

Міністерство освіти і науки України
Донбаська державна машинобудівна академія (ДДМА)

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АНГЛІЙСЬКА МОВА

Навчальний посібник

**для студентів 1-го курсу
економічних спеціальностей**

Затверджено
на засіданні вченої ради
Протокол № 4 від 28.11.2019

Краматорськ
ДДМА
2020

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Лазуткіна, Ю. А.

Л 17 Англійська мова : навчальний посібник для студентів 1-го курсу економічних спеціальностей / Ю. А. Лазуткіна К. В. Зубенко. – Краматорськ : ДДМА, 2020. – 103 с.

ISBN 978-966-379-938-4.

Посібник складається з 20 розділів з оригінальними текстами за фахом і лексичними завданнями. Тексти мають практичне спрямування і за змістом відповідають академічній і професійній сферам майбутніх фахівців економічного профілю. Лексичні вправи сприяють накопиченню фахового термінологічного словника студентів, стимулюють навчальну мовленнєву взаємодію студентів за професійною тематикою, розвивають у студентів професійну та функціональну комунікативні компетенції.

УДК 811.111:33(075.8)

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ISBN 978-966-379-938-4

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UNIT 1

WHAT IS ECONOMICS?

Key words and phrases:

by force – силою;

society – суспільство;

orderly system – впорядкована система.

What is Economics?

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.

Language work

Exercise 1. 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 (визначений, впевнений)

exact (точний, безпомилковий)

predictable (передбачуваний)

precise (точний, чіткий, визначений)

uncertain

inexact

unpredictable

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_____.

Exercise 2. Read the text and say why economics is inexact.

Key words and phrases:

Government –	уряд;
Prison –	в'язниця;
national defense –	національна безпека;
interaction –	взаємодія;
certainty –	визначеність;
sales tax –	податок на продаж;
income tax –	податок на доходи;
behaviour –	поведінка;
to avoid –	уникати;
to raise –	піднімати;
to experience –	випробовувати, досліджувати,
to deal with –	мати справу з.

An Inexact Science

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.

Exercise 3. Find in the text.

- two parts of the state system;
- two other social sciences;
- two physical sciences;
- two types of taxes.

Exercise 4. 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 behaviour can be examined and predicted with much precision.
5. Water boils at 212° Fahrenheit.
6. The raise of sales tax always causes lower sales.

Exercise 5. Read the text and choose the most suitable title for it.

What Is Economics and Who Cares?

It's Not Perfect, but It Helps!

Will That Be Large or Small?

Key words and phrases:

likely –	вірогідно;
to provide –	забезпечувати;
tools –	інструменти;
framework –	структура;
to occupy –	займати;
majority –	більшість;
issue –	пункт, проблема;
challenge –	складне завдання;
expansion –	розширення;
recession –	спад;
to encourage –	заохочувати;
to overcome –	переборювати;
poverty –	бідність;
equipped –	обладнання.

The good news, however, is that economics can tell us the likely results of a sales tax. In addition, as a scientific discipline, economics provides extremely useful analytical tools and frameworks for understanding human behavior in the areas of getting and spending money, which (let's face it) occupies the majority of most people's waking hours.

Economics deals with fundamental, often life-or-death issues. That is why economics is important. Its challenge lies in its mysteries: We don't know when the next expansion or recession will come. We don't know if a federal tax cut will help the economy grow. We don't know which new technologies should be encouraged and which ones won't pan out (не встигнуть). And, tragically, we don't know how to overcome poverty, hunger, crime, and other evils rooted in economic reality. But economics is the branch of the social sciences most concerned with these matters, and it is the one that's well equipped to help us deal with them.

Economics provides a framework for understanding government policies, business developments, and consumer behavior here and abroad. It provides a rich context for making decisions in your business, professional, and financial life. The economy is to business as the ocean is to fish. It is the environment in which business operates. The more you know about this environment, the better you will function as a manager, analyst, and decision-maker.

Exercise 6. Match these words as they go together in the text.

likely	decisions
life-or-death	poverty
overcome	issues
government	policies
business	life
consumer	behavior
making	results
financial	developments

Exercise 7. Read and translate the words.

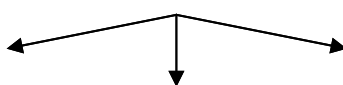
Influence, responsible for, financial development programs, constant, take into account, complicated, accept.

Exercise 8. Remember the words.

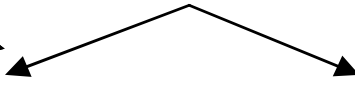
forecast	прогноз
evidence	свідомство, факт
pattern	зразок, принцип
outcome	результат, наслідок
challenge	складне завдання
long range trends	довгострокові тенденції
to be involved	бути втягнутим
stock exchange	фондова біржа
variable	змінна

Exercise 9. Read the text and complete the charts to classify economics subdivisions according to different criteria.

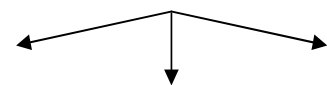
1 Economics



2 Economics



3 Economics



The field of economics may be divided in several different ways, most popularly microeconomics (at the level of individual choices) versus macroeconomics (aggregate results). Today there is a view that good macroeconomics has solid microeconomic foundations. In other words, its theories should have evidential support in microeconomics. A few authors (for example, Kurt Dopfer and Stuart Holland) also argue that 'mesoeconomics', which considers the intermediate level of economic organization such as markets and other institutional arrangements, should be considered a third branch of economic study.

Theories developed as a part of economic theory have also been applied in other fields such as criminal behavior, scientific research, death, politics, health, education, family, dating, etc. This is allowed because economics is fundamentally about human decision-making. One of the main purposes is to understand how economies work, and what are the relations between the main economic players and institutions.

Economics can also be divided into numerous sub disciplines that do not always fit neatly into the macro-micro categorization. These sub disciplines include: international economics, development economics, industrial organization, public finance, economic psychology, economic sociology, institutional economics and economic geography.

Another division of the subject distinguishes positive (descriptive) economics, which seeks to predict and explain economic phenomena, from normative economics, which orders choices and actions by some criterion.

Exercise 10. Define which sub-discipline deals with the following subjects and fill in the table.

Microeconomics	Macroeconomics

- household incomes
- national income
- employment
- inflation
- prices in local markets
- small businesses

UNIT 2

ECONOMIC SYSTEMS

Key words and phrases:

to determine – визначати;
to encourage – заохочувати;
to evaluate – оцінювати;
to rely on – покладатися;
to obey – підкорятися;
to satisfy, to meet – задовольняти;
amount – об'єм, кількість;
habit – звичка;
custom – звичай;
authority – влада;
profit – прибуток;
influence – вплив;
measure – міра;
income – дохід.

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.

Language work

Exercise 1. 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 |

Exercise 2. Answer these questions.

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?

Exercise 3. 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?

Exercise 4. Translate into English using the words from the text.

1. Звичай, звички й релігійні вірування змушують людей покладатися на ті ж знаряддя й методи праці, якими вони користувалися завжди.

2. Дефіцит ресурсів змушує людей обмежувати свої бажання й потреби.
3. Уряд змушує членів суспільства підкорятися. Він нав'язує свої рішення.
4. Виробництво товарів і послуг залежить від взаємодії споживача й виробника.
5. У командній системі всі зміни в економіці залежать від уряду.
6. Уряд займається підвищенням рівня життя населення.
7. Ця компанія займається проблемою розподілу.
8. Традиційна система заснована на звичаях, традиціях і віруваннях.
9. Кількість ресурсів впливає на обсяг виробництва.
10. Економічна система не може ґрунтуватися тільки на одному принципі.
11. Розвиток економіки в командній системі знаходиться під впливом центральної влади.

Exercise 5. Read the article and check your comprehension by doing the Ex. 6.

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 work- place, 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.

Exercise 6. 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.

UNIT 3

MACROECONOMICS

Key words and phrases:

deliberately – навмисно, продумано;
gross domestic product (GDP) – валовий внутрішній продукт (ВВП);
national income – національний дохід;
personal income – особистий дохід;
personal disposable income – особистий дохід після сплати податків;
business cycle – економічний цикл;
labor shortage – нестача робочої сили;
breakdown – розподіл, класифікація;
bundle – набір, безліч;
aggregate – сукупний;
on average – у середньому;
reveal – показувати.

What is Macroeconomics?

Macroeconomics emphasizes the interactions in the economy as a whole. It deliberately simplifies the individual building blocks of the analysis in order to retain a manageable analysis of the complete interaction of the economy.

For example, macroeconomists typically do not worry about the breakdown of consumer goods into cars, TV sets, calculators. They prefer to treat them all as a single bundle called 'consumer goods' because they are more interested in studying the interaction between households' purchases of consumer goods and firms' decisions about purchases of machinery and buildings.

Because these macroeconomic concepts are intended to refer to the economy as a whole, they tend to receive more coverage on television and in the newspapers than microeconomic concepts, which are chiefly of interest to those who belong to the specific group in question. To give an idea of the building blocks of macroeconomics, we introduce three concepts which you have probably read about in the newspapers or seen discussed on television.

Gross domestic product (GDP) is the value of all goods and services produced in the economy in a given period such as a year. GDP is the basic measure of the total output of goods and services in the economy.

The aggregate price level is a measure of the average level of prices of goods and services in the economy, relative to their prices at some fixed date in the past.

There is no reason why the prices of different goods should always move in line with one another. The aggregate price level tells us what is happening to prices on average. When the price level is rising, we say that the economy is experiencing inflation.

The unemployment rate is the percentage of the labour force without a job.

By the labour force we mean those people of working age who in principle would like to work if a suitable job were available. Some of the landed gentry are of working age but have no intention of looking for work. They are not in the labour force and should not be counted as unemployed.

Already we can see two themes of modern macroeconomic analysis. Society reveals, both through statements by individuals and by the policy pronouncements of politicians who must submit themselves for re-election by the people, that it does not like inflation and unemployment. Yet for most of the 1970s economic interactions within and between national economies led to substantial inflation rates. In the 1980s, most Western economies faced sharp rises in the aggregate unemployment rate. Macroeconomists wish to understand how interactions within the economy can lead to these outcomes and whether government policy can make any difference.

Language work

Exercise 1. Fill in the table with the most important terms of macroeconomics and try to give the definitions:

macroeconomics terms	definitions
1.	
2.	
3.	
4.	

Exercise 2. Answer the following questions for general understanding.

1. What does macroeconomics emphasize?
2. What do macroeconomists study?
3. Why do macroeconomics concepts receive more coverage in media?
4. What does a notion GDP mean?
5. What does the term «aggregate price level» denote?
6. What term do economists apply to name people of working age?

Exercise 3. Find the Russian equivalents to the following English word combinations.

building blocks, consumer goods, aggregate price level, unemployment rate, labour force, landed gentry, aggregate unemployment

UNIT 4

MICROECONOMICS

Key words and phrases:

congestion – перенаселення;
broad – широкий;
cut across – стикатися, торкатися;
treatment – оброблення;
equilibrium – рівновага;
simultaneously – одночасно;
pattern – зразок, модель;
devise – винахідник;
judicious – розумний, розсудливий;
simplification – спрощення;
proceed down – проходити;
preserve – зберігати, охороняти;
emphasize – підкреслювати;
instance – зразок, окремий випадок.

Microeconomics

Many economists specialize in a particular branch of the subject. Labour economics deals with problem of the labour market as viewed by firms, workers, and society as a whole. Urban economics deals with city problems: land use, transport, congestion, and housing. However, we need not classify branches of economics according to the area of economic life in which we ask the standard questions what, how, and for whom. We can also classify branches of economics according to the approach or methodology that is used. The very broad division of approaches into microeconomic and macroeconomic cuts across the large number of subject groupings cited above.

Microeconomic analysis offers a detailed treatment of individual decisions about particular commodities.

For example, we might study why individual households prefer cars to bicycles and how producers decide whether to produce cars or bicycles. We can then aggregate the behaviour of all households and all firms to discuss total car purchases and total car production. Within a market economy we can discuss the market for cars. Comparing this with the market for bicycles, we may be able to explain the relative price of cars and bicycles and the relative output of these two goods. The sophisticated branch of microeconomics known as general equilibrium theory extends this approach to its logical conclusion. It studies simultaneously every market for every commodity. From this it is hoped that we can understand the complete pattern of consumption, production, and exchange in the whole economy at a point in time.

If you think this sounds very complicated you are correct. It is. For many purposes, the analysis becomes so complicated that we tend to lose track of the

phenomena in which we were interested. The interesting task for economics, a task that retains an element of art in economic science, is to devise judicious simplifications which keep the analysis manageable without distorting reality too much. It is here that microeconomists and macroeconomists proceed down different avenues. Microeconomists tend to offer a detailed treatment of one aspect of economic behaviour but ignore interactions with the rest of the economy in order to preserve the simplicity of the analysis. A microeconomic analysis of miners' wages would emphasize the characteristics of miners and the ability of mine owners to pay. It would largely neglect the chain of indirect effects to which a rise in miners' wages might give rise. For example, car workers might use the precedent of the miners' pay increase to secure higher wages in the car industry, thus being able to afford larger houses which burned more coal in heating systems. When microeconomic analysis ignores such indirectly induced effects it is said to be partial analysis.

In some instances, indirect effects may not be too important and it will make sense for economists to devote their efforts to very detailed analyses of particular industries or activities. In other circumstances, the indirect effects are too important to be swept under the carpet and an alternative simplification must be found.

Exercise 1. Find the equivalents to the following word combinations.

Particular branch, urban economics, area of economic life, broad division of approaches, cited above, particular commodities, individual households, relative price, sophisticated branch of microeconomics.

Exercise 2. Give the English for the following.

Сохранить простоту анализа, полная модель потребления, упустить суть явления, без разрушения действительности, подробное рассмотрение вопроса, альтернативное упрощение, скрывать.

Exercise 3. Join the sentence halves below.

1. For many purposes, the analysis becomes so complicated	a) comparing the market of cars with the market for bicycles
2. A microeconomic analysis of miners' wages could get known	b) it is said to be partial analysis
3. Microeconomists offer a precise treatment of one aspect of economic behaviour	c) that we can lose kernel of the issue in which we were interested
4. We are able to explain output of these two goods	d) the specific features of miners themselves and the ability of mine owners to pay wages
5. When microeconomic analysis doesn't touch such indirect effects	e) but ignore interactions with the other branches of the economy in order to keep the simplicity of the analysis.

Exercise 4. Match the terms and their definitions.

housing	refuse to take notice of smth. or to reject as ungrounded
manageable	group of individual dwellings or apartment houses typically of similar design that are usu. built and sold or leased by one management
ignore	capable of being to handled or directed with a degree of skill
interaction	state of balance between opposing forces or actions that is either static or dynamic
equilibrium	mutual or reciprocal action or influence

Exercise 5. Answer the following questions for general understanding.

1. What are the ways to classify branches of economics?
2. What does microeconomic analysis deal with?
3. What are the approaches to understand the pattern of consumption, production and exchange?
4. What is an interesting task for economics?
5. What do microeconomists tend to offer and to ignore?
6. Are indirect effects important for microeconomists?

Exercise 6. Translate into Russian.

- a) Many economists specialize in a particular branch of the economics.
- b) Microeconomists offers a detailed analysis of one aspect of economic behaviour but ignore interactions with the rest of the economy.
- c) General equilibrium theory is the branch of microeconomics.
- d) General equilibrium theory studies simultaneously every market for every commodity.
- e) We can understand the complete pattern of consumption, production, and exchange in the whole economy at a point in time with the help of microeconomic analysis.
- f) The interesting task for economics is to devise judicious simplifications which keep the analysis manageable without distorting reality too much.
- g) Indirect effects may not be too important and it will make sense for economists to devote their efforts to very detailed analyses of particular industries or activities.
- f) In other circumstances, the indirect effects are too important and an alternative simplification must be found.

