

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ХАРКІВСЬКА НАЦІОНАЛЬНА АКАДЕМІЯ МІСЬКОГО ГОСПОДАРСТВА

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**ЗБІРНИК ТЕКСТІВ І ЗАВДАНЬ З ДИСЦИПЛІНИ «ІНОЗЕМНА МОВА»
(АНГЛІЙСЬКА МОВА) ДЛЯ ОРГАНІЗАЦІЇ ПРАКТИЧНОЇ РОБОТИ**
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Збірник текстів і завдань призначений для студентів денної форми навчання, які у майбутньому будуть працювати у сфері економіки обліку та аудиту. Тематика збірника дає змогу ознайомитися з економікою обліку та аудиту та поширює знання студентів про інші економіки світу. Запропонована інформація є необхідною для ефективного виконання професійних обов'язків майбутніх спеціалістів.

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INTRODUCTION

These educational materials are designed for the students of the 1 course of speciality “Economics of structural enterprises” and “Business accounting and Audit” to develop their knowledge and skills in English language according to their profession.

The manual is based on the authentic texts concerning the economic problems. It also has the tasks for reading, translating, lexical and grammar tasks, texts for self-study. It has 10 units. Each unit contains:

- activities on vocabulary;
- activities on grammar.

The manual can be also recommended for students’ self-study. It is expected to teach students working at English texts on their own, to increase the level of their knowledge and to form foreign communicative competence.

UNIT № 1.

Task № 1. Read and memorize the following words and word combinations.

goods and services – товари та послуги

to consume – споживати

scarce resources – обмежені ресурси

distribution – розподіл, розповсюдження

utility - корисність

economic growth – економічний зріст

standard of living – рівень життя

full employment – повна зайнятість

to be willing and able – бути готовим та спроможним

economic efficiency – економічна ефективність

costs – витрати

price level stability – стабільність рівня цін

inflation - інфляція

deflation – дефляція

circular flow diagram – модель макроекономічного кругообігу

production possibilities frontier – межа виробничих можливостей

factors of production – чинники виробництва

household – домогосподарство

output – готова продукція

owner – власник

revenue – дохід

curve - крива

What is economics?

The economy is a part of our everyday lives. We spend much of our lives working to produce goods and services. We spend a good part of the remaining time consuming those goods and services. Even such simple things as reading, going to university, and lying on the beach can be described as economic activities.

Economics – is the study of economies, the study “what economists do”. In general terms, economics is a social science concerned with using scarce resources to obtain the maximum satisfaction of the unlimited material wants of society. It studies the production, distribution, trade, and consumption of goods and services. The aim of economics is to help people to obtain the greatest possible satisfaction or utility out of the resources at their disposal – to do best they can with what they have.

The main questions that an economy must answer are the following:

1. What to produce, and in what quantities?
2. How to produce?
3. For whom to produce?

When economists examine an economy, they not only want to know how the economy answers the three basic questions, but also how well. They focus on the means available for achieving major economic goals. These goal are:

- a. **Economic growth** – the production of more and better goods and services, or a higher standard of living is desired.
- b. **Full employment** – suitable jobs should be available for all who are willing and able to work.
- c. **Economic efficiency** – we want to get the maximum benefits at the minimum costs from the limited productive resources.
- d. **Price level stability** – inflation and deflation should be avoided.

Economists use models to improve our understanding of the world. The basic economic models are: the circular flow diagram and the production possibilities frontier. **The circular flow diagram** is a model of the economy that shows how money flows through markets among households and firms. In a monetary economy, households, as resource owners, sell their resources to businesses and, as consumers, spend the money income received to buy goods and services. Businesses must buy resources to produce goods and services, their finished products are then sold to households in order to get revenues. **The production possibilities frontier** is a curve that shows the combinations of output

that the economy can possibly produce using the available factors of production – land, labor, and capital. Because resources are scarce, an economy cannot have an unlimited output of goods and services. As a result, choices must be made on which goods and services to produce and which to forgo. Each point on the production possibilities curve shows maximum output of the two products. Limited resources prohibit production of any combination of goods lying outside the production possibilities curve. When an economy is operating efficiently on its frontier, it can only produce more of one good by producing less of others.

Task № 2. Answer the following questions:

1. What does economics study?
2. What are the main questions that an economy must answer?
3. What are major goals of an economy?
4. What are the basic economic models?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-----------------|---|
| 1. scarce | a. physical things that are produced to be sold, including things that are manufactured or prepared and raw materials |
| 2. goods | b. to buy goods and services to use yourself |
| 3. service | c. the activity of buying and selling or of exchanging goods or services between people or countries |
| 4. to consume | d. there is not enough of it and it is only available in small quantities |
| 5. produce | e. a business whose work involves doing sth for customers but not producing goods; the work that such a business does |
| 6. distribution | f. a supply of sth such as money, labour, etc. that an organization or a person has and can use |
| 7. trade | g. a helpful and useful effect that sth has |

- | | | |
|-----|----------|---|
| 8. | resource | h. an increase in the size, amount or degree of sth |
| 9. | benefit | i. the activity of making a product available to customers, for example by supplying it to shops/stores |
| 10. | growth | j. to make or grow things to be sold, especially in large quantities |

Task № 4. Read the sentences and decide if they are true or false:

1. We don't spend much of our lives working to produce goods and services.
2. They focus on the means available for achieving major economic goals.
3. Ordinary people use models to improve our understanding of the world.
4. The circular flow diagram is a model of the economy that shows how money flows through markets among households and firms.
5. Businesses don't have to buy resources to produce goods and services.
6. The production possibilities frontier is a curve that shows the combinations of output that the economy can possibly produce.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. We spend much of our lives working _____.
2. Economics – is the study of economies, the study “what economists do”.
In general terms, economics is a social science concerned with using scarce resources _____.
3. They focus on the means available for _____.
4. Economists use models to improve our understanding of the world. The basic economic models are: _____.
5. The production possibilities frontier is a curve that shows the combinations of output that the economy can possibly produce _____.

Task № 6. Find the English equivalents of the following word-combinations:

товари та послуги, виготовляти, споживати, економічна діяльність, обмежені ресурси, отримувати, рівень життя, повна зайнятість, кількість, досягати цілей, домогосподарство, інфляція, дефляція, дохід, готова продукція, забезпечувати додаткові місця, відмовлятися, безробітний, державні організації.

Task № 7. Use the following words to complete the sentences below:
production growth economy resource distribution goods service trade to consume benefit

1. While exports have improved the domestic _____ remains weak.
2. There will be a reduced tariff rate on agricultural _____ like fruit and vegetables.
3. Sales showed 0.3 per cent _____ in the first quarter.
4. _____ of the new aircraft will start next month.
5. We do not have the _____ to update our computer software.
6. How much does the basic phone _____ cost?
7. _____ between the two countries has increased.
8. There is an index that measures how content we are with the goods and services we _____.
9. European _____ is handled from our centre in the Netherlands.
10. Internet shopping has real _____ for both the consumer and the environment.

Task № 8. Reconstruct the following sentences out in full:

1. The/is/our/a/lives/part/of/economy/everyday.
2. To/an/economy/use/economics/economists/analyse/normative/and/positive.
3. will/If/is/increased/number/tuition/of/students/fall/the.
4. up/We/to/weigh/benefits/the/need/scheme/costs/and/of/the.
5. The/is/from/a/manufacturing/one/US/economy/moving/to/a/service.
6. economize/We/costs/need/to/on/electricity.
7. new/system/allows/efficiently/us/to/operate/more/The.

Task № 9. Translate the sentences into Russian.

1. Internet companies are on a steep growth curve.
2. European distribution is handled from our centre in the Netherlands.
3. In the single market, goods, people and money can move freely across countries.
4. We need to allocate available resources more effectively.
5. One of the things that has helped manufacturing is that people have continued to consume.
6. The US was accused of unfair trade practices.
7. A further interest-rate cut may help to boost the economy.
8. Smith's Catering Services offers the best value.
9. The new car has high production costs.
10. The new regulations will be of benefit to everyone concerned.

UNIT № 2.

Task № 1. Read and memorize the following words and word combinations.

to break rules – порушувати правила
central authority – центральні керівні органи
to change direction drastically – радикально змінювати напрямок
to conduct transaction – проводити ділові операції
different degree of responsibility – різний рівень відповідальності
to discourage/encourage new ideas – розхолоджувати/схвалювати нові ідеї
economic activity – економічна активність
incredible variety – неймовірна різноманітність
interest rates – процентна ставка
means of production – засоби виробництва
private property – приватна власність
production costs – витрати виробництва
storage facilities – платоспроможність
subsistence level – прожитковий рівень
to tend to be stagnant – мати схильність до застою
a surplus – надлишок
private ownership – право приватної власності
scarcity – обмеженість
caste system – кастова система
rigidity – твердість
subsistence – існування
stagnant - застійний

Traditional Economy

To an economist, economic society presents itself as a mechanism for survival. The survival of any society depends on its ability to provide food, clothing and shelter for people. Since these societies are also faced with scarcity decisions concerning **What, How** and **Whom** to produce must be made.

All societies have something else in common. They have an economic system or an organised way of providing for the wants and needs of their people.

The way in which these decisions are made will determine the type of economic system they have.

In fact, in spite of the appearance of great variety, it is possible to group these different economic structures into four broad categories. These basic types of economic organization are usually described as **Traditional, Market, Command** and **Mixed economies**.

In a society with **traditional economy** nearly all economic activity is the result of ritual and custom. Habit and custom also prescribe most social behaviour. Individuals are not free to make decisions based on what they want or would like to have. Instead, their roles are defined. They know what goods and services will be produced, how to produce them, and how such goods and services will be distributed.

The basic economic problems do not arise as problems to be discussed and argued about. One follows the path that one was born to follow; a son follows in the footsteps of his father and uses the same skills and tools. **A caste system** provides a good example of the rigidity of a traditional society. **The production problems** are solved by using land as it has always been used and the worker carrying out the traditional skills according to his or her fixed place in social structure. **The distribution problem** is solved in a similar manner. There will be time-honoured methods of sharing out the produce of the harvest and hunt. The elders, the heads of families, the women and the children will receive shares according to ancient custom.

The main advantage of the traditional economy is that everyone has a role in it. This helps to keep economic life stable and community life continuous. **The main disadvantage** of the traditional economy is that it tends to discourage new ideas and even punishes people for breaking rules or doing things differently. So it tends to be stagnant or fails to grow over time.

Task № 2. Answer the following questions:

1. What does the survival of any society depend on?

2. What are the basic types of economic organization?
3. What does a caste system provide?
4. How are the production problems solved by?
5. What is the distribution problem?
6. What is the advantage of the traditional economy?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-----------------|---|
| 1. economist | a. to discover the facts about sth; to calculate sth exactly |
| 2. society | b. one part of sth that is divided between two or more people, businesses, etc |
| 3. to produce | c. the difference in a bank account between the total amount of money coming in and the total amount going out at a particular time |
| 4. system | d. firmly fixed; not likely to move, change or fail |
| 5. agriculture | e. a way of solving a problem or dealing with a difficult situation |
| 6. to determine | f. people in general, living together in communities |
| 7. stable | g. a group of things, pieces of equipment, etc. that are connected or work together |
| 8. share | h. a person who studies or writes about economics |
| 9. balance | i. to make or grow things to be sold, especially in large quantities |
| 10. solution | j. the science or practice of farming |

Task № 4. Read the sentences and decide if they are true or false:

1. To an economist, economic society presents itself as a mechanism for survival.
2. All societies don't have something else in common.

3. It is not possible to group these different economic structures into four broad categories.
4. These basic types of economic organization are usually described as Traditional, Market, Command and Mixed economies.
5. In a society with market economy nearly all economic activity is the result of ritual and custom.
6. The basic economic problems do not arise as problems to be discussed and argued about.
7. The main advantage of the traditional economy is that everyone has a role in it.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. To an economist, economic society presents itself
_____.
2. They have an economic system or an organised way
_____.
3. These basic types of economic organization are usually described as
_____.
4. The basic economic problems do not arise as
_____.
5. The main advantage of the traditional economy is that
_____.

Task № 6. Find the English equivalents of the following word-combinations:

виживання суспільства, виробництво і розподіл, велика різноманітність економічних систем, прожитковий рівень, непохитність суспільства, основний недолік, привілейований клас суспільства, виконувати, вирішувати, схожий з, отримувати підтримку, основні типи, віддалені зони.

Task № 7. Use the following words to complete the sentences below:

*stable share economist to determine to produce society solution balance
system agriculture*

1. A team of experts is trying _____ the cause of the accident.
2. The firm _____ 25 million tons of steel a year.
3. The bank's chief _____ has reduced her forecast for growth in the eurozone to 0.5%.
4. 50% of the country's population depend on _____.
5. The company's cash _____ increased to \$4.5 billion this quarter.
6. The roles of men and women in today's _____ are great.
7. Next year we hope to have a bigger _____ of the market.
8. They have introduced a new _____ for handling complaints.
9. There's no simple _____ to this problem.
10. Imports have dropped but exports have remained _____.

Task № 8. Reconstruct the following sentences out in full:

1. something/all/common/in/societies/else/have
2. in/great/appearance/of/the/spite/of/variety
3. habit/also/most/behaviour/and/prescribe/social/custom/most
4. traditional/systems/usually/in/more/areas/the/economic/are/found/the/remote/of/world
5. the/economic/is/by/tribes/was/by/Americans/traditional/system/used/African/and/Native
6. most/live/a/level/individuals/near/subsistence
7. the/advantage/the/economy/that/has/role/it/main/of/traditional/is/everyone/a/in

Task № 9. Translate the sentences into Russian.

1. Economic incentives influence our decisions about what and where to buy.
2. Prices encourage producers to increase their level of output.
3. They sell these goods because they want to have a profit from such transactions.

4. Adam Smith describes the principal elements of the economic system.
5. Prices don't direct command economy.
6. This is rather a difficult economic problem for our society.
7. We are examining the mechanism of trade.
8. Economists classify as needs those goods and services that are necessary for survival.
9. More traditional types of economic decisions involve activities of households and firms.
10. Students were discussing the problem of scarcity when the dean came.

UNIT № 3.

Task № 1. Read and memorize the following words and word combinations:

economic problems – економічні проблеми
command economy – командна система
planned economy – планова економіка
developed country – розвиваюча країна
fertilizers – добрива
flexibility – гнучкість
high quality – висока якість
lack of incentives – брак стимулів
transportation – транспортизація
assembly plant – збиральний цех
wage rate – тарифна ставка
interest rate – процентна ставка
economic planning – економічне планування
public ownership – суспільна власність
income and wealth – дохід та багатство
better-off – заможний
centralized – централізований
bureaucratic organization – бюрократична організація
advantage/disadvantage – перевага/недолік

Command Economy

Another method of solving the economic problems is also one which has a long history. This is the method of economic command where the solutions to the economic problems are worked out by some all-powerful authority which imposes its solutions on the population.

It is more usual to refer to the present-day command economies as planned economies although, strictly speaking, leaving the economy to run itself may be described as a land of economic “**plan**”. Nevertheless, in time with general usage, we shall use the term “**planned economy**” to refer to an economy which is subject to a high degree of direct centralized control.

