

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
National Aerospace University named after M. E. Zhukovsky
"Kharkiv Aviation Institute"

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PROFESSIONAL ENGLISH IN USE ECONOMICS

Tutorial

Kharkiv "KhAI" 2017

UDC 811.111:330(075.8)

BBL 81.2 Англ.65 Я73

ч-81

Розглянуто тексти зі спеціальності «Економіка», що відповідають теоретичному матеріалу, який студенти вивчають на заняттях (економічна теорія, мікро- і макроекономіка тощо). Матеріал подано згідно з тематичними напрямками знань. Збірник містить невеличкий тлумачний словник з ключовими словами. Для студентів перших курсів економічних спеціальностей.

Chubukina, O. V.

Professional English use in Economics [Text]: scientific manual/
O.V.Chubukina, G.I. Andriyanova. - Kharkiv: National Aerospace University
"Kharkiv Aviation Institute", 2017. - 45 p.

We consider the texts of the speciality "Economy". The teaching-aid is recommended for 1-year students studying economic specialities. The workbook includes professional oriented texts from original sources to theoretical material that students study at the lessons from speciality (economic theory, micro and macroeconomics and others like that). The material is given according to thematic directions of studying. The workbook contains a short explanatory vocabulary with keywords

Tables: 2 References: 6 items.

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Lesson 1

WHAT IS ECONOMICS

Read and memorize the following words:

scarcity	дефицит
goods and services	товары и услуги
wants and needs	желания и потребности
by force	силой
society	общество
orderly system	упорядоченная система
production and distribution	производство и распределение

Let's face it: if there's one fundamental principle guiding life on earth, it's scarcity. There simply aren't enough beachfront houses, luxury cars, and seats at the theater for everyone who wants one! And on a more serious note, there's not enough food, clothing, and medical care for everyone who needs it.

The entire discipline of economics – and all economic activity – arises from a scarcity of goods and services in comparison to human wants and needs. If there is not enough of something for everyone who wants or needs it, society faces a serious problem: it has to make decision about some basic economic questions.

Throughout history there have always been people who obtained what they wanted or needed by force. The barbarians who sacked Rome practiced this form of “economic activity,” and in modern times it is practiced by armed robbers. But a society requires an orderly system of producing and distributing the necessities and luxuries of life. Such a system is essential to a stable society. Economics is the study of systems of production and distribution – which are called economies – and of their fundamentals, dynamics, and results.

I. Make true sentences.

There is		food	
There isn't	enough	clothing	
There are		luxury	
There aren't		houses jobs	in my country
		clean	
		water	
		engineers	
		money	

II. Guess the words.

1. Things that we cannot live without are called_____
2. Things which give us pleasure and joy are called_____
3. When people do not have enough of something they suffer from

4. Everything that is made in a society is called_____ and _____
5. _____ is the process of making things.
6. _____ is the process of dividing things among people.

III. Think and speak about the following issues.

1. Tell about some people who get what they want by force in modern times.
2. Explain why scarcity is an important factor of human life.
3. Formulate the basic economic questions which each society has to answer.

IV. Study these words and their negative forms and fill in the gaps in the sentences. Then make up your own sentences in which the negative forms are used.

certain (определенный, уверенный)	uncertain
Exact (точный, безошибочный)	inexact
predictable (предсказуемый)	unpredictable
precise (точный, четкий, определенный)	imprecise

1. You have to be very_____ in this job, because a small mistake can make a big difference.
2. Are you_____ that you'll get there in time?
3. We have done this experiment before. The results are rather _____.
4. Our train leaves at 10 o'clock _____.

Lesson 2

AN INEXACT SCIENCE

Read and memorize the following words:

government	правительство
prison	тюрьма
national defense	национальная безопасность
interaction	взаимодействие
certainty	определенность
sales tax	налог на продажи
income tax	налог на доходы
behavior	поведение
to avoid	избегать
to raise	поднимать
to experience	испытывать
to deal with	иметь дело с

Economics is the study, description, and analysis of the ways in which a society produces and distributes. In economics, the term goods and services refers to everything that is produced in the economy – all products and services, including government “services,” such as national defense and the prison system.

Economics is one of the social (as opposed to natural or physical) sciences, as are psychology and anthropology. Social sciences examine and explain human interaction. Because of this, the findings and knowledge produced by a social science generally cannot be as exact or predictable as those of a physical science, such as physics or chemistry.

For instance, if you put water in a saucepan on a stove, you know with certainty that it will boil when it reaches 212° Fahrenheit. But if you are the governor of a state and you raise the state sales tax, you cannot be certain about the effect it will have. And you won't be able to answer any of the following basic questions: How much money will the tax raise? In order to avoid the tax, will people take more of their business across the state line? Will they shop more often on the Internet, where there is no sales tax (yet)? Will companies in the state experience lower sales and generate lower corporate income taxes as a result?

Economics deals with these kinds of questions, but it seldom comes up with totally precise explanations or correct predictions. Why? Because human behavior in the economic realm is as complex and mysterious as it is in any other sphere of life.

I. Find in the text.

1. Two parts of the state system.
2. Two other social sciences.
3. Two physical sciences.
4. Two types of taxes.

II. Say if the following is true or false. Correct the false statements.

1. Social sciences study the natural world around us.
2. Physical sciences are more exact than social sciences.
3. Government “services,” such as national defense and the prison system are not studied by economics.
4. Human behavior can be examined and predicted with much precision.
5. Water boils at 212° Fahrenheit.
6. The raise of sales tax always causes lower sales.

III. Tell about the two experiments described in the text.

Think and say what economics has in common with these sciences.

1. Psychology
2. Mathematics
3. History

Lesson 3

FAMOUS ECONOMISTS

I. Read one of the texts and answer the questions about “your” economist.

1. When did he live?
2. What are the key notions of his theory?

ADAM SMITH AND HIS INVISIBLE HAND OF CAPITALISM

Adam Smith, a Scot and a philosopher who lived from 1723 to 1790, is considered the founder of modern economics. In Smith's time, philosophy was an all-encompassing study of human society in addition to an inquiry in- to the nature and meaning of existence. Deep examination of the world of business affairs led Smith to the conclusion that collectively the individuals in society, each acting in his or her own self-interest, manage to produce and purchase the goods and services that they as a society require. He called the mechanism by which

this self-regulation occurs “the invisible hand,” in his groundbreaking book, *The Wealth of Nations*, published in 1776.

