favour (1): ***in ~*** в пользу
feature (2) характерная черта; признак
field (2) область
figure (5) 1. рисунок; 2. ***to ~ out*** подсчитывать
fill (2) заполнять, наполнять
fine (1): ***to do ~*** делать то, что надо
finished (2): ~ ***goods*** конечные товары
fire station (3) пожарное депо

fit (4) подходить, соответствовать
flea (1): ~ ***market*** "блошиный" рынок, "барахолка"
flexible (1) гибкий; легко приспосабливаемый
floor (8): ***price*** ~ минимальный уровень цен
flow (4) 1. течь; протекать; 2. ***to go with the*** ~ плыть по течению; ***cash*** ~ денежный поток наличности
fluid (1) ликвидный (*о капитале*)
follow (7) следовать
force (16) 1. сила; 2. заставлять, вынуждать
former (1) первый (из упомянутых)
foundation (1) основа
foundational (1) фундаментальный
framework (1): ***within the*** ~ в пределах/рамках чего-л.
fresh (1): ~ ***water*** пресная вода
fulfil (9) выполнять; делать, исполнять, осуществлять

G

gain (15) 1. прибыль, доход; **~s** доходы; 2. получать, добиваться
gap (2) брешь, пробел
garbage (1) мусор
general (11) общий; неспециализированный; ***in*** ~ вообще
generate (1) производить
gift (4) подарок, дар
goal (14) цель
good (74) товар; польза; ***economic*** ~ экономическое благо
govern (1) управлять
grocer (1) торговец бакалейными товарами, бакалейщик
grocery (1) бакалея
growth (1): ***economic*** ~ экономический рост
guide (1) направлять
gun (1): ~ ***shows*** показы вооружения

H

half (1) половина
happen (4) случаться, происходить
hard (1) упорно, усердно
hardship (1): ~***s*** трудности
harm (1): ***to do*** ~ причинять вред, вредить
harness (1) обуздывать
health (2) здоровье; ~ ***care*** здравоохранение

hire (2) нанимать на работу
household (5) (домашнее) хозяйство
housing (1) жилье
human-being (4) человек

I

i.e. (11) *сокр. от id est* - то есть
illegal (2) незаконный, противозаконный
illegitimate (1) противозаконный
imaginary (2) воображаемый; нереальный
imbalance (1) несоответствие
immovable (2): ~ ***property*** недвижимое имущество
imperfect (2) несовершенный
implicit (1): ~ ***cost*** неявные издержки
imply (3) предполагать, подразумевать
importance (1) значимость
important (19) важный
impose (2) облагать (налогом и т.п.); навязать
impossible (2) невозможный
impractical (1) неосуществимый
improve (6) улучшать(ся); совершенствовать(ся)
inability (1) невозможность
inborn (1) врожденный (*талант*)
inclination (1) склонность
include (15) включать
income (9) доход, прибыль
increase (16) 1. увеличение, рост; 2. возрастать, увеличивать(ся)
indicate (4) показывать, указывать
indirect (2) косвенный, непрямой
induce (1) вызывать
inequality (1) неравенство
inescapable (3) неизбежный
infinite (1) безграничный
influence (7) 1. влияние; 2. влиять
informed (1): ~ ***choice-decisions*** решения, принятые на основе имеющихся сведений
inherent (3) свойственный
inherit (1) унаследовать
innovate (1) вводить новшества

innovation (2) новшество
input(s) (4) вклад
instance (2): ***for ~*** например
institutional (1): см. *arrangement*
insurance (1): ***~ policy*** страховой полис
intangible (5) нематериальный
intend (3) предназначать(ся)
intention (1) намерение
interact (1) взаимодействовать
interaction (1) взаимодействие
interdependent (1) зависящий один от другого
interest (8) интерес; процент(ы)
interested (2) заинтересованный
interfere (1) вмешиваться
intermediary (3) посредник
intermediate (1) промежуточный
interrelated (1) взаимосвязанный
intersection (2) перекресток; пересечение
introduce (1) вводить, представлять
introduction (9) введение
inventory (2) запас, наличные товары; ***~s*** материально-производственные запасы
inverse (2) обратный, противоположный
involve (17) включать в себя, содержать(ся); вовлекать(ся)
inwards (2) внутрь; в сторону начала координат
issue (2) вопрос, проблема
item (22) предмет, вещь

J

jewelry (1) ювелирные изделия
job (2) работа
join (2) присоединяться, объединяться
justification (2) оправдание