Exercise 7. Look through the text once again and write a summary using the clichés.

- the main aim of the text is
- the article begins with...
- the text under consideration points out....
- in the text emphasis is also given to...
- in conclusion the text reads....

UNIT 5

THE WORLD ECONOMY

Key words and phrases:

Legacy costs – payments that companies are obliged to make to healthcare schemes and pension funds.

Health insurance – the system of providing financial protection for property, life, health, etc., against death, loss, or damage, and involving regular payment in return for a policy guaranteeing such protection.

Deflationary – causing reduction in the level of total spending and economic activity resulting in lower levels of output, employment, investment, trade, profits, and prices.

E-commerce – business transactions conducted on the internet.

The World's Economic Leader

Several leading economists defined the twentieth century ‘the American century’. As we enter the twenty first century people around the world are beginning to ask just for how long the U.S. will be able to retain its position as the world’s number one economic power.

Much is made of ‘legacy industries’ in the U.S., old industries such as car production, steel manufacturing, coal mining and most of the airline industry. Companies in these sectors struggle with work practices that make them inefficient and uncompetitive compared with their Asian rivals. To compound these problems they also suffer from enormous ‘legacy costs’ such as health insurance payments and pension fund commitments. The Japanese car manufacturer Toyota has set up car plants in the U.S. that outperform their American rivals. Toyota has no legacy costs, General Motors and Ford do. Some economists argue that these old industries and their workers must face up to the fact that these legacy obligations can no longer be met.

The U.S. has been a world leader in the new industries associated with the Internet. The Internet started in the U.S. Initially, English was the language of the Internet. Today the U.S. accounts for less than 25 % of Internet users, 40–50 % on new Internet users are now coming from Asia. However, e- industry advocates are quick to point out that companies such as Google and Yahoo do not have ‘legacy costs’ and are very competitive on the world stage, work within few restrictions and are able to innovate very rapidly. E-commerce has been a key catalyst in bringing about change in ‘old industries’. It has had a key deflationary impact and is a major pusher of globalisation. A shift is occurring in the U.S. economy as e-commerce allows small and medium sized enterprises to compete with large multinational companies.

Clearly considerable redistribution of wealth is taking place in the world as the economies of China and India grow. It is still too early though to predict the demise of the U.S. as the world’s number one economy.

Language work

Exercise 1. Specify the meaning of the following words in the text.

to account for

- a) to give reasons for
- b) to make payments
- c) to be responsible for

to face up to

- a) to turn the face to something or somebody
- b) to be brave enough to accept
- c) to be opposite

to struggle with

- a) to battle or fight
- b) to go or progress with difficulty
- c) to make effort, to try

to bring about

- a) to cause to happen
- b) to turn around
- c) to present to the public

Exercise 2. Mark the sentences as true or false.

1. In the twenty first century the USA is certain to retain its position as the world's number one economic power.
2. Legacy costs are a good stimulus for business development.
3. Asian companies have an advantage over the US companies because they don't have to pay legacy costs.
4. The USA is no longer a world leader in the new industries associated with the Internet.
5. Small and medium sized enterprises can't compete with large multinational companies.
6. New e-industries are more successful than old «legacy industries».

Exercise 3. You will read Allanby Consulting Internal Report. First read the introduction and answer the questions.

- What is the subject of the report?
- Why are Brazil, Russia India and China joined in one group?
- Why is the report urgent?

Allanby Consulting Internal Report

John O'Neill, a global economist at Goldman Sachs London, recently produced a report on the economic outlook of what he termed the 'BRIC countries' – Brazil, Russia, India and China. Allanby Consulting decided to produce this confidential in-house report on the economic future of these four

countries. All four countries are set for dramatic economic growth that will lead to considerable redistribution of the world's wealth. This report considers some of the issues that may threaten this development.

Exercise 4. Try to fill in the chart below for each country, then read the text and check your ideas.

Country	Major national products	Possible threats to development
Brazil		
Russia		
India		
China		

Brazil is currently undergoing impressive development. This has primarily been fuelled by China's demand for the country's raw materials. China is investing heavily to improve Brazil's infrastructure to facilitate the export of metal ores, timber and food supplies. Currently 50 million Brazilians live in rural and urban poverty. As has happened in China millions of these people will be removed from poverty as the economy develops but just how many will be left behind? Could this disadvantaged section of society be a cause of future social conflict? Brazil is becoming an important global supplier of food, primarily soya beans. However, the Amazon rainforest is being destroyed at an alarming rate. In the future this may lead to drought in the south of the country which could threaten this food production.

Russia: supplies of gas and oil make Russia a formidable hydrocarbon power. Moscow may now be a consumer paradise but the rest of the country lags far behind in terms of economic growth. The country's legal and political infrastructures need to develop and be reinforced. The country is too dependent on oil supplies and needs to diversify into other sectors, especially IT. Low levels of population growth and a poor healthcare infrastructure pose another threat to the country's development.

India: last year Infosys, the successful Bangalore-based IT company, received 800 applications for 100 internships for non-Indian nationals. The company received a total of 1 million job applications from qualified Indian graduates. The Indian education system has prepared the country well for its growth in the IT sector. Graduates no longer need to leave India to develop a career. Faith and religion are important in India – will economic growth and increased wealth lead to a decline in religious belief as has happened in Western Europe? The rural poor are rapidly being left behind by urban growth, the government need to address this issue. Drought in the north of the country is an increasing problem that may threaten food supplies.

China: 70 % of the clothes bought in the US are now made in China. Consumer electronics, the car industry, the car component industry all are developing rapidly. Multinationals are now opening research facilities in China. Millions of Chinese people have been pulled out of poverty over the last 10 years. The impact of the country's recent economic growth on the environment has been very high. There is a risk of drought in the north of the country which may threaten supplies of wheat and other grains. The political situation remains uncertain. How will the Communist Party adapt to the demands of the growing affluent middle classes?

UNIT 6

INDIVIDUAL AND SOCIETY

Key words and phrases:

to consume – споживати;
advanced countries – передові країни;
apply – використовувати, застосовувати;
completely – повністю;
degree – ступінь;
depend on – залежати;
directly – прямо, безпосередньо;
effort – зусилля;
commodities – предмети споживання;
emphasize – підкреслювати;
reconcile – узгоджувати;
scarcity – нестача;
equally – однаково;
essentially – головним чином;
examine – розглядати, досліджувати;
extremely – вкрай;
however – проте;
inhabitant – житель;
means – засіб;
opposite – протилежний;
percentage – відсоток, процентне відношення;
pose a question – ставити запитання;
poverty – бідність;
provide – забезпечувати, постачати;
remote – далекий, такий, щоне має прямого відношення;
satisfy wants – задовольняти потреби;
self-sufficient – незалежний в економічному відношенні;
solve a problem – вирішувати проблему;
skill – вміння, майстерність, кваліфікація;
standard of living – рівень життя;
struggle for survival – боротьба за виживання;
sustain life – підтримувати життя;
totally – повністю;
vast – великий;
way – путь, спосіб.

Individual and Society

Every group of people must solve three basic problems of daily living: what goods and services to produce, how to produce these goods and services, and for whom to produce these goods and services.

Economics is the study of how society decides what, how, and for whom to produce. By goods we mean physical commodities such as steel, cars, and strawberries. By services we mean activities such as massages or live theatre performances which can be consumed or enjoyed only at the instant they are produced. In exceptional circumstances, society may find that some of the questions about what, how, and for whom to produce have already been answered; until the arrival of Man Friday, Robinson Crusoe need not worry about the 'for whom' question. In general, however, society must answer all three questions. By emphasizing the role of society, our definition places economics within the social sciences, the sciences that study and explain human behaviour. The subject matter of economics is that part of human behaviour which relates to the production, exchange, and use of goods and services. The central economic problem for society is how to reconcile the conflict between people's virtually limitless desires for goods and services, and the scarcity of resources (labour, machinery, and raw materials) with which these goods and services can be produced. In answering the questions what, how, and for whom to produce, economics explains how scarce resources are allocated between competing claims on their use. Because economics is about human behaviour, you may be surprised that we describe it as a science rather than a subject within the arts or humanities. This reflects the way economists analyse problems, not the subject matter of economics. Economists aim to develop theories of human behaviour and to test them against the facts.

Language work

Exercise 1. Find antonyms.

Begin, difficult, high, poor, inside, wealth, finish, easy, low, prosperous, outside, poverty, capable, dependence, incapable, directly, large, independence, indirect, small.

Exercise 2. Translate the word combinations given from Russian into English.

Точное определение, простой ответ, основной вопрос, изучение материальных сторон жизни, развитые страны, борьба за существование, уровень жизни, относительная беспомощность, без посторонней помощи, испытывать крайнюю бедность, степень экономической независимости, наблюдать противоположную ситуацию, жители городов, члены сложной экономической организации.

Exercise 3. Give three forms of the verbs.

to be, to have, to give, to apply, to satisfy, to live, to study, to examine, to solve, to leave, to survive, to experience, to provide, to turn, to observe, to feed, to build, to depend, to guarantee

Exercise 4. Make up sentences using the following words.

1. limits, of, economics, to, study, the, of, aspects, the, material, itself, life.
2. problem, an, is, underlying, economics, in, that, survival, of.
3. seem, may, a problem, very, this, remote, very.
4. very, starvation, a, prospect, millions, for, real, human, beings, is, of.
5. peasants, an, Indian, have, living, of, the, low, extremely, standard.
6. people, great, experience, poverty, these.
7. degree, they, a, have, economic, of, independence.

Exercise 5. Fill in the blanks with prepositions.

1. Most textbooks ... Economics begin ... posing the question, «What is Economics ...?»
2. Economics is essentially a study... the ways... which people apply their knowledge... the gifts... nature ...order to satisfy their needs.
3. ... the more advanced countries few people are conscious ... a life or death struggle ... existence.
4. Even... the economically advanced countries there is an aspect... survival.
5. Such people have the abilities to sustain life... outside assistance.
6. If we now turn ... the inhabitants of New York we must observe the opposite situation – a high standard ... living together ... an extreme economic dependence.
7. The inhabitants... cities are totally incapable ... providing ... themselves the means ... their survival.
8. Such people depend ... the efforts... many thousands ... specialist workers.
9. ... industrialized societies a high standard ... living is possible only if the organized cooperation ... large numbers ... people can be guaranteed.
10. ... the economically developed countries we are rich, not as individuals, but only as members ... a complex economic organisation.

Exercise 6. Fill in the gaps with the verbs given in brackets.

1. Although Economics... a vast subject and precise definitions... usually very complex, it... not a difficult matter to give a simple answer to the basic question (to be).
2. Economics ... itself to the study of the material aspects of life (to limit).
3. We must examine how people have solved or ... to solve this problem (to try).
4. It... little attention from those of us fortunate enough to live in these areas (to attract).
5. A large percentage of human race still... in small self-sufficient communities (to live).

Exercise 7. Response on the following

1. What do most introductory books on Economics begin by?
2. What does Economics study?
3. What does it limit itself to?
4. What categories of people can survive without outside assistance?
5. Why do they have a very low standard of living?
6. Why aren't the inhabitants of big cities economically independent?

Exercise 8. Make up questions to the following sentences.

1. Precise definitions are usually very complex.
2. Economics limits itself to the study of the material life.
3. The Indian peasants have an extremely low standard of living.
4. A large percentage of the human race still lives in very small peasant communities.
5. These people experience great poverty.
6. The inhabitants of big cities depend on the efforts of specialized workers.

UNIT 7

SCARCITY AND CHOICE

Key words and phrases:

rather than – а ... не; скоріше... ніж; замість того, щоб;
wants – потреби;
income – дохід;
commodity – предмет споживання;
consumption – споживання;
well-being – добробут;
to be scarce – відчувати нестачу;
entertainment – розвага;
ability – здатність;
neither nor – ні....ні;
to be available – бути в наявності, бути доступним;
to be sacrificed – бути принесеним у жертву;
in order to – для того, щоб;
means – засіб;
allocate – розподіляти;
range of goods – асортимент товарів;
community – співтовариство, тут. суспільство;
capital – капітал;
to distinguish – визначати;
to distribute – розподіляти;
share – доля.

Scarcity and Choice

Economics is about the satisfaction of material wants. It is necessary to be quite clear about this; it is people's wants rather than their needs which provide the motive for economic activity. We go to work in order to obtain income which will buy us the things we want rather the things we need. It is not possible to define 'need' in terms of any particular quantity of a commodity, because this would imply that a certain level of consumption is 'right' for an individual. Economists tend to avoid this kind of value judgment which tries to specify how much people ought to consume. It is assumed that individuals wish to enjoy as much well-being as possible, and if their consumption of food, clothing, entertainment, and other goods and services is less than the amount required to give them complete satisfaction they will want to have more of them.

If the resources available to people are insufficient to satisfy all their wants, we say that such resources are scarce. Scarcity is a relative concept; it relates the extent of people's wants to their ability to satisfy those wants. Neither people's wants nor their ability to produce goods and services are constant. Their productive potential is increasing all the time, but so is their appetite for material

things. Whether this increase in the demands for more and better material satisfaction is in the nature of humankind or whether it is artificially stimulated by modern advertising is a subject much disputed at the present time.

Whatever the reason the fact is that we find ourselves in a situation of scarcity. We can not have all the things we want. The resources available to satisfy our wants, are, at any time, limited in supply. Our wants, however, appear to be unlimited. Thus, we all are in a position of having to make choices; we can only have more of X by having less of Y. Our incomes are insufficient for us to buy all the things we would like to have. The individual with a limited income and unlimited wants is forced to exercise choice when he or she spends that income. Society as a whole faces a similar problem.

There is a limit to a country's productive capacity because the available supply of land, factories, machines, labour and other economic resources is limited. These economic resources have alternative uses; they can be used to produce many different kinds of goods and services. If some of these resources are committed to the production of one thing society must forego the outputs of the other things which it might have produced. For example, if we commit resources to the building of houses then the real cost of these houses is the potential output of schools, shops, office blocks or theatres which has been sacrificed in order to produce houses

People have limited means to satisfy unlimited wants so they are forced to choose. The problems of choice are essentially problems of allocation. People must decide how to allocate resources to different uses and then how to allocate the goods and services produced to the individual members of society. There are three fundamental choices to be made:

1. Which goods shall be produced and in what quantities? This problem concerns the composition of total output. The community must decide which goods it is going to produce and hence which goods it is not going to produce. Having decided the range of goods to be produced, the community must then decide how much of each good should be produced. In reality the choices before a community are rarely of 'all or nothing' variety. They usually take the form: more of one thing and less of another. The first and major function of any economic system is to determine in some way the actual quantities and varieties of goods and services which will best meet the wants of its citizens.

2. How should the various goods and services be produced? Most goods can be produced by a variety of methods. Wheat can be grown by making use of much labour and little capital, or by using vast amounts of capital and very little labour. Electrical appliances can be made by using large and complex machines operated by relatively few semi- or unskilled workers. Alternatively they might be produced in hosts of small workshops by highly skilled technicians using relatively little machinery. Different methods of production can be distinguished from one another by the differences in the quantities of resources used in producing them. Economists use the term capital – intensive to describe the

alternative methods just outlined. The total output of the community depends not only on the total supply of resources available but on the ways in which these resources are combined together. A community must make decisions on the methods of production to be adopted.

3. How should the goods and services be distributed? This is the third function which an economic system has to perform. The total output has to be shared out among the members of the community. The economic system has to determine the relative sizes of the shares going to each household. Should everyone be given an equal share? Should the output be shared out in accordance with people's ability to pay the price, or should the shares be decided according to tradition and custom? These basic problems are common to all societies no matter what level of economic development they have reached. The methods of solving them will be different from one society to another but the problems are common in all societies.

Language work

Exercise 1. Read and translate the groups of words.

Different uses, individual members of society, 'all or nothing' variety, major function, by making use, large and complex machines, unskilled workers, electrical appliances.