It is important to note that no modern economy is without some elements of command. In all developed and most underdeveloped countries, even those described as capitalist, there is a large measure of government control. In the UK, for example, the government is the biggest business in the country.

Countries such as Cuba, North Korea and China are examples of command economies. Groups of high-level technicians, made up of engineers, economists, computer experts and industry specialists known as “**planners**”, advice leaders who develop and implement a plan for the entire economy.

Essentially, it is the planners who decide what goods and services will be produced. If they want ship production expanded and mining operations cut back, they issue the orders to do so. If more food is needed, the planners might direct tractor production to be increased or fertilizers to be imported from the West. Those same plans might also encourage labour to remain on the farms and direct that transportation and storage facilities be made available to move and hold farm products.

How are goods produced in a command economy? The planners decide which products will be made. They decide where to locate a new truck assembly plant and whether the factory will use more labour or more modern machinery.

The major advantage of command system is that it can change direction drastically in a relatively short time. **The major disadvantage** of a command system is that it does not always meet the wants and needs of individuals.

The second disadvantage of a command system is the lack of incentives that encourage people to work hard. In most command economies today workers with different degree of responsibility receive similar wages. In addition, people seldom lose their jobs regardless of the quality of their work. As a result, there is tendency for some to work just hard enough to fill production quotas set by planners.

The command economy requires **a large decision-making bureaucracy**. Many clerks, planners and others are needed to operate the system. Most decisions cannot be made until a number of people are consulted, or a large amount of paper

is processed. This causes production costs to increase and decision-making to slow down. Thus, a command system does not have the flexibility to deal with day-to-day problems.

Task № 2. Answer the following questions:

1. What is the method of solving the economic problems?
2. How can the term “planned economy” be explained?
3. What happens in developed and most underdeveloped countries?
4. What countries are the examples of command economies?
5. How are goods produced in a command economy?
6. How can bureaucratic organization be explained?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|--------------------|--|
| 1. command economy | a.. the ability to control or influence people, things, events, etc. |
| 2. population | b. having many industries and an advanced economic system |
| 3. power | c. the state or position of being a leader |
| 4. control | d. the fact of owning sth; the legal right to own sth |
| 5. to own | e. a type of economic system in which a government controls its country’s industries and decides what goods should be produced and in what amounts |
| 6. developed | f. all the people who live in a particular area, city or country |
| 7. to implement | g. the power to make decisions about how an organization, an area, a country, etc. is run |
| 8. labour | h. to make sth that has been officially decided start to happen or be used |
| 9. leadership | i. the people who work or are available for work in a country or a company |

- 10.ownership j. to have sth that belongs to you, especially
because you have bought it

Task № 4. Read the sentences and decide if they are true or false:

1. Another method of solving the economic problems is also one which has a long history.
2. It is more seldom to refer to the present-day command economies as planned economies.
3. It is important to note that no modern economy is without some elements of command.
4. In all rich countries, even those described as capitalist, there is a large measure of government control.
5. In the USA, for example, the government is the biggest business in the country.
6. Countries such as Cuba, North Korea and China are examples of traditional economies.
7. The planners decide which products will be made.
8. The major advantage of command system is that it can change direction drastically in a relatively short time.

Task № 5. Fill I the gaps with the words and expressions from the text:

1. It is more usual to refer to present-day command economies as _____.
2. Countries such as _____ are examples of a command economies.
3. The major advantage of a command system is _____.
4. The command economy requires _____.
5. Many clerks, planners and others are needed to _____.
6. A command system does not have the flexibility to _____.

Task № 6. Find the English equivalents of the following word-combinations:

заохочувати людей наполегливо працювати, рішуче змінювати напрямок, центральні керівні органи, переорієнтувати, споживчі товари, брак стимулів, дохід та багатство, приватна власність, важливі засоби виробництва, отримувати вищу освіту, нерівні можливості.

Task № 7. Use the following words to complete the sentences below:

ownership developed power command economy leadership to implement population control labour to own

1. The banks have agreed _____ measures to improve customer information.
2. One third of the world's _____ consumes two thirds of the world's resources.
3. The company had its most successful period under the _____ of Michael C. Potter.
4. The book was about the former _____ of Eastern Europe and the Soviet Union.
5. The company has a history of poor _____ relations.
6. The report said the banks had too much _____ over small businesses.
7. The restaurant is under new _____.
8. The average citizen in the _____ world uses over 155kg of paper per year.
9. The family has sold most of its shares and will lose _____ of the company.
10. Pfizer _____ the exclusive right to market the drug within the US.

Task № 8. Reconstruct the following sentences out in full:

1. another/of/the/problems/also/which/a/history/method/solving/economic/
is/one/has/long

2. in/UK/example/government/the/business/the/the/for/the/is/biggest/in/
country
3. it/the/who/what/and/will/produced/is/planners/decide/goods/services/be
4. how/goods/in/command/are/produced/a/economy?
5. the/decide/products/be/planners/which/will/made
6. the/disadvantage/a/system/the/of/second/of/command/is/lack/incentives
7. many/planners/others/needed/operate/system/clerks/and/are/to/the

Task № 9. Translate the sentences into Russian.

1. Factory tools and machines are capital resources.
2. Wages represent income to workers, who own their labour.
3. Economists call the physical and mental efforts that people put into the creation of goods and services labour or human resources.
4. They understand the power of the Internet and what information can do.
5. She's determined to put her new ideas into practice.
6. The chairman assured us that we are safe in our jobs.
7. She's a qualified accountant.
8. The new trade agreement should facilitate more rapid economic growth.
9. The machine runs on solar power.
10. The company is moving to new offices on the other side of town.

UNIT № 4.

Task № 1. Read and memorize the following words and word combinations:

market – рынок

buyer - покупець
seller - продавець
transaction – операція
to earn - заробляти
market system – ринкова система
free enterprise – вільне підприємство
consumer - споживач
profit - доход
private property – приватна власність
means of production – засоби виробництва
to own - володіти
private ownership – приватна власність
to reverse - сказувувати
intervention - втручання

Market Economy

In a market economy, the questions of **What, How** and **Whom** to produce are made by **individuals** and firms acting in their own best interests. In economic term a market is an arrangement that allows buyers and sellers to come together to conduct transactions.

The state plays little or no part in economic activity. Most of the people in the non-communist world and spend in societies which are still fundamentally market economies.

The market system of economic organization is also commonly described as a **free enterprise** or **laissez – faire**, or **capitalist system**.

We shall use all these terms to stand for a market economy. Strictly speaking the pure market of laissez-faire system has never existed. Whenever there has been some form of political organization, the political authority has excised some economic functions. It is useful, however, to consider the way in which a true market system would operate because it provides us with a simplified model, and

by making modifications to the model we can approach the more realistic situations step by step.

There are several other essential elements in a **market economy**. One of these is private property. By “**private property**” we mean the right of individuals and business firms to own the means of production.

Although markets exist in traditional and command economies, the **major means of production** (firms, factories, farms, mines, etc.) are usually publicly owned. That is, they are owned by groups of people or by the government. In a market economy the means of production are owned by private individuals.

Private ownership gives people the incentive to use their property to produce things that will sell and earn them the profit.

This desire to earn the profits is a second ingredient in a market economy. Often referred to as the profit motive, it provides the fuel that drives sellers to produce the things that buyers want, and at a price they are willing to pay.

A market economy has **several major advantages** that traditional and command economies do not have. First, a market economy is flexible and can adjust to change over time.

When gas prices in the United States began to level off in 1985 and then decline in 1986, the trend slowly began to reverse.

The second major advantage of the market economy is the freedom that exists for everyone involved. Producers are free to make whatever they think will sell. They are also free to produce their products in the most efficient manner. Consumers on the other hand are free to spend their money or buy whatever goods and services they wish to have.

The third advantage of the market economy is the lack of significant government intervention. Except for national defence, the government tries to stay out of the way. As long as there is a competition among producers, the market economy generally takes care of itself.

The final advantage of the market economy is the incredible variety of goods and services available to consumers. In fact, almost any product can and will be produced so long as there is a buyer for it.

Task № 2. Answer the following questions:

1. What is a market?
2. What role does the state play in economic activity?
3. How can the market system of economic organization be described?
4. What elements does a market economy have?
5. What does private ownership give people?
6. What advantages does a market economy have?
7. What is the final advantage of the market economy?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-----------------|---|
| 1. interest | a. a special activity or purpose of a person or thing |
| 2. to conduct | b. a simple description of a system, used for explaining how sth works or calculating what might happen, etc. |
| 3. market | c. the extra money that you have to pay when you borrow money |
| 4. economic | d. what you can use to buy and sell things and earn through your work, investments, sales, etc. |
| 5. enterprise | e. to organize and/or do a particular activity |
| 6. organization | f. business or trade; the amount of trade in a particular type of goods, services, investments |
| 7. model | g. the money that you make in business or by selling things, especially after paying the costs involved |
| 8. function | h. connected with the trade, industry and development of wealth of a country, an area or a |

society

- 9. profit
- 10. money
- i. a company or business
- j. a group of people who form a business or other group together in order to achieve a particular aim

Task № 4. Read the sentences and decide if they are true or false:

1. In a market economy, the questions of What, How and Whom to produce are made by individuals and firms acting in their own best interests.
2. In economic term a market is an arrangement that allows buyers and sellers to come together to conduct transactions.
3. The state plays big part in economic activity.
4. The market system of economic organization is also commonly described as a free enterprise or laissez – faire, or capitalist system.
5. Strictly speaking the pure market of laissez-faire system has existed.
6. Since consumers like products with high prices and low quality, producers in market economy will try to supply such products.
7. There are several other essential elements in a market economy. One of these is private property.
8. The second major advantage of the market economy is the freedom that exists for everyone involved.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. In a market economy the questions of What, How and Whom to produce are made by _____.
2. In economic term a market is _____.
3. Since consumers like products with low prices and high quality, _____.
4. Those who make the best products for the lowest prices will make _____.

5. Other producers will either go out of business or

6. A market economy has several major advantages that

7. The final advantage of the market economy is

Task № 6. Find the English equivalents of the following word-combinations:

власні інтереси, висока якість, пропонувати продукти, володіти засобами виробництва, заробляти прибуток, низька ціна, платити, гнучка система, національна оборона, переорієнтуватися, не втручатися, неймовірна різноманітність, спрощена модель, збирання податків.

Task № 7. Use the following words to complete the sentences below:
money function economic interest market profit enterprise to conduct organization model

1. He's the president of a large international _____.
2. The Bank has been working on a new forecasting _____.
3. You'll have to pay _____ on the loan.
4. How much _____ is there in my account?
5. The company _____ed in-depth interviews with potential users in three states.
6. Your _____ is to run your department efficiently.
7. They reported a _____ of \$512 million.
8. The hardware _____ is severely depressed.
9. Exports account for two-thirds of our _____ activity.
10. I have some concerns about the whole _____.

Task № 8. Reconstruct the following sentences out in full:

1. the/plays/or/part/economic/state/little/no/in/activity
2. a/economy/several/advantages/market.has/major

3. producers/free/make/they/will/are/to/whatever/think/sell
4. there/several/essential/in/market/are/other/elements/a/economy
5. the/means/production/usually/owned/major/of/are/publicly
6. a/economy/flexible/can/to/over/market/is/and/adjust/change/time
7. they/owned/groups/people/by/government/are/by/of/or/the

Task № 9. Translate the sentences into Russian.

1. The outcome is usually more important than the doing.
2. The country is now the biggest market for some car manufactures.
3. Our prices are a lot higher than theirs.
4. We have done all our business in Euros since 2002.
5. The lawyers drew up the contracts, so we are now ready to go ahead with the deal.
6. Have you written to them about that shipment or do you want me to phone them?
7. The rate of unemployment was worse last year than this year.
8. Most of successful people are the ones who do more listening than talking.
9. It is difficult to break into export markets now.
10. Daimler Chrysler is very profitable company in Europe.

UNIT № 5.

Task № 1. Read and memorize the following words and word combinations:

mixed economy – змішана економіка

to combine - комбінувати

source - джерело

mechanism - механізм

welfare - добробут

institution - організація

to invest - інвестувати

to save - заощаджувати

abolition – скасування

tax - податок

income - дохід

wealth - багатство

Mixed Economy

Mixed economy is an “economy that combines **capitalism** and **socialism**”. Some sources prefer the use of “command economy” over “socialism” in defining a mixed economy.

We have seen that there is some use of the market mechanism in planned economies. Likewise there is some measure of state control in free market economies. Here the term mixed economy is used; it describes most of the economies in the noncommunist world. These countries are basically market economies, but all contain elements of state enterprise and governments in all of them intervene to modify the operation of market forces. They are mixtures of command and market economies.

In these mixed economies private property is an important institution. Supporters of the mixed system hold the view that private property provides an important incentive for people to work, save and invest. They oppose the abolition of private property and argue that it is possible to present great inequalities of

wealth from arising by the appropriate government measures (heavy taxation of income and wealth).

The mixed economy has come into being as a result of increasing government intervention and control in capitalist countries. This development has been particularly extensive during the 20th century.

The most famous **mixed economy** in the world is that of the UK because it was that the form first evolved.

The components of the mixed economy are:

- a) A free enterprise sector, where economic decisions are taken through the workings of the market.
- b) Government regulation of the economy through its budgets, etc.
- c) Public ownership of only some industries.
- d) Welfare services, either provided by the state or supplied through state administered schemes.

Task № 2. Answer the following questions:

1. What is a mixed economy?
2. Is there any measure of state control in free market economies?
3. What does the term mixed economy describe?
4. What is an important institution in mixed economy?
5. What do supporters oppose?
6. What is the most famous mixed economy in the world?
7. What are the components of the mixed economy?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|------------------|---|
| 1. mixed economy | a. a large important organization that has a particular purpose, for example a bank |
| 2. to combine | b. something that encourages people to do sth, especially to work harder, spend more money, etc |

- | | |
|-----------------|--|
| 3. source | c. to officially end a law, a system or an institution |
| 4. mechanism | d. to have two or more different features or characteristics |
| 5. institution | e. an economic system in a country in which some companies are owned by the state and some are private |
| 6. incentive | f. to become or to make sth greater in amount, number, value, etc |
| 7. to save | g. a place, person or thing that you get sth from |
| 8. to invest | h. to avoid wasting sth or using more than necessary |
| 9. abolish | i. to buy property, shares, etc. in order to sell them again and make a profit |
| 10. to increase | j. a method or system for achieving sth |

Task № 4. Read the sentences and decide if they are true or false:

1. Mixed economy is an “economy that combines capitalism and socialism”.
2. Some sources prefer the use of “market economy” over “socialism” in defining a mixed economy.
3. Likewise there is not any measure of state control in free market economies.
4. They are mixtures of command and mixed economies.
5. In these mixed economies private property is an important institution.
6. This development has been particularly extensive during the 19th century.
7. The most famous mixed economy in the world is that of the UK because it was that the form first evolved.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. Mixed economy is an “economy that _____”.

2. We have seen that there is some use of the market
_____.
3. In these mixed economies private _____.
4. The mixed economy has come into being as a result of increasing
_____.
5. The most famous mixed economy in the world is that of the UK
_____.
6. The components of the mixed economy are: government regulation
_____.
7. The components of the mixed economy are: public ownership
_____.