While Smith couldn't prove the existence of this “hand” (it was, after all, invisible) he presented many examples of its working in society. Essentially, the butcher, the baker, and the candlestick maker individually go about their business. Each produces the amount of meat, bread, and candlesticks he judges to be correct. Each buys the amount of meat, bread, and candlesticks that his household needs. And all of this happens without their consulting one another or without all the king's men telling them how much to produce. In other words, it's the free market economy in action.

In making this discovery, Smith founded what is known as classical economics. The key doctrine of classical economics is that a *laissez-faire* attitude by government toward the marketplace will allow the “invisible hand” to guide everyone in their economic activities, create the greatest good for the greatest number of people, and generate economic growth. Smith also delved into the dynamics of the labor market, wealth accumulation, and productivity growth. His work gave generations of economists plenty to think about and expand upon.

KARL MARX: IT'S EXPLOITATION!

Karl Marx, a German economist and political scientist who lived from 1818 to 1883, looked at capitalism from a more pessimistic and revolutionary viewpoint. Where Adam Smith saw harmony and growth, Marx saw instability, struggle, and decline. Marx believed that once the capitalist (the guy with the money and the organizational skills to build a factory) has set up the means of production, all value is created by the labor involved in production. In Marx's view, presented in his 1867 tome *Das Kapital* (*Capital*), a capitalist's profits come from exploiting labor – that is, from underpaying workers for the value that they are actually creating. For this reason, Marx couldn't abide the notion of a profit-oriented organization.

This situation of management exploiting labor is the main reason of the class struggle. Marx saw the class struggle at the heart of capitalism, and he predicted that that struggle would ultimately destroy capitalism. To Marx, class struggle intensifies over time. Ultimately, in Marx's view, society moves to a two-class system of a few wealthy capitalists and a mass of underpaid, underprivileged workers.

Marx predicted the fall of capitalism and movement of society toward communism, in which “the people” (that is, the workers) own the means of production and thus have no need to exploit labor for profit. Clearly, Marx's thinking had a tremendous impact on many societies, particularly on the USSR (Union of Soviet Socialist Republics) in the twentieth century.

While Marx's theories have been discredited, they are fascinating and worth knowing. They also say something about weaknesses in capitalism.

KEYNES: THE GOVERNMENT SHOULD HELP OUT THE ECONOMY

John Maynard Keynes, a British economist and financial genius who lived from 1883 to 1946, also examined capitalism and came up with some extremely influential views. They were, however, quite different from those of Karl Marx and, for that matter, Adam Smith. In 1936, he published his *General Theory of Employment, Interest, and Money*. We will examine Keynes's theories later. They mainly involve people's propensity to spend or to save their additional money as their incomes rise, and the effects of increases in spending on the economy as a whole.

The larger significance of Keynes's work lies in the view he put forth about the role of government in a capitalist economy. Keynes was writing during the Great Depression. It's worth noting at this point that in the United States unemployment reached about 25 percent and millions of people had lost their life savings as well as their jobs. Moreover, there was no clear path out of the depression, which led people to seriously question whether Smith's invisible hand was still guiding things along. Was this worldwide collapse of economic activity the end of capitalism?

Keynes believed that there was only one way out, and that was for the government to start spending in order to put money into private-sector pockets and get demand for goods and services up and running again. As it turns out, President Franklin D. Roosevelt gave this remedy a try when he started a massive public works program to employ a portion of the idle workforce. However, the United States entry into World War II rendered this a less than pure experiment in government spending. The war effort boosted production to extremely high levels (to make guns, ammunition, planes, trucks, and other materiel) while simultaneously taking millions of men out of the civilian workforce and into uniform.

II. Give a talk to present the theory of one of the three economists.

Lesson 4

ECONOMIC SYSTEMS

I. Read and memorize the following words:

to determine	определять
to encourage	поощрять
to evaluate	оценивать
to rely on	полагаться
to obey	подчиняться
to satisfy, to meet	удовлетворять
amount	объем, количество
habit	привычка
custom	обычай
authority	власть
profit	прибыль
influence	влияние
measure	мера
income	доход

to force smb to do smth - заставлять кого-либо делать что-либо

to concern with - заниматься, интересоваться чем-либо

to base on - базировать, основывать (на)

to influence - влиять

II. Match 1-7 with a-g to make meaningful phrases.

1) to provide	a) the type of economic system
2) to satisfy	b) the central authority
3) to determine	c) goods and services
4) to rely	d) the income
5) to obey	e) people's wants
6) to evaluate	f) to work hard
7) to encourage	g) on the same tools and methods

III. Answer these questions, then read the text and check your answers.

1. Why do people have to limit their wants?
2. What are the basic questions of economy?
3. What defines the type of economic system the country has?

4. What types of economic systems do you know?

IV. Read the text.

THE BASIC KINDS OF ECONOMIC SYSTEMS

The wants people have are almost unlimited. However, each society has a limited amount of resources from which to provide the goods and services to satisfy these wants. This scarcity of resources forces every society to make decisions about the following questions:

- Which goods and services will be produced?
- How will these goods and services be produced?
- How will the goods and services be distributed?

The answers for every particular country will depend on its priorities. Some countries consider it very important to be powerful and to feel safe. Other countries are concerned with providing food and clothing to all inhabitants. The decision that a country make will determine the type of economic system it has. The basic types of economic systems are traditional, command and market.

Traditional system is the system in which people do things the way they have always done them. They rely on the same tools and methods used by their parents. There is little or no change in such systems because most people methods are based on habit, custom and religious belief. Individuals are not free to make decisions according to what they want to have. Traditional system is not as widely spread as it was before. Though it is still a major force in some areas on the west coast of Canada, in Latin America, Africa and Middle East.

In a command system, the basic economic decision of what and how to produce and distribute is made by a central authority. The members of the society in the system obey. The central authority consists of one person or a small group who control factories, equipment and land. This system is still powerful in China and Cuba and recently our country and the countries of Eastern Europe operated under strong command system.

In a market system, the basic economic decision is based on the actions of people and business firms participating in many different markets. A market system produce goods and services that people are willing to buy and that can bring a profit to the sellers. The interaction of consumers and producers makes the system work. US, Canada and Japan are the best examples of this type of economic system.