K

key (6) 1. ключ; 2. ключевой; главный
kind (10) вид, разновидность

L

label (2) отмечать, помечать
labour (25) труд; ***~ economics*** экономика труда

lack (3) испытывать недостаток, недоставать
laissez-faire (1) *франц.* принцип свободы торговли; невмешательство
land (25) земля
landlord (1) домовладелец
latent (2): ~ ***demand*** скрытый спрос
law (20) закон
lawyer (1) адвокат
leadership (1) руководство
leisure (1) отдых
length (1) продолжительность, протяженность
lessen (1) уменьшать
level (8) уровень
limitation (3) ограничение
list (3) список, перечень
livestock (1) (домашний) скот
location (1) место
loss (3) убыток, потеря; ~***s*** убытки
lot (7): 1. ***parking*** ~ стоянка для автомашин, 2. ***a*** ~ ***(of)*** много
lower (14) снижать, уменьшать
lumber (1) пиломатериалы

M

machinery (4) оборудование; машины
main (4) главный, основной
mainstream (1) основное направление
maintain (1) поддерживать, удерживать, сохранять
major (3) главный, основной
manage (4) распоряжаться; справляться; экономно расходовать
management (4) управление; руководство
managerial (1) управленческий; ~ ***economics*** экономика управления
manifest (2) выказывать признаки, (про)являть
manufacture (2) производить, изготовлять
margin (2) минимум; предел; край
marginal (31) предельный; минимальный; ~ ***utility*** предельная полезность
mark (1) отмечать, показывать
market (216) рынок
marketplace (3) рынок; базарная/рыночная площадь; сфера торговли
marriage (2) 1. брак; тесный союз, единение
match (6) 1. матч; 2. подходить, соответствовать

matter (5) 1. вопрос; ***no ~*** не важно
meaning (4) значение
measure (8) 1. мера; 2. измерять, определять
mediate (1) быть посредником
medium (2) ***~ of exchange*** средство обращения
meet (5): ***to ~ needs/wants*** удовлетворять нужды/потребности
member (2) участник
mental (3) умственный
mention (1) упоминать, ссылаться на
merge (1) сливать(ся); поглощать(ся)
merger (2) поглощение, слияние
message (1) сообщение
midway (1) полпути
mill (1) фабрика
mind (4): ***in the ~ of*** на взгляд, по мнению; ***to bear in ~*** иметь в виду
miserable (1) несчастный
misplace (1) положить/ поставить не на (то) место, куда-то деть
mix (2) смешивать, путать
modest (2) умеренный
modify (2) видоизменять
movable (2): ***~ property/~s*** движимость, движимое имущество
move (6) 1. движение; 2. двигаться, перемещаться
movement (4) движение; передвижение, перемещение
mutual (6) взаимный

N

necessary (6) необходимый, нужный, требуемый
necessity (1) необходимость
need (27) 1. потребность; 2. нуждаться, требоваться
negotiate (1) вести переговоры, обсуждать условия
next-best (1): ***~ alternative*** следующая/другая лучшая альтернатива
non-corporeal (1) нематериальный
note (12) 1. примечание, комментарий; 2. замечать, обращать внимание
notice (2) обращать внимание, заметить
notion (4) понятие
number (25) количество, число; цифра; ***a ~ of*** некоторое количество, ряд
numerous (2) многочисленный

O

object (7) предмет; вещь

objective (24) цель, стремление
obligation (1) обязательство
observe (3) наблюдать, замечать
obtain (2) получать, приобретать
obvious (4) очевидный, явный, понятный
occupy (1) занимать
occur (1) происходить, случаться
offer (16) 1. предложение; 2. предлагать
oil (1) нефть
operate (2) работать; функционировать
opportunity (46) возможность; ***~ cost*** альтернативные издержки
oppose (5) противопоставлять
option (6) выбор, альтернатива, (возможный) вариант
order (21) порядок, последовательность; ***in ~ to*** для того, чтобы
ore (1) руда
origin (1) начало
original (2) первоначальный
outcome (3) итог, последствие, результат
output (1) выпуск
outstanding (1) знаменитый, известный
outwards (2) наружу; от точки начала координат
overall (1) общий
own (34) 1. свой, собственный; 2. владеть
owner (7) владелец
ownership (18) право собственности, собственность; владение