Task № 6. Find the English equivalents of the following word-combinations:

змішана економіка, ринковий механізм, державний контроль, ринкова економіка, елементи державної організації, утручатися, приватна власність, важлива організація, носій, важливий мотив, відміна, нерівність, податки, розвиватися, економічні рішення, загальнонародна власність, достаток

Task № 7. Use the following words to complete the sentences below:
*to combine to save mechanism mixed economy source to increase
institution incentive to invest abolition*

1. The rate of inflation _____ed by 2%.
2. _____ is an economic system in a country in which some companies are owned by the state and some are private.
3. Governments and EU _____ share responsibility for deciding most EU policies.
4. Now is a good time _____ in the property market.
5. Bad planning, _____with bad luck, led to the company's collapse.
6. Using email will _____ you money on postage costs.
7. These reports are a very useful _____of information.

8. The electorate is split two-to-one against _____ing the pound.
9. The fund acted as financing _____ for the construction work..
10. They are trying to increase their market share by offering customers big financial _____s.

Task № 8. Reconstruct the following sentences out in full:

1. mixed/is/economy/combines/and/economy/that/capitalism/socialism.
2. we/seen/there/some/of/market/in/economies/have/that/is/use/the/mechanism/planned.
3. they/mixtures/command/market/are/of/and/economies.
4. in/mixed/private/is/important/these/economies/property/an/institution.
5. they/the/of/property/oppose/abolition/private.
6. the/economy/come/being/a/of/government/and/mixed/has/into/result/increasing/intervention/control.
7. the/of/mixed/are/ownership/only/industries/components/the/economy/public/of some.

Task № 9. Translate the sentences into Russian.

1. It's not just another good product – it's the best product on the market.
2. Our customers are younger and richer than our competitors.
3. We spend a lot on modernizing the factory, and it is now very well equipped.
4. Unemployment is very high here because all of the coal miners have shut down.
5. How long you have been in charge of the Financial Department.
6. Our new range is a lot more successful than the previous one.
7. Have you written to them about that shipment or do you want me to phone them?
8. The company has announced it is going to close the Glasgow factory next month.
9. The economics of the project are very encouraging.
10. I keep a stack of business cards in my suitcase..

UNIT № 6.

Task № 1. Read and memorize the following words and word combinations:

output - випуск

missile – реактивний снаряд, ракета

domestic market – внутрішній ринок

household appliances – побутові прилади

cast iron - чавун

with bias towards – на користь, з ухилом до

dye - фарбник

saline - сіль

asset – цінна риза, цінність

precipitation - опади

crop production - рослинництво

animal husbandry - тваринництво

grain and industrial crops – зернові та технічні культури

cereals – хлібні злаки

dairy and beef breeding – розведення молочної та м'ясної худоби

pig raising - свинарство

sheep farming - вівчарство

bee-keeping - бджільництво

poultry industry - птахівництво

sufficient - достатній

The economy of Ukraine

On August 24 1991 on the map of the world appeared a new independent state with a thousand-year-old history – Ukraine. To have an idea of Ukraine's economic potential, its resources, and define the scale of reforms which must be carried out let us get acquainted with some objective data.

Ukraine is situated in the geographical centre of Europe. The country occupies a territory of 603.7 thousand sq kilometres. Ukraine's population is 47.6 million people. Occupying 0.45% of the globe's surface and being populated by

0.8% of all earth's dwellers, Ukraine produces almost 5% of the world's output. The country possesses a considerable economic, industrial and agricultural potential. It may be said to be an industrial-agricultural country, with 2/5 of people working in industry and about 1/5 working in agriculture. Most other Ukrainians have jobs in such service industries as education and health care.

Speaking about the industry of Ukraine, two branches should be mentioned as primary in importance. The machine-building is presently the largest branch of industry. It accounts for 1/3 of the national industrial output and employs about 1/4 of Ukraine's workers. The Ukrainian machine-engineering industry manufactures diesel locomotives, railway cars, automobiles, tractors, missiles, sea and river vessels, as well as equipment for metallurgy, mining, textile industries, electric motors, and industrial robots. The country also supplies its domestic market with many household appliances, including refrigerators, washing machines, and TV-sets, among others. The ferrous metallurgy industry, centred in the Prydniprovya Economic Region, produces enough iron, cast iron, and steel to satisfy the needs of the whole country, with more left over to export.

Mining occupies an important place in the economy of Ukraine. Speaking about Ukrainian mining, one thinks first of the coal mines of Donbas. But coal is not the only mineral mined in the Donetsk and Northeastern Economic Regions. They have rich mineral deposits and major industrial base with bias towards heavy industry. The Donetsk Basin contains plants producing zinc, plastics, soda and dyes. The area has the greatest concentration of power stations in Ukraine.

The Central, Podillya, Northwestern, Carpathian and Capital Economic Regions have supplies of metals and fuel, largest reserves of minerals and wood. But the top position is held by the sugar industry. Buses of the Lviv plant have won great popularity.

The Prychornomorya Economic Region is close to the sea. Its key sector is shipbuilding. Local factories produce machinery for the power industry, tractors and harvesters. There are many saline deposits for the chemical industry. Southern

Ukraine is a large producer of grape wines, canned fruits and vegetables. Crimea has rich recreational resources.

Ukraine has always been associated with grain production. Grain harvests can be up to 50 million metric tons a year. That is natural because of the characteristics of the country's relief and climate. The territory of Ukraine is composed mostly of steppes and plains, and the country possesses 25% of all the black soil in the world. Another agricultural asset is the moderately continental climate with 300-600 millimetres of precipitation a year.

There are two main branches of agricultural production in Ukraine: crop production and animal husbandry. Crop production is the practice of growing and harvesting crops. It includes grain and industrial crops, meadow culture, fruit and vegetable raising. Almost ½ of the cropping area is occupied by cereals such as winter wheat, maize and legumes, rye, oats and barley. Among the industrial crops such as sugar beet, sunflower, flax the leading position is occupied by sugar beet. Close to 40 types of vegetable crops are grown in Ukraine: potatoes, cabbage, tomatoes, cucumbers, red beets, carrots, onions, garlic, etc. Melon growing is practised mainly in the south.

Animal husbandry is the practice of breeding of farm animals and their use. The most widespread branches of animal husbandry are dairy and beef cattle breeding, pig raising, sheep farming and bee-keeping. The poultry industry is spread through all the provinces. Birds farmed include chicken, duck, goose, turkey. There are large mechanized poultry farms to produce eggs and meat.

Transport plays a big role in the economy of Ukraine. The railway network has some 22,000 kilometres of track. The ports of Ukraine ensure trade contacts with over 80 countries. The length of navigable rivers in Ukraine is close to 5000 kilometres. The air transport has become one of the principal means of transportation in Ukraine.

As you see, natural and human resources are sufficient for creating a developed internal market and becoming a friendly and equal partner in the world

market. There is every reason to believe that Ukraine will quickly enter the family of Europe's leading countries.

Task № 2. Answer the following questions:

1. Where is Ukraine situated?
2. What does the country possess?
3. What does Ukraine supply its domestic market with?
4. What is an important place in the economy of Ukraine?
5. What region is close to the sea?
6. What has Ukraine always been associated with?
7. What are two main branches of agricultural production in Ukraine?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-------------------|---|
| 1. territory | a. to make goods in large quantities from raw materials or parts, using machinery |
| 2. population | b. the good feeling that you have when you are happy with sth that you have done, that you have bought, that has happened |
| 3. industrial | c. a local office or shop/store belonging to a large organization or company, especially a bank |
| 4. branch | d. an electrical machine that is designed to do a particular thing in the home, such as preparing food, heating or cleaning |
| 5. to manufacture | e. an amount of money that is paid into a bank or savings account |
| 6. appliance | f. an area of a town, a country or the world that sb has responsibility for in their work |
| 7. satisfaction | g. connected with industry |
| 8. deposit | h. any material that produces heat or power, usually when it is burnt |

9. reserve i. all the people who live in a particular area, city or country; the total number of people who live there
10. fuel j. a supply of sth that is available to be used in the future or when it is needed

Task № 4. Read the sentences and decide if they are true or false:

1. On August 25 1991 on the map of the world appeared a new independent state with a thousand-year-old history – Ukraine.
2. Ukraine is situated in the geographical centre of Europe.
3. Machine-building is presently the largest branch of industry.
4. Ukraine is very rich in mineral resources.
5. Mining occupies an important place in the economy of Ukraine.
6. The Prychornomorya Economic Region is far from the sea.
7. Ukraine has not always been associated with grain production.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. On August 24 1991 on the map of the world appeared _____.
2. Ukraine is situated _____.
3. The country possesses _____.
4. The country also supplies its domestic market with many household appliances, including _____.
5. Speaking about Ukrainian mining, _____.
6. Local factories produce machinery for the power industry, _____.
7. Ukraine has always been associated _____.

Task № 6. Find the English equivalents of the following word-combinations:

незалежна держава, економічний потенціал, об'єктивні дані, географічний центр, національний випуск, устаткування, внутрішній ринок, побутові прилади, чавун, запас, будування кораблів, сіль, виробництво зерна, опади, рослинництво, тваринництво, хлібні злаки, соняшник, льон, бджільництво, достатній.

Task № 7. Use the following words to complete the sentences below:
reserve industrial deposit branch territory fuel satisfaction population manufacture appliance

1. The cold weather has increased demand for heating _____.
2. The plant _____500 000 cars annually.
3. Our representatives cover a very large _____.
4. Soon the _____ of coal will be exhausted.
5. The retail bank has 170 _____ in Brazil.
6. One third of the world's _____ consumes two thirds of the world's resources.
7. _____ can be made at any branch.
8. There was an expansion in _____ activity of the factory.
9. They sell a wide range of domestic _____.
10. He looked back on his career with great _____.

Task № 8. Reconstruct the following sentences out in full:

1. Ukraine/situated/the/centre/Europe/is/in/geographical/of
2. most/Ukrainians/jobs/such/industries/education/health/other/have/in/service/as/and/care
3. two/should/mentioned/primary/importance/branches/be/as/in/
4. the/also/its/market/many/appliances/country/supplies/domestic/with/household
5. mining/an/place/the/of/occupies/important/in/economy/Ukraine
6. the/Economic/is/to/sea/Prychornomorya/close/the

7. Ukraine/always/associated/grain/has/been/with/production

Task № 9. Translate the sentences into Russian.

1. Lviv buses are very popular.
2. Donbas is the region of coal mines.
3. Ukraine has unique black soil.
4. The climate in Ukraine is moderately continental.
5. Present-day independent Ukraine has a considerable potential to develop its industry and agriculture.
6. Ferrous metallurgy produces iron, cast-iron and steel.
7. Crop production and animal husbandry are two main branches of agricultural industry.
8. The top position is held by the machine-building industry.
9. Ukraine is divided into nine economic regions.
10. Ukraine has enough natural and human resources to create a developed internal market.

UNIT № 7.

Task № 1. Read and memorize the following words and word combinations.

to abolish import tariffs – відмінити тарифи на імпорт

capital-incentive commodity – капіталомісткий товар

to compute - рахувати

consideration - судження

custom duty - мито

to deny access to rivals – запобігати втручанню конкурентів

domestic industry – національна промисловість

to establish links – встановлювати зв'язки

to exceed - перевищувати

to extend - поширювати

to foster - підтримувати

to gain – мати вигоду

in comparison with – порівнянно з

labour force – робоча сила

labour-intensive commodity – трудомісткий товар

land-intensive commodity – сільськогосподарська продукція

on a global scale – у світовому масштабі

productivity - продуктивність

relative efficiency – відносна ефективність

restriction - обмеження

total output – загальний обсяг продукції

trade flow – торговий потік

the Pacific Rim – країни Тихоокеанського басейну

volume - обсяг

uneven - нерівномірний

International Trade

The world is increasingly divided into trade blocks. The world's two most powerful economies, the United States and the European Union. Have

established links with neighbouring countries and deny access to rivals. Other major trading countries, like the exporters in the Pacific Rim and the big agricultural exporting nations, are creating looser trade groupings to foster their interests. The formation of free trade zones and trade blocks is one of the major issues facing the world economy. The main world's trade blocks are:

The European Union (EU)

Trade Flow – exports \$813 bn.; imports \$801 bn.

The **EU** has become the most powerful trading block in the world with GDP now exceeding that of the United States. Members: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK.

North American Free Trade Agreement (NAFTA)

Trade Flow – exports \$1,017 bn.; imports \$1,277 bn.

The United States has linked with Canada and Mexico to form a free trade zone, and hopes to extend that to the rest of Latin America.

The Asia – Pacific Economic Cooperation forum (APEC)

Trade Flow – exports \$2,592 bn.; imports \$2,581

The APEC is a loose grouping of 21 countries who have agreed to facilitate free trade. Its members range from China and Russia to the United States, Japan and Australia, and account for 45% of world trade.

But why do nations trade? International trade is a means by which nations can specialize, increases the productivity of their resources, and thereby realize a larger total output. Nations can gain by specializing in those products which they can produce with greatest relative efficiency and by trading for those goods they cannot produce efficiently.

World trade is based on two considerations: the **uneven distribution of economic resources** among nations, and the fact that the efficient production of various goods requires **particular techniques or combinations of resources**. Japan, for example, has a large and well-educated labour force; hence Japan can produce efficiently (at low cost) a variety of goods whose production requires

much skilled labour (labour – intensive commodities). In contrast, Australia has vast amounts of land in comparison with its human and capital resources and hence can cheaply produce wheat, wool, and meat (land – intensive commodities). Industrially advanced nations are in a positions to produce cheaply a variety of automobiles, agricultural equipment, machinery, and chemicals (capital – intensive commodities).

The trade balance – is computed as the difference between exports and imports:

$$\text{Trade balance} = \text{exports} - \text{imports}$$

On a global scale, imports must equal exports, since every good exported by one country must be imported by another.

Although the potential gains from world trade are perhaps clear, some producers have an interest in restricting international trade. Resistance to international trade arises from the fact that the imports mean fewer jobs and less income for some domestic industries. The means of restricting trade are many and diverse.

Embargoes. The sure-fire way to restrict trade is simply to eliminate it. To do so, a country need only impose an embargo on exports or imports, or both.

Tariffs. One of the most popular and visible restrictions on trade is the tariffs, a special tax imposed on imported goods. Tariffs, also called “custom duty” on imported goods make them more expensive to domestic consumers, and thus less competitive with domestically produced goods.

Quotas. Tariffs helps to reduce the flow of imports by raising imports price. As an alternative barrier to trade, a country can impose quotas, restriction on the quantity of a particular good that may be imported.

Voluntary restrain agreement. The essence of these agreements is a promise to reduce the volume of trade: “voluntary quota”.

The World Trade Organization helps to promote free trade by persuading countries to abolish import tariffs and the other barriers to open

markets. The WTO was established in 1995 and numbers 144 countries with 30 more nations waiting to join.