Exercise 2. Define the main idea of each passage in the text.

Exercise 3. Scan the text again and define the three basic choices to be made.

Exercise 4. Match the words from the text with corresponding definitions

scarcity	something that has already been produced
to commit	to make someone pleased
to satisfy	lack or absence of something
output	to put into trust or charge

Exercise 5. Fill in the gaps.

1. Economists tend to..... this kind of value judgment which tries to specify how much people ought to 2. There is a limit to a country's productive capacity because the available of land, factories, machines, labour and other economic resources is limited. 3. The resources available to satisfy our wants, are, at any time, limited in 4. It is not possible to define 'need' in terms of any particular quantity of a , because this would imply that a certain level of consumption is 'right' for an individual. 5. If a company cannot meet ... commitments an Official Receiver may have to be appointed. 6. ... a legal requirement that a ... annual accounts are audited by a professional accountant.

Exercise 6. Join the sentence halves below.

1. Different methods of production can be distinguished from one another	a. but the problems are common in all societies.
2. The methods of solving them will be different from one society to another	b. on the methods of production to be adopted.
3. A community must make decisions	c. by the differences in the quantities of resources used in producing them
4. The first and major function of any economic system is	d. among the members of the community.
5. The total output has to be shared out	e. to determine in some way the actual quantities and varieties of goods and services which will best meet the wants of its citizens.

UNIT 8

THE ROLE OF THE MARKET

Key words and phrases:

stock market – фондовий ринок;
to transact – здійснювати операцію;
consumption – споживання;
alternative goods – альтернативні товари;
reconcile – застосовуватися, узгоджуватися;
adjustment – регулювання;
to ensure – гарантувати, забезпечувати;
counter – прилавок;
luxury lunches – розкішний обід;
cattle – рогата худоба;
to contract – тут. підхоплювати (про хворобу).

The Role of the Market

Markets bring together buyers and sellers of goods and services. In some cases, such as a local fruit stall, buyers and sellers meet physically. In other cases, such as the stock market, business can be transacted over the telephone, almost by remote control. We need not go into these details. Instead, we use a general definition of markets.

A market is a shorthand expression for the process by which households' decisions about consumption of alternative goods, firms' decisions about what and how to produce, and workers' decisions about how much and for whom to work are all reconciled by adjustment of prices.

Prices of goods, and of resources, such as labour, machinery and land, adjust to ensure that scarce resources are used to produce these goods and services that society demands.

Much of economics is devoted to the study of how markets and prices enable society to solve the problems of what, how, and for whom to produce. Suppose you buy a hamburger for your lunch. What does this have to do with markets and prices? You chose the cafe because it was fast, convenient and cheap. Given your desire to eat, and your limited resources, the low hamburger price told you that this was a good way to satisfy your appetite. You probably prefer steak but that is more expensive. The price of steak is high enough to ensure that society answers the 'for whom' question about lunchtime steaks in favour of someone else.

Now think about the seller's viewpoint. The cafe owner is in the business because, given the price of hamburger meat, the rent and the wages that must be paid, it is still possible to sell hamburgers at a profit. If rents were higher, it might be more profitable to sell hamburgers in a cheaper area or to switch to luxury lunches for rich executives on expense accounts. The student behind the counter is working there because it is a suitable part-time job which pays a bit of money. If the wage were much lower it would hardly be worth working at all. Conversely,

the job is unskilled and there are plenty of students looking for such work, so owners of cafes do not have to offer very high wages.

Prices are guiding your decision to buy a hamburger, the owner's decision to sell hamburgers, and the student's decision to take the job. Society is allocating resources – meat, buildings, and labour – into hamburger production through the price system. If nobody liked hamburgers, the owner could not sell enough at a price that covered the cost of running the cafe and society would devote no resources to hamburger production. People's desire to eat hamburgers guides resources into hamburger production. However, if cattle contracted a disease, thereby reducing the economy's ability to produce meat products, competition to purchase more scarce supplies of beef would bid up the price of beef, hamburger producers would be forced to raise prices, and consumers would buy more cheese sandwiches for lunch. Adjustments in prices would encourage society to reallocate resources to reflect the increased scarcity of cattle.

Language work

Exercise 1. Define the part of speech of the following words.

Conversely, owner, allocate, unskilled, running, scarcity.

Exercise 2. Make nouns of these verbs.

Transact, control, reconcile, adjust, produce, pay, encourage.

Exercise 3. Match the words with the opposite meaning.

Cheap, high, sell, question, expensive, purchase, low, response, answer, reply, buy, luxury.

Exercise 4. Form antonyms of the following words using necessary prefixes.

Profitable, having job, skilled, paid, worth, allocate

Exercise 5. Translate the following word combinations from Russian into English.

Перерозподіл ресурсів, бутерброди з сиром, м'ясні продукти, віддавати ресурси, чи варто було б працювати, дорожчий, обмежені ресурси.

Exercise 6. Put special questions to the sentences

1. It is still possible to sell hamburgers at a profit.
2. People's desire to eat hamburgers guides resources into hamburger production.
3. The student behind the counter is working there because it is a suitable part-time job which pays a bit of money.
4. You probably prefer steak but that is more expensive.
5. Much of economics is devoted to the study of how markets and prices enable society to solve the problems of what, how, and for whom to produce.
6. The distribution problem is solved in a similar manner.
7. Markets bring together buyers and sellers of goods and services.

Exercise 7. Fill in the blanks with the correct forms of the verbs given in brackets.

1. Adjustments in prices society to reallocate resources to reflect the increased scarcity of cattle (encourage).

2. If the wage much lower it ... hardly working at all (to be, will be worth).

3. The price of steak high enough to..... that society..... the 'for whom' question about lunchtime steaks in favour of someone else (be, ensure, answer).

4. Much of economics..... to the study of how markets and prices society the problems of what, how, and for whom to produce (be devoted , to enable, to solve).

Exercise 8. Answer the questions.

1. What is a market?
2. How do markets and prices enable the society to solve the problem of production?
3. Whose decisions are guided by prices?
4. What is a mechanism of price system?
5. What thing would encourage society to reallocate resources?

UNIT 9

THE COMMAND ECONOMY, THE FREE MARKET ECONOMY AND THE MIXED ECONOMY

Key words and phrases:

to highlight – висувати на перший план;
to exist – існувати;
government – тут. держава;
complicated – складний;
immensity – неосяжність, величезний масштаб;
coherent – узгоджений;
consume – споживати;
housing – житло;
pursue – гнатися, переслідувати;
insight – проникнення в суть, розуміння, проникливість;
interference – втручання, перешкода, завада;
at length – детально, докладно, ґрунтовно.

The Command Economy, the Free Market Economy, the Mixed Economy

The Command Economy

To highlight the role of markets and prices, we now ask how resources might be allocated if markets did not exist. One example is a command economy.

A command economy is a society where the government makes all decisions about production and consumption. A government planning office decides what will be produced, how it will be produced, and for whom it will be produced. Detailed instructions are then issued to households, firms, and workers.

Such planning is a very complicated task, and there is no complete command economy where all allocation decisions are undertaken in this way. However, in many countries there was a large measure of central direction and planning. The state owned factories and land, and made most important decisions about what people should consume, how goods should be produced, and how much people should work.

To appreciate the immensity of this task, imagine that you had to run by command the city in which you live. Think of the food, clothing, and housing allocation decisions you would have to make. How would you decide who should get what and the process by which these goods and services would be produced? Of course these decisions are being made every day in your own city, but chiefly through the allocative mechanism of markets and prices.

The Invisible Hand or Free Market Economy

Markets in which governments do not intervene are called free markets.

Individuals in free markets pursue their own interests, trying to do as well for themselves as they can without any government assistance or interference. The idea that such a system could solve the what, how, and for whom problems is one of the oldest themes in economics, dating back to Adam Smith, the famous Scottish philosopher-economist whose book *The Wealth of Nations* (1776) remains a classic. Smith argued that individuals pursuing their self-interest would be led 'as by an invisible hand' to do things that are in the interests of society as a whole.

Suppose you wish to become a millionaire. You play around with new ideas and invent a new good, perhaps the television, the motor car or the hand calculator. Although motivated by our own self-interest, you make society better off by creating new jobs and opportunities. You have moved society's production possibility frontier outwards – the same resources now make more or better goods – and become a millionaire in the process. Smith argued that the pursuit of self-interest, without any central direction, could produce a coherent society making sensible allocative decisions.

This remarkable insight has been studied at length by modern economists.

The Mixed Economy

The free market allows individuals to pursue their self-interest without any government restrictions. The command economy allows little scope for individual economic freedom since most decisions are taken centrally by the government. Between these two extremes lies the mixed economy.

In a mixed economy the government and private sector interact in solving economic problems. The government controls a significant share of output through taxation, transfer payments, and the provision of goods and services such as defence and the police force. It also regulates the extent to which individuals may pursue their own self-interest.

In a mixed economy the government may also be a producer of private goods such as steel or motor cars. Examples of this in the UK include the nationalized industries such as railways and coal.

Most countries are mixed economies, though some are close to command economies and others are much nearer the free market economy. Even the Soviet Union allows consumers some choice over the goods they buy. Private agricultural markets co-exist with centrally organized 'collectives'. Conversely, even countries such as the United States which espouse more enthusiastically the free market approach, still have substantial levels of government activity in the provision of public goods and services, the redistribution of income through taxes and transfer payments, and the regulation of markets.

Language work

Exercise 1. Find the English equivalents to the following word expressions
Удивительная сущность, подробно, ограничения, выпуск продукции,
преследовать, масштаб, напротив, существенный уровень.

Exercise 2. Read sentences and decide if they are right or wrong according to the text.

1. A command economy is a society where the government makes all decisions about production and consumption.
2. The state owns factories and land, and makes most important decisions on allocation of different resources in command economy.
3. Consumers spend their incomes on the things that bring little satisfaction.
4. Although motivated by the government, you make society better off by creating new jobs and opportunities.

Exercise 3. Answer the questions.

1. How do we call a society where markets do not exist?
2. What kind of economy can we nominate as a command one?
3. How were the decisions made under the command economy in the former USSR?
4. What is a free market?
5. What kinds of problems does a free market economy solve?
6. Who and what was Adam Smith?
7. What was the famous idea of Smith about?
8. What are the features of mixed economy?
9. What is the way government controls the output?
10. What are the examples of mixed economies?
11. What type of economy does the USA have?

UNIT 10

THE LIMITING CASES OF MARKET STRUCTURE

Key words and phrases:

monopsony – монопсонія;
perfect competition – досконала конкуренція;
to neglect – упускати, не звертати уваги;
limiting cases – обмежувальні (крайні) випадки;
to act on the assumption – діяти за припущенням;
feedback – зворотний зв'язок, зв'язок виробника зі споживачем; інформація від споживача;
vigorously – енергійно;
to command – керувати;
to regard as – розглядати як (у якості);
price-taker – ціноотримувач.

The Limiting Cases of Market Structure

An industry is the set of all firms making the same product. The output of an industry is the sum of the outputs of its individual firms. But why indeed do some industries have many firms but others only one? This is a question about market structure. The structure of a market is a description of the behaviour of buyers and sellers in that market. Speaking about market structure, first it is useful to establish two benchmark cases, the opposite extremes between which all other types of market structure must lie. These limiting cases are perfect competition on the one hand and monopoly or monopsony on the other hand. A perfectly competitive market is one in which both buyers and sellers believe that their own buying or selling decisions have no effect on the market price. A monopolist is the only seller or potential seller of the good in that industry. A monopsonist is the only buyer or potential buyer of the good in that industry. The economist's definition of perfect competition is different from the meaning of competition in everyday usage. The economist means that each individual, recognizing that his own quantities supplied or demanded are trivial relative to the market as a whole, acts on the assumption that his actions will have no effect on the market price. Each consumer constructs a budget line on the assumption that market prices are given and unaffected by the quantities he chooses. Changes in market conditions, applying to all firms and consumers, change the equilibrium price and hence individual quantities demanded, but each individual neglects any feedback from his own actions to market price. This concept of competition, which we now extend to firms, differs from everyday usage. Ford and Renault are fighting each other vigorously for the European car market, but an economist would not call them perfectly competitive. Each commands such a large share of the total market that changes in their quantities supplied affect the market price. Each must take account of this in deciding how much to supply. They cannot regard themselves

as price-takers. Only under perfect competition can individuals make decisions that treat the price as independent of their own actions.

Language work

Exercise 1. Match each expression with its meaning.

to trade property rights	рівновага конкуренції
competitive equilibrium	обсяги (кількість) пропонуваних товарів
initial endowments of commodities	обмінювати права на власність
quantities of goods offered	кількість запропонованого товару
infinitely elastic	початковий внесок у товари
voluntary exchange	основа економіки
core of a market	добровільний обмін

Exercise 2. Translate the word combinations given from Russian into English.

Равновесная цена, рыночная цена, изменение рыночных условий, большая доля общего рынка, учитывать, рассматривать цену.

Exercise 3. Fill in the blanks with prepositions.

1. The output ...an industry is the sum ... the outputs ... its individual firms.
2. The structure ... a market is a description ... the behaviour ... buyers and sellers ... that market.
3. It is useful ... establish two opposite cases which all other types ... market structure must lie.
4. ... a perfectly competitive market buyers and sellers consider their own decisions ... having no effect ... the market price.
5. A monopolist is considered ... be the only seller or potential seller ... the good that industry.

Exercise 4. Read each statement given and decide which of the following is not true.

1. A monopsonist is the only seller or potential seller of the good in the industry.
2. The decision-maker realizes that general public act on the assumption that their actions will have no effect on the market price.
3. Any buyer plans his or her budget on the assumption that market prices are given and cannot be affected by the quantities he or she chooses.
4. Changes in market conditions that affect all firms and consumers change the equilibrium price.
5. Under perfect competition firms cannot make decisions that treat the price as independent of their own actions.

Exercise 5. Make up questions to the following sentences.

1. Each individual neglects any feedback from his own actions to market price.
2. They cannot regard themselves as pricetakers.
3. A monopsonist is the only buyer or potential buyer of the good in that industry.
4. An economist would not call Ford and Renault perfectly competitive.
5. The structure of a market is a description of the behaviour of buyers and sellers in that market.

Exercise 6. Answer the following questions.

1. What is an industry?
2. What does a number of firms in an industry depend on?
3. What are the two limiting cases of a market structure?
4. Do any actions of individuals have effect on the market price in case of changes in market conditions?
5. What is the assumption any consumer makes a budget line on?
6. Why cannot we call Renault or Ford perfectly competitive?
7. What must each large company take account of?
8. When do individuals make decisions that can treat the price?

Exercise 7. Write a summary to the text above.

UNIT 11

PERFECT COMPETITION

Key words and phrases:

plausible – правдоподібний, достовірний;

trivial – невеликий, незначний

sensible – доцільний, практичний;

sole – єдиний, винятковий;

discretion – проникливість, прозорливість, обережність, обачність, розсудливість;

output – продукція, випуск, вироблення;

OPEC – Organization of Petroleum Exporting Countries – Організація країн – експортерів нафти;

cohesive – пов'язаний, згуртований, який утворює єдине ціле;

relevance – значущість, істотність, важливість;

price-taking firm – фірма – ціноотримувач;

prohibitive – надмірно, непомірно високий;

revenue – дохід, виручка;

enormous – величезний, гігантський, великий;

profound – повний, досконалий;

rule out – виключати;

thereby – таким чином;

conversely – навпаки;

move up – зростання.