The fact is that none of today's economic system is based totally on one of three principles just described. Modern economics have some element of all three influences in them. However, one of the principles is usually stronger than the others and defines the whole system.

A society's standard of living is one way to evaluate an economic system. The standard of living is a measure of how well the people live. It depends on the

amount and kind of goods and services the people of a country enjoy, or their income.

V. Answer some more questions about economic systems.

1. Why is there no change in traditional system?
2. Who makes the basic decision in command system?
3. How do you understand that interaction of consumers and producers makes market system work?
4. How do economists evaluate people's standard of living?

VI. Translate into English using the words from the text.

1. Обычаи, привычки и религиозные верования заставляют людей полагаться на те же орудия и методы труда, которыми они пользовались всегда.
2. Дефицит ресурсов заставляет людей ограничивать свои желания и потребности.
3. Правительство заставляет членов общества подчиняться. Оно навязывает свои решения.
4. Производство товаров и услуг зависит от взаимодействия потребителя и производителя.
5. В командной системе все изменения в экономике зависят от правительства.
6. Правительство занимается повышением уровня жизни населения.
7. Эта компания занимается проблемой распределения.
8. Традиционная система основана на обычаях, традициях и верованиях.
9. Количество ресурсов влияет на объём производства.
10. Экономическая система не может основываться только на одном принципе.
11. Развитие экономики в командной системе находится под влиянием центральной власти.

VII. Think and say.

Who owns property in each economic system?

VIII. Define advantages and disadvantages of each economic system and fill in the table below. Then tell about them.

To have one's own role in the society; to be stable / unstable; to discourage new ideas and ways of doing things; to accept new methods and products; to make / not to make dramatic change in a short time; to provide / not to provide each person with a job, medical and social services; to meet / not to meet consumers' needs; to encourage / not to encourage to work hard; to adjust / not to adjust to changes of consumers' wants and needs; to be / not to be safe socially and psychologically; to be / not to be subjected to crises and depression.

Economic system	Advantages	Disadvantages
Traditional	to be stable, ...	to discourage new ideas and ways of doing things,
Command		
Market		

IX. Read these sentences and define the economic systems they refer to. (Use dictionary if necessary).

1. There will be no form of personal income which is derived from the ownership of property.
2. The basic economic problems do not arise as problems to be discussed and argued about.
3. All land, housing, factories, power stations, transport systems and so on are usually owned by the state.
4. The elders, the heads of families, the women and the children will receive shares according to ancient custom.
5. Businesses are free to choose whom to buy from and sell to and on what terms, and free to choose whom to compete with.
6. People use methods of production and distribution which have become the accepted ways of doing things by a long process of trial and error.
7. Incomes take the form of wages, interest, rent, and profits – the latter three of which arise from the ownership of various types of property.
8. Private ownership of property leads to great inequalities of wealth, and this, in turn means that the wealthier groups are able to exercise great economic power.
9. The running of such an economy will require large numbers of planners and administrators to draw up and operate the national plan.

- X. **Work with a partner or in small group. Choose an economic system to speak about but don't tell your partner which. Imagine you live in this economic system. Tell about the way you live and work. Let your partner guess the system.**

Lesson 5

MONEY AND ITS FUNCTIONS

medium of exchange – средство обмена; средство обращения (как функция денег)

exchange rate – обменный курс

the exchange rate of rouble against US dollar – обменный курс рубля по отношению к американскому доллару

means – средство, средства

store of value – средство сбережения, средство образования сокровища; средство «сохранения стоимости» (как функция денег)

unit of account – расчетная единица

deferred payment – отложенный, отсроченный платеж

barter – бартер (способ торговли, состоящий в обмене товарами и услугами без использования денег)

trade – торговля

to make a swap – произвести обмен (употребляется преимущественно для обозначения бартерных операций)

wasteful – неэкономный, расточительный

rapid – быстрый, скорый

currency – валюта

temporary – временный

repay – возвращать (долг)

loan – заем, ссуда

Money has four functions: a medium of exchange or means of payment, a store of value, a unit of account and a standard of deferred payment. When used as a medium of exchange, money is considered to be distinguished from other assets.

Money as the medium of exchange is believed to be used in one half of almost all exchange. Workers exchange labour for money, people buy or sell goods in exchange for money as well.

People do not accept money to consume it directly but because it can subsequently be used to buy things they wish to consume. To see the

advantages of a medium of exchange, imagine a barter economy, that is, an economy having no medium of exchange. Goods are traded directly or swapped for other goods. The seller and the buyer each must want something the other has to offer. Trading is very expensive. People spend a lot of time and effort finding others with whom they can make swaps. Nowadays, there exist actually no purely barter economies, but economies nearer to or farther from the barter type. The closer is the economy to the barter type, the more wasteful it is.

Serving as a medium of exchange is believed to have for centuries been an essential function of money.

The unit of account is the unit in which prices are quoted¹ and accounts are kept. In the USA, for instance, prices are quoted in US dollars, in Japan, in yen. It is usually convenient to use the same unit to measure the medium of exchange as well as to quote prices and keep accounts in. However, there may be exceptions. During the rapid German inflation of 1922-23 when prices in marks were changing very quickly, German shopkeepers found it more convenient to use US dollars as the unit of account. Prices were quoted in dollars though payment was made in marks. The same goes for Russia and other post-communist economies who used the US dollar as a unit of account, keeping their national currencies as means of actual payment. The higher is the inflation rate, the greater is the probability of introducing a temporary unit of account alongside the existing units for measuring medium of exchange.

Money is a store of value, for it can be used to make purchases in future. For money to be accepted in exchange, it has to be a store of value. Unless suitable for buying goods with tomorrow, money will not be accepted as payments for the goods supplied today. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest-bearing bank accounts all serve as stores of value.

Finally, money serves as a standard of deferred payment or a unit of account over time. When money is borrowed, the amount to be repaid next year is measured in units of national currency, pounds of sterling for the United Kingdom, for example. Although convenient, this is not an essential function of money. UK citizens can get bank loans specifying in dollars the amount that must be repaid next year.

Thus, the key feature of money is its use as a medium of exchange. For money to be used successfully as a means of exchange, it must be a store of value as well. And it is usually, though not always, convenient to make money the unit of account and standard of deferred payment.