Task № 2. Answer the following questions:

1. What is the major issue facing the world economy?
2. What are the main trade blocks?
3. What is international trade?
4. What is the trade balance?
5. What does resistance to international trade mean?
6. What are the means of restricting trade?
7. What is the WTO?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|------------------|---|
| 1. import | a. an official order that prevents trade with another country |
| 2. export | b. the activity of buying and selling or of exchanging goods or services between people or countries |
| 3. trade balance | c. the difference in value between imports and exports of goods over a particular period |
| 4. embargo | d. a system of international trade in which there are no restrictions or taxes on imports and exports |
| 5. tariff | e. the total value of all the goods and services produced by a country in one year |
| 6. quota | f. a product or service that is brought into one country from another |
| 7. free trade | g. the ability to do sth well with no waste of time or money |

- | | |
|----------------|--|
| 8. GDP | h. a product or service that is sold and sent or supplied to another country |
| 9. trade | i. a tax that is paid on goods coming into or going out of a country |
| 10. efficiency | j. the limited number or amount of people or things that is officially allowed |

Task № 4. Read the sentences and decide if they are true or false:

1. The world is increasingly divided into trade blocks.
2. The world's two most powerful economies, the United States and the United Kingdom.
3. The UK has become the most powerful trading block in the world with GDP now exceeding that of the United States.
4. The United States has linked with Canada and Mexico to form a free trade zone, and hopes to extend that to the rest of Latin America.
5. The APEC is a loose grouping of 20 countries who have agreed to facilitate free trade.
6. The sure-fire way to restrict trade is simply to eliminate it.
7. Quotas helps to reduce the flow of imports by raising imports price.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. The world is increasingly divided into _____.
2. The world's two most _____ are the United States and the European Union.
3. The formation of free trade zones and trade blocks is one of the major issues facing _____.
4. International trade is a means by which nations can increase the _____ of their resources.
5. Nations can gain by _____ in those products which they can produce with greatest relative efficiency.

6. On a global scale, imports must _____ exports, since every good exported by one country must be imported by another.
7. Some products have an interest in _____ international trade.

Task № 6. Find the English equivalents of the following word-combinations:

зона вільної торгівлі, широке торгове угруповання, підвищувати продуктивність, відносна ефективність, нерівномірний розподіл, кваліфікована праця, обмеження торгівлі, кількість певного товару, споживач на внутрішньому ринку, ефективне виробництво, низькі витрати, мито, відмінити тарифи, встановлювати квоти, національна промисловість.

Task № 7. Use the following words to complete the sentences below:

tariff export import efficiency free trade quota trade balance trade GDP embargo

1. We combined the two departments to boost _____ and save costs.
2. Education provided to foreign students is considered to be a service _____.
3. High _____ barriers protect domestic industry.
4. The government has put an _____ on oil exports.
5. _____ between the two countries has increased.
6. Our largest agricultural _____ is wheat.
7. The country's _____ rose to a record surplus.
8. The company introduced a strict import _____ on grain.
9. Tourism contributes about 5% of _____.
10. The pact encourages _____ in the region.

Task № 8. Reconstruct the following sentences out in full:

1. the/is/divided/trade/world/increasingly/into/blocks/.
2. the/has/the/powerful/block/the/with/GDP/EU/become/most/trading/in/world/a.
3. international/is/means/which/can/be/of/resources/trade/a/by/nations/

productivity/their.

4. tariffs/to/the/of/by/imports/help/reduce/flow/imports/raising/price
5. the/of/agreements/a/to/the/of/a/quota/essence/these/is/promise/reduce/
volume/trade/voluntary
6. the/ Trade/helps/promote/trade/World/Organization/to/free/
7. the/balance/computed/the/between/and/trade/is/as/difference/exports/
imports

Task № 9. Translate the sentences into Russian.

1. The latest car industry plan includes tariff exemptions for the local manufacturers.
2. Some domestic producers had been harmed by cheap imports.
3. We combined the two departments to boost efficiency and save costs.
4. The EU is negotiating a free-trade agreement with Chile.
5. Total exports of goods and services to the EU rose by 3% last year.
6. The US was accused of unfair trade practices.
7. The balance of trade is an important part of a country's balance of payments.
8. GDP grew by 0.5 per cent in the fourth quarter.
9. The government has embargoed all grain sales to the country.
10. He never takes his full quota of holidays.

UNIT № 8.

Task № 1. Read and memorize the following words and word combinations.

chain of distribution – мережа реалізації

extractive industry – видобувна промисловість

intangible goods – нематеріальні товари

manufacturing industry – виробнича промисловість

packaging - упакування

processing industry – переробна промисловість

public services – державні служби

shipping – перевезення вантажу

storing – зберігання товару

tangible goods – матеріальні товари

vehicle – засіб, спосіб

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. This can include manufacturing, storing, shipping and packaging. Some economists define production broadly as all economic activity other than consumption.

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

1. the quantity of the commodity produced;
2. the form of the good produced;
3. the temporal and spatial distribution of the commodity produced.

There are three stages in the process of making saleable products from raw materials:

1. Extractive industry.

The raw materials are extracted from natural resources, for example the miner mines iron ore and the farmer grows wheat.

2. Processing industry.

The raw materials are processed into a form suitable for further use, for example iron is made into steel and the wheat is made into flour.

3. Manufacturing industry.

The results of the processing stage are made into **semi-finished and finished goods**, for example the steel is made into knives and the flour is made into bread. Finished goods are goods which are complete in themselves, for example steel spoons. Semi-finished goods must be assembled before they can be used, for example wooden knife handles and steel knife blades.

All the goods can be grouped into two general categories – consumer and industrial. Goods purchased to satisfy personal and family needs are consumer goods. Goods bought for the use in a firm's operations or to make other products are industrial goods. The buyer's intent – or the ultimate use of the product – determines the classification of an item. An electric drill is a consumer good if you use it at home. At the same time an electric drill is an industrial good if you use it in the maintenance of your business.

Normally the word good brings to mind a physical object, such as an automobile, a television set, or a soft drink. And we usually use the expression goods and services to distinguish between physical objects and intangible ones. But in thinking about physical products, their importance lies not so much in owning them as in using them to satisfy our wants. We don't buy a car to look at but because it supplies a transportation service. We don't buy a blender to admire but because it supplies a cooking service. Thus, physical products are really vehicles that deliver services to us.

Services are also supplied by other vehicles, such as persons. These people do not contribute directly to production, but are needed for example to transport the goods from the manufacturer to the customer, to insure the goods etc. These people render services. There are several **types of services**:

1. Public services:

People in public services are employed by the government, for

example civil servants and teachers.

2. Private services:

Private services are rendered by skilled people with their own organizations, for example lawyers and doctors in private practices.

3. Consumer services:

Consumer services are services used by people in their everyday life, electricians and hairdressers.

4. Commercial services:

Commercial services are rendered by people who are needed for the efficient distribution of goods, for example exporters, bankers, agents.

Task № 2. Answer the following questions:

1. What is production?
2. What are the aspects of production process?
3. How many stages are there in the production process of making products?
4. What categories can all the goods be grouped into?
5. What is a good?
6. What is a service?
7. What types of services do you know?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-----------------|--|
| 1. vehicle | a. the activity of carrying goods from one place to another by ship or by air, road or rail |
| 2. finished | b. the process of keeping sth in a particular place until it is needed; the space where things can be kept |
| 3. raw material | c. machines, tools, parts, etc. that are produced for use in industry rather than by the public |

- | | |
|---------------------|--|
| 4. public service | d. the production of goods from raw materials, especially in factories |
| 5. shipping | e. a product or a raw material, such as grain, coffee, cotton or metals, that can be bought and sold in large quantities, especially between countries |
| 6. storage | f. any person or thing that is involved in producing goods or providing services |
| 7. industrial goods | g. a car, bus, lorry/truck, etc |
| 8. commodity | h. (about a product) that has been put together from different parts or materials and is fully completed |
| 9. input | i. a natural or basic substance that is used to make sth in an industrial process |
| 10. industry | j. a service such as transport or health care that a government or an official organization provides for people in general in a particular society |

Task № 4. Read the sentences and decide if they are true or false:

1. In macroeconomics, production is simply the conversion of inputs into outputs.
2. Some economists define production broadly as all economic activity other than consumption.
3. There are four aspects of production processes.
4. The raw materials are extracted from industrial resources.
5. The results of the processing stage are made into semi-finished and finished goods.
6. All the goods can be grouped into two general categories – natural and industrial.
7. Services are also supplied by other vehicles, such as persons.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. In microeconomics, _____ is simply the conversion of inputs into outputs.
2. Production is a process, and as such it occurs _____.
3. There are three stages _____ of making saleable products from raw materials.
4. The raw materials are extracted from natural resources, _____.
5. The results of the processing stage are made into _____.
6. All the goods can be grouped into _____ – consumer and industrial.
7. Services are also supplied by other vehicles, _____.

Task № 6. Find the English equivalents of the following word-combinations:

виробництво, процес перетворення, створювати товари та послуги, зберігання товару, відвантаження, товари, придатні для продажу, сировина, переробна промисловість, готовий продукт, надавати послуги, задовольняти особисті потреби, намір покупця, розрізняти матеріальні та нематеріальні предмети, споживчі послуги, комерційні послуги.

Task № 7. Use the following words to complete the sentences below:

finished commodity industry vehicle raw material shipping storage input public service industrial goods

1. _____ were improved in this area.
2. They want to eliminate import duties on most consumer and _____.
3. They raised import duties to protect local _____.
4. The company is renewing its fleet of _____.
5. We offer free _____ for orders over \$99.

6. Time is a precious _____.
7. Manufacturers are trying to lower their stocks of _____ goods.
8. We have had problems with the supply of _____ to the factory.
9. The goods are in _____, waiting to be shipped.
10. Women provide 25% of the labour _____ in farming.

Task № 8. Reconstruct the following sentences out in full:

1. production/simply/conversion/inputs/outputs/is/the/of/into/
2. production/a/and/such/occurs/time/space/is/process/as/it/through/and/
3. there/three/of/processes/are/aspects/production
4. there/three/in/process/making/products/raw/are/stages/the/of/saleable/from/materials
5. all/goods/be/into/general - consumer/ndustrial/can/grouped/two/categories/and
6. an/drill/a/good/you/it/home/electric/is/consumer/if/use/at
7. services/also/by/vehicle/as/are/supplied/other/such/persons

Task № 9. Translate the sentences into Russian.

1. Input prices rose by 2.8% in December.
2. We need to cut our storage costs.
3. Imports of finished steel have decreased sharply.
4. The plant produces the raw material for making polyester fibre.
5. The canal is open to shipping.
6. The global mining industry is dominated by four large groups.
7. The meeting had already started when I arrived.
8. The price paid for the use of labour is called wages.
9. Labour is one of the three leading elements of production.
10. We carefully examined the samples of goods which they had sent us.

UNIT № 9.

Task № 1. Read and memorize the following words and word combinations.

to bestow – надавати, дарувати

ceteris paribus (other things being equal) – за інших рівних умов

complement – супутний товар

conspicuous – ефектний, разючий

demand – попит, потреба

to demand – вимагати, потребувати

demand curve – крива попиту

demand schedule – графік попиту

determinant – визначник, вирішальний фактор

Giffen goods – товар Гіффена

the good in question – товар, про який йде мова

inferior goods – неповноцінні товари (товари, попит на які при зрості доходів споживачів падає)

normal goods – нормальні товари (товари, попит на які збільшується із доходів споживача)

opportunity cost – альтернативна вартість

to plot a graph – креслити графік

Demand

One of the most important building blocks of economic analysis is the concept of demand. **Demand** – the ability and willingness to buy specific quantities of a good at alternative process in a given time period. A demand exists only if someone is willing and able to pay for the good – that is, exchange money for a good or service in the marketplace. For example, a consumer may be willing to purchase 2lb of potatoes if the price is \$0.75 per lb. However, the same consumer may be willing to purchase only 1 lb if the price is \$1.00 per lb. These changes we can reflect on the demand schedule. A demand schedule can be represented on a graph as a line or curve by plotting the quantity demanded at each price. A demand curve is a graphical illustration of a demand schedule. Each point

on the curve refers to a specific quantity that will be demanded at a given price. A common feature of demand curves is their downward slope. As the price of a good falls, people tend to demand more of it. This inverse relationship between price and quantity is so common we refer to as the law of demand. Thus, **the law of demand** can be stated formally as follows: in any market, other things being equal, the quantity of a good or service that buyers demand tends to rise as its price falls and to fall as its price rises.

As mentioned above, the general form of a demand curve is that it is downward sloping. But there may be rare examples of goods that have upward sloping demand curves. A good which demand curve has an upward slope is known as a Giffen good. The existence of Giffen goods can be explained by conspicuous consumption; that is the desire to own/buy a good due to the social status its ownership implies and bestows.

It is necessary to say about the movements along the demand curve and shifts in the demand curve.

Economists speak of a movement along demand curve as a change in quantity demanded. Such a movement represents buyers reaction to a change in the price of the good in question, other things being equal. The degree to which price changes affect demand will depend upon the elasticity of demand for a particular item.

If total revenue increased following a price decrease, demand would be elastic. If the price decrease led to a decrease in total revenue, the demand for the item would be described as inelastic. The demand for some goods and services will be inelastic for one or more of the following reasons.

- They are necessities.
- It is difficult to find substitutes.
- They are relatively inexpensive.
- It is difficult to delay a purchase.

Economists speak of a shift in the demand curve as a change in demand. Such a shift represents a change in buyers plans caused by some factors than the price of the good in question. The determinants of demand include:

- Tastes (desire for this or that good.) Sometimes these changes happen rapidly, as is the case in such areas as popular music, clothing styles and fast foods. The demand curves for these goods shift often.
- Income (of the consumer). As real income rises, people buy more of some goods (which economists call normal goods) and less of what are called inferior goods. Urban mass transit and railroad transportation are classic examples of inferior goods. That is why the usage of both these modes of travel declined so dramatically as postwar incomes were rising and more people could afford automobiles.
- Other goods (their availability and price). Another influence on demand is the price of substitutes.

For example, when the price of Toyota Tercels rises, other things being equal, demand for Tercels falls and demand for Nissan Sentras, a substitute, rises. Also important is the price of complements, or goods that are used together. When the price of gasoline rises, the demand for cars falls.

- Expectations (for income, price, tastes). If people expect the price of a good to rise relative to the prices of the goods or expect the opportunity cost of acquiring the good to increase in some other way, they will step up their rate of purchase before the change takes place.

Task № 2. Answer the following questions:

1. What is demand?
2. What does the law of demand describe?
3. What is a demand curve? What is its common feature?
4. How can you explain the existence of Giffen goods?
5. When is demand described as elastic?