Perfect Competition

A perfectly competitive industry, in which everyone believes that their own actions have no effect on market price, must have many buyers and many sellers. Agricultural markets are a good example. In London the New Covent Garden fruit market confronts many buyers with many sellers. Neither buyers nor sellers believe their own actions affect the market price. Firms in a perfectly competitive industry face a flat or horizontal demand curve. The horizontal demand curve for a product is the crucial feature of a perfectly competitive firm. For this to be a plausible description of the demand curve facing the firm, we really need to have in mind an industry with four characteristics. First, there must be a large number of firms in the industry so that each is trivial relative to the industry as a whole. Second, the firms must be making a reasonably standard product, such as wheat or potatoes. Even if the car industry had a large number of firms it would not be sensible to view it as a competitive industry. A Ford Sierra is not a perfect substitute for a Vauxhall Cavalier. The more imperfect they are as substitutes, the more it will make sense to view Ford as the sole supplier of Sierras and Vauxhall as the sole supplier of Cavaliers. Third, in a perfectly competitive industry all firms must be making essentially the same product, for which they must all charge

the same price. Even if all firms in an industry made homogeneous or identical goods each firm might have some discretion over the price it charged if buyers have imperfect information about the quality or characteristics of the products of different firms in the industry. If you don't know much about cars you may think that a 1970 Ford Cortina being sold for £1000 must be in a better condition than a 1970 Ford Cortina being sold for £500. Hence, if no firm in a competitive industry can affect the price for which it sells its output, it is not sufficient that all firms are selling a homogeneous product. We must also assume that buyers have almost perfect information about the characteristics of the products being sold so that they know the products of different firms in a competitive industry really are identical.

Why don't all the firms in the industry do what OPEC did in 1973–74? If existing firms collectively restrict supply, they can increase the price of their output by moving the industry up its market demand curve. If the analysis of price-taking perfectly competitive firms is to have any relevance we must explain why such collective action is impossible.

One answer is that, with so many firms in the industry, the costs of organizing themselves into a cohesive group might be prohibitive. Think of all the committee meetings that would be needed. Managers might spend more time negotiating with other firms than organizing production. Nevertheless, if the market demand curve is very inelastic, the potential increase in revenue from such co-operation could be enormous, as OPEC discovered. We need a more profound answer to rule out co-operation. Thus the fourth crucial characteristic of a perfectly competitive industry is free entry and exit. Even if existing firms could organize themselves to restrict total supply and drive up the market price, the consequent increase in revenues and profits would simply attract new firms into the industry, thereby increasing total supply again and driving the price back down. Conversely, as we shall shortly see, when firms in a competitive industry are losing money, some firms will close down and, by reducing the number of firms remaining in the industry, reduce the total supply and drive the price up, thereby allowing the remaining firms to survive.

Language work

Exercise 1. Translate the word combinations given from English into Russian.

Perfectly competitive industry, to have no effect on, affect the market price, flat or horizontal demand curve, to be not a perfect substitute, sole supplier, charge the same price, identical goods, being sold.

Exercise 2. Make nouns of these verbs.

Believe, confront, affect, face, need, know, sell, assume, restrict, explain, discover.

Exercise 3. Match the terms and their definitions.

1. curve	a) a thing that takes the place or function of another
2. substitute	b) the quantity of a commodity or service wanted at a specified price and time
3. supply	c) depending for effectiveness on the relative concentration of two or more substances
4. demand	d) a line defined by an equation so that the coordinates of its points are functions of a single independent variable or parameter
5. competitive	e) the quantities of goods or services offered for sale at a particular time or at one price

Exercise 4. Join the halves of the sentences below.

1. A perfectly competitive industry	a) that his own actions have no effect on market price.
2. There must be a large number of firms in the industry	b) to be considered as perfectly competitive industry.
3. The firms must be making a reasonably standard product	c) must have many buyers and many sellers.
4. In a perfectly competitive market everyone believes	d) so that each is trivial relative to the industry as a whole.
5. In a perfectly competitive industry all firms must be making essentially the same product	e) free entry and exit.
6. One more crucial characteristic of a perfectly competitive industry	f) for which they must all charge the same price.

Exercise 5. Make up questions to the following sentences.

1. Both buyers and sellers believe their own actions affect the market price.
2. Firms in a perfectly competitive industry face a flat demand curve, that being the crucial feature.
3. Even if the car industry had a large number of firms it would not be sensible to view it as a competitive industry.
4. Buyers know that products of different firms in a competitive industry really are identical.

Exercise 6. Answer the following questions.

1. What could a perfectly competitive industry be described as?
2. How does a demand curve look like in a perfectly competitive industry?
3. How many industry characteristics must an economist have in mind?
4. What kind of firms must there be in a competitive industry?

5. What kind of product must the firms produce to be viewed as competitive ones in an industry?
6. What is the third important characteristic of a perfectly competitive industry?
7. Why is it impossible to restrict supply collectively?
8. What is the fourth crucial characteristic of perfect competition?

UNIT 12

COMPETITION IN WORLD MARKETS

Key words and phrases:

follow suit – наслідувати приклад;

drought [draut] – посуха;

extreme – найвіддаленіший, крайній;

levy [levi] (on/upon) – стягувати (податок), обкладати (податком), вводити податкові ставки;

ensure – гарантувати, забезпечувати, ручатися;

prohibitive – такий, що забороняє, перешкоджає;

negligible – незначний, несуттєвий, який не бере до уваги, ігнорує.

Competition in World Markets

Changes in conditions in domestic markets are often the result of events in other countries. The fall in world oil prices in 1986 quickly led British producers of North Sea oil to follow suit. Wool prices in the European Community change when there is a drought in Australia, one of the world's largest wool suppliers. We now discuss how competitive markets in different countries are linked together and show why shifts in foreign supply or demand curves affect domestic markets.

When a commodity is internationally traded, its price in one country cannot be independent of its price in another country. In the extreme case, the 'Law of One Price' will hold.

If there were no obstacles to trade and no transport costs, the Law of One Price implies that the price of a given commodity will be the same all over the world.

Without trade barriers and transport costs, suppliers would always wish to sell in the market with the highest price but consumers would always wish to purchase in the market with the lowest price. The commodity could be simultaneously traded in two different countries only if its price were the same in both markets. In practice, transport costs and trade restrictions such as tariffs (taxes levied only on imports) allow international differences in the price of a commodity. Nevertheless, unless these costs and restrictions are prohibitive, international competition will ensure that prices of the same good in different countries generally move together.

Language work

Exercise 1. Translate the following word combinations from Russian into English.

Внутрішній ринок, падіння цін, найбільший постачальник, переміщення кривої попиту, у крайніх випадках, транспортні витрати, за найнижчою ціною.

Exercise 2. Translate the word combinations given from English into Russian.

Affect competitive markets, to highlight this issue, trade restrictions, unified world market, prices moving together, allow international differences, to be simultaneously traded

Exercise 3. Make up sentences using the following words.

1. together, competitive, linked, different, to be, countries, markets, in
2. or, affect, in, foreign, demand, shifts, curves, markets, supply, domestic
3. when, traded, to be, a, in, of, a, commodity, countries, number; one, country, depends, on, of, its, country, in, price, another, the, price, in
4. trade, without, barriers; sell, suppliers, would, in, the, with, the, market, price, highest
5. restrictions, in, transport, practice, costs, and, trade, international, differences, price, commodity, allow, in, the, of, a

Exercise 4. Fill in the gaps with the verbs given in brackets.

1. Changes in domestic markets (cause) by the changes of the conditions in the other countries.
2. Why (to be) there a shift in the domestic supply and demand curves when there (to be) changes in the foreign market?
3. The trade barriers and transport restrictions being not obligatory, international competition (ensure) that prices of the same good in different countries generally (move) together.

Exercise 5. Answer the following questions.

1. Do shifts in foreign supply and demand curves affect domestic markets?
2. When is the price of a commodity in one country dependent of its price in another country?
3. What does the Law of One Price mean?
4. Are there any international differences in the price of a commodity?

UNIT 13

OLIGOPOLY

Key words and phrases:

to shed – проливати, поширювати;
insight – проникливість; здатність проникнення в сутність;
constitute – складати, призначати, засновувати;
smart guess – розумна гіпотеза;
collusion – змова, таємна угода;
explicit – явний, ясний, точний; певний;
implicit – прихований, те, що мається на увазі, виражений неявно, повний; безумовний;
neglect – нехтувати (чимось), не піклуватися, упускати, не давати;
focus on – зосереджуватися, концентруватися на;
sole decision-maker – особа, що одноосібно приймає рішення;
collude – тайно сговариватися, участювати в заговорі;
tear (tore, torn) – рвати(ся), розривати(ся);
compete – змагатися, конкурувати, суперничати;
rivals – конкуренти;
therein – тут, там, в цьому, в тому;
cartels – картель (одна з форм об'єднання промислових, комерційних або політичних організацій);
common – загальний;
agreed – узгоджений;
outlaw – оголошувати незаконним, забороняти;
catch (caught) – ловити, зловити, схоплювати;
deal – угода;
force up – підвищувати;
collapse – валитися, терпіти крах;
break ranks – тут. порушувати порядок;
tend – схилитися, тяжіти, мати схильність;
willingness – готовність;
expansion – підйом економічної активності, розширення, розвиток, збільшення;
refuse – відкидати, відмовляти, відхиляти;
prop up – підпирати, підтримувати, підкладати.

Oligopoly

Under perfect competition or monopolistic competition, there are so many firms in the industry that no single firm need worry about the effect of its own actions on rival firms. However, the very essence of an oligopolistic industry is the need for each firm to consider how its own actions will affect the decisions of its relatively few competitors.

What makes oligopoly so fascinating is that the optimal supply decision of a particular firm depends on its guess about how its rivals will react. Exciting recent developments in economics shed important insight into what constitutes a smart guess. First, however, we introduce the basic tension between competition and collusion which lies beneath all oligopolistic situations.

Collusion is an explicit or implicit agreement between existing firms to avoid competition with one another. Initially, for simplicity, we neglect the possibility of entry and focus only on the behaviour of existing firms. The existing firms will maximize their joint profits if they behave as if they were a multi-plant monopolist. A monopolist or sole decision-maker would organize the output from the industry to maximize total profits. Hence, if the few producers in an industry collude to behave as if they were a monopolist, their total profit will be maximized.

Oligopolists are torn between the desire to collude, thus maximizing joint profits, and the desire to compete, in the hope of increasing market share and profits at the expense of rivals. Yet if all firms compete, joint profits will be low and no firm is likely to do very well. Therein lies the dilemma.

Collusion or co-operation between firms is easiest when formal agreements are legally permitted. Such arrangements are called cartels. In the late nineteenth century cartels were common, and they agreed market shares and prices in many industries. Such practices are now outlawed in Europe, the United States, and many other countries. Although there are usually large penalties for being caught, informal agreements and secret deals in smoke-filled rooms are not unknown even today.

The most famous cartel is OPEC, the Organization of Petroleum Exporting Countries. Active since 1973, its members (of which the UK is not one) meet regularly to set price and output levels. Initially, OPEC was very successful in organizing quantity reductions to force up the price of oil. Real OPEC revenues rose 340 per cent between 1974 and 1980. Yet almost from the start, many economists have predicted that OPEC, like most cartels, would quickly collapse. Usually, the incentive to cheat is too strong to resist, and once somebody breaks ranks others tend to follow.

In practice, one reason OPEC was successful for so long was the willingness of Saudi Arabia, the largest oil producer, to restrict its output further when smaller members insisted on expansion. By 1986, however, Saudi Arabia was no longer prepared to play by these rules, and refused to prop up the price any longer. The oil price collapsed from just under \$30 to \$9 a barrel before recovering a little.

Language work

Exercise 1. Guess the meaning of the following word combinations from the text.

Need not worry, shed important insight, smoke-filled rooms, very essence of something, to be so fascinating, recent developments in economics, basic tension, to lie beneath, to be torn between, to agree market shares, large penalties.

Exercise 2. Give English for the following.

В умовах досконалої конкуренції, відносно мала кількість конкурентів, рішення, що стосується пропозиції, основне протиріччя, угода, що припускається, можливість проникнення нової фірми на ринок, спільний прибуток, загальний прибуток, за рахунок конкурентів, узгодити частки ринку, неофіційні угоди, ціна на нафту.

Exercise 3. Fill in the table.

things I know about oligopoly	things I didn't know about oligopoly before

Exercise 4. Make a plan to the text above.

Exercise 5. Answer the questions.

1. What is the essence of an oligopolistic industry?
2. What does the optimal supply decision depend on?
3. What is collusion described as?
4. What are oligopolists torn between?
5. What is a cartel?
6. Why are cartels outlawed now?

Exercise 6. Write a summary to the text above.

UNIT 14

THE E-LANCE ECONOMY

Key words and phrases:

merger – злиття;

acquisition – придбання (процес);

freelancer – людина, що працює поза штатом;

consequent – логічний; закономірний, що є результатом / наслідком чогось;

mainframe computer – мейнфрейм – головний комп'ютер обчислювального центру;

advantageous – сприятливий; вигідний; корисний;

equation – вирівнювання; стабілізація;

flexible – легко пристосованим; гнучкий.

The E-Lance Economy

Despite the wave of big mergers and acquisitions over the past few years, the days of the big corporation – as we know it – are numbered. Because modern communications technology makes decentralized organizations possible, control is being passed down the line to workers at many different levels, or outsourced to external companies. In fact, we are moving towards what can be called an 'e-lance economy', which will be characterized by shifting coalitions of freelancers and small firms using the Internet for much of their work.

Twenty-five years ago, one in five US workers was employed by one of the top 500 companies. Today, the ratio has dropped to fewer than own in ten. Large companies are far less vertically integrated than they were in the past and rely more and more on outside suppliers to produce components and provide services, with a consequent reduction in the size of their workforce.

At the same time, decisions within large corporations are increasingly being pushed to lower levels. Workers are rewarded not for carrying out orders efficiently, but for working out what needs to be done and doing it. Many large industrial companies – ABB and BP Amoco are among the most prominent – have broken themselves up into numerous independent units that transact business with one another almost as if they were separate companies.

What underlies this trend? The answer lies in the basic economics of organizations. Business organizations are, in essence, mechanisms for coordination, and the form they take is strongly affected by the coordination technologies available. When it is cheaper to conduct transactions internally, with other parts of the same company, organizations grow larger, but when it is cheaper to conduct them externally, with independent entities in the open market, organizations stay small or shrink.

The co-ordination technologies of the industrial era – the train and the telegraph, the car and the telephone, the mainframe computer and the fax machine – made transactions within the company not only possible but advantageous. Companies were able to manage large organizations centrally,

which provided them with economies of scale in manufacturing, marketing, distribution and other activities. Big was good.

But with the introduction of powerful personal computers and electronic networks – the co-ordination technologies of the 21st century – the economic equation changes. Because information can be shared instantly and inexpensively among many people in many locations, the value of centralized decision-making and bureaucracy decreases. Individuals can manage themselves, co-coordinating their efforts through electronic links with other independent parties. Small becomes good.

In the future, as communications technologies advance and networks become more efficient, the shift to e-lancing promises to accelerate. Should this happen, the dominant business organization of the future may not be a stable, permanent corporation but rather a flexible network of individuals and small groups that might sometimes exist for no more than a day or two. We will enter the age of the temporary company.

Language work

Exercise 1. Read the text above about how businesses will be organized in the future and answer these questions.

1. Which of these statements gives the best summary of the ideas in the article?

a. New communications technologies enable information to be shared instantly across the world.

b. In the future most people will be self-employed or will work as free-lancers.

c. Companies are having to restructure due to developments in electronic communications.

2. What exactly do the authors mean by the term 'e-lance economy'?

a. Most work inside large companies will be done using e-mail and computers.

b. In the future tasks will be done by individuals and small companies linked to the Internet.

c. Business between companies will increasingly be done through the Internet.

Exercise 2. Mark these statements T (true) or F (false) according to the information in the text. Find the part of the text that gives the correct information.