I. Choose a suitable within the meaning of the word.

1. Pounds (фунт) and ounces (унция) were traditional measures widely used in Britain, often {alongside / besides} metric measures before 2000.
2. Barter economies are believed to be more (convenient / wasteful) than

the ones based on money.

3. We (distinguish between / accept both) real and nominal GNP.
4. (The exchange rate / barter) is known to be regulated by the Central Bank.
5. When measured, depreciation should be subtracted (вычитать) from the GNP to give a clear picture of the output that is (temporarily / actually) available for national consumption.
6. Initially, gold and other valuable metals were used (to keep an account of/to store) wealth over time.
7. Large firms are supposed to have a better chance of obtaining a loan from a bank than smaller firms, though there may be (exceptions / exchanges).
8. Plastic cards are reported to be (accepted / deferred) for payment only in Moscow, St. Petersburg, Lipetsk, Chelyabinsk and a few other cities and there is no commonly (accepted / distinguished) standard.
9. Due to poor communications across the country and the high initial cost of introducing (внедрять) plastic cards, Russia (finally / temporarily) has a less developed plastic card infrastructure than most European countries.

II. Answer the questions.

1. What are the main functions of money?
2. How important is the function of money as a medium of exchange?
3. Why do people accept money as a medium of exchange?
4. What is barter economy?
5. Why are barter economies wasteful?
6. When don't national currencies serve as units of account? Give examples.
7. When is money used as a standard of deferred payment?

III. Think and say.

1. Why are goods actually more expensive if the means of payment are different from the units of account?
2. What measures can a seller take if money does not fulfil its function as a store of value properly?

IV. Match 1-10 with a-j to make meaningful phrases.

1. Classical economists considered money to be no more
2. Money is an asset
3. Money is used as a standard of deferred payment,
4. Loans provided by commercial banks, building societies, etc.

5. In addition to being a means of exchange money is also
6. Swap in a money market is a process
7. Exchange rate is
8. GNPs are measured in the country's local monetary unit,
9. The foreign exchange market is a market where foreign currencies are sold and bought
10. Barter is a method of trading goods and services for other goods and services
 - a. either through private exchange dealers or a country's central bank.
 - b. known to be a means of measuring the value of men's labour.
 - c. of exchanging one kind of financial asset or liability for another.
 - d. than a medium of exchange.
 - e. or currency/ for it is an accepted measure of future payments in contracts.
 - g. without the use of money.
 - h. the price of one currency in terms of some other currency, for instance, the price at which dollars might be exchanged for pounds.
 - i. are an essential source of money for everyday consumption and purchase of personal and business assets.
 - j. that is accepted as a means of payment.

Lesson 6

THE LAW OF DEMAND

in the former – в прошлом
 implicit – подразумевающийся
 hold the approach – придерживаться взглядов
 approach – подход
 provisionally – временно
 vertical – вертикальный
 demand curve – кривая спроса
 to slope down – спускаться
 to signify – означать, выражать
 substitution effect – эффект замещения
 conspicuous consumption – заметное потребление

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 viewed 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 Veblen 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.

I. General understanding.

1. What is «demand»?
2. What is the current theory of demand based on?
3. What prominent economists contributed to the development of the theory of demand?
4. How is it possible to show the interrelation of price and quantities consumed?
5. What is «Giffen effect»?
6. What is Veblen effect?

II. Find equivalents in Russian and write two sentences with each:

1. Key concept

2. Consumption
3. Empirical foundation
4. Curiosa of theorists
5. Of a commodity at higher prices
6. Strong demand
7. Quantities of a goods
8. Ordinal characteristics
9. Conspicuous consumption

III. Complete the table.

Personality	Year	Ideas

IV. Which is not true about the law of demand.

1. Consumption is the key concept of microeconomics.
2. Classical economists contributed a lot to the development of the theory of demand.

V. Translate into Russian.

1. Much economic analysis focuses on the relation between prices and quantities demanded.
2. Marshall viewed demand in a cardinal context, in which utility could be quantified.
3. Consumption or demand is primarily, but not exclusively, a function of price.
4. With price on the vertical axis and quantity on the horizontal axis, the demand curve slopes downward from left to right.
5. A consumer buys more, not less of a commodity at higher prices when a negative income effect dominates over the substitution effect.
6. Innumerable studies of demand in actual markets having demonstrated the existence of downward-sloping demand curves.

VI. Explain the difference and write one sentence with each.

1. Sign – signify
2. List – page
3. Quantity – quality
4. Effect – effective
5. Substitute – restitute

6. Conspicuous – curious

VII. Find antonyms to the following.

1. Negative -
2. Possible -
3. Numerable -
4. Vertical -

Think of examples of exceptions to the Law of Demand in the contemporary Ukraine. Write an essay of 100 – 150 words.

Lesson 7

BUSINESS BOOKS

Keeping up with developments in your professional field is getting more and more difficult. It used to be enough to read a few trade magazines, attend the occasional conference and subscribe to a professional website. Nowadays, though, it seems this is not enough.

Many people involved in business today will have heard of long tails, black swans, freakonomics and one-minute managers. However, if you haven't read the right books and don't know the jargon, a "long tail" is a way of describing sales patterns, a "black swan" is an unusual but high-impact event, "freakonomics" is a way of describing unusual economic effects and the "one-minute manager" is a good time manager.

Books on the subject of business, and the jargon (or specific language) they produce have now become a business in themselves. Most bookshops now have several shelves filled with books suggesting all sorts of revolutionary theories which will change the way you do business, manage your time or do your accounting procedures. Many of these books claim they can make you rich and successful.

There are now books which tell you how to persuade people and close the deal, how to read and use body language, how to unlock the secrets of international markets, how to go global and stay green, or list the 25 principles of success, the ten ways to make yourself a better manager, the 100 richest people in the world.

As well as these books, there is another style of business book: the biography or autobiography of the successful business person. These days, it seems, no one can become the CEO (Chief Executive Officer) of even a small company without putting pen to paper and telling the story of their rise to the top,

especially if they have a personal tragic story to overcome, or some fantastic ideas to share. In one of these books, a fairly well-known CEO says “Everything I know about business, I’ve learned myself” which makes me wonder why people would buy his book.