6. Why is demand for some goods and services inelastic?
7. What is the difference between a change in a quantity demanded and a change in demand?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|-------------------------|---|
| 1. demand | a. a person who buys goods or services for their own use |
| 2. inverse | b. the act or process of buying sth |
| 3. elasticity of demand | c. an item of poorer quality that people buy less of as their incomes rise |
| 4. revenue | d. an amount or a number of sth |
| 5. available | e. the desire or need of customers for goods or services which they want to buy or use |
| 6. inferior good | f. the extent to which people want to buy more or less of a product or service when its price changes |
| 7. demand curve | g. the money that is received by a business usually from selling goods or services |
| 8. consumer | h. that you can get, buy or use |
| 9. purchase | i. opposite in amount or position to another thing |
| 10. quantity | j. a line on a graph that shows the relationship between the price of a product or service and the quantity of it that people buy |

Task № 4. Read the sentences and decide if they are true or false:

1. One of the most important building blocks of economic analysis is the concept of demand.

2. A demand curve can be represented on a graph as a line or curve by plotting the quantity demanded at each price.
3. This inverse relationship between price and quantity is so common we refer to as the law of supply.
4. The general form of a demand curve is that it is downward sloping.
5. A service which demand curve has an upward slope is known as a Giffen good.
6. It is necessary to say about the movements along the demand curve and shifts in the demand curve.
7. If total revenue increased following a price decrease, demand would be inelastic.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. One of the most important _____ of economic analysis is the concept of demand.
2. A demand curve is a _____ of a demand schedule.
3. As mentioned above, the general form of a demand curve is _____.
4. _____ of a movement along demand curve as a change in quantity demanded.
5. Economists speak of a shift in the demand curve _____.
6. Sometimes these changes happen rapidly, as is the case in such areas _____.
7. Another influence on demand is _____.

Task № 6. Find the English equivalents of the following word-combinations:

попит, товар, загальна ознака, крива попиту, закон попиту, кількість, ціна, товар Гіффена, економісти, покупець, зміна ціни, еластичність

попиту, дохід, зниження ціни, нееластичний, необхідність, заміна, купувати, визначник, неповноцінні товари, нормальні товари, альтернативна вартість, класичний приклад, ціна супутного товару.

Task № 7. Use the following words to complete the sentences below:

elasticity of demand revenue purchase demand quantity inverse consumer available inferior good demand curve

1. The factory initially produced a small _____ of lamps and these sold quickly.
2. The _____ for luxury goods tends to be higher than for necessities.
3. _____ for new cars has fallen.
4. Interest rate cuts have persuaded _____ to spend more.
5. There is an _____ relationship between shares and the dollar.
6. How many visitors to the store actually made a _____?
7. _____ from local advertisers fell by 6%..
8. An increase in incomes caused a shift in the _____ for automobiles.
9. The new service will be _____ to customers next month..
10. As real income rises, people buy more of some goods and less of what are called _____.

Task № 8. Reconstruct the following sentences out in full:

1. one/the/important/blocks/economic/is/concept/demand/of/most/building/
of/analysis/the/of
2. a/feature/demand/is/downward/common/of/curves/their/slope
3. the/form/a/curve/that/is/sloping/general/of/demand/that/is/downward
4. a/which/curve/an/slope/known/a/good/demand/has/upward/is/as/Giffen
5. economists/of/movement/demand/as/chngе/quantity/speak/a/along/curve/
a/in/demanded
6. economists/of/shift/the/curve/a/in/speak/a/in/as/change/demand/
7. another/on/is/price/substitutes/influence/demand/the/of

Task № 9. Translate the sentences into Russian.

1. The price is determined by the balance between demand and supply.
2. New products account for 40% of our total revenue.
3. The new service has been slow to take off among consumers.
4. The size of demand is in inverse proportion to the price.
5. This offer is subject to availability.
6. Elasticity of demand measures how sensitive consumers are to changes in the price of a product..
7. The guarantee is valid for one year from the date of purchase.
8. Materials are cheaper when bought in large quantities.
9. Each point on the demand curve represents the quantity demanded at a particular price.
10. Operating profits have shown a rise of 3%.

UNIT № 10.

Task № 1. Read and memorize the following words and word combinations.

supply - пропозиція

determinant – вирішальний фактор

tax - податок

improvement - покращення

to induce - спонукати

incentive - заохочення

supply curve – крива пропозиції

to intersect - пересікати

equilibrium - рівновага

surplus - надлишок

to exceed - перевершувати

vice versa - навпаки

after-tax income – дохід після сплати податку

upward sloping – похила направлена догори

shortage – нестача, дефіцит

Supply and Market Price

Supply is the quantity of goods that producers are willing and able to sell at alternative prices in a given period.

The determinants of supply include:

- Technology
- Factor costs
- Other goods
- Taxes
- Expectations
- Number of sellers

Word processors, for example, are a technological improvement over standard typewriters. By making it easier to “produce” typing, they induce people to supply more typing services at every price.

When tax rates are high, people get to keep less of the income they earn. This reduction in after-tax income may make some people less willing to supply goods and services.

Expectations are also important. If you expect higher prices, lower costs, or reduced taxes, you may be more willing to perfect your skills. On the other hand, if you have had bad expectations about future, you may find something else to do.

Supply shifts when the determinants change.

The law of supply states that the quantity of a goods supplied in a given time period increases as its price increases.

Why does the quantity of a product supplied change if its price rises or falls? The answer is that producers supply things to make a profit. The higher the price, the greater the incentive to produce and sell the product.

According to the law of supply the general form of a supply curve is upward sloping and it indicates that larger quantities will be offered at higher prices. An increase in supply implies a rightward shift of the supply curve.

The point where the supply curve and demand curve intersect is the equilibrium price. Thus, **equilibrium or market price** is the price at which the quantity of a good demanded in a given time period equals the quantity supplied.

At any higher price there will be a **surplus** – the quantity supplied exceeds the quantity demanded and at any lower price a **shortage** – the quantity demanded exceed the quantity supplied at a given price. Only the equilibrium price clears the market. At that price, everyone who is willing to buy may do so, and everyone who wants to sell at that price may do so.

Shifts in demand or supply will affect market price. When everything else is held constsnt, an increase in demand will result in an increase in market price, and vice versa. Similarly, and increase in supply will result in a decrease in price, and vice versa.

Task № 2. Answer the following questions:

1. What is supply?
2. What are the determinants of supply?
3. What does the law of supply state?
4. What is the general form of a supply curve? What does it mean?
5. What is market price?
6. How do shifts in demand and supply affect prices?

Task № 3. Match the words from the left-side column with their definitions from the right-side column:

- | | |
|----------------|---|
| 1. supply | a. an amount that is extra or more than you need |
| 2. tax | b. a situation when there is not enough of the people or things that are needed |
| 3. incentive | c. the money that a person, a region, a country, etc. earns from work, from investing money, from business, etc |
| 4. equilibrium | d. a situation in which the amount of particular goods or services that people want to buy (demand) at a particular price equals the amount that businesses want to supply (supply) |
| 5. surplus | e. something that is given to sb to persuade them to do sth |
| 6. shortage | f. the act of providing sth or making it available to be used |
| 7. rate | g. to be greater than a particular number or amount |
| 8. to exceed | h. a fixed amount of money that is |

- charged or paid for sth
- 9.inducement i. money that you have to pay to the government so that it can pay for public services
- 10.income j. something that encourages people to do sth, especially to work harder, spend more money, etc

Task № 4. Read the sentences and decide if they are true or false:

1. Supply is the quantity of goods that producers are willing and able to sell at alternative prices in a given period.
2. When tax rates are low, people get to keep less of the income they earn.
3. Expectations are not also important.
4. Supply shifts when the determinants are stable.
5. The law of supply states that the quantity of a goods supplied in a given time period increases as its price increases.
6. The lower the price, the greater the incentive to produce and sell the product.
7. Equilibrium or market price is the price at which the quantity of a good demanded in a given time period equals the quantity supplied.

Task № 5. Fill in the gaps with the words and expressions from the text:

1. Supply is the quantity of goods that _____ at alternative prices in a given period.
2. When tax rates are high, people _____.
3. If you expect _____, you may be more willing to perfect your skills.

4. _____ states that the quantity of a goods supplied in a given time period increases as its price increases.
5. The answer is that producers supply things _____.
6. _____ is the price at which the quantity of a good demanded in a given time period equals the quantity supplied.
7. Shifts in _____ will affect market price.

Task № 6. Find the English equivalents of the following word-combinations:

нестача, надлишок, похила направлена догори, рівновага, змушувати, закон пропозиції, кількість товару, альтернативна ціна, податок, вища ціна, знижувати податки, велика кількість, вирішальний фактор, крива пропозиції, перевершувати, навпаки, впливати на ринкову ціну.

Task № 7. Use the following words to complete the sentences below:

supply tax incentive equilibrium surplus shortage rate to exceed inducement income

1. They receive a proportion of their _____ from the sale of goods and services.
2. There are serious labour _____ in some sectors.
3. They are trying to increase their market share by offering customers big financial _____.
4. A delay in the _____ of parts stopped work at the plant for a week.
5. She was offered a large block of shares as an _____ to take the job.
6. After 6 p.m. customers can make telephone calls at a cheaper _____.

7. Skilled workers are in _____ in some regions.
8. They pay over €100 000 a year in _____.
9. He believes that the steel market is reaching an _____.
10. While demand _____ supply, prices will continue to rise.

Task № 8. Reconstruct the following sentences out in full:

1. supply/the/of/thet/are/and/to/at/prices/a/period/is/quantity/goods/
producers/willing/able/sell/alternative/in/given
2. word/are/technological/over/typewriters/processors/a/improvement
/standard
3. expectations/also/are/important
4. supply/when/determinants/shifts/the/change
5. the/the/the/the/to/and/the/higher/price/greater/incentive/produce/
sell/product
6. shifts/demand/supply/affect/price/in/or/will/market
7. the/form/a/curve/upward/general/of/supply/is/sloping

Task № 9. Translate the sentences into Russian.

1. Their achievements have exceeded expectations.
2. Under the incentive scheme, directors earn an extra 35% of their pay if they meet profit targets.
3. It is vital for a manufacturer to have a reliable supply base.
4. Tourism is a major source of income for the area.
5. Skilled workers are in surplus in some regions.
6. They have put a tax on cigarettes.
7. The market is in equilibrium.
8. There was no shortage of candidates.
9. Rates vary considerably between insurance companies.
10. The company had provided unlawful inducements to doctors to recommend their drugs.

Texts for supplementary reading

Text № 1. Economics as a science.

Although the content and character of economics cannot be described briefly, **numerous** writers have **attempted** that. An especially useless, though once popular, example is: “Economics is what economists do.”

Similarly, a **notable** economist of the last century Alfred Marshall called economics “a study of mankind in the ordinary business of life.” Lionel Robbins in the 1930s described economics as “the science of choice among **scarce** means to accomplish unlimited ends.”

During much of modern history, especially in the nineteenth century, economics was called simply “the science of wealth.” Less seriously, George Bernard Shaw was credited in the early 1900s with the **witticism** that “economics is the science whose **practitioners**, even if all were laid end to end, would not reach agreement.”

We may make better progress by comparing economics with other subjects. Like every other discipline that attempts to explain observed facts, economics **comprises** a **vast** collection of descriptive material organized around a central **core** of theoretical principles. The manner in which theoretical principles are formulated and used in applications varies greatly from one science to another. Like psychology, economics draws much of its *theoretical core* from intuition, **casual observation**, and “common knowledge about human nature.” Like astronomy, economics is largely nonexperimental. Like meteorology, economics is relatively inexact, as is **weather forecasting**. **Like particle physics and molecular biology, economics deals with an array of closely interrelated phenomena.** Like such disciplines as art, fantasy writing, mathematics, metaphysics, cosmology, and the like, economics attracts different people for different reasons: “One person’s meat is another’s poison.” Though all disciplines differ, all are remarkably similar in one respect: all are meant to convey an interesting, persuasive, and intellectually satisfying story about selected aspects of experience.

As Einstein once put it: “Science is the attempt to make the chaotic diversity of our sense-experience correspond to a logically uniform system of thought.”

Economics deals with data on income, employment, expenditure, interest rates, prices and individual activities of production, consumption, transportation, and trade. Economics deals directly with only a **tiny fraction** of the whole spectrum of human behavior, and so the **range** of problems considered by economists is relatively narrow. Contrary to popular opinion, economics does not normally include such things as personal finance, ways to start a small business, etc.; in relation to everyday life, the economist is more like an astronomer than a weather forecaster, more like a physical chemist than a **pharmacist**, more like a professor of hydrodynamics than a **plumber**.

In principle almost any **conceivable** problem, from marriage, suicide, capital punishment, and religious observance to tooth brushing, drug abuse, extramarital affairs, and mall shopping, might serve as an object for some economist’s attention. There is, after all, no clear division between “economic” and “noneconomic” phenomena. In practice, however, economists have generally found it expedient to leave the physical and life sciences to those groups that first **claimed** them, though not always. In recent years economists have **invaded** territory once claimed exclusively by political scientists and sociologists, not to mention territories claimed by physical anthropologists, experimental psychologists, and paleontologists.

Vocabulary

numerous – многочисленный

to attempt – попытаться

notable – примечательный

scarce – скудный, ограниченный

witticism – острога, шутка

practitioner – терапевт

to comprise – включать в себя

vast – обширный, громадный

core – ядро
casual observations – повседневные наблюдения
weather forecasting – прогноз погоды
array – массив, масса, множество
closely interrelated – тесно взаимосвязанные
phenomena – явления
to convey – передавать
income – доход
employment – занятость
expenditure – затраты, расходы
interest rate – процентная ставка
range – ряд
pharmacist – фармацевт
plumber – водопроводчик
conceivable – мыслимый, вероятный
expedient – целесообразный, подходящий
to claim – приписывать себе, претендовать
to invade - вторгаться

Text № 2. Adam Smith.

Economics, like every other intellectual discipline, has its roots in early Greece and Rome; but economics was first considered as a branch of domestic science dealing with such matters as the management of slaves and the **allocation of manure** among alternative agricultural uses. In the **revival** of learning that followed the Middle Ages, economics **emerged** as a branch of moral philosophy concerned with such issues as the ethics of loan interest and the “justness” of market-determined wages and prices.

By the beginning of the eighteenth century, the subject had lost most of its theological overtones and had taken shape as an academic discipline, largely as a branch of political theory dealing with problems of government **intervention** in economic **affairs**.

Then in 1776 the Scottish moral philosopher Adam Smith published the first edition of his monumental *“Inquiry into the Nature and Causes of the Wealth of Nations”*, and economics soon became an independent science.

The Vision of Adam Smith

Smith lived in an age when the right of rulers to **impose arbitrary** and oppressive **restrictions** on the political and economic liberties of their subjects was coming under strong attack throughout the civilized world. As other men of that time were **arguing** that democracy could and should replace autocracy in the sphere of politics, so Adam Smith argued that **laissez-faire** could and should replace government direction and regulation in economics. The “should” was so mixed with the “could” portion of Smith’s analysis that much of his book seemed almost as much a political tract as a work of science. What gave the book lasting **significance** was the Smith’s strong arguments that the economic activities of individuals would be more effectively coordinated through the indirect and impersonal action of natural forces of self-interest and competition than through the direct and frequently **ill-considered** actions of government authorities. Smith opened minds to the existence of a “grand design” in economic affairs similar to that which Newton had earlier shown to exist in the realm of physical phenomena.

The impact of Smith's ideas upon his contemporaries was widespread and immediate. As one modern scientist observed: "Before Adam Smith there had been much economic discussion; with him we reach the stage of discussing economics."