1. Big corporations will soon go out of business.

2. There is a move towards decentralization of decision-making in many companies.

3. Many companies are now experiencing cash flow and similar financial problems.

4. No more than 10 percent of workers in the US work for the top 500 companies.

5. ABB and BP Amoco have sold many parts of their businesses.

6. Large organizations can save money by centralizing all transactions.
7. Computer companies have decentralized their decision-making process.
8. It is possible that the shape and structure of companies will be very different in the future.

Exercise 3. Explain the meaning of the following economic terms in English:

Economics, inflation rate, interests, microeconomics, macroeconomics, unemployment rate, organized labor, external debt, revenue, GNP, GDP.

Exercise 4. These phrases summarize the purpose of each paragraph. Match each phrase to the correct paragraph.

1. Illustrate the decline of big companies. Para I
2. Give a prediction about the future.
3. Give examples of changes in the way big companies are organized.
4. Introduce the idea that big companies are starting to change and even decline summary.
5. Describe the new way of working.
6. Explain why these changes are taking place.
7. Describe the old way of working.

Exercise 5. Find a word or phrase from the text that has a similar meaning.

- a) movement of money into and out of a company's bank accounts
(summary) *cash flow*..
- b) passing tasks to an external company
(summary) o_____
- c) individuals who are self-employed and work independently
(summary) f_____
- d) describes a large company that produces everything it needs internally (para1)
v_____ i_____
- e) external companies that provide products or services to an organization (para 1)
o_____ s_____
- f) parts of a company that operate independently as separate profit centers (para 2)
i_____ u_____
- g) where price and quality are the main factors for doing business (para 3)
o..... m.....
- h) something large companies can achieve by doing things in big volumes (para 4)
e_____ of s_____

Exercise 6. There are many words that can be used instead of 'company'. Four other words are used in the text. What are they? Is there any difference in meaning between them?

Exercise 7. Choose the best explanation for each phrase from the text.

1. the days of the big corporation are numbered (summary, line 1–2)
 - a) big companies will become less important in the future
 - b) companies will have to improve their financial controls
2. control is being passed down the line (summary, line 4–5)
 - a) nobody in the company wants to take decisions
 - b) some decisions will be taken at lower levels in the company
3. what underlies this trend? (para 3, line 1)
 - a) is this trend really true?
 - b) what are the reasons for this trend?
4. in essence (para 3, line 2)
 - a) basically
 - b) necessarily
5. organizations shrink (para 3, line 6–7)
 - a) they become smaller
 - b) they disappear completely
6. the economic equation changes (para 5, line 2–3)
 - a) things become cheaper because of the Internet
 - b) there is a move in favor of decentralization

Exercise 8. Use an appropriate verb and preposition to complete each sentence.

1. Large multinationals still *exercise* considerable power *over* many people around the world.
2. It's a difficult problem. It will take time to w..... o..... the best way to solve it.
3. In a traditional, hierarchical company, employees are expected to c.....o. the orders of their superiors.
4. To improve flexibility and speed of reaction we have decided to b the company u. into separate business units.
5. Our policy is to t..... business only w..... companies that have a strong environmental policy.
6. The speed at which you can get information from the Internet is sometimes a..... b. the time of day.

UNIT 15

DEMAND, SUPPLY, AND EQUILIBRIUM

Key words and phrases:

conceivable – збагнений, мислимий;

instant – мить, момент;

bar – плитка;

assume – припускати, допускати;

incentive – стимул, спонукання;

lucrative [ˈluːkrətɪv] – прибутковий;

distinction – відмінність, відміна;

adjust – пристосовуватися;

decay – руйнування;

relevant to – доречний, такий, що відноситься до справи;

be frustrated – бути засмученим;

shortage – нестача, недолік, дефіцит.

Demand, Supply, and Equilibrium

Demand is the quantity of a good buyers wish to purchase at each conceivable price. Thus demand is not a particular quantity, such as six bars of chocolate, but rather a full description of the quantity of chocolate the buyer would purchase at each and every price which might be charged. The first column of Table 1 shows a range of prices for bars of chocolate. The second column shows the quantities that might be demanded at these prices. Even when chocolate is free, only a finite amount will be wanted. People get sick from eating too much chocolate. As the price of chocolate rises, the quantity demanded falls, other things equal. We have assumed that nobody will buy any chocolate when the price is more than £0.40 per bar. Taken together, columns (1) and (2) describe the demand for chocolate as a function of its price.

Table 1 – The demand for and the supply of chocolate

(1) price (£ / bar)	(2) demand (million bars / year)	(3) supply (million bars / year)
0.00	200	0
0.10	160	0
0.20	120	40
0.30	80	80
0.40	40	120
0.50	0	160

Supply is the quantity of a good sellers wish to sell at each conceivable price. Again, supply is not a particular quantity but a complete description of the quantity that sellers would like to sell at each and every possible price. The third

column of Table 1 shows how much chocolate sellers wish to sell at each price. Chocolate cannot be produced for nothing. Nobody would wish to supply if they receive a zero price. In our example, it takes a price of at least £0.20 per bar before there is any incentive to supply chocolate. At higher prices it becomes increasingly lucrative to supply chocolate bars and there is a corresponding increase in the quantity of bars that would be supplied. Taken together, columns (1) and (3) describe the supply of chocolate bars as a function of their price.

Notice the distinction between demand and the quantity demanded. Demand describes the behaviour of buyers at every price. At a particular price such as £0.30, there is a particular quantity demanded, namely 80 million bars/year. The term 'quantity demanded' makes sense only in relation to a particular price. A similar distinction applies to supply and quantity supplied.

We must recognize that the demand schedule relating price and quantity demanded and the supply schedule relating price and quantity supplied are each constructed on the assumption of 'other things equal'. To understand how a market works, we must first explain why demand and supply are what they are. Then we must examine how the price adjusts to balance the quantities supplied and demanded, given the underlying supply and demand schedules relating quantity to price. Let us think again about the market for chocolate described in Table 1. Other things equal, the lower the price of chocolate, the higher the quantity demanded. Other things equal, the higher the price of chocolate, the higher the quantity supplied. A campaign by dentists warning of the effect of chocolate on tooth decay, or a fall in household incomes, would change the 'other things' relevant to the demand for chocolate. Either of these changes would reduce the demand for chocolate, reducing the quantities demanded at each price. Cheaper cocoa beans, or technical advances in packaging chocolate bars, would change the 'other things' relevant to the supply of chocolate bars. They would tend to increase the supply of chocolate bars, increasing the quantity supplied at each possible price.

For the moment, we assume that all these other things remain constant. We wish to combine the behaviour of buyers and sellers described in Table 1 to model how the market for chocolate bars would actually work. At low prices, the quantity demanded exceeds the quantity supplied but the reverse is true at high prices. At some intermediate price, which we call the 'equilibrium price', the quantity demanded just equals the quantity supplied. The equilibrium price clears the market for chocolate. It is the price at which the quantity supplied equals the quantity demanded.

Table 1 shows that the equilibrium price for chocolate bars is £0.30: 80 million bars per year is the quantity buyers wish to buy and sellers wish to sell at this price. We call 80 million bars per year the equilibrium quantity. At prices below £0.30, the quantity demanded exceeds the quantity supplied and some buyers will be frustrated. There is a shortage, what we call excess demand. You will realize that when economists say there is excess demand they are using a convenient shorthand for the more complicated expression: the quantity demanded exceeds the quantity supplied at this price.

At any particular instant, the market price may not be the equilibrium price. If not, there will be either excess supply or excess demand, depending on whether the price lies above or below the equilibrium price. But these forces themselves provide the incentive to change prices towards the equilibrium price. In this sense, markets are self-correcting.

Language work

Exercise 1. Translate the word combinations given from Russian into English.

відповідне збільшення, кількість попиту, а саме, середня ціна, зручне скорочення.

Exercise 2. Fill in the blanks with the correct forms of the verbs given in brackets.

1. Demand....the quantity of a good buyers wish to purchase at each conceivable price (to be).

2. At higher prices it..... increasingly lucrative to supply chocolate bars and there a corresponding increase in the quantity of bars that (to become, to be, to be supplied).

3. At any particular instant, the market price..... not(may, to be) the equilibrium price.

4. There ...a shortage, what we excess demand (to be, to call).

5. Then we how the price to balance the quantities supplied and demanded (must, to examine, adjust).

Exercise 3. Make up questions to the following sentences.

1. Demand is a full description of the quantity of chocolate the buyer would purchase at each and every price which might be charged.

2. Supply is the quantity of a good sellers wish to sell at each conceivable price.

3. Even when chocolate is free, only a finite amount will be wanted.

4. A campaign by dentists warning of the effect of chocolate on tooth decay, or a fall in household incomes, would change the 'other things' relevant to the demand for chocolate.

5. Cheaper cocoa beans, or technical advances in packaging chocolate bars, would change the 'other things' relevant to the supply of chocolate bars.

Exercise 4. Answer the following questions for general understanding

1. What is demand?

2. What is supply?

3. What is the distinction between demand and quality demanded?

4. What is the distinction between supply and quality supplied?

5. How could you explain the notion «other things equal»?

6. What is «equilibrium price»?

7. Why are markets called self-correcting?

Exercise 5. Read each statement given and decide which of the following is not true

1. Supply is a concept of macroeconomics.
2. Economists differ from bookkeepers and tax gatherers because they include also opportunity costs.
3. The shape of the supply curve provides specialist with the information on elasticity of supply and the reflection of the shareholder.
4. The supply curve is a line on a diagram where the vertical axis measures price and the horizontal axis is quantity.
5. Bountiful crops are a cause of increase in supply.
6. Improvements in technology and changes in input prices and productivities are the main causes of the changes in elastic demand.

Exercise 6. Writing a summary is an useful activity to prepare for any oral task such as retelling or discussion. Here are some clichés to compose a summary:

- the main aim of the text is
- the article begins with...
- the text under consideration points out....
- in the text emphasis is also given to...
- in conclusion the text reads....

Exercise 7. Look through the text once again and write a summary using the clichés above.

UNIT 16 MANAGEMENT

Key words and phrases:

to accomplish – здійснювати, виконувати;
to achieve – досягти;
assignment – завдання;
challenge – виклик, складне завдання;
to clarify – з'ясовувати, роз'яснювати;
competitive – конкурентний, конкурентоспроможний, конкуруючий;
to direct – управляти, скеровувати, спрямовувати;
directive – директива;
feedback – відповідь, зворотний зв'язок;
flexible – гнучкий;
flexibility – гнучкість;
goals and objectives – цілі та завдання;
manageable – слухняний; той, що легко піддається керуванню;
to monitor – наглядати, контролювати, відстежувати;
to motivate – мотивувати, заохочувати;
to obtain – отримувати;
performance – виконання, діяльність;
contingency planning – ситуативне (альтернативне) планування;
tactical planning – тактичне планування;
strategic planning – стратегічне планування;
policy – політика;
request – запит, заявка, прохання, вимога;
to respond – реагувати;
responsible – відповідальний;
responsive – одержаний у відповідь; чутливий;
trend – тенденція;
vision – бачення.

Management

Management is the people part of business. Although managers are also in charge of managing finance, information and various processes, their main responsibility is to the people who work for them. The managers are the people who run the organization. Management is the art of getting things done through people. Today that means that managers work with employees rather than just direct them. The new managerial style is more informal and people are more likely to work in teams. Management is attractive to people, because it symbolizes authority, money and prestige. There are various definitions of management as the process used to achieve organizational goals with the help of planning, organizing, directing, controlling people and organizational resources: 1) management means to delegate, empower and allow the decision-making process

to go through the organization from top to bottom and bottom to top; 2) management is carrying out of the vision; 3) management means managing or being managed; 4) management is people engaged in management.

Management has four functions and is considered as a process of planning, organizing, motivating and controlling, which are required for formation and achievement of organizational goals and objectives.

Planning is the first management function. It contains setting the organizational vision, goals, and objectives. The trend today is to have planning groups, to help monitor the environment, to find business opportunities and to observe challenges. Managers construct a vision for their company. Vision is larger clarification of why the company exists and where it is trying to head.

Goals are the broad, long-term accomplishments an organization desires to attain. Thus, goal setting is often a team process, because goals should be agreed upon by workers and managers.

Objectives are detailed short-term statements specifying how to achieve the goals. Planning is a constant process. It answers three main issues of business: What is the situation now? Where do we want to go? How can we get there from here?

Strategic (long-range) planning defines the major goals of the organization as well as the policies and strategies for obtaining and using resources to achieve those goals. At this stage the corporation decides which customers to serve, what products or services to sell and the geographic region in which the firm will compete. The long-range goal should be flexible and responsive to the market. Strategic planning is done by the top management of the firm.

Tactical (short-range) planning is the process of developing complete, short-term strategies about what's to be done, who is to do it, and how it's to be done. Tactical planning is usually done by managers or teams of managers at lower levels of the organization.

Contingency planning is the process of getting ready alternative courses of action that may be used if the primary plans don't achieve the organization's objectives. Because of rapid pace of economic and competitive changes there is a requirement in alternatives.

Organizing is the second management function, which means designing the organization structure, staffing and creating conditions and systems with the intention of completing organization goals and objectives. Today the idea is to design the firm so that everyone is working to satisfy the customer at profit. When organizing a manager develops an organization structure that takes into account all workers, tasks and resources. Usually the corporate hierarchy includes top, middle, and first-line managers. Top management includes the chief executive, his deputies, the board of directors and managers in charge of the divisions or departments. Top management responsibilities are structuring, controlling and rewarding to ensure that people perform the leader's vision. Middle management consists of managers to whom top management delegates the day-to-day running of the organization. Middle managers execute tasks of tactical planning and

controlling. Supervisory (first-line) managers give specific jobs to workers and evaluate their daily performance.

Directing is the third management function for guiding and motivating others to work successfully for accomplishing organization goals and objectives. The trend is to give employees as much freedom as possible to become self-managed and self-motivated. Often that means working in teams. Some up-to-date managers perform all of these tasks with the full cooperation and participation of workers. Directing involves giving assignments, explaining routines, clarifying policies and supplying feedback on performance. Empowering employees means allowing them to take part more fully in decision-making. Empowerment is a term that means giving employees the authority and responsibility to respond promptly to customer requests. Managers set up teams, which will work together. They are less that of «boss» and more that of «coach, assistant, counselor and team member».

Controlling is the fourth management function, which aim is testing the organization progress toward goals and objectives, and then taking corrective action. It consists of 5 steps: 1) setting clear performance standards; 2) monitoring plans and standards; 3) comparing results against plans and standards; 4) communicating results and deviations to the employees involved; 5) taking corrective action when needed. One means to make control systems work is the establishment of clear procedures of monitoring performance.

Language work

Exercise 1. Match each word in section A with the one of the similar meaning in section B.

to plan	to systematize, to make arrangement
to direct	to substitute a right thing for smth.
to manage	to stimulate the interest of
to organize	to maintain regulation
to correct	to acquire
to motivate	to intend to do smth.
to monitor	to make clear
to obtain	to organize, to regulate
to clarify	to reach, to attain
to achieve	to complete
to accomplish	to guide

Exercise 2. Match each word in section A with the one of the opposite meaning in section B

A	B
flexible	free
alternative	vague
rapid	secondary
various	stiff

engaged	slow
primary	identical
specific	the same

Exercise 3. Match each word in section A with its definition in section B.

A	B
Vision	task or mission;
strategy	process or manner of functioning;
policy	course or procedure;
regular	person who buys goods or services;
assignment	response to an event or experiment;
performance	general direction and tendency;
routine	demanding or difficult task;
feedback	long-term plan or policy;
request	act of asking for smth.;
customer	course of action, adopted by business;
challenge	foresight.
trend	

Exercise 4. Rearrange the following jumbled words into sentences.

Management, of business, the people part, is. 2. The managers, who run the organization, are the people. 3. Management, of getting things done, is the art, through people. 4. Top management includes, managers in charge of, the board of directors and, the chief executive, his deputies, the divisions or departments. 5. Management, money, is attractive for people, authority, because it represents, and prestige.