Some of these books sell by the thousands, often appearing in the best-seller lists alongside blockbusting works of fiction. Who is buying them, and what do they learn? Are these books essential tools for the modern workplace, or just a way for publishers to make money?

Undoubtedly some books do become vital textbooks for students of business at any level, and some of the biographies can hold valuable lessons for any aspiring or practicing entrepreneurs. However, the accusation that many of these books are creating unnecessary jargon, words and terms which complicate, not simplify, the world of business, also seems true.

I. Choose the best ending.

1. According to the article, being more informed in your profession:
 - a) is becoming more complex.
 - b) has never been easy.
 - c) means reading a lot of magazines.
 - d) is now done through the internet.

2. If you haven’t read certain business books:
 - a) you won’t be able to do your job properly.
 - b) you won’t understand what your colleagues are talking about.
 - c) you won’t know certain new terms.
 - d) you won’t use terms correctly to describe things.

3. Many bookshops:
 - a) have books full of radical ideas.
 - b) will help you to become successful.
 - c) stock a lot of business books.
 - d) are successful businesses.

4. Books are available:
 - a) about all kinds of business subjects.
 - b) about management.
 - c) which will improve your career prospects.
 - d) which will make you a successful person.

5. According to the article:
 - a) many company directors have written their life stories.
 - b) it is necessary to have good ideas to write a book.

- c) it is necessary to have had personal difficulties before you can be successful.
 - d) biographies of famous people are useless.
6. Some business books:
- a) are made into films.
 - b) are very commercially successful.
 - c) are works of fiction.
 - d) only helps publishing companies.

II. Bring some business book to the classroom and present it to the group. Tell about the following.

1. Who is the author?
2. What's the title?
3. Who is the book targeted at?
4. What does it teach or tell about?
5. Is it a bestseller?
6. Do you think it is essential for business students or anyone in business?

Lesson 8

MARKET ECONOMIES

to stand for	означать, обозначать
to exercise	использовать, осуществлять
to respond (to)	реагировать, отзываться
to dispose	располагать, размещать
to levy	облагать налогами
to yield	приводить к чему-либо
to envisage	рассматривать
to aggregate	собирать в одно целое

A. Market economies

Society may attempt to deal with the basic economic problems by allowing free play to what are known as market forces. The state plays little or no part in economic activity. Most of the people in the non-communist world earn 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 exercised some economic functions (e.g. controlling prices or levying taxation). 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.

The framework of a market or capitalist system contains six essential features: private property, freedom of choice and enterprise, self-interest, competition, the price system, the role for government.

A What does the underlined phrase mean in the text?

- Market economy is spoiled and corrupt.
- Market economy is only a scientific theory which doesn't prove.
- Market economy has influences of other economic systems in it.

B. Private property

The institution of private property is a major feature of capitalism. It means that individuals have the right to own, control and dispose of land, buildings, machinery, and other natural and man-made resources. Man-made aids to production such as machines, factories, docks, oil refineries and road networks are known as capital. Private property not only confirms the right to own and dispose of real assets, it provides the owners of property with the right to income from that property in the form of rent, interest and profits.

B Write out:

- forms of capital
- forms of income

C. Freedom of choice and enterprise

Freedom of enterprise means that individuals are free to buy and hire economic resources, to organize these resources for production, and to sell their products in the markets of their own choice. Persons who undertake these activities are known as entrepreneurs and such people are free to enter and leave the industry.

Freedom of choice means that owners of land and capital may use these resources as they see fit. It also means that workers are free to enter (and leave) any occupations for which they are qualified. Finally it means that consumers are free to spend their incomes in any way they wish. The freedom of consumer choice is usually held to be the most important of those economic 'freedoms'. In the models of capitalism, producers respond to consumers' preferences – they produce whatever consumers want.

C Write out all the words which denote participants of the market.

D. Self-interest

Since capitalism is based on the principle that individuals should be free to do as they wish, it is not surprising to find that the motive for economic activity is self-interest. Each unit in the economy attempts to do what is best for it.

Firms will act in ways which, they believe, will lead to maximum profits (or minimum losses). Owners of land and capital will employ these assets so as to obtain the highest possible rewards. Workers will tend to move to those occupations and locations which offer the highest wages. Consumers will spend their incomes on those things which yield the maximum satisfaction.

D Continue the list.

Self-interest can be realized in the form of

- maximum profits
-
-
-

E. Competition

Economic competition is another essential feature of a free enterprise economy. Competition, as economists see it, is essentially price competition. The model of the market economy envisages a situation where, in the market for each commodity, there are large number of buyers and sellers. In theory at least, competition is the regulatory mechanism of capitalism. On the one hand, it protects the customers – they have the right of choice and they benefit from the fact that competition keeps prices close to costs; on the other hand, it makes producers and suppliers of scarce resources utilize them economically, using most sophisticated technologies.

E Which is true?

- Competition makes prices lower.
- Competition makes prices higher.
- The influence of competition is difficult to predict.

F. Markets and prices

Perhaps the most basic feature of the market economy is the use of the price mechanism for allocating resources to various uses. The price system is an elaborate system of communications in which innumerable free choices are aggregated and balanced against each other. The decisions of producers determine the supply of a commodity; the decisions of buyers determine the price. Changes in demand and supply cause changes in market prices and it is these movements in market prices, which bring about the changes in the ways in which society uses its economic resources.

F Who determines the price in the market?

G. The role of government

Freedom of enterprise is not total in the market economy. Businesses are subject to laws and government regulations. Economic environment is determined by the economic policies of the government, fiscal and monetary policies being the major factors.

G What does the underlined phrase mean in the text?

- Businesses are regulated by government.
- Government regulates businesses.
- Businesses are independent from laws and government regulations.

I. Guess which feature of market economy each statement is about.

1. It is the dominating motive of economic activity.
2. It is the principle difference between market and command systems.
3. It is very limited.
4. It governs the process of distribution.
5. It makes prices lower.

II. Match 1-6 with a-f to make meaningful phrases. Use these phrases to speak about market economy.

- 1) to have
- 2) to be free
- 3) to lead
- 4) to keep
- 5) to cause
- 6) to be subject

- a) to maximum profits
- b) prices close to costs
- c) the right to own, control and dispose of real assets
- d) to buy, hire, and sell
- e) to laws and government regulations
- f) changes in market prices

III. Read the text, give Ukraine names to the stages of business cycles, do the tasks in italics.

CIRCLES AND CYCLES OF ECONOMIC ACTIVITY

Market economic system works in a circle, with each person or part of the system dependent on all other persons or parts. Every person's spending becomes someone else's income.