That Smith's vision of the economy ever have been considered original might seem strange to modern minds, but that would be because we now see economic phenomena in the light of his conception. As two leading scholars recently remarked, "The immediate "common sense" answer to the question, "What will an economy motivated by greed and controlled by a large number of different agents look like?" is probably: There will be chaos." That is certainly the answer that would have been given by most of Smith's contemporaries – before they read his book. The greatness of Smith's accomplishment lies precisely in the fact that he, unlike his predecessors, was able to think away **extraneous** complications and so **perceive** an order in economic affairs that common sense did not **reveal**.

It is one thing, of course, to say that Smith's conception of economic phenomena is original, another to suggest that it corresponds to contemporary experience. According to Smith, society in its economic aspect is a vast concourse of people held together by the **desire** of each to exchange goods and services with others. Each person is concerned directly only to further his own self-interest, but in pursuing that aim each "is led by an invisible hand" to promote the interests of others. **Forbidden** by law and social custom to **acquire** the property of other people by force, **fraud**, or **stealth**, each person **attempts** to maximize his own **gains** from trade by specializing in the production of goods and services for which he has a comparative advantage, trading part of his produce for the produce of others on the best terms he can **obtain**. As a **consequence**, the "natural forces" of market competition – the result of each person attempting to "buy cheap and sell dear" – come into play to establish equality between demand and supply for each **commodity** at rates of exchange.

The economic system is a self-regulating mechanism that, like the human body, tends naturally toward a state of equilibrium if left to itself.

allocation of manure – распределение органических удобрений
revival – возрождение, возобновление
wages – заработная плата
to emerge – появляться
loan interest – процентная ставка по займу
intervention – вмешательство
affair – дело
impose – налагать
arbitrary – произвольный
restrictions – ограничения
to argue – спорить
significance – значимость, значительность
ill considered – необдуманный
realm – область, сфера
impact – воздействие
contemporaries – современники
perceive – воспринимать
predecessors – предшественники
reveal – обнаруживать, открывать
laissez-faire – невмешательство
forbidden – запрещенный
acquire – приобретать
fraud – мошенничество
stealth – кража
to attempt – пытаться
obtain – доставать, получать
consequence – следствие
equilibrium – равновесие
commodity – товар, продукт

Text № 3. Classical liberalism

In the seventeenth century, liberalism emerged as the radical philosophy that attacked **authoritarianism** and paternalism in the political sphere by defending the rights of the individual against the commands of monarchs and other **rulers**. The seventeenth-century philosopher John Locke questioned claims to political authority based on birth, social status, **privilege**, and **divine right**. Political authority either **derived** from the consent of the governed or else was **illegitimate**.

Later in the eighteenth century, liberals added the notion of the ‘rules of law’, the idea that government in its legislative capacity had to **enact general rules** that apply to all citizens equally. The substitution of the rule of people for the rule of law created a **capricious**, uncertain, and sometimes cruel community life. This early variety of liberalism – often termed ‘classical liberalism’ – stimulated the development of the social sciences by insisting that what holds society together and promotes an orderly commercial economy is the mutual interplay of the passions and interests of ordinary citizens in the market.

A basic principle of liberal thought is the individuals are the best and most accurate judges of their own interests and **can be relied upon** to pursue those interests with great **dedication** and creativity. The mighty arm of the state with its web of regulations and bureaucratic agents often does more harm than good when trying to substitute administrative methods of organization for impersonal market processes that **spring out** of self-interested individual action.

The philosopher and American revolutionary, Thomas Paine, wrote that ‘society is created by our wants, government by our **wickedness**.’

Classical liberals are not anarchists and at the very least recommend a minimal state: a state that protects lives, defines property rights, and enforces private contracts. A great many classical liberals (such as Adam Smith and the later classical school of economists) went somewhat further and requested that the state build and maintain certain public works (bridges, canals, highways, **harbors**, **recreational parks**, and so on), maintain standing armies, provide basic education, promote invention and innovation, and **intervene** in the market on a limited scale

for specific human purposes such as the enactment and **enforcement** of child labor laws.

Generally, the classical liberal believes in the general rule of laissez-faire and wants to preserve self-regulation market processes as much as possible. The classical liberal is **confident** that with the enactment of strict constitutional safeguards and the elimination of monopoly and the never-ending varieties of special-interest legislation, peace and material progress are within the reach of all societies and all social classes.

The leading works of classical liberalism include Adam Smith's *Wealth of Nations* (1776), Herbert Spencer's *The Man versus the State* (1892), Friedrich A. Hayek's *Constitution of Liberty* (1960), Ludwig von Mises's *Liberalism: A Socio-Economic Exposition* (1962), and Milton Friedman's *Capitalism and Freedom* (1962).

authoritarianism – авторитаризм

paternalism – патернализм

rulers – правители

privilege – привилегия

divine right – божественное право

derived – производное

illegitimate – не легитимный

to enact – вводить

capricious – прихотливый, капризный

to rely on (upon) – полагаться на кого-либо (что-либо)

dedication – посвящение

spring out – происходить из

wickedness – злобность

harbour – бухта

recreational parks – парки отдыха

intervene – вмешиваться

to enforce – следить за соблюдением

Text № 4. Macroeconomics.

The word macroeconomics means economics in the large. The macroeconomist's concerns are with such global questions **as total production, total employment, the rate of change of overall prices, the rate of economic growth**, and so on. The questions asked by the macroeconomist are in terms of broad aggregates – what determines the spending of all consumers as opposed to the microeconomic question of how the spending decisions of **individual households** are made; what determines the capital spending of all firms combined as opposed to the decision to build a new factory by a single firm; what determines total unemployment in the economy as opposed to why there have been **layoffs** in a specific industry.

Macroeconomists measure overall **economic activity**; analyze the **determinants** of such activity by the use of macroeconomic theory: forecast future economic activity; and attempt to formulate policy responses designed to **reconcile** forecasts with target values of production, employment, and prices.

An important task of macroeconomics is to develop ways of aggregating the **values** of the economic activities of individuals and firms into **meaningful totals**. To this end such concepts as **gross domestic product (GDP), national income, personal income, and personal disposable income** have been developed.

Macroeconomic analysis attempts to explain how the magnitudes of the principal macroeconomic variables are determined and how they interact. And through the development of theories of the **business cycle** and **economic growth**, macroeconomics helps to explain the dynamics of how these aggregates move over time.

Macroeconomics is concerned with such major policy issues as the **attainment** and **maintenance** of full employment and **price stability**. Considerable effort must first be expended to determine what goals could be achieved. Experience teaches that it would not be possible to **eliminate** inflation entirely without inducing a major recession combined with high unemployment target would produce **labor shortages** and wage inflation.

During the 1960s it was believed that unemployment could be reduced to 4 percent of the labor force without causing inflation. More recent experience suggests that **reduction** of unemployment to 5.5 percent of the labour force is about as well as we can do.

total production – общая производительность

total employment – общая занятость

the rate of change of overall prices – коэффициент изменений предельный цен

rate of economic growth – темпы экономического роста

broad aggregates – масштабные совокупности

individual households – индивидуальные хозяйства

layoff – увольнение

economic activity – экономическая активность

determinants – показатели, определители

values – ценности

meaningful totals – значимые итоги – gross domestic product (GDP) – валовой внутренний продукт (ВВП)

national income – национальный доход

personal income – личный доход

personal disposable income – личный доход после уплаты налогов

business cycle – экономический цикл

economic growth – экономический рост

attainment – достижения

maintenance – поддержание

price stability – стабильность цен

eliminate – ликвидировать

labor shortage – нехватка рабочей силы

reduction – уменьшение

Text № 5. Microeconomics.

The word 'micro' means small, and microeconomics means economics in the small. The optimizing behavior of individual units such as households and firms provides the foundation for microeconomics.

Microeconomists may **investigate** individual markets or even the economy as a whole, but their analyses are derived from the aggregation of the behavior of individual units. Microeconomic theory is used extensively in many areas of **applied economics**. For example, it is used in industrial organization, labor economics, international trade, cost-benefit analysis, and many other economic subfields. The tools and analyses of microeconomics provide a common ground, and even a language, for economists interested in a wide range of problems.

At one time there was a sharp **distinction** in both methodology and **subject matter** between microeconomics and macroeconomics.

The methodological distinction became somewhat **blurred** during 1970s as more and more macroeconomic analyses were built upon microeconomic foundations. Nonetheless, major distinctions remain between the two major branches of economics. For example, the microeconomist is interested in the determination of individual prices and relative prices (i.e., **exchange ratios** between goods), whereas the macroeconomist is interested more in the general price level and its change over time.

Optimization plays a key role in microeconomics. The consumer is assumed to maximize **utility or satisfaction** subject to the **constraints** imposed by income or income earning power. The producer is assumed to maximize profit or minimize cost subject to the technological constraints under which the firm operates. Optimization of social welfare sometimes is the criterion for the determination of public policy.

Opportunity cost is an important concept in microeconomics. Many courses of action are valued in terms of what is **sacrificed** so that they might be **undertaken**. For example, the opportunity cost of a public project is the value of

the additional goods that the private sector would have produced with the resources used for the public project.

Theory of the Consumer

The individual consumer or household is assumed to possess a **utility** function, which specifies the satisfaction, which is gained from the consumption of alternative bundles of goods. The consumer's income or income-earning power determines which bundles are available to the consumer. The consumer then selects a bundle that gives the highest possible level of utility. With few exceptions, the consumer is treated as a price taker – that is, the consumer is free to choose whatever quantities income **allows** but has no **influence** over prevailing market price. In order **to maximize** utility the consumer purchases goods so that the subjective rate of substitution for each pair of goods as indicated by the consumer's utility function equals the objective rate of substitution given by the ratio of their market prices. This basic utility-maximization analysis has been modified and expanded in many different ways.

Theory of the Producer

The individual producer or firm is assumed to possess a production function, which specifies the quantity of output produced as a function of the quantities of the inputs used in production. The producer's **revenue** equals the quantity of output produced and sold times its price, and the cost to the producer equals the sum of the quantities of inputs purchased and used times their prices. Profit is the difference between revenue and cost. The producer is assumed to maximize profits subject to the technology given by the production function. Profit maximization requires that the producer use each factor to a point at which its marginal contribution to revenue equals its marginal contribution to cost.

Under pure competition, the producer is a price taker who may sell at the going market price whatever has been produced. Under monopoly (one seller) the producer recognizes that price declines as sales are expanded, and under monopsony (one buyer) the producer recognizes that the price paid for an input increases as purchases are increased.

A producer's cost function gives production cost as a function of output level on the assumption that the producer combines inputs to minimize production cost. Profit maximization using revenue and cost functions requires that the producer equate the decrement in revenue from producing one less unit (called marginal revenue) to the corresponding decrement in cost (called marginal cost). Under pure competition, marginal revenue equals price. Consequently, the producer equates marginal cost of production to the going market price.

behavior – поведение

to investigate – исследовать

applied economics – прикладная экономика

distinction – отличие

subject – предмет, субъект

matter – вопрос, материал

to blur – затуманивать

to remain – оставаться

exchange ratio – ставка обмена

optimization – оптимизация

utility – полезность

utility function – функция полезности

constraints – ограничение

monopsony – монополия (рынок, на котором выступает лишь один покупатель товара, услуги или ресурса)

opportunity cost – альтернативные издержки

to sacrifice – пожертвовать

to undertake – взять на себя

to maximize – максимально увеличивать

revenue – доходы

Text № 6. The Law of Demand

Demand is a **key concept** in both macroeconomics and microeconomics. In the former, consumption is mainly a function of income; whereas in the latter, consumption or demand is primarily, but not exclusively, a function of price. This analysis of demand relates to microeconomic theory.

The theory of demand was mostly **implicit** in the writings of classical economists before the late nineteenth century. Current theory rests on the foundations laid by Marshall (1890), Edgeworth (1881), and Pareto (1896). Marshall views demand in a **cardinal** context, in which utility could be quantified. Most contemporary economists **hold the approach** taken by Edgeworth and Pareto, in which demand has only ordinal characteristics and in which indifference or preferences become central to the analysis.

Much economic analysis focuses on the relation between prices and quantities demanded, the other variables being **provisionally** held constant. At the various prices that could prevail in a market during some period of time, different quantities of a good or service would be bought. Demand, then, is considered as a list of prices and quantities, with one quantity for each possible price. With price on the vertical axis and quantity on the horizontal axis, the demand curve **slopes downward** from left to right, signifying that smaller quantities are bought at higher prices and larger quantities are bought at lower prices. The inverse relation between price and quantity is usually called the law of demand. The law rests on two foundations. One is the theory of the consumer, the logic of which shows that the consumer responds to lower prices by buying more. The other foundation is empirical, with innumerable studies of demand in actual markets having demonstrated the existence of downward-sloping demand curves.

Exceptions to the law of demand are the **curiosa** of theorists. The best-known exception is the Giffen effect – a consumer buys more, not less of a commodity at higher prices when a negative income effect dominates over the **substitution effect**.

Another is the **Vehien effect** - some commodities are theoretically wanted solely for their higher prices. The higher these prices are, the more the use of such commodities fulfills the requirements of **conspicuous consumption**, and thus the stronger the demand for them.

in the former – в прошлом

implicit – подразумевающий

hold the approach – придерживаться взглядов

approach – подход

provisionally – временно

demand curve – кривая спроса

to slope down – спускаться

to signify – означать

substitution effect – эффект замещения

conspicuous consumption – потребление заметное

Text № 7. Law of Supply

Supply is a fundamental concept in both macro- and microeconomic analysis. In macroeconomic theory, **aggregate supply** is mainly a function of expected sales to consumers, businesses, and governments. In microanalysis supply is mainly a function of prices and costs of production. A more **complex** view of the supply curve for a commodity is its relation between quantities **forthcoming** and the possible current prices of that commodity, its expected future prices, the prices of alternative goods and services, the costs of the producer and time.

Opportunity Costs

Incorporated in the supply curve of goods and services are opportunity costs. Economists differ from **accountants** and from Internal Revenue by including **both explicit and implicit** costs, or opportunity costs. Implicit costs are mainly business costs for wages, rents, and interest, whereas opportunity costs are the alternative costs of doing something else. A sole proprietor or the owners of businesses should **calculate** what they forgo in wages, rents, and interest by not working for someone else, or by renting the property they use to others, or by the possibility of converting plant and equipment to alternative investment projects.

The Shape and Position of Supply Curves

In competitive markets the **shape**, or elasticity of supply, reflects time in the production process, such as the immediate or market period, the short run, and the long run. Elasticity of supply is the relative change in price that induces a relative in quantity supplied. The supply curve is a line on a diagram where the vertical axis measures price and the horizontal axis is quantity. Usually the coefficient of elasticity is positive, meaning that a rise in price induces an increase in the quantity supplied. In the immediate or market period, a **given moment**, time is defined as too short to allow for a change in output. The supply curve is vertical, and the coefficient of elasticity is zero.

The short run is defined as a period **sufficiently long to permit the producer to increase variable** inputs, usually labor and materials, but not long

enough to permit changes in plant and equipment. The supply curve in the short run is less inelastic or more elastic than in the immediate period. The long run permits sufficient time for the producer to increase plant and equipment. The longer the time, the greater the elasticity of supply.