P

package (2) 1. упаковка; 2. упаковывать
pain (2): ***~s*** усилия
pair (4) пара
part (14) 1. часть; ***spare ~s*** запасные детали,/части;
2. ***to ~ with*** расставаться
participant (2) участник
particular (10) отдельный, особый
party (8) сторона, участник; вечер, вечеринка
pass (1): ***to~ away*** исчезать, проходить
payment (3) платеж
per se (2) *лат.* сам по себе
percentage (4) процент, процентное отношение

perfect (10) совершенный; ~ ***competition*** совершенная конкуренция
perform (2) выполнять; осуществлять
persistent (3) постоянный, стабильный
personality (9) индивидуальность, личность; движимое имущество
pillar (1) устой, опора
place (15) 1. место; 2. помещать, размещать; ***in ~ of*** вместо
plain (1) обыкновенный, простой
plenitude (1) обилие, изобилие
plentiful (1) многочисленный
plenty (1): ~ ***of*** много
plot (6) 1. график ; 2. изображать (на графике)
plotted (3) нанесенный на график
point (20) смысл, вопрос; точка, место; ***That's the point.*** В этом все и дело.
policy (1) политика
politician (1) политик
pollution (1) загрязнение
poor (2) плохой; ***the ~*** бедные
possess (3) владеть, иметь
possession (2) владение; ***~s*** собственность, имущество
possibility (1) возможность
possible (30) вероятный, возможный
poverty (3) бедность
power (4) власть
powerful (1) сильный, мощный
precise (4) точный
precision (1) точность
preclude (1) исключать
predatory (2) грабительский
prediction (1) предсказание
predominate (2) господствовать, преобладать, доминировать
prefer (2) предпочитать
preference (1) предпочтение, преференция
prepared (1): ***to be ~*** быть подготовленным
pressure (1) давление
presuppose (1) предполагать
prevent (5) препятствовать, предотвращать, предупреждать
previous (3) предыдущий
price (283) цена

pricing (1): ***~ agreement*** соглашение об установлении цен
pride (1) гордость
primary (6) основной, важнейший
production (36) производство
productive (6) производственный, производительный
productivity (2) производительность
profit (12) 1. выгода, ***(~s)*** прибыль, доход; 2. получать/извлекать пользу
promise (1) обещать
promote (1) способствовать
propensity (4) склонность
property (51) имущество; собственность; право собственности/ владения
prospective (1) ожидаемый; предполагаемый
prosperity (1) процветание
protect (3) защищать
protection (3) защита
prove (1): ***to ~ to be*** оказываться
proverb (1) пословица
provide (9) давать, предоставлять; обеспечивать
public (6) общественный; государственный; общественность; ***~ property*** общественная собственность; ***~ finance*** государственные финансы
pull (1): ***to ~ out of the market*** изымать из рынка
punishment (1) наказание
purchase (15) покупка
pure (4) чистый; ***~ competition*** совершенная конкуренция; ***~ monopoly*** чистая монополия
purpose (6) намерение, цель, стремление
pursuit (1) стремление
push (1) продвигать

Q

quality (8) качество
quantity (91) количество; ***~ demanded*** объем /величина спроса ***~ supplied*** объем /величина предложения
quarter (2) круг лиц, группа людей

R

race (1): ***human ~*** человечество
rainbow(1): ***You chase your ~ and I'll chase mine***. Каждому свое.
raise (2) поднять
range (3) диапазон, предел; ***~ of prices*** размах колебаний цен
rank (1) категория, разряд

rare (1) редкий
rate (6) темп; ***crime*** ~ уровень преступности; ***interest*** ~ ставки процента/процентные ставки; ***wage*** ~ ставка зарплаты/тарифная ставка
rationing (1) нормироване
raw (2): ~ ***materials*** сырье
reach (8) достигать, добиваться
reality (5) действительность; недвижимость/недвижимое имущество
realize (2) понимать, осознавать
reason (6) причина, повод, основание
reasonable (1) разумный
receive (12) получать; обретать, приобретать
recent (3) недавний
reclaim (1) (повторно) использовать, утилизировать
recognize (2) признавать
recycle (1) повторно использовать, перерабатывать
reduce (2) понижать, сокращать, уменьшать
refer (29) иметь отношение, относиться
reflect (9) отражать
regard (5) рассматривать; считать; ***with*** ~ ***to/in*** ~ ***to*** относительно; в отношении; что касается;
regardless (1): ~ ***of*** не взирая на
register (1) касса, кассовое окошко
regularity (2) закономерность
regulation (3) правило, регулирование
relate (9) относиться, иметь отношение, быть связанным с (чем-л.)
relation (8) отношение, связь
relationship (16) соотношение; взаимоотношение; взаимосвязь, связь
relative (16) относительный
relevant (2) значимый; существенный; важный
remain (10) оставаться
remark (1) комментарий
remember (3) помнить, вспоминать
remind (1) напоминать
renewable (2) возобновляемый
rent (3) арендная плата; рента
rental (1) арендная плата
repair (2) ремонтировать
represent (6) представлять