Another characteristic of our economic system is the way it moves from good times to bad times. This movement is called a business cycle. The four stages of business cycle are prosperity, recession, depression and recovery.

- Prosperity is high point of a business cycle, also called a boom.
- Recession is a stage in a business cycle in which the economy is in the period of decline.
- Depression is the lowest point in a business cycle at which business is the worst.
- Recovery is the final stage in a business cycle during which business succeeds again.

IV. Think over and say what happens during each stage of a business cycle to each of the following factors.

Jobs – increase in number; decrease; stay the same.

Unemployment – high; low; the highest becomes higher (lower).

Prices for consumer goods – go up; go down; stay the same.

Consumers buying habits – buy less, buy more; no change.

Number of business firms in the market – increases; decreases; stays the same.

Economic activity can be measured by gross national product, employment inflation and productivity.

Gross national product is the total dollar (rouble) value of all the goods and services produced by an economic system in one year.

Inflation is rising of price caused by increased spending. Productivity is the amount of output produced per unit of input.

The cost of natural resources, capital resources and human resources effect productivity. There are two basic ways to increase productivity. First more goods and services can be produced with the same amount of resources.

Vocabulary

to measure	измерять
to increase	увеличивать
to decrease	уменьшать
circle	круг
cycle	цикл
value	ценность, стоимость

V. Complete the sentences.

1. A period in which spending falls and unemployment rises is called _____.
2. A stage during which people find job and begin to buy more products and services is called _____.
3. _____ is a period when employment is high and businesses turn out goods and services as fast as they can.
4. _____ is the point when business is bad and unemployment is high.

Lesson 9

CLASSICAL LIBERALISM

authoritarianism – авторитаризм
paternalism – патернализм
rulers – правители
privilege – привилегия
divine right – божественное право
derived – производное
illegitimate – нелегитимный
to enact – вводить
capricious – прихотливый, капризный
to rely on (upon) – полагаться на кого-либо (что-либо)
dedication – посвящение
spring out – происходить из
wickedness – злобность
harbo(u)r – бухта
recreational parks – парки отдыха
intervene – вмешиваться
to enforce – следить за соблюдением
confident – уверенный

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 «rule 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 that 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 humane 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-regulating 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).

I. General understanding.

1. When and why did liberalism emerge?
2. What did John Locke claim?
3. What notion had been added to the liberalism in 18th century?
4. What is the basic principle of liberal thought?
5. How does the author refer to the state?
6. What was Thomas Paine's vision of society and government?

II. Classical liberals.

1. The classical liberal believes in:
 - a) ... the general rule of laissez-faire.
 - b) ... Karl Marx.
 - c) ... the state that protects rights, defines property rights and enforces private contracts.
 - d) ... near end of Capitalism.
 - e) ... the leading works of classical liberalism.

2. The classical liberal is confident that:
 - a) ... monopolies should be eliminated.
 - b) ... material progress is more important than public education.
 - c) ... constitution should work properly.
 - d) ... everyone can be rich and live in a peace.

3. Classical liberal recommends:
 - a) ... a minimal state.
 - b) ... invention of new weapons.
 - c) ... children to work.
 - d) ... maintain bridges, canals, harbours because water is nice.

4. Suggest Ukrainian equivalents for:
 - a) liberalism emerged as the radical philosophy that attacked authoritarianism and paternalism in the political sphere
 - b) political authority based on birth, social status, privilege, and divine right
 - c) derived from the consent of the governed or else was illegitimate
 - d) government in its legislative capacity had to enact general rules
 - e) to substitute administrative methods of organization
 - f) enactment of strict constitutional safeguards and the elimination of monopoly
 - g) maintain standing armies, provide basic education, promote invention and innovation
 - h) special-interest legislation, peace and material progress

III. Explain the difference in English.

1. Paternalism — pattern
2. Common — ordinary
3. Holy — divine
4. Invention — innovation
5. Human — humanity

6. Confident — sure
7. Summarize the text paying special attention to personality and quotations.

IV. Questions for discussion:

1. Do you think that liberalism is/was «radical» in post-Soviet Ukrainian? Give one or two examples of radicalism.
2. Do you agree that classical liberalism «stimulated the development of the social sciences»?
3. Can you agree with Thomas Paine that: «society is created by our wants»?

Lesson 10

NEOCLASSICAL ECONOMICS

remarkable feature – отличительная черта

to suggest – предлагать, предполагать

to be firmly grounded – твердо основываться на чем-либо

to revolve – вращаться

to acknowledge – подтверждать, признавать

attach – прикреплять, прилагать

struggling to survive – борьба за выживание

The most remarkable feature of neoclassical economics is that it reduces many broad categories of market phenomena to considerations of individual choice and, in this way, suggests that the science of economics can be firmly grounded on the basic individual act of subjectively choosing among alternatives.

Neoclassical economics began with the so-called marginalist revolution in value theory that emerged toward the end of the nineteenth century. Strictly speaking, neoclassical economics is not a school of thought (in the sense of a well-defined group of economists following a single great master) but more a loose amalgam of subschools of thought, each revolving around such acknowledged masters as Alfred Marshall in England, Leon Walras in France, and Carl Menger in Austria. What these subschools have in common is the importance they attach to explaining the coordinating features of market processes in terms of plans and subjective evaluations carried out by individuals in the market subject to the constraints of technological knowledge, social custom and practice, and scarcity of resources.

The Subschoools.

In England, Marshall's appointment to the chair of political economy at Cambridge University in 1885 marked the start of the Cambridge school — a variant of neoclassical economics that stressed continuity with the past achievements of the classical school, especially the economics of David Ricardo and John Stuart Mill. In 1890 Marshall published his *Principles of Economics*, which demonstrated how the forces that determine the normal prices of commodities can be explained by means of supply and demand in the context of firms struggling to survive within industries. Marshall's disciples included A. Pigou, D. H. Robertson, Ralph Hawtrey, and to some extent the controversial John Maynard Keynes. (During the 1930s, Keynes turned against his old master by explaining how subjective evaluations can lead to disordinating market processes and the unemployment of labor and disuse of capital.)