Changes in supply are shifts in the position of supply curves. An increase in supply is a **rightward movement** of a supply curve, with more of the commodity being offered for sale at each possible price. **Conversely**, a decrease in supply shifts the supply to the left. An increase in supply can occur because sellers expect lower prices in the future, or, as in the agricultural sector, because of **bountiful crops**. The reverse is true of a decrease in supply. Over periods of time long enough for production processes to change, improvements in technology and changes in input prices and productivities are the main causes of changes in supply.

aggregate supply – совокупное предложение

forthcoming – предстоящий

opportunity costs – альтернативные издержки

explicit – явный, откровенный

implicit – подразумевающийся

forgo – предшествовать

to convert – обращать, преобразовывать

shape – форма

given moment – данный момент

sufficiently – достаточно

to permit – позволять

variable – переменный

a variable – переменная

rightward movement – движение вправо

conversely – наоборот

bountiful crops – обильный урожай

Text № 8. Competitive Market

Competition refers to the nature of the conditions under which individuals may **trade property rights**. It assumes a definition of property rights that individuals may trade among themselves as well as a description of the trading process. A **competitive equilibrium** is the **outcome** of competition. The very existence of such an equilibrium depends on the nature of the property rights. These aspects of competition are especially important in connection with the development of new technology and new products and with the use of low-cost, large-scale methods of production and distribution.

The simplest situation in an analysis of competition is a market where individuals have **initial endowments of commodities** that own and that they may trade among themselves. All trades occur at the same time and place. The essential characteristics remain valid when trades do not all occur at the same time and place. However, individuals would have incomplete knowledge **relevant** for their decisions. This complication changes the nature of the outcome of competition. Incomplete knowledge is **inevitable** partly because the future is unknown. Even so, it is often less costly to take current actions that will have future consequences without knowing that these will be than to **respond** only to momentary events of the present. The advantages of planning and resulting exposure to hazards that may occur alter the effects of competition.

These basic considerations help to explain the nature of production and why the **quantities of goods offered** will change over time in response to the expectations and information firms have. They also explain why some common notions about competition are inadequate. Among the inadequate notions about competition is the belief that a necessary condition for competition is a lack of power by any firm to affect the prices of its products. Sometimes this is put in another form, that competition can **exist** in an industry only if the demand curves facing the individual firms in that industry are **infinitely elastic** so that changes in the quantities sold by a single firm cannot affect the product price. This condition is not necessary for competition. Nor is it necessary for competition that the

number of firms be so large that each one is of negligibly small size relative to the total market for the commodities made by firms in the industry. Finally, it may be consistent with competition that some or all firms in an industry have obtained very high profit rates.

Pure Exchange

Assume there is a market where there are individuals, each of whom starts with given amounts of various commodities. Each one would like to make trades that will result in the **acquisition** of goods preferred to those goods to be exchanged. The theory assumes that for each trader the purpose of trade is to improve the trader's position. **Hence**, the trader would not willingly leave the market with a bundle of goods worth less than his or her initial holdings. The theory also assumes that each trader owns the commodities to be traded, that they can be traded on terms that are mutually acceptable to the parties directly involved in an exchange, and that each trader may accept or reject the terms offered. Underlying the possibility of exchange is the existence of property rights in the goods. Competition requires **voluntary exchange** so that no trader is **compelled** to accept or reject offers without freely given consent. The very notion of exchange implies, therefore, a voluntary agreement among those who are directly involved in the transaction on the terms that each one willingly accepts.

In pure exchange, although the total quantities of the commodities exchanged among the parties is **constant**, each one must regard the obtained goods as worth more than the exchanged goods. If the parties can reach agreement on mutually beneficial terms of exchange, the result is an allocation of the commodities among the individuals that must make at least one of them better off than before and cannot make anyone worse off than before.

The theory assumes that no individual accepts terms that would leave that individual in a worse position than if no trades at all were made. The existence of a state of competition in pure exchange allows the participants to seek the best terms that they can obtain from the others. Competition does not require the presence of a very large number of traders nor does it require that each of the individual traders

in the market must be of such a small relative size that none can affect the terms of trade. Traders can make **tentative** agreements with each other subject to the condition that these agreements become binding only if none can obtain better terms from others. The final outcome is a set of exchanges among the traders such that no individual or group of individuals can obtain better terms. The set of outcomes with these attributes need not be unique. All possible outcomes with these attributes represent the state of competition. The set of all possible trades that can satisfy conditions is known as the **core of a market**. Therefore, the set of trades induced by competition in a market is in the core of a market.

to trade property rights – обменивать права на собственность

competitive equilibrium – равновесие конкуренции

outcome – исход, результат

endowment – вклад

relevant – соответствующий

inevitable – неизбежный

respond – ответ

hazard – опасность

quantities of goods offered – количество предлагаемых товаров

infinitely elastic – бесконечно эластичный

hence – следовательно

voluntary exchange – добровольный обмен

to compel – вынуждать

constant – постоянный

to regard as – рассматривать в качестве

tentative – предварительный

core of a market – основа экономики

Text № 9. Monopoly

Monopoly is a market structure with only a single seller of a commodity or service dealing with a large number of buyers. When a single seller faces a single buyer, that situation is known as **bilateral monopoly**.

The most important features of market structure are those, which influence the nature of competition and price determination. The key element in this segment of market organization is the **degree** of seller concentration, or the number and size distributions of the sellers. There is monopoly when there is only one seller in an industry, and there is competition when there are many sellers in an industry. In cases of an intermediate number of sellers, that is, something between monopoly and competition, there can be two sellers (duopoly), a few sellers (oligopoly), or many sellers (atomistic competition).

Today the term monopoly is usually extended to include any group of firms, which act together to fix prices or levels of production. Complete control of all output is not necessary to exercise monopoly power. Any combination of firms, which controls at least 80 percent of an industry's production, can dictate the prices of the remaining 20 percent.

Aside from private monopolies, there are public monopolies. One example of a public monopoly in the United States is the **nonprofit** postal service. There is also the '**natural monopoly**', which exists when it is more **efficient**, technically, to have a single seller.

Although the **precise** definition of monopoly – a market structure with only a single seller of a commodity or service – cannot be applied directly to a labor union because a union is not a seller of services, labor unions have monopolistic characteristics. For example, when a union **concludes** a wage settlement, which sets wage rates at a level higher than that acceptable to unorganized workers, the union clearly contributes to monopolistic wage results. In effect, the price of labor (wages) is set without regard to the available supply of labor.

Monopolies versus Competition

Pure monopoly is a theoretical market structure where there is only one seller of a commodity or service, where **entry** into the industry is closed to potential competitors, and where the seller has complete control over the quantity of goods offered for sale and the price at which goods are sold. Pure monopoly is one of two **limiting cases** used in the analysis of market structure. The other is pure competition, a situation in which there are many sellers who can influence neither the total quantity of a commodity or service offered for sale nor its selling price. Hence, monopoly is the exact **antithesis** of competition. It is generally agreed that neither of these two limiting cases is to be found among existing market structures.

The monopolist **establishes** market position by ability to control absolutely the supply of a product or service offered for sale and the related ability to set price. Theoretically, profit maximization is the primary objective, and it is often possible to achieve this by restricting output and the quantity of goods offered for sale. Levels of output are held below the quantity that would be produced in a competitive situation. Hence, monopoly is of interest to **economic policymakers** because it may impede the most efficient possible allocation of a nation's economic resources.

Monopolies held by individuals or organizations may begin by the **granting** of a patent or a copyright, by the possession of a **superior** skill or talent, or by the ownership of strategic capital. The huge capital investment necessary to organize a firm in some industries raise an almost **insurmountable** barrier to entry in these monopolistic fields and, thus, provides established corporations in these industries with potential monopoly power.

The use of such monopoly power may lead to the development of substitute products, to an attempt at entry into monopolistic fields by new firms, or to public prosecution or regulation. The antitrust policy of the federal government has prevented the **domination** of an industry by one firm or even a few firms. Moreover, with the growth of international trade and investment, it is no longer

possible to determine whether an effective monopoly exists by studying market shares. The recent **competitive pressures** from Japanese sellers of autos and electronic products have resulted in more competition and less monopoly power on the part of U. S. manufacturers. Thus, the trend during the last 40 years or so in the United States has been away from monopolies in many industries and toward oligopolies.

bilateral monopoly – двусторонняя монополия

degree – степень

aside from – помимо

nonprofit – некоммерческий

efficient – эффективный

‘natural’ monopoly – естественная монополия

precise – точный

to conclude – заключать

entry – вход, вступление

to impede – затруднять

limiting cases – ограничивающие случаи

antithesis – антитезис, противоположность

to establish – учреждать, устанавливать

economic policymakers – стратеги экономики

to grant – выдавать

superior – превосходящий

insurmountable – непреодолимый

domination – преобладание

competitive pressures – конкурентное давление

Text № 10. Defining Marketing

A prominent economist Philip Kotler defines marketing as ‘a social and **managerial** process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others.’ Marketing research is used to **assess** the market’s response to the firm’s marketing inputs which include **promotional activities** such as **price discounting**, **placement** of in-store displays, multimedia advertising, and **couponing**; expanding distribution; and product development and **enhancement**. The goal of marketing research is to assist the firm in determining the most effective, i.e. most profitable, mix of marketing inputs given knowledge of the marketplace.

As a formal scientific discipline marketing research began in the early twentieth century with most analyses being based on **survey data**. In the 1930s, the A. C. Nielsen Company began collecting in-store data using manual **audits**. Today, with the **advent** of scanning technology, the amount of timely data available from stores and household panels has grown exponentially. **Coincident** with this data explosion, the data delivery systems and the techniques used to analyse the data have become increasingly **sophisticated**. Marketing research is an integral part of organizations in both the consumer durable and nondurable goods sectors, and in recent years the use of marketing principles has become increasing **prevalent** among nonprofit and government sectors.

Marketing research is interdisciplinary requiring the knowledge of economists, operations researchers, psychologists, and statisticians. For the economist, the economic theory of consumer behavior and the theory of the firm provide basic building blocks. Marketing research can be viewed as an operational or tactical activity and as a strategic activity. Although both activities require knowledge of the workings of the marketplace at both the macroeconomic and microeconomic levels, tactical analysis focus on monitoring a product’s performance and testing the effectiveness of marketing programs relative to **competitors**. Strategic research involves selecting and optimizing marketing opportunities.

In order to understand the marketplace, the researcher must define the market in terms of both the geographic unit and the product class and collect data. Data on consumer purchases permit an analyst to determine what was sold and how particular brands performed relative to each other. In addition to sales and price information, causal data assist the analyst in understanding the reason that sales took place. Examples of causal data are newspaper advertising, which indicates the **extent** of retailer advertising support, display activity, and coupon ads. Another important source of information for understanding the source of sales is television advertising. Measuring the effects of television advertising is relatively difficult owing to the dynamic effects such advertising has on consumer behavior, however.

Once the data are collected, the analyst may choose to evaluate the information by simply looking at the raw series together over time or compute straightforward measures such as **market share** in order to arrive at a qualitative assessment of market activity. Statistical models might be estimated in order to address issues such as **temporary price reduction, effectiveness**, the extent of cannibalization due to promotional activity, i.e. the extent to which sales of one specific product decline as a result of promoting another similar product produced by the same manufacturer, the competitive effects of promotions, differences between markets, competitive pricing points, and **long-term price elasticities**.

Forecasting is an activity likely to be undertaken by a business economist working in a marketing research department. Conventionally, business economists have been responsible for producing forecasts for the macroeconomic environment or for activity within industry groups. More recently, forecasting movements in **mature products categories**, in segments within categories, and in brands has increased in importance.

Forecasting the **success or failure** of new product introductions is also important. New product introductions require a considerable amount of a firm's resources, and failure to read the marketplace correctly and early in the development process can lead to costly errors. The development of a new brand

begins with the identification of new market opportunities. Consumer survey research directed at identifying the market response to the brand concept and elements of the marketing mix, e.g., pricing, is typically conducted. On the basis of the survey a firm may decide to continue with the development plans for the brand, revise current plans in response to the survey results and retest, or **cancel** development plans completely. **Comparisons** may also be made between attitudes toward the new concepts and existing products.

managerial – управленческий

to assess – оценивать

promotional activities – действия по продвижению товара

price discounting – ценовые скидки

placement – размещение

couponing – использование купонов

enhancement – увеличение, улучшение

survey data – данные осмотра

audits – проверки

advent – появление

coincidence – совпадение

sophisticated – изощренный

prevalent – преобладающий

competitors – конкуренты

extent – масштаб

source – источник

market share – доля рынка

temporary price reduction – временное снижение цен

effectiveness – эффективность

long-term price elasticities – долгосрочная эластичность цен

failure – провал

to cancel – отменять

comparison – сравнение

Text № 11. IMF Means International Monetary Fund

The purpose of the International Monetary Fund (IMF) is to promote international monetary cooperation through a **permanent** institution that provides the machinery for consultation and collaboration on international monetary problems. Specifically, the function of the IMF is to **facilitate** the expansion and balanced growth of international trade, to promote orderly and stable foreign currency exchange markets, and to contribute to balance of payments adjustment. To further these objectives, the IMF **monitors members'** macroeconomic policies, makes financial resources available to them in times of balance of payments difficulties, and provides them with technical assistance in a number of areas.

Much of the IMF's work is centered on **annual** consultations with each member country to ensure that its national policies in the area of economic growth, price stability, financial conditions, and exchange rates take into account their consequences for the world economy and avoid unfair exchange policies. To ensure compliance with these basic **tenets**, the Fund is empowered to exercise firm **surveillance** over the exchange rate policies of member countries.

History

The IMF's charter, **embodied** in the Articles of Agreement, was agreed upon at the International Monetary and Financial Conference held at Bretton Woods, New Hampshire, in July 1944. In December 1945 the required number of countries had ratified the agreements, and in March 1946 the first meeting of the Board of Governors was held. The IMF **commenced** operations on March 1, 1947, at its headquarters in Washington, D. C. Other **milestones** in the history of the IMF include:

- May 1948, first drawing of foreign exchange by a member country;
- January 1962, adoption of the general agreements to borrow (GAB), which constituted an important supplement to the IMF's financial resources;

- February 1963, establishment of the compensatory financing facility designed to assist countries that experience a temporary **shortfall** in export earnings;
- June 1969, **inception** of the buffer stock financing facility, which can be used to finance commodity stockpiles;
- July 1969, adoption of the first amendment to the Articles of Agreement, providing for the allocation of special drawing rights (SDRs) to member countries, with the first allocation of SDRs made on January 1, 1970;
- September 1974, implementation of the extended fund facility, which provides medium-term assistance to member countries **seeking** to overcome structural balance of payments problems;
- April 1975, establishment of an oil facility to help oil-importing countries finance the increase in petroleum prices;
- February 1976, establishment of the Trust Fund. Funded by revenues from gold sales, to aid developing countries with low-interest assistance;
- August 1977, establishment of the **supplementary** financing facility to make additional resources available to member countries requiring balance of payments financing in larger amounts and for longer periods;
- April 1978. adoption of the second amendment to the articles providing for liberalized exchange arrangements, the legislization of floating exchange rates, steps designed to eliminate the role of gold in the international monetary system, and **enunciation** of the goal to make the SDR the central international monetary reserve asset;
- March 1986, establishment of a structural adjustment facility to provide balance of payments assistance to qualifying members in support of macroeconomic and structural adjustment programs;
- December 1987, the establishment of the Enhanced Structural Adjustment Trust to provide loans on concessional terms to eligible members to support programs to strengthen substantially and in a sustainable manner their balance of payment position;

- August 1988, expansion of the compensatory financing facility to include a **contingency** financing element under which additional financing may be provided to support adjustment programs that might be thrown off track by adverse **exogenous** developments.

permanent – постоянный

machinery – оборудование

collaboration – сотрудничество

to facilitate – способствовать

to monitor – наблюдать, контролировать

annual – ежегодный

to avoid – избегать

tenet – основополагающий принцип

embodied – воплощенный

surveillance – патрулирование

to ratify – ратифицировать

to commence – приступать

milestones – вехи

shortfall – недостаток

inception – открытие

stockpiles – запасы

amendment – поправка

to seek – искать

supplementary – дополнительный

enunciation – изложение

contingency – возможность

exogenous – экзогенный

Text № 12. World Bank

The World Bank is the world's **foremost intergovernmental** organization concerned with the external financing of the economic growth of developing countries. The official title of the institution is the International Bank for Reconstruction and Development (IBRD).