representation (2) изображение
reproduce (2) воспроизводить
require (3) нуждаться; требовать
requirement (3) требование; необходимое условие
reshape (1) реорганизовывать
residential (1) жилой
respective (1) соответственный, соответствующий
response (2) ответ, реакция
responsive (1) легко реагирующий, восприимчивый
responsiveness (7) реакция
rest (1) остальной, оставшийся
restrain (1) сдерживать; удерживать
restriction (1) ограничение
retain (2) держать; удерживать, сохранять
return (1): ***marginal ~*** предельный доход
reuse (1) снова/повторно использовать
reveal (1) прояснять, раскрывать
revenue (2) доход; выручка
reward (1) награда
rich (2): ***the ~*** богачи, состоятельные люди
rid (1) ***to get ~ of*** избавиться
right (38) 1. право; 2. правильный; верный; именно тот, который нужен
rival (1) конкурент
rivalry (3) конкуренция; соперничество
rob (1) грабить
root (2) корень
rule (2) правило

S

sacrifice (5) 1. жертва; 2. приносить в жертву, жертвовать
sale (8) продажа
satisfaction (21) удовлетворение; удовольствие
satisfy (20) удовлетворять, соответствовать/отвечать требованиям
save (7) беречь, экономить; оставлять, приберегать
scarce (47) ограниченный
scarcity (51) ограниченность
schedule (15) график
scholar (2) ученый
science (11) наука

scientific (1) научный
scratch (2): ***~ my back and I will ~ yours.*** Ты – мне, я – тебе.
security (1) безопасность
seem (3) казаться
select (3) выбирать
self-interest (6) личная выгода
self-interested (5) самозаинтересованный
selfish (1) эгоистичный
self-knowledge (1) самопознание
self-propagating (1) самораспространяющий(ся)
seller (69) продавец
semi-finished (1): ***~ goods*** товары незавершенного производства
sense (9) смысл, значение; ***common ~*** здравый смысл
sensitive (1) чувствительный; быстро реагирующий
sensitivity (1) чувствительность
separate (2) отдельный
serve (3) служить, работать
settle (1) устанавливать(ся)
settlement (1) соглашение
several (2) несколько
shape (3) 1. форма, вид; 2. формировать
share (3) 1. доля, часть, акция; 2. совместно использовать, разделять
sharing (1) разделение, совместное пользование
shift (17) 1. изменение, перемещение, сдвиг; 2. перемещать(ся); сдвигать(ся)
shopper (1) покупатель
shortage (6) нехватка, недостаток; дефицит
short-hand (1) сокращение
side (16) сторона; ***on the other ~*** с другой стороны
similar (7) подобный; похожий, сходный
simple (18) простой
simplify (1) упрощать(ся), делать более простым
single (6) один; отдельный; единый
skill (2) умение; навык; квалификация
skilled (1) квалифицированный
slip (1): ***to ~ down*** падать, снижаться
slope (10) наклон, крутизна
slums (1) трущобы

smart (2) толковый, сообразительный, находчивый
snack (1) легкая закуска
society (38) общество, общественность
soil (1) почва, земля
solid (1) твердый
solution (1) решение
solve (12) решать
source (2) источник; причина
spare (2) запасная часть
spot (1) место
statement (2) утверждение
stay (2) оставаться
steep (2) крутой
stick (1): ***to ~ at nothing*** ни перед чем не останавливаться
stock (4) запас (товаров); акции; ***common ~*** обычная акция
storage (1) хранение
straight (3) прямой
strength (1) сила
strip (1) отнимать, отбирать
strive (3) бороться, соперничать
strong (2) сильный; решительный
struggle (1) бороться
stuff (2) вещи, товары
subdivision (1) подразделение
subject (2) тема, предмет; ***~ matter*** предмет исследования/обсуждения
subjective (4) субъективный; индивидуальный, личный
submit (1) представить на рассмотрение
subsidy (1) дотация, субсидия
substantial (3) важный, значимый, значительный, существенный
substitute (4) заменитель
succeed (3) достигать цели, преуспевать; иметь успех
success (8) успех
successful (3) успешный
sufficient (2) достаточный
suggest (1) предлагать
suit (1) соответствовать, отвечать требованиям
sum (12) сумма
supplementary (1) дополнительный

supplier (2) поставщик
supply (151) 1. предложение; 2. предлагать
support (4) поддержка
supporter (1) приверженец, сторонник
suppose (9) допускать, думать, (пред)полагать
suppress (1) сдерживать, скрывать
sure (6) уверенный
surface (1) поверхность
surplus (7) избыток, излишек
surround (1) окружать
survive (1) выживать
switch (2) переключать