Top management responsibilities are, controlling, to ensure that people perform, structuring, rewarding the leader's vision. 7. Management, of the vision, is carrying out. 8. Management or managing, being managed, means. 9. Middle management consists of, the day-to-day, top-management delegates, managers to whom, running of organization. 10. Management, engaged, is people, in management.

Middle managers, tactical planning, execute tasks of, and controlling. 12. First line managers, to workers, and evaluate, give specific jobs, their daily performance. 13. Directing, for guiding and motivating others, for accomplishing, is the third management function, to work successfully, organization goals and objectives. 14. Directing, giving assignments, explaining routines, involves, clarifying policies, and supplying feedback on performance. 15. Empowering employees means, to take part more fully, allowing them, in decision-making.

Exercise 5. Answer the following questions:

1. What are various definitions of management?
2. What are the main functions of management?
3. What is organizing?
4. What do learn about directing from the text?

5. What does controlling mean? Is there an intrinsic need in any person to control and to be controlled?
6. What is the difference between strategic, tactical and contingency planning?
7. What are the steps of controlling?
8. What does the word «empowerment» mean?

Exercise 6. Translate the sentences into English.

1. Менеджмент – це спосіб та манера спілкування з людьми (працівниками). 2. Менеджмент – вміння й адміністративні навички організовувати ефективну роботу апарату (служб працівників). Менеджмент – це влада та мистецтво керівництва. 4. Менеджмент – це органи управління, адміністративні одиниці, служби й підрозділи. 5. Менеджмент – це процес, метою якого є досягнення організаційних цілей за допомогою планування, керування, контролювання та організування людей та ресурсів організації. До планування входить визначення бачення, цілей та завдань організації. 7. Організування – це створення структури організації, її кадрового забезпечення, умов та систем для досягнення цілей і завдань організації. 8. Керування – це спрямування й мотивування інших до ефективної роботи заради виконання цілей та завдань організації. 9. Організування – це друга функція менеджменту, яка передбачає створення організаційної структури, набір персоналу, а також створення умов та систем для досягнення цілей організації. 10. Під час організування менеджер розробляє структуру, враховуючи всіх працівників, завдання та ресурси. 11. Зазвичай до ієрархії корпорації входить менеджмент вищої, середньої та нижньої ланок. 12. Стратегічне планування вирішує основні цілі організації, а також політику та стратегію отримання та використання ресурсів для досягнення цілей. 13. На цьому етапі корпорація вирішує, яким споживачам надавати послуги, яку продукцію та послуги продавати, і визначає географічний регіон, в якому фірма буде конкурувати. 14. Стратегічна ціль повинна бути чутливою до ринку. 15. Стратегічне планування здійснюється вищим керівництвом фірми.

UNIT 17

PLANNING

Key words and phrases:

adoption – прийняття;
allocation – розміщення, розподіл;
to attain – досягати, добиватися, домагатися;
attainable – досяжний;
attainability – досяжність;
to carry out (виконувати) – to fulfill, put into effect, to accomplish.
to carry forward – просуватися вперед;
conscious – свідомий;
to consider – розглядати, обмірковувати, вважати, гадати;
consideration – міркування;
contribution – сприяння, внесок;
contributive – сприятливий;
contributor – особа, яка сприяє; робить внесок;
to make a demand – потребувати, ставити вимогу;
demand – вимога, потреба, попит;
to determine – визначати;
determined – визначений;
discretion – свобода дій;
efficient – ефективний;
to envision – передбачати, уявляти;
expenditure – витрати;
to expend – витрачати;
at the expense of – ціною;
to highlight – виділяти;
to hire – наймати;
pervasive – поширений, загальний, проникний;
pervasiveness – поширеність, проникність;
to pursue – переслідувати;
subordinate – підлеглий.

Planning

For effective activity of individuals working together in groups or teams, a manager's basic task is to see that everybody understands the group's purposes, objectives, and the methods of attaining them. People must know what they are expected to accomplish. This is the function of planning.

Planning is a rationally demanding process; it requires that we consciously determine courses of action and base our decisions on purpose, knowledge, and considered estimates.

There are four major aspects, which highlight the character of planning:

Its contribution to purpose and objectives. All plans should contribute to the achievement of the purpose and objectives of the enterprise.

Its primacy among the manager's tasks. A manager must plan to know what kinds of organization relationships and personal qualifications are in need, along which course to lead subordinates, and what kind of control to apply.

Its pervasiveness. Planning is a function of all managers, although the character of planning will vary with each manager's authority and with the character of the policies and plans outlined by superiors.

The efficiency of resulting plans. The efficiency of a plan refers to its input to the purpose and objectives, offset by costs and other factors required to formulate and run it. Plans are efficient if they attain their purpose at a rational cost.

There are various types of plans: purposes or missions, objectives or goals, strategies, policies, procedures, rules, programs, budgets.

An enterprise has its purpose or mission. In every social system, enterprises have basic functions or tasks that society assigned to them. For example, the purpose of business in general is production and distribution of goods and services, satisfying the needs and wants of the society.

Objectives and goals are symbols of not only the end of planning but also the end toward which managers aim organizing, staffing, leading and controlling. While enterprise objectives are the essential plans of the firm, a department may also have its own objectives. Its goals logically contribute to the attainment of enterprise objectives.

We can define strategy as the determination of the basic long- term objectives of an enterprise and adoption of courses of action and allocation of resources necessary to realize these goals. The purpose of strategy is to determine and communicate through a system major objectives and policies, a picture of the kind of enterprise that managers envision. Strategies provide a framework for guiding thinking and action.

Policies define a sphere within which a decision is to be made and ensure that it will be reliable and contribute to an objective. Policies help to decide issues earlier than they become problems, make it unnecessary to analyze the same situation every time it comes up, and combine other plans thus permitting managers to delegate authority and still maintain control over their subordinates.

Procedures are chronological sequences of required actions. They are guides to action, rather than to thinking, and they give in details the exact manner in which certain activities should be accomplished.

Rules interpret specific required actions or nonactions, allowing no discretion. They are generally the simplest type of plan.

Programs are a complex of goals, policies, procedures, rules, tasks and assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; they are, as a rule, supported by budgets.

A budget is a statement of expected results expressed in numerical terms. Budgets are devices of controlling. They are the basic planning instrument in

numerous companies. A budget is necessary for control, but it cannot supply a sensible standard of control unless it reflects the plans.

Language work

Exercise 1. Match each word in section A with its translation in section B.

A	B	A	B
purpose	свідомо	cost	послідовність
to attain	оцінка	strength	свобода дій
to accomplish	раціональний	to assign	переслідувати
intellectually	визначати	mission	витрати
to demand	зовнішній	policy	внутрішній
to require	ефективність	procedure	зазвичай
consciously	потребувати	budget	структура
to determine	вищий по службі	internal	встановлювати
to consider	виконувати	adoption	витрати
estimate	проникний	allocation	сильна сторона
to highlight	ціль	to envision	наймати
external	кваліфікація	framework	політика
primacy	досягти	sequence	здійснювати
relationship	вимагати	discretion	передбачувати
qualification	підлеглий	ordinarily	місія
subordinate	стосунки	to carry out	прийняття
pervasive	інтелектуально	to hire	бюджет
superior	першочерговість	to pursue	витрати
efficiency	виділяти	expenses	розміщення
reasonable	враховувати	expenditure	процедура

Exercise 2. Match each word in section A with the one of the similar meaning in section B.

A	B
to attain	to define
to demand	to follow
to require	to give, to consign
to determine	to achieve, to accomplish
to consider	to perform, to complete
to highlight	to employ, to take in service
to contribute	to imagine, to foresee
to assign	to need, to oblige
to envision	to add, to donate
to carry out	to think, to believe
to hire	to emphasize, to draw attention to
to pursue	to order, to stipulate

Exercise 3. Match each word in section A with the one of the opposite meaning in section B.

A	B
Consciously	external
subordinate	unwise
superior	unusually
reasonable	internal
external	main
ordinarily	subordinate
internal	unintentionally

Exercise 4. Match each word in section A with its definition in section B.

A	B
estimate	the price paid for smth.
primacy	capacity to resist force
purpose	a result which is desired to obtain
qualification	a basic structure
expenses	cost paid to achieve an end
cost	a judgment which needs calculation or assessment
strength	the state or being first in rank
framework	quality fitting a person for particular work
sequence	freedom to make one's own decisions
discretion	a series of things which are connected in some way

Exercise 5. Rearrange the following jumbled words into sentences.

The purpose of strategy, and communicate, a picture of enterprise, is, to determine, that managers envision. 2. Strategies, a framework, for guiding, provide, thinking and action. 3. Policies, earlier than, help, they become, to decide issues, problems. 4. Managers, and still, maintain control, delegate authority, over their subordinates. 5. Rules, the simplest type, are generally, of plan. 6. Budget, planning instrument, is the basic, in numerous companies. 7. Budget, it reflects, a sensible standard of control, cannot supply, unless, the plans. 8. A manager's, is to see that, everybody understands, basic task, the group's purposes.

People, what they are expected, must know, to accomplish. 10. Plans of this company, the achievement of, the purpose and objectives, contribute to, of the enterprise. 11. A manager, everything about, organization relationships, must know, and, personal qualifications.

The purpose, and, distribute, of business, is to produce, goods and services. 13. An enterprise, or, its purpose, has, mission. 14. The company's goals, the attainment of, logically contribute to, its objectives. 15. Planning, a rationally demanding, is, process.

Exercise 6. Answer the following questions.

1. What are the main reasons for planning?
2. What is the central task of planning?
3. What kinds of plans do you know?
4. What is the nature of strategies and policies?
5. What are the definitions of policies and strategies, goals and objectives?
6. What is the difference between rules and procedures?
7. Should any company have its program? Why?
8. What is a budget? Is it a means of planning or controlling?

Exercise 7. Translate the text into English.

1. Для ефективної праці кожен працівник повинен розуміти завдання та цілі. 2. Планування – це розумне визначення дій та цілей компанії. 3. Основною метою бізнесу є виробництво та поширення товарів і послуг. 4. Стратегія – це визначення довготривалих цілей підприємства та прийняття курсу дій для досягнення мети. 5. Політика компанії допомагає не допускати виникнення проблем та аналізувати подібні ситуації. 6. Процедура – це хронологічна послідовність дій. 7. Програма – це комплекс цілей, політики, процедур, правил, завдань. 8. Бюджет є основним інструментарієм планування та контролю. 9. Менеджер повинен знати, який вид контролю застосовувати. 10. Усі менеджери використовують планування у своїй роботі. 11. Ефективність плану залежить від розумного використання ресурсів для досягнення мети. 12. Кожне суспільство покладає на бізнес певні завдання. 13. І фірми загалом, і окремі відділи мають власні плани. 14. Стратегія забезпечує систему керування діяльністю підприємства. 15. Ця робота вимагає навичок планування та організаторських здібностей.

UNIT 18

TYPES OF BUSINESS ORGANIZATIONS

Key words and phrases:

sole proprietor – одноосібний власник;
partnership – товариство;
joint stock company – акціонерна компанія;
cooperative society – кооперативне товариство;
public corporation – державна корпорація;
assume – брати на себе;
solely – єдино, тільки, виключно;
liable for – відповідальний за;
debt [det] – борг;
prevalent – переважний;
retailing – роздрібна торгівля;
voluntary – добровільний;
with a view to – з метою, з наміром;
surveying – інспектування;
access – доступ;
legal entity – юридична особа;
productive assets – виробничий капітал;
enter into contract – укласти контракт;
private company – закрита акціонерна компанія;
public company – відкрита акціонерна компанія;
shares – акції.

Types of Business Organizations

The different types of business organization found in most capitalist countries are: the sole proprietor¹, the partnership, the joint stock company³, the cooperative society and the public corporation.

The sole proprietor is the simplest and the oldest form of business enterprise. It is often referred to as one-person business. A single person provides the capital, takes the decisions and assumes⁶ the risks. He or she is solely responsible for the success or failure of the business and has the sole rights to the profits. The owner is personally liable⁸ for the debts⁹ of the firm and his liability is unlimited. We find the one-person business prevalent¹⁰ in farming, retailing, repair and maintenance work, and personal services such as hairdressing.

Partnerships are voluntary combinations of 2 to 20 persons formed for the purpose of carrying on business with a view to profit. Partnerships are a common form of business organization in such professions as law, surveying¹⁴ and medicine. This type of organization is more flexible than the one-person business: one partner may be responsible for buying, one for selling, one for production and

so on. Since it has greater access to capital, it can achieve greater size than the sole proprietor.

The most important form of business organization in the UK is the joint stock company. A company may be defined as a legal entity engaged in business, owning productive assets, entering into contracts and employing labour.

There are two kinds of joint stock company, the private company and the public company. A private company must include the word «limited» in its name, while a public company must have the words «public limited company» at the end of its name although this can be abbreviated to plc. The basic distinction between a private company and a public company is that a public company can offer its shares for sale to the general public.

Language work

Exercise 1. Read and translate the following groups of words, make the sentences with them.

Is referred to as; is solely responsible for; has the sole rights to profits; unlimited liability; personal services; the purpose of carrying on business; with a view to profit; it has access to capital; achieve greater size; may be defined as; to own productive assets; to employ labour; can be abbreviated; offer its shares for sale; the general public.

Exercise 2. Match

a) the synonyms:

1. enterprise, acquire, responsible, owner, purpose, single, own, employ, kind, include, although, abbreviate, basic, distinction

2. main, though, shorten, contain, type, achieve, aim, hire, business, proprietor, liable, sole, possess, difference

b) the antonyms:

1. public, failure, profit, retailing, simple

2. loss, complicated, private, success, wholesale

Exercise 3. Translate the following groups of words into English.

Часто називається; приймати рішення; мати право (на); нести особисту відповідальність (за); утворені з метою; з наміром отримання прибутку; поширений тип; досягати великих розмірів; мати доступ до капіталу; можна визначити як ...; що займається бізнесом; володіти виробничим капіталом; наймати робочу силу; включати в свою назву; хоча це можна скоротити; виставляти акції на продаж.

Exercise 4. You are given the answers. What are the questions?

1. The sole proprietor is.

2. The sole proprietor does.

3. It is unlimited.

4. In farming, retailing, personal services.

5. Two to twenty persons.
6. It is more flexible.
7. Because it has greater access to capital.
8. It is the joint stock company.
9. There are two types of them.
10. It means «public limited company»
11. A public company can offer its shares to the general public.
12. No, it cannot.

Exercise 5. Complete the following sentences without consulting the text.

1. The most important types of business organization are...
2. ... is the oldest form of business enterprise
3. The sole proprietor is responsible...
4. One-person business is prevalent in...
5. The purpose of partnership is...
6. In partnership partners are responsible...
7. ... as law, surveying and medicine.
8. A joint stock company is a legal entity...
9. ...include the word «limited» in its name.
10. The main distinction between public and private companies is that...

Exercise 6. Be ready to speak about types of business organizations.

Exercise 7. Translate into English.

Exercise 8. Translate the text in written form.

Business is the exchange of goods and services, and money, on an arm's length (objective) basis, that results in mutual benefit or profit for both parties involved. An individual engages in business because he or she believes that the rewards, or possible future benefits, of business are greater than risks, or possible future sacrifices, of business.

Business activities are events that involve making and carrying out the operating, investing, and financing decisions that deal with business assets or obligations.

In a profit-seeking business, there are three types of business activities that correspond to the three types of business decisions. Operating activities are the profit-making activities of the enterprise. They include those business activities that generate revenues, such as selling merchandise for cash or on credit or providing services for a fee. They also include activities that result in increased expenses, such as purchasing goods for manufacture or resale, paying wages, or combining goods and labour to manufacture products.

Investing activities include the purchase and a sale of long-term assets in addition to other major items used in a business' operations.