Before recommending a Bank loan, the staff of the Bank must be **reasonably** satisfied that the productivity of the borrowing country will be increased and that the **prospects for repayment** are good. A country must be judged creditworthy. Engineering investigations are frequently **carried out** to determine the probable relation of a proposed project to benefits and costs. Increasingly, however, the Bank has shifted somewhat away from project lending; it has become concerned with education and other human services, the environment, and, through structural adjustment loans, the modification of governmental policies that are thought to have impeded long-run growth. The Bank has also paid increasing attention to the evaluation of previous lending. Recently, moreover, it has acceded to the requests of the American secretary of the treasury to help to ease the huge, outstanding, largely commercial-bank debt.

Voting power in the Bank (as well as in the Fund) is determined by the size of each member nation's **subscription**. Subscriptions, in turn, are based on a formula that **takes into account** such variables as the value of each nation's foreign trade and its total output. Ultimate power, through weighted voting, rests with the Board of Governors of the Bank. The governors meet annually in September. The **day-to-day affairs** of the Bank are determined, however, by executive directors who live permanently in Washington, D. C. They **hire** a president, who, in turn, hires a staff. By tradition, rather than law, the president of the Bank is an American, usually a banker, proposed by the President of the United States.

Because of the size of their subscriptions, five nations – the United States, Japan, Germany, the United Kingdom, and France – are entitled **to appoint** executive directors; the remaining seventeen directors are elected by some

combination of the votes of the other nations. There are 156 member nations, but, with the independence into separate republics, the membership could increase to over 170, thereby including all the independent nations in the world.

The Soviet Union was one of the forty-four governments whose representatives signed the original Bretton Woods agreements, but along with the other members of the Warsaw Pact, it chose not **to join** the Bank or the Fund when these organizations were formally incorporated in 1946.

World Bank Group

In 1954, and International Finance Corporation was established **to supplement** the World Bank by participating in **equity** financing in member countries, and in 1960, a third organization, the International Development Association (IDA), was created. These three organizations **constitute** the World Bank Group. The IDA has the same officers and staff as the World Bank, but its separate charter enables it to offer loans to low-income member countries repayable at 0.75 percent interest over 50 years.

Soft or **concessionary** assistance is made possible by contributions to (replenishments of) the IDA by the governments of high-income (industrial) countries. The management of the World Bank Group is thus enabled to offer rates of interest and loan maturities which take into account the nature of the projects financed and the presumed ability of borrowing governments to service their debt. The initial capitalization of IDA for the 5 years 1960 to 1964 was less than 1\$ billion in hard currencies. By 1992, the ninth **replenishment** for 3 years will be over 11\$ billion.

Today, the World Bank is **a far cry** from what it was when the World Bank began in 1946 under President Eugene Meyer – with three floors of rented office space at 1818 H Street NW and a few **dozen** employees. Even in the final days of the presidency of George Woods, in 1968, the group had fewer than 1500 employees and four buildings. As of August 31, 1991, however, on the **eve of the accession** to the presidency of Lewis Preston, former chairman of the board of J. P. Morgan&Co., the World Bank Group had 3 senior vice presidents, 14 vice

presidents, and 6500 employees **scattered** through 18 separate buildings in Washington, D. C.; 2 large offices in Paris and Tokyo; and 50 regional offices.

The World Bank Group has had a significant positive effect on the flow of capital to the poorer countries of the world, both directly and indirectly, and knowledge of Third World problems has increased **enormously**. Still, the record of growth is **spotty**. In much of East Asia, per capita income is rising rapidly, but in Africa south of the Sahara, in South Asia, and in much of Latin America, the growth of per capita income has been discouragingly slow.

foremost intergovernmental – наиболее межправительственный

prospects for repayment – перспективы выплаты

to be carried out – производиться

accede – удовлетворять

subscription – подписка

to take into account – принимать в расчет

day-to-day affairs – повседневные дела

to hire – нанимать

to appoint – назначать

to join – присоединять

to supplement – добавка

equity – справедливость

to constitute – являться

to grace – удостаивать

concessionary – льготный

replenishments – пополнения

a far cry – абсолютно другая вещь

dozen – дюжина

eve of the accession – накануне прихода к власти

to be scattered – быть разбросанным

enormously – чрезвычайно

spotty – подпорчен

Text № 13. Money and its Functions

The main feature of money is its acceptance as **the means of payment or medium of exchange**. Nevertheless, money has other functions. It is **a standard of value, a unit of account, a store of value and a standard of deferred payment**.

The Medium of Exchange

Money, the medium of exchange, is used in one-half of almost all exchange. Workers work for money. People buy and sell goods I exchange for money. We accept money not to consume it directly but because it can **subsequently** be used to buy things we wish to consume. Money is the medium through which people exchange goods and services.

In **barter economy** there is no medium of exchange. Goods are traded directly or **swapped** for other goods. In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. There is **a double coincidence of wants**.

Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful.

Money is generally accepted in payment for goods, services, and debts and makes the trading process simpler and more efficient.

Money can also serve as a standard of value. Society considers it convenient to use a monetary unit to determine relative costs of different goods and services. In this function money appears as the unit of account, is the unit in which prices are quoted and account are kept.

To be accepted in exchange, money has to be a store of value. Money is a store of value because it can be used to make purchases in the future.

Houses, stamp collections, and interest-bearing bank account all serve as stores of value. Since money **pays no interest** and its real purchasing power is **eroded** by inflation, there are almost certainly better ways to store value.

Finally, money serves as a standard of deferred payment or a unit of account over time. When you borrow, the amount to be repaid next year is measured in money value.

Different Kinds of Money

Golden coins are the examples of **commodity money**, because their gold content is a commodity.

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

A \$10 note is worth far more as money than as a 3x6 inch piece of high-quality paper. Similarly, the monetary value of most coins exceeds the amount you would get by **melting them down** and selling off the metals they contain. By collectively agreeing to use token money, society economizes on the scarce resources required to produce money as a medium of exchange. Since the manufacturing **costs are tiny**, why doesn't everyone make \$10 notes? The essential condition for the survival of token money is the restriction of the right to supply. Private production is illegal.

Society enforces the use of token money by making it **legal tender**. The law says it must be accepted as a means of payment. In modern economies, token money is **supplemented** by **IOU money**.

An IOU money is a medium of exchange based in the debt of a private firm or individual.

A bank deposit is IOU money because it is a debt of the bank. When you have a **bank deposit** the bank owes you money. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented. Bank deposits are a medium of exchange because they are generally accepted as payment.

the means of payment – средство платежа

medium of exchange – средство обращения

a standard of value – мера стоимости

a unit of account – единицы учета

a store of value – средство сбережения
a standard of deferred payment – средство погашения долга
subsequently – впоследствии
a barter economy – бартерная экономика
to swap – обменивать
to hand over in exchange – передать
a double coincidence of wants – двойное совпадение потребностей
a monetary unit – денежная единица
to remind of – напоминать
to be worthless – обесцениваться
an interest-bearing bank account – счет в банке с выплатой процентов
to pay interest – приносить процентный доход
to erode – уменьшаться
hard currency – твердая (конвертируемая) валюта
soft currency – неконвертируемая валюта
invariably – неизменно
commodity money – деньги-товар
token money – символические деньги (жетоны)
to melt down – расплавить
tiny costs – мизерные затраты
to supplement – дополнять
legal tender – законное платежное средство
a bank deposit – вклад в банке
IOU money (I Owe You-я вам должен) деньги – долговое обязательство

Text № 14. Inflation

Inflation is generally defined as a **persistent rise** in the general price level **with no corresponding rise in output**, which leads to a corresponding fall in the purchasing power of money.

In this section we shall look **briefly** at the problems that inflation causes for business and consider whether there are any **potential benefits** for an enterprise from an inflationary period.

Inflation **varies considerably in its extent and severity**. Hence, the consequences for the business community differ according to circumstances. **Mild inflation** of a few per cent each year **may pose few difficulties for business**.

However, hyperinflation, which **entails enormously high rates of inflation**, can create almost **insurmountable** problems for the government, business, consumers and workers. In post-war Hungary, the cost of living was published each day and workers were paid daily so as to avoid the value of their earnings falling.

Businesses would have experienced great difficulty in costing and pricing their production while the incentive for people to save would have been removed.

Economists argue **at length** about the causes of, and “cures” for, inflation. They would, however, recognize that two general types of inflation exist:

- Demand-pull inflation
- Cost-push inflation

Demand-pull Inflation

Demand-pull inflation occurs when demand for a nation’s goods and services outstrips that nation’s ability to supply these goods and services. This causes prices to rise generally as a means of limiting demand to the available supply.

An alternative way that we can look at this type of inflation is to say that it occurs when injections exceed withdrawals and the economy is already stretched and there is little scope to increase further its level of activity.

Cost-push Inflation

Alternatively, inflation can be of the cost-push variety. This takes place when firms face increasing costs. This could be caused by an increase in wages, the rising costs of imported raw materials and components or companies pushing up prices in order to improve their profit margins.

a persistent rise – неуклонный подъем

with no corresponding rise in output – не сопровождающийся подъемом производства

briefly – кратко

potential benefits – потенциальные выгоды

varies considerably in its extent and severity – бывает разной по длительности и остроте

hence – следовательно

mild inflation – мягкая инфляция

may pose few difficulties – особых проблем не представляет

entails enormously high rates of inflation – влечет за собой громадный рост инфляции

insurmountable – неисчислимы

at length – и сейчас

to pull – тянуть

demand-pull infaltion – инфляция спроса, вызванная превышением спроса над предложением

Text № 15. Inflation and Business

Inflation can adversely affect business in a number of ways:

1. Accounting and financial problems.

Significant rates of inflation can cause accounting and financial problems for businesses. They may experience difficulty in valuing assets and stocks, for example. Such problems can waste valuable management time and make forecasting, comparisons and financial control more onerous.

2. Falling sales.

Many businesses may experience falling sales during inflationary periods for two broad reasons. Firstly, it may be that saving rises in a time of inflation. We would expect people to spend more of their money when prices are rising to avoid holding an asset, which is falling in value. However, during the mid-1970s, when industrialized nations were experiencing high inflation rates, savings as a proportion of income rose! It is not easy to identify the reasons for this, but some economists suggest that people like to hold a relatively high proportion of their assets in a form which can be quickly converted into cash when the future is uncertain.

Whatever the reason, if people save more they spend less and businesses suffer falling sales. The economic model predicts that if savings rose the level of activity in the economy would fall. Clearly, if this happened we would expect businesses to experience difficulty in maintaining their levels of sales.

Businesses may be hit by a reduction in sales during a time of inflation for a second reason. As inflation progresses, it is likely that workers' money wages (that is, wages unadjusted for inflation) will be increased broadly in line with inflation. This may well take a worker into a higher tax bracket and result in a higher percentage of his or her wages being taken as tax. This process, known as fiscal drag, will cause workers to have less money available to spend on firms' goods and services. The poverty trap has a similar impact. As money wages rise, the poor may find that they no longer qualify for state benefits to supplement their incomes and at the same time they begin to pay income tax on their earnings. Again, this

leaves less disposable income to spend on the output of firms. Finally, it may be that the wages of many groups are not index-linked and so they rise less quickly than the rate of inflation, causing a reduction in spending power and demand for goods and services.

Once again, the economic model can be used to predict that increases in the level of taxation will increase withdrawals, lowering the level of economic activity and depressing firms' sales.

Not all businesses will suffer equally from declining demand in an inflationary period. Those selling essential items, such as food, may be little affected whilst others supplying less essential goods and services, such as foreign holidays, may be hard hit.

3. High interest rates.

Inflation is often accompanied by high interest rates. High interest rates tend to discourage investment by businesses as they increase the cost of borrowing funds. Thus, investment may fall. Businesses may also be dissuaded from undertaking investment programmes because of a lack of confidence in the future stability and prosperity of the economy. This fall in investment may be worsened by foreign investment being reduced as they also lose some confidence in the economy's future.

Such a decline in the level of investment can lead to businesses having to retain obsolete, inefficient and expensive means of production and cause a loss of international competitiveness. Finally, a fall in investment can lower the level of economic activity, causing lower sales, output and so on. Thus, to some extent, businesses can influence the economic environment in which they operate.

4. Higher costs.

During a bout of inflation firms will face higher costs for the resources they need to carry on their business. They will have to pay higher wages to their employees to compensate them for rising prices. Supplies of raw materials and fuel will become more expensive as will rents and rates. The inevitable reaction to this is that the firm has to raise its own prices. This will lead to further demands for

higher wages as is called the wage-price spiral. Such cost-push inflation may make the goods and services produced by that enterprise internationally less competitive in terms of price. An economy whose relative or comparative rate of inflation is high may find that it is unable to compete in home or foreign markets because its products are expensive. The economic model tells us that a situation of declining exports and increasing imports will lower the level of activity in the economy with all the consequent side-effects.

impact – удар, влияние

waste valuable management – может уходить много драгоценного времени

make more onerous – сделать более затруднительным

to avoid holding an asset – чтобы избавиться от наличности

whatever the reason – какова бы ни была причина

businesses may be hit by – фирмы могут пострадать от

wages unadjusted for inflation – заработная плата без учета уровня инфляции

a higher tax bracket – следующая категория при группировка

налогоплательщиков по доходу

fiscal drag – финансовый тормоз экономического роста с помощью налоговых изъятий

they no longer qualify for – они больше не подпадают под

to supplement their incomes – что является дополнением к их доходу

this leaves less disposable income – из-за этого остается меньше средств

index-linked – индексированный

a reduction in spending power – снижение покупательской способности

declining demand – падение спроса

tend to discourage investment – не способствуют инвестированию

may also be dissuaded from – могут также отказаться от

a lack of confidence – недостаток уверенности

this fall in investment may be worsened by foreign investment being reduced – это падение уровня инвестирования может стать еще сильнееб если сократятся иностранные инвестиции
can lead to businesses having to retain – может привести к тому, что фирмам придется сохранить
a bout of inflation – период инфляции
less competitive in terms of price – менее конкурентноспособный в смысле цены

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