In France, Walras founded the general equilibrium school with the publication of his *Elements of Pure Economics* (1874). This school would eventually take root in Lausanne, Switzerland, through the contributions of Vilfredo Pareto, especially in his *Cours d'économie politique* (1896—1897). Some of Walras's teaching reached England by way of A. L. Bowley's *Mathematical Groundwork of Economics* (1924). Like Marshall, Walras and his followers were concerned with a supply and demand account of market pricing, but Walras went somewhat beyond Marshall and investigated the mathematical conditions under which all markets could be in equilibrium simultaneously.

In Austria, Carl Menger founded the Austrian school with the publication of his *Principles of Economics* (1871). Subsequent professors at the University of Vienna, such as Friedrich von Wieser, Eugen von Bohm-Bawerk, and later Ludwig von Mises and Friedrich A. von Hayek, focused on the essential problems of economic organization by starting with Menger's insights about the importance of economizing action in shaping economic institutions in the market. Among Austrians, the important task of economic reasoning is to disaggregate economic phenomena so that the events can be made intelligible in terms of basic market forces of supply and demand operating through the decisions of individuals.

I. General understanding.

1. What is the most remarkable feature of the neoclassical economics?
2. When did neoclassical economics begin?
3. How does the author refer to the neoclassical economics and neoclassical economists?
4. What subschools and names are mentioned in the text?
5. What economists worked in:
 - a) England
 - b) France
 - c) Austria

II. Complete the table.

COUNTRY	PERSONALITY	TITLE OF WORK	YEAR
Austria	Carl Menger	«Principles of economics»	1871

III. What is not true about the neoclassical economics and economists.

1. Neoclassical economists simplified many broad categories of market phenomena.
2. Neoclassical economics began when Adam Smith died.
3. Neoclassical economics is not a school of thought.
4. Marshall's appointment to the chair of political economy at Oxford University was the beginning of the neoclassical economics.
5. A.C.Pigou, D.H. Robertson and Ralph Hawtrey were followers of Alfred Marshall.
6. Vilfredo Pareto took root in Lausanne, in France.
7. «Principles of economics» was written in 1871 by Carl Menger.
8. Ideas of Sir Walras were promoted in England by A.L. Bowley.

IV. Translate into Ukrainian.

1. Reduces many broad categories of market phenomena.
2. The importance they attach to explaining the coordinating features of market processes.
3. Appointment to the chair of political economy at Cambridge University.
4. Firms struggling to survive within industries.
5. General equilibrium school.
6. His followers were concerned with a supply and demand account of market pricing.
7. Importance of basic market forces of supply and demand operating through the decisions of individuals.
8. Economizing action in shaping economic institutions in the market.

V. Write one sentence with each word.

1. Attach — attachment
2. Evaluate — evaluation

3. Appoint — appointment
4. Achieve — achievement

VI. Questions for discussion.

1. Do you agree with the author that «the most remarkable feature of neoclassical economics is that it reduces many broad categories of market phenomena to considerations of individual choice»? Why and why not?
2. Do you think that neoclassical economics is a «loose amalgam of subschools of thought»?
3. Whose works are of the most importance for the development of economics?

Lesson 11

CRITICISM OF NEOCLASSICAL ECONOMICS

to admit — допускать
aspirations — устремления
mutually — взаимно

In the 1970s neoclassical economics came under attack for a variety of reasons. Reform liberals contend that the efficiency criterion ignores considerations of equity because market prices already imply a particular underlying distribution of wealth which the neoclassical writers take as a given. A complete policy analysis must start with an analysis of who ought to own wealth and for what purposes.

Another group of critics, the neo-Ricardian school, claims that neoclassical economics has betrayed the mission of the older classical school because of the neoclassical school's insistence on the supply and demand model. According to Piero Sraffa and his disciples, relative demand or utility plays virtually no role in defining relative commodity prices in long-run equilibrium and, therefore, plays little part in determining the social distribution of wealth. Here the technological conditions that surround the production of certain types of goods, especially those consumed by the working class, affect the distribution of income, and, therefore, the task of economic theory is to explain how surplus value is extracted from the working class and used by others. According to the Sraffa group, neoclassical economics represents an aberration from the more profound analysis allegedly offered by David Ricardo and further developed by Karl Marx. The Sraffa-neo-Ricardian school is quite content to do away with individual valuation in the marketplace and concentrate instead on the objective or

technological conditions of long-run equilibrium. The attempt is to show that the distribution of income after some basic subsistence allotment to the workers is politically determined and therefore plays no part in the reproduction of annual output within the framework of capitalist social institutions.

Among neoclassical writers, the modern Austrian school adherents such as Israel Kirzner, Murray N. Rothbard, and Ludwig Lachmann are less concerned with the details of equilibrium positions such as described at length in Paul Samuelson's *Foundations of Economic Analysis* (1948) and more concerned with the process by which markets adjust or fail to adjust to change. Modern Austrians challenge attempts to measure opportunity costs by claiming that it is illegitimate to assume that market prices are equilibrium prices. They therefore reject the methodological basis of cost-benefit analysis. In summary, the neoclassical school offers a remarkably diverse body of concepts to explain the operation of the market in terms of the twin forces of supply and demand.

In terms of its admittedly limited concept of economic efficiency (estimated in econometric studies by assuming that market prices are indexes of costs and benefits), neoclassical economics offers a basis for criticizing the most wasteful of government policies by showing that less expensive alternatives exist to satisfy their expanding needs and wants against the limited resources available to satisfy them.

The peoples of the nations of the world continually seek to supplement and maximize their welfare by a wide variety of interactions and exchanges across boundaries.

Differences in aspirations (human, natural) and capital resources; technology; culture; social and political systems; and other factors are always apparent and lay the foundation for mutually advantageous economic relationships and conflicts.

I. General understanding.

1. When did neoclassical economics come under attack?
2. What were the reasons for the criticism?
3. What did neo-Ricardian group claim?
4. What were visions of Kirzner, Murray and Lachmann?
5. Who was the author of «Foundation of Economic Analysis»?
6. What does neoclassical school pretend to do?