Financing activities are activities that involve obtaining the cash or using other non-cash means to pay for investments in long-term assets, and to repay money borrowed from creditors, and to provide a return to owners.

Exercise 9. Render the following text into English.

Сім заповідей бізнесмена

Давати обіцянки і не виконувати їх стало у нас просто нормою життя. У зв'язку з цим корисно згадати 1912 рік, коли російськими підприємцями було вироблено сім основних принципів ведення справ:

Перший принцип – «Поважай владу». Влада – необхідна умова для ефективного ведення справ. У всьому має бути порядок. У зв'язку з цим проявляй повагу до правоохоронців в узаконених ешелонах влади.

Другий принцип – «Будь чесний і правдивий». Це – фундамент підприємництва, передумова здорового прибутку і нормальних відносин у справах. Підприємець повинен бути бездоганним носієм чеснот, чесності та правдивості.

Третій принцип – «Поважай право приватної власності». Вільне підприємництво – основа благополуччя держави. Підприємець зобов'язаний в поті чола свого трудитися на благо свій Вітчизни. Таке завзяття можна проявити тільки за умови опору на приватну власність.

Четвертий принцип – «Люби й поважай людину». Любов і повага до людини праці з боку підприємця породжує відповідну любов і повагу. У таких умовах виникає гармонія інтересів, що створює атмосферу для розвитку у людей найрізноманітніших здібностей, спонукає їх проявляти себе в усій красі.

П'ятий принцип – «Будь вірний своєму слову». Успіх у справі багато в чому залежить від того, в якій мірі оточуючі довіряють тобі.

Шостий принцип – «Живи за коштами». Не заривайся! Вибирай справу по плечу. Завжди оцінюй свої можливості. Дій згідно зі своїми коштами.

Сьомий принцип – «Будь цілеспрямованим». Завжди май перед собою чітку мету. Підприємцю така мета потрібна, як повітря. Не відволікайся на інші цілі. Служіння двом панам протиприродно. У прагненні досягти заповітної мети не переходь межі дозволеного. Ніяка мета не може затьмарити моральні цінності.

UNIT 19

ADVERTISING

Key words and phrases:

to advertise – рекламувати;
advertisement (advert, ad) – реклама, оголошення;
to persuade – переконувати;
word-of-mouth advertising – усна реклама;
agency – агентство;
a medium (pl. media) – засіб масової інформації;
advantage – перевага;
disadvantage – недолік;
commercial – реклама на TV чи радіо;
to rely on – покладатися;
commodities (goods) – товари;
expensive – дорогий;
competitive – той, що конкурує, змагається;
to offer – пропонувати;
in this respect – у цьому сенсі;
range – діапазон;
opportunity – можливість.

Advertising

Advertising¹ is necessary as a means of communication with others, of telling them about the goods and services that are offered. It persuades consumers to buy them. There are many different ways of advertising. The best and the cheapest form of advertising is considered to be word-of-mouth advertising which takes place when people tell their relatives and friends about the benefits of products and services they have bought.

Many big successful companies prefer to use the services of advertising agencies. They create ads and develop a media plan defining which media⁶ (newspapers, magazines, radio, television, etc.) will be used. In most developed countries newspapers still attract the largest share of the total advertising budget. The main advantage of advertising in newspapers is its broad reach, getting through to a wide spectrum of population.

Television's main advantage is that it offers the combination of sight and sound, that opens up a vast range of opportunities. The chief drawback of commercials is the high cost and air time.

Direct mail campaigns rely on mailing lists containing the names of commodities¹¹ and services. But direct mail often meets with a certain amount of consumer resistance and it is rather expensive.

Radio offers the advantages of low cost to large potential audience. But people often use the radio for background sound and ignore the adverts.

Other media such as magazines, billboards, yellow pages, telemarketing, packaging, shop displays can be used to advertise goods and services.

We live in the competitive society and it is essential that people go out and sell what they have to offer. Advertising does try to attract the attention of the potential consumer. It plays an important role in this respect.

Language work

Exercise 1. Read the international words, try to guess their meanings, make the sentences with them.

Communication; services; product; company; agency; plan; radio; television; total; spectrum; combination; chief; potential; to ignore; telemarketing; role.

Exercise 2. You are given answers. Make up questions. (all possible types).

- a. The best and the cheapest form is word-of-mouth advertising.
- b. Yes, they do. They prefer to use the services of advertising agencies.
- c. Newspapers still attract the largest share of the total advertising budget.
- d. Its broad reach, getting through a wide spectrum of population.
- e. Yes, it is. It offers the combination of sight and sound.
- f. It often meets with a certain amount of consumer resistance.
- g. They are magazines, billboards, yellow pages, telemarketing, packaging and shop displays.
- h. It offers the advantages of low cost and large potential audience.

Exercise 3. Give synonyms to the column «A» from the column «B».

A	B
1. to persuade	1. a customer (a client)
2. disadvantage	2. main
3. goods	3. wide
4. to offer	4. advanced
5. opportunity	5. to produce
6. to buy	6. to convince
7. to create	7. possibility
8. developed	8. drawback
9. broad	9. commodities
10. chief	10. to suggest
11. a consumer	11. to purchase

Exercise 4. Agree or disagree with the statements using phrases.

(I'm afraid that's wrong; you are quite right/you are not quite right; that's not quite so; I think you are mistaken; as far as I know; I think so; according to the text).

1. Advertising is not necessary as a means of communication with others.

2. Many big successful companies prefer to use the services of advertising agencies.
3. Advertising agencies don't create ads and don't develop a media plan.
4. In most developed countries newspapers still attract the largest share of budget.
5. Television's main disadvantage is that it offers the combination of sight and sound.
6. The chief drawback of commercials is the high cost and air time.
7. We can't use magazines, billboards, yellow pages, telemarketing as a means of advertising.

Exercise 5. Complete the following sentences without consulting the text.

1. The best and cheapest form of advertising is considered to be
2. Many big successful companies prefer to use
3. The main advantage of advertising in newspapers is
4. Television's main advantage is
5. The chief drawback of commercials is
6. Radio offers the advantages of low cost and
7. But people often use the radio
8. Other media such as magazines, billboards, yellow pages
9. Advertising does try to attract

Exercise 6. Be ready to speak about «Advertising».

Exercise 7. Translate into Russian in written form.

Advertising is defined as the nonpersonal communication of information usually paid for and usually persuasive in nature, about products, services, or ideas by identified sponsors through various media.

Advertising may be classified by target audience (consumer, industrial), by geography (local, international), by medium (radio, newspaper, television), or by its function or purpose (product advertising, noncommercial advertising, action advertising).

Advertising began in ancient times when most people could not read or write. As manufacturing and communication technologies developed, so did advertising. Printing was the first major technology to affect it, and cable television and computers are the most recent. Since World War II, advertisers have attempted to differentiate products through positioning strategies and other techniques.

As a marketing tool, advertising serves several functions:

- to identify and differentiate products;
- to communicate information about the product;
- to induce the trial of new products by new users and to suggest repurchasing by existing users;
- to stimulate a product's distribution;
- to increase product use;

- to build brand preference and loyalty;
- to lower the overall cost of sales.

Exercise 8. Translate into English.

1. Вони стверджують, що реклама негативно впливає на нашу систему цінностей.
2. Люди купують більше, ніж їм потрібно.
3. Прихильники реклами стверджують, що матеріальний комфорт і безпека лежать в основі подальшої діяльності людини.
4. Противники реклами кажуть, що реклама змушує людей купувати речі, які їм не потрібні, граючи на емоціях.
5. Взаємодія менш контрольована, ніж реклама, і викликає більшу довіру.
6. Ви повинні вміти визначити, який саме вид реклами буде працювати.
7. Він – завзятий прихильник суворої дисципліни.
8. Його бажання змінює політику на догоду будь-якій примсі керівництва компанії – найгірша з його якостей.

UNIT 20

MONEY

Key words and phrases:

Store of value – засіб заощадження, накопичення;
deferred payment to swap goods – відстрочка платежу обмінюватися товарами;
coincidence of wants commodity – збіг попиту і пропозиції товар;
to quote prices to keep accounts – вести бухгалтерські книги, вести облік доходів і витрат;
to erode purchasing power – знижувати купівельну спроможність;
to cut back – скорочувати;
token money – символічні гроші, грошові знаки.

Money and its Functions

Although the crucial feature of money is its acceptance as the means of payment or medium of exchange, money has three other functions. It serves as a unit of account, as a store of value, and as a standard of deferred payment.

The Medium of Exchange. Money, the medium of exchange, is used in one-half of almost all exchange. Workers exchange labor services for money. People buy or sell goods in exchange for money. We accept money not to consume it directly but because it can subsequently be used to buy things we do wish to consume. Money is the medium through which people exchange goods and services. To see that society benefits from a medium of exchange, imagine a barter economy.

A barter economy has 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. In order to see a film, you must hand over in exchange a good or service that the cinema manager wants. There has to be a double coincidence of wants. You have to find a cinema where the manager wants what you have to offer in exchange.

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. The use of money – any commodity generally accepted in payment for goods, services, and debts – makes the trading process simpler and more efficient.

Other Functions of Money. The unit of account is the unit in which prices are quoted and accounts are kept. In Britain prices are quoted in pounds sterling; in Europe in Euros; in Ukraine in Ukrainian hryvna. It is usually convenient to use the units in which the medium of exchange is measured as the unit of account as well. However there are 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 dollars as the unit of account. Prices were quoted

in dollars even though payment was made in marks, the German medium of exchange.

Money is a store of value because it can be used to make purchases in the future. To be accepted in exchange, money has to be a store of value. Nobody would accept money in payment for goods supplied today if the money was going to be worthless when they tried to buy goods with it tomorrow. 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. 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 pounds sterling. 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 this, it must act as a store of value as well. And it is usually, though not invariably, convenient to make money the unit of account and standard of deferred payment as well.

Different Kinds of Money. In prisoner-of-war camps, cigarettes served as money. In the nineteenth century money was mainly gold and silver coins. These are examples of commodity money, ordinary goods with industrial uses (gold) and consumption uses 'cigarettes' which also serve as a medium of exchange. To use commodity money, society must either cut back on other uses of that commodity or devote scarce resources to producing additional quantities of the commodity. But there are less expensive ways for society to produce money. 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 3 x 6 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 it. 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 on 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.

Language work

Exercise 1. Answer the following questions.

1. Why do people accept money?
2. How are goods exchanged in a barter economy?
3. Why is trading expensive in a barter economy?
4. What is the unit of account in our country?
5. When did Germany not use its own currency?
6. Why can money be used as a store of value?
7. What does the writer mean by 'standard of deferred account'?
8. Explain in your own words what 'token money' means.
9. When are people unwilling to accept their own currency?
10. What example of IOU money does the writer give?

Exercise 2. Say what words have the same meaning as the following verbal units.

Put off till later	giving the name or details of
vital	serving to avoid difficulty
worn away without	against the law
value always	limitation illegitimate

Exercise 3. Say what words have the opposite meaning to the following verbal units.	
Take away Reject planned event be under no compulsion to in a minor way	increase is less than separately very large lawful

Exercise 4. Explain the following.

Accounts; medium of exchange; legal tender; quoted.

Exercise 5. Say what words correspond to these definitions.

Shared by 2 or more people; working smoothly and well; rare; very small;	to use something; the state of continuing to live or exist, often in spite of difficulty or danger.
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Exercise 6. Think of the following.

1. What functions of money do you know?
2. How many different kinds of money can you name?
3. Do you try to save money? With what purpose?

Exercise 7. Cross the word which is odd in the category:

a) carry	bear	bring take
b) reach	achieve	succeed arrive
c) perish	preserve	collapse rot
d) value	estimate	assess neglect
e) difficulty	problem	help trouble

Exercise 8. Match the five pairs of words, which have similar meanings:

merchant	contract
goods	keep, mountain
preserve	trader
hire	commerce
trade	merchandise

Exercise 9. Choose the necessary word from the brackets and fill it in the blanks of the text below and then translate into Ukrainian (*deflation, economies, inflation, tightened, deflation, monetary, expectation, consumer, central, prices, reduces, beneficial, demand, new, damaging, excess, commodities, spiral, malign*).

For several decades the bogeyman for most rich economies has been inflation. _____(1) began to fight it seriously 20 years ago, when Paul Volcker, chairman of America's federal Reserve, dramatically _____(2) monetary policy. Countries from Britain to Brazil then joined the fray. With great success: the average _____(3) rate in the old enemy seems quiescent, a new and possibly more dangerous one may be rising up: _____(4).

And isn't the sign of a good _____(5) bank its willingness to turn a deaf ear to calls for _____(6) expansion, whatever the circumstances? Actually, no. The right target is broadly stable _____(7), which requires that a central bank should be ready to attack _____(8) as fiercely as it does inflation. Not only that, but a good central bank also keeps in mind that deflation can be more _____(9) than inflation, if it creates a downward _____(10) in which the _____(11) of falling prices _____(12) demand and pushes prices lower still, as happened in the Great Depression.

In much of the world In much of the world outside America, the risk of falling the _____(13) prices (i.e. deflation) is at its greatest since the 1930s. Japan is already in the grip of deflation. Prices are falling in China and some other parts of East Asia. Continental Europe's inflation rate, if correctly measured, is close to zero. Prices are coming down partly thanks to the _____(14) effects of _____(15) technology and deregulation, and partly thanks to cheaper oil and other _____(16). Such deflation is generally benign. But alongside it are signs of a more _____(17) deflation, caused by _____(18) capacity and weak _____(19).

Exercise 10. Give the English equivalents to the following:

а) добувати гроші; переказ грошей; в межах фінансової системи; механізм ведення записів; доходи і витрати; здійснювати широкий спектр діяльності; розміщення фінансових ресурсів; страхові компанії; поточні витрати; короткострокове фінансування; банківська позика; позичальник; кредитор; статутний капітал; особисті заощадження; залучений капітал; боргові зобов'язання; процентна ставка; нерухомість; орендна плата; акції; пакет акцій; акціонер; облігації; дата виплати (боргу); виконувати зобов'язання; довгострокові цінні папери; привілейовані акції; випускати цінні папери; надавати позику; піддавати ризику.

б) кожна акція дає право акціонеру на ...; отримати стартовий капітал шляхом випуску і продажу акцій; певний ризик з боку покупця; не має звіту про діяльність; отримати прибуток за рахунок збільшення вартості акцій; виплачується акціонерам щоквартально; бере гроші в борг в обмін на облігації; корпорація можуть змусити продати активи; фонди, термін виплати за якими менше року; емітент безпосередньо задіяний в угоді; виручка від продажу цінних паперів.

UNIT 21. TEXTS FOR INDIVIDUAL WORK

TEXT 1

What Is System?

Everybody is familiar with the word system and uses it in everyday language. We speak of heating systems, communication systems, economic systems, and transportation systems. We talk of cultural and social systems. The word system is used because it conveys the idea that these things are made up of parts and that the parts somehow interact with each other for some purpose or reason. **A system is an organized or complex whole – an assemblage or combination of things or parts performing as a complex or unitary whole.**

This definition implies several ideas. First is the concept of *interdependency*. If a change occurs in one part or set of parts, it affects all other parts of the system. This affect on each part may be direct or indirect.

A second implication of the definition of a system is the concept of *wholism*. This means that the system should be considered as a functioning whole. Changes in parts of the system and in the functioning of elements of the system should be considered from the standpoint of the system's overall performance.

A third concept implied by the definition is *synergism*. This refers to the interactive effect of the parts of the system working together. The actual interaction of the parts creates an effect which is greater than the effect of the parts acting separately.

TEXT 2

History of Economics

In the 1500s there were few universities. Those that existed taught religion, Latin, Greek, philosophy, history, and mathematics. No economics. Then came the Enlightenment (about 1700) in which reasoning replaced God as the explanation of why things were the way they were. Pre-Enlightenment thinkers would answer the question, «Why am I poor?» with, «Because God wills it.» Enlightenment scholars looked for a different explanation. «Because of the nature of land ownership» is one answer they found.