T

table (121) таблица
tabular (1) имеющий форму таблицы, табличный
tangible (6) материальный
tax (4) налог
taxpayer (1) налогоплательщик
tenant (1) съемщик; временный владелец
tend (7) стремиться, иметь тенденцию
tension (1) напряжение
term (27) термин; ***in ~s of*** с точки зрения
theft (1) кража
thirsty (1) испытывающий жажду
thought (5) мысль
toll (1) пошлина
tool (2) инструмент
top (1): ***to ~ the list*** стоять первым в списке
tough (3) жесткий
tour (1) путешествие
trade (16) 1. торговля; 2. торговый; 3. торговать
trademark (1) торговая марка
tradeoff (1) проблема выбора
traffic (1) движение; транспорт
trait (1) черта
transact (1) совершать/заключать (сделку)
transaction (10) дело; сделка; операция
transfer (4) 1. передача; 2. передавать

trigger (1) давать начало
trouble (2) 1. беспокойство; 2. беспокоить
trust (1) вера, доверие
truth (1) правда
try (15) 1. попытка; 2. пытаться, делать попытку; стараться
tuition (3) плата за обучение
turn (7) 1. поворот 2. *to ~ to* обращаться к

U

ultimate (3) конечный; окончательный
unable (2) неспособный
uncertainty (1) неясность, неопределенность
unchanged (2) неизменившийся; неизменный
unconscious (2) непроизвольный; подсознательный
undeniable (1) неоспоримый, неопровержимый
underlie (1) лежать в основе
unemployment (1) безработица
unequal (1) неравный; несправедливый
unexpected (1) неожиданный
unfair (1) нечестный
unfulfilled (1) неисполненный
unit (19) единица; предмет
universe (1) мир, вселенная
unjust (1) несправедливый, незаслуженный
unlikely (1) маловероятный
unlimited (17) безграничный, неограниченный; беспредельный
unpleasant (1) неприятный
unproductive (1) непроизводительный
unsatisfied (2) неудовлетворенный
unskilled (1) неквалифицированный
unspecialized (1) неспециализированный
unwanted (1) лишний, ненужный
unwise (2) не(благо)разумный
upbringing (1) воспитание, стиль воспитания
upstream (1) против течения, против потока
urban (2) городской
usage (1) употребление
use (89) 1. употребление, применение; использование;
2. пользоваться, применять, употреблять;
to ~ *up* израсходовать, использовать; истратить

useful (5) полезный
usefulness (3) польза; полезность
utility (28) полезность; ***marginal ~*** предельная полезность

V

vague (1) неопределенный, неясный
valuable (1) ценный; полезный
valuation (1) оценка
value (36) 1. ценность; стоимость; 2. ценить
variable (2) переменная
variety (2) многообразие, разнообразие; ряд, множество
various (7) различный, разный, разнообразный
vary (2) изменять(ся), менять(ся)
vehicle (1) транспортное средство
vending (1) ***~ machine*** торговый автомат
via (1) путем; через; посредством
vice versa (4) *лат.* наоборот
vicinity (1) окрестности; район
view (3) точка зрения; мнение
violence (1) жестокость, насилие
voluntary (2) добровольный
vote (1) голосовать
vs (7) *сокр. от лат. versus* против

W

wage (8) заработная плата
way (56) способ; путь; образ (действия)
weaknesses (2) слабое место, недостаток
wealth (14) богатство
wealthy (1): ***the ~*** богатые люди
weigh (3) взвешивать, оценивать, рассматривать
weight (1) важность, значимость
weighty (1) веский
welfare (1) благополучие, благосостояние
well-run (1) хорошо управляемый
well-suited (1) соответствующий
wheat (1) пшеница
whole (9) весь, целый
widget (5) (вымышленная) вещь/предмет
willing (35) желающий
willingness (3) готовность, желание
wise (3) мудрый, разумный
wonder (2) 1. интересоваться; ***no ~ that*** неудивительно, что
wording (1) формулировка
worry (1) беспокоить(ся), волновать(ся)
worth (2) достойный, заслуживающий чего-л.
would-be (1) потенциальный, возможный

СОДЕРЖАНИЕ

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