II. Translate into Ukrainian.

1. Neoclassical economics came under attack for a variety of reasons.

2. Neo-Ricardian school, claims that neoclassical economics has betrayed the mission of the older classical school.
3. Relative demand or utility plays virtually no role in defining relative commodity prices in long-run equilibrium.
4. Neoclassical economics represents an aberration from the more profound analysis
5. The attempt is to show that the distribution of income to the workers is politically determined.
6. Some scientists were more concerned with the process by which markets adjust or fail to adjust to change
7. The peoples of the nations of the world continually seek to supplement and maximize their welfare.

III. Find equivalents in Ukrainian for.

1. The efficiency criterion ignores considerations of equity
2. Surplus value
3. Distribution of wealth
4. Supply and demand model
5. Profound analysis
6. Long-run equilibrium
7. The reproduction of annual output
8. Opportunity costs
9. A wide variety of interactions and exchanges

IV. Explain the difference between the following words. Write one sentence with each to illustrate it.

1. Disciples — followers.
2. Theory — concept.
3. Adjust — reject.
4. Attempt — attain.
5. Dear — expensive.
6. Needs — wants.
7. Illegal — illegitimate.

V. Questions for discussion.

1. Do you agree that new economic theories emerge in the periods of stagnation and decline?
2. It has been not mentioned in the text any Ukrainian economists. Why? Are there any modern prominent Ukrainian economists?

3. Do you think that complicated economic processes could be explained in terms of «the twin forces of supply and demand»?

Lesson 12

MACROECONOMICS

national income – национальный доход

personal income – личный доход

personal disposable income – личный доход после уплаты налогов

business cycle – экономический цикл

economic growth – экономический рост

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. Similarly, an overambitious employment 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.

I. General understanding.

1. What does the word macroeconomics mean?
2. What are the concerns of a macroeconomist?
3. What is the difference between the questions asked by macroeconomists and microeconomics?
4. What is, according to the text, the important task of macroeconomist?
5. What does macroeconomic analysis attempt to explain?
6. What are the concepts of macroeconomics?
7. What are the most important theories of macroeconomics?
8. What is said about the correlation between the inflation and unemployment?

II. Fill in the table to show the difference between.

MACROECONOMICS	MICROECONOMICS

III. Which of the following statements are true about macroeconomics and macroeconomists:

1. Macroeconomics deals with global questions only.
2. Macroeconomics means economics in the large because it asks more questions than microeconomics.
3. Macroeconomist analyzes activities of families and large firms.
4. Such concepts as gross domestic product, national income and personal disposable income serve as meaningful totals.
5. Macroeconomic analysis shows the development of the economic theory.
6. Theory of business cycles concerns business. That is why this is a microeconomic theory.
7. Inflation could not be eliminated without some negative changes in economics.
8. More recent experience proves that macroeconomists of 60s were wrong.

IV. Translate into Ukrainian.

1. The questions asked by the macroeconomist are in terms of broad aggregates.
2. What determines the capital spending of all firms combined as opposed to the decision to build a new factory by a single firm?
3. Macroeconomists measure overall economic activity, analyze the determinants of such activity by the use of macroeconomic theory.
4. Macroeconomic analysis attempts to explain how the magnitudes of the principal macroeconomic variables are determined.
5. Considerable effort must first be expended to determine what goals could be achieved.
6. More recent experience suggests the reduction of unemployment to 5.5 percent of the labor force.
7. Experience teaches that it would not be possible to eliminate inflation entirely.

V. Explain in your own words the importance and practical applications of the following concepts. (Give Ukrainian equivalents).

1. Total production.
2. Total employment.
3. The rate of change of overall prices.
4. GDP.
5. National income.
6. Personal income.
7. Personal disposable income.

VI. Are you able to answer the following macroeconomic questions (If not, explain why it is impossible).

1. What determines the spending of all consumers?
2. What determines the capital spending?
3. What determines the capital spending of all firms?

VII. Questions for discussion.

1. Was there a difference between macroeconomics and microeconomics in the Soviet economics? In 18th century? In 19th century?

2. What is more important for economy in general - microeconomics or macroeconomics?
3. Is there a difference in analyzing macroeconomic and microeconomic problems?

Lesson 13

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 the 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 prices. 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.

I. General understanding.

1. What is, according to the text, microeconomics?
2. What is meant by «economics in the small»?
3. What economic phenomena are of microeconomists attention?
4. Where is microeconomic theory used?
5. What is «optimization»?
6. What is the concept of the theory of consumer?
7. What is the major difference between the theory of consumer and the theory of producer?

II. Find equivalents in Ukrainian.

1. Optimizing behavior of individual units.
2. Industrial organization.
3. Labor economics.
4. International trade.
5. Cost-benefit analysis.
6. Sharp distinction in both methodology and subject matter.
7. Subjective rate of substitution.

III. Translate into Ukrainian.

1. Microeconomic theory is used extensively in many areas of applied economics.
2. Their analyses are derived from the aggregation of the behavior of individual units.
3. The consumer then selects a bundle that gives the highest possible level of utility.
4. The consumer is free to choose whatever quantities income allows but has no influence over prevailing market prices.
5. The producer equates marginal cost of production to the going market price.
6. The producer recognizes that price declines as sales are expanded.
7. Under pure competition, the producer is a price taker who may sell at the going market price whatever has been produced.

IV. Give definition to the following.

1. Microeconomics.
2. Applied economics.
3. Optimization.
4. Opportunity action.
5. Utility maximization.

V. Questions for discussion.

1. What areas of applied economics are of the most importance?
2. What distinction in methodology between macro— and microeconomics is the most distinctive?
3. Does the author's concept of theories of consumer and producer comply with your own?

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**ВИКОРИСТАННЯ ПРОФЕСІЙНОЇ АНГЛІЙСЬКОЇ МОВИ
ДЛЯ СТУДЕНТІВ ЕКОНОМІЧНИХ СПЕЦІАЛЬНОСТЕЙ**
(Англійською мовою)

Технічний редактор Л. О. Кузьменко

Зв. план, 2017

Підписано до видання 31.03.2017

Ум. друк. арк.2,8 Обл.-вид. арк.2,02. Електронний ресурс

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Свідоцтво по внесення суб'єкта видавничої справи до Державного реєстру
видавців, виготовлювачів і розповсюджувачів видавничої продукції сер. ДК
№ 391 від 30.03.2001