Such reasoned explanations required more knowledge of the way things were, and the amount of information expanded so rapidly that it had to be divided or categorized for an individual to have hope of knowing a subject. Soon philosophy was subdivided into science and philosophy. In the 1700s, the sciences were split into natural sciences and social sciences. The amount of knowledge kept increasing, and in the late 1800s and early 1900s social science itself split into subdivisions: economics, political science, history, geography, sociology,

anthropology, and psychology. Many of the insights about how the economic system worked were codified in Adam Smith's *The Wealth of Nations*, written in 1776. Notice that this is before economics as a subdiscipline developed, and Adam Smith could also be classified as an anthropologist, a sociologist, a political scientist, and a social philosopher.

Throughout the 18th and 19th centuries economists such as Adam Smith, Thomas Malthus, John Stuart Mill, David Ricardo, and Karl Marx were more than economists; they were social philosophers who covered all aspects of social science. These writers were subsequently called Classical economists. Alfred Marshall continued in that classical tradition, and his book, *Principles of Economics*, published in the late 1800s, was written with the other social sciences in evidence. But Marshall also changed the question economists ask; he focused on the questions that could be asked in a graphical supply-demand framework. In doing so he began what is called *neo-classical economics*.

For a while economics got lost in itself, and economists learned little else. Marshall's analysis was downplayed, and the work of more formal economists of the 1800s (such as Leon Walras, Francis Edgeworth, and Antoine Cournot) was seen as the basis of the science of economics. Economic analysis that focuses only on formal interrelationships is called Walrasian economics.....

TEXT 3

The Economic System

There are many forms of economic order, ranging from the mixed private enterprise system to partially or completely controlled economies. Regardless of their form, however, **economic system is the system that a society uses for allocation and distribution of scarce resources**. Private enterprise means that decisions about what and how much to produce are left to the discretion of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency. There is, of course, no economy today that is completely free of governmental influence, nor is this condition necessarily undesirable. There are many beneficial services and protections available from government. The question then is a matter of degree. Irrespective of the form of economic order, it performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of **resource allocation**. In a private enterprise this function is basically performed by the price mechanism. This simply means that **demand for** and **supply of** goods and services interact to set their market price. In the case of regulated utilities, there are governmental agencies such as public service commissions that determine the rates that may be charged by utility companies.

These rates are set at the level that will allow a fair return on investments made by the companies. This form of regulated monopoly is considered, on balance, preferable to unchecked competition. This is true because of efficiency reasons. In taking actions in the area of employment, government is attempting to control the economy in such a fashion as to help the business community operate at the level of production that will yield full employment.

Without a **system of distribution** economy simply could not exist. A major part of this distribution system is credit. Economy flourishes on credit or extended methods of payment. Such a system literally affects every link in the distribution chain from the supplier of raw materials to the ultimate consumer. Without this vital financing function being performed, the economy would doubtless be forced to a lower order of production.

Economic goals for a nation include **price stability, full employment, economic growth, and equitable distribution of income**. Price stability contributes to the efficient allocation of resources and facilitates long-term planning. Full employment means that jobs are available for those seeking work. Higher standards of living require increased output per person (economic growth per capita). An equitable distribution of income means that the fruits of the economy are divided in a way that seems fair to the majority of the people. With the long-run trend toward a more sophisticated, highly integrated economic system, it is becoming increasingly important for an individual decision maker to be aware of the macroeconomic environment.

1. What is a system?
2. What are three main concepts of a system? What do they imply?
3. What is an economic system?
4. What functions does economic order perform?
5. What do economic goals for a nation usually include?

TEXT 4

Read the text. Make up the plan and retell the text using your plan.

Prologue to Economics

There is almost universal agreement that economies are becoming more complex every year and that an understanding of how an economy works is more important than ever before. For someone who is just beginning to study economics, the task indeed appears to be a difficult one. **Economics is the study of the way in which mankind organizes itself to solve the basic problem of scarcity**. All societies have more wants than resources, so that a system must be devised to allocate these resources between competing ends. In a very real sense, the complexity of the economy makes it difficult to decide exactly where to start. Simultaneously, production is taking place, goods and services are being

allocated, and a great number of market participants are being motivated by a diverse set of goals. In addition, there is the complex financial system in which individuals, firms, and governments borrow and lend funds.

Economics is divided into two major branches: macroeconomics and microeconomics. **Macroeconomics is the study of behavior of the economy as a whole with emphasis on the factors that determine growth and fluctuations in output, employment, and the level of prices.** Macroeconomics studies broad economic events that are largely beyond the control of individual decision makers and yet affect nearly all firms, households, and other institutions in the economy. Specialists in macroeconomics are particularly interested in understanding those factors that determine **inflation, unemployment, and growth** in the production of goods and services. Such an understanding is necessary in order to develop policies that encourage production and employment while controlling inflation.

The other major branch of economics is microeconomics. **Microeconomics is the study of behavior of individual units within the economy.** The division of economics has resulted from the growing complexity and sophistication of economic research.

These two approaches and the topics they include are in fact interdependent. Individuals and firms make their decisions in the context of the economic environment, which has an impact on the constraints the decision makers face as well as their expectations about the future. At the same time, when taken as a whole, their decisions determine the condition of the overall economy. A good understanding of economic events and an ability to forecast them require knowledge of both individual decision making and the way in which individuals react to changes in the economic environment.

1. Economies are becoming more complex every year. Why?
2. What is the main division of economics?
3. What is macroeconomics «responsible for»?
4. What does microeconomics deal with?

TEXT 5

1. In what context can we use the word environment?
2. What elements of the environment can you mention?
3. Which ones are of the most importance?

Read the text. Be ready to define the key-sentence(s) of each paragraph. Explain your choice.

Macro Environment

Macro environment is the network of systems composed of culture, political and economic forces, technology, skill mixes, and consumer groups; a source of opportunities and constraints for the organization. Once the organization has built its product or defined its service, it must distribute it to consumer client groups who have wants and needs that they attempt to satisfy through the consumption of such products and services.

Every organization exists within an extensive and complex environmental network. Organizational environment refers to all groups, norms, and conditions with which an organization must deal. It includes such things as the political, cultural, economic, religious, educational, and like systems that affect an organization and which in turn affected by it. Table 2 provides a summary of environmental subcomponents.

Table 2

Major Component	Subcomponent
Culture	Societal values, norms, beliefs, artifacts, accepted behavior patterns, institutions
Political System	National, state, and local laws, regulations and ordinances, governmental services, political parties and processes
Economic System	Resource availability and means of allocation, market structure, pricing mechanisms, economic regulations
Technology	Techniques and science of production and distribution, machinery/automation, work flows and processing, state of industrial development
Skill Mix	Labor availability by skill and geographic area, mobility, training and development, unionization
Customer/Client Groups	Buying power, expectations (time, place, quality, quantity, price), need, wants, perceptions

Culture, composed of values, norms, artifacts, and accepted behavior patterns, affects the way the organization is formed and how it operates once in existence. Indeed, one must recognize that all of the decisions made in an organization are culture bound; i.e., they are a reflection of all these components of culture. Societal norms are those standards that mold behavior, attitudes, and values of those members who constitute a society. They come from laws, customs, religious teachings, and common practice. They are standards because members take them into account in their decisions and behavior. Dress, speech, what is considered to be in good taste, and the general understanding of what is right and wrong are all affected by societal norms. At the same time, almost every

institution in a society is capable of transfusing some of its values, norms, and behavior patterns into its environment. Organizations can hardly afford to ignore such a vital ingredient in its macro environment.

Political forces are classified as the form and role of government in a society. The source of law and other regulations that restrict or at least affect the organization, the political system also is the source of a rich variety of services for the organization. These services range from fire and police protection to the provision of recreational areas. When one thinks of the governmental sector, one might be likely to think of its negative connotation and red tape. Although there is an element of restriction originating from the political sector, it is by no means dominant. Even though the presence of the political system has served to complicate management's job, it has also made it easier at the same time. By knowing that all similar organizations must observe the same rules and regulations, managers can experience an element of certainty in their activity. They know that they have a source of protection and redress when violations do occur.

The political system is coupled with the **economic system**. The type of economy a society has can range from private enterprise to planned economy. Whatever its form, the economic system is concerned with the allocation of scarce resources and the provision of some form of distribution. It is, in practice, quite difficult to separate the political and economic systems from each other.

The macro environment is also the source of **technology**—the machines, techniques, and methods required for production and distribution. To be able to compete successfully, organizations must have access to modern technology. It is simply not feasible for an organization to compete unless an adequate level of technology is available to it. It can be safely stated that organization success is measured by the ability of the organization to adjust to and to employ technological innovations. Among their responsibilities, managers today must count the obligation to maintain a spirit of creativity and ingenuity among members so that continued progress on the technological front can be made. The ever-growing shortages of resources of all types are but one indication of the seriousness of this obligation.

Skill mix in the labor force is likewise an important facet of an organization's macro environment. All organizations depend to some extent on a supply of labor that possesses the skill and ability to perform the work necessary to attain objectives. Consequently, labor market conditions and skill mixes are crucial to success.

The consumers are the ultimate arbiters of the organization's success, for it is they who make the critical choices to consume or not to consume an organization's output. Without the income (in whatever form) that results from this consumption, the organization is doomed to a relatively short life. This means that managers must be more aware of and sensitive to the total environmental complex of their organization in order to develop and implement plans for

successfully coping with it. Otherwise, there is little chance for success, for no longer will yesterday's methods based on a placid environment serve in today's turbulent outside world.

1. What is macro environment?
2. Why is macro environment a source of constraints and opportunities for an organization?
3. What is «the most influential element» of the environment?
4. What element can people influence?

TEXT 6

Read the following text. Define its main topic. Divide the text into logical parts. Give the title to the text and to each part. Explain the meanings of the words and phrases which have been highlighted.

The study of economics would be incomplete without an understanding of the nation's role in the world economy. The study of the world economy is known as «international economics». **International economics** embraces two broad areas of interest: **international trade** and **international finance**. World trade has been gaining increasing significance among nations. Why do nations trade? The answer is that nations have different quantities and qualities of economic resources and different ways of combining them. As a result, each country can produce certain goods more efficiently, or at relatively lower costs, than others. This idea can be stated somewhat differently. Imagine a world consisting of only two countries, each producing the same goods. Under such circumstances, the alternative or **opportunity cost** to each country of producing more of one good is the amount of the second good that must be sacrificed. In view of this, which of the two goods should the countries produce? The answer is that each should **specialize**. When two parties engage, the sacrifice that each makes to obtain something from the other is called the «terms of trade». For example, in order to buy a book, you might have had to give up five visits to the movies. Your terms of trade, therefore, are 5 movies = 1 book. The **terms of trade** for a given transaction equal the number of units of goods that must be given up for one unit of goods received by each party to the transaction. Or in other words, terms of trade are defined as the ratio of the prices of its export commodity to the price of its import commodity. Despite the fact that trade is of great importance for each nation, all countries impose restrictions of one form or another to protect some of their domestic industries. The restrictions may be of several types: **tariffs**, **import quotas**, **nontariff barriers**. Tariffs are **customs duties** or taxes imposed by a government on the importation of a good. Tariffs may be (1) specific, in the form of a tax per unit of the commodity, or (2) **ad valorem**, based on the value of the

commodity. Import quotas are laws that limit the number of units of a commodity that may be imported during a specified period. Nontariff barriers are any laws or regulations, other than tariffs, that nations impose in order to restrict imports. For instance, to «protect the health and safety» of their citizens, many countries establish higher standards of quality for various kinds of imported goods than for similar goods produced domestically.

TEXT 7

Read the text. Define the main idea of each paragraph. What are the key sentence(s) of each paragraph?

Organization

Early in human existence people learned that their individual efforts often fell short of success. They found that they were unable to accomplish many tasks that require more than individual effort. The result was that only limited goals could be attained. Therefore the necessity of group activity was discovered relatively early in human existence.

Group activity could be aimed at some higher, more complex set of goals and could thus bring greater benefits to all concerned. This quality of group activity must be counted as one of the chief requirements for success. Cooperation is a prime element of a group of people who want to achieve more than they can acting individually. A system of group relationships built upon and fostering cooperation, then, is basically the meaning of an organization.

This system of cooperation consists of several parts: the human element, the physical element, the work element, and the coordination element. All of these elements, taken collectively, can be thought of as an organization. Today, this system of cooperation is much more complex than it was in the first attempts at organization.

Thus, organization is an open, dynamic, purposeful social system of cooperation designed to enhance individual effort aimed at goal accomplishment; consists of the human element, the physical element, the work element, and the coordination element; transforms resources into outputs for users.

It is important to examine the various parts or components of organization theory in order to outline its broad scope. These components are: *goals, work, power and authority, delegation, structure.*

It was stated earlier that organizations were established to enable an individual to accomplish more in a group than he could as an individual. In other words, organizations are devices for pooling talent and ability into an effective

whole that can accomplish some desired objective. Every organization is initially built to accomplish some goal. **The goal or purpose** is an unrealized state or condition that the members do not possess but which they deem desirable. It is imperative that organizational goals be clearly defined and communicated to all organization members who are to be affected by them. Goals are the starting point for the design and maintenance of the organization itself. At the same time, these goals must meet a need that society has defined as important. Thus, consumer needs play a crucial role in organization.

Once the goal of an organization is established, it is time for the members to decide on the type of work activity that will be necessary to accomplish these goals. Basically, any organization must perform two fundamental types of work: primary and secondary. **The primary work** (it also commonly referred to as line work) consists of production and distribution of goods and services that will satisfy consumer needs. **The secondary work** (it is often termed staff work) consists of all those activities that support and extend the operations of primary work. For example, in a manufacturing firm, the secondary work would include accounting, personnel and quality control.

No theory of organizations would be complete without a treatment of the roles that power and authority play in organizational activity. These two components of theory help explain the network of relationships that tie the other components of an organization together into some logical pattern.

Power is the ability to influence others successfully. It comes from any single or combination of possible sources. For example, one can have power over others because of one's intelligence, skill, or money. Regardless of its source, power enables its holder to exercise one's will over others. Thus, in order to understand the total workings of an organization, one must have an appreciation of the role that power plays in these workings.

Authority can be defined as power that has been given official recognition by the organization. Once an organization legally authorizes an individual to act on its behalf, that person is said to possess authority. Every member of the organization has some amount of authority to take action necessary to carry out his responsibility. The concern of the theorist is to understand how authority comes to be officially recognized by the organization and what considerations should be made regarding its use.

Organizations that enjoy any measure of success find it necessary to increase their membership and to assign duties to these additional members. The process that is used to add members to the organization will result in the necessity to divide the work of the organization into sub-units or groups. Each of these groups will be under the direction of a manager or managers. In order for these managers to perform their managerial duties properly, they must be granted appropriate responsibility and authority. The means for making these assignments is termed delegation. In general, **delegation** may be defined as the process of

transferring an obligation (responsibility) and an accompanying right (authority) from a superior to a subordinate position in the organization. It is this basic process that enables an organization to grow. Without delegation, an organization simply cannot exist and prosper.

The patterns of work divisions and their hierarchical arrangements constitute the basic components of structure. **Structure**, then, is the hierarchical pattern of authority, responsibility, and accountability relationships designed to provide coordination of the work of the organization. It is basically a managerial tool that aids in guiding the organization towards its goals and can be considered the skeleton of the organizational body. The idea of hierarchy of authority, the division of organization by function, the differentiation of responsibility of the line (doers) and the staff (the advisors) are all inventions of the church and military leaders who were faced with the need to manage large aggregations of human, technical, and material resources. Organizations create an officially sanctioned structure known as the *formal organization* or *de jure* organization. This structure is often depicted by a chart as that seen in Fig. 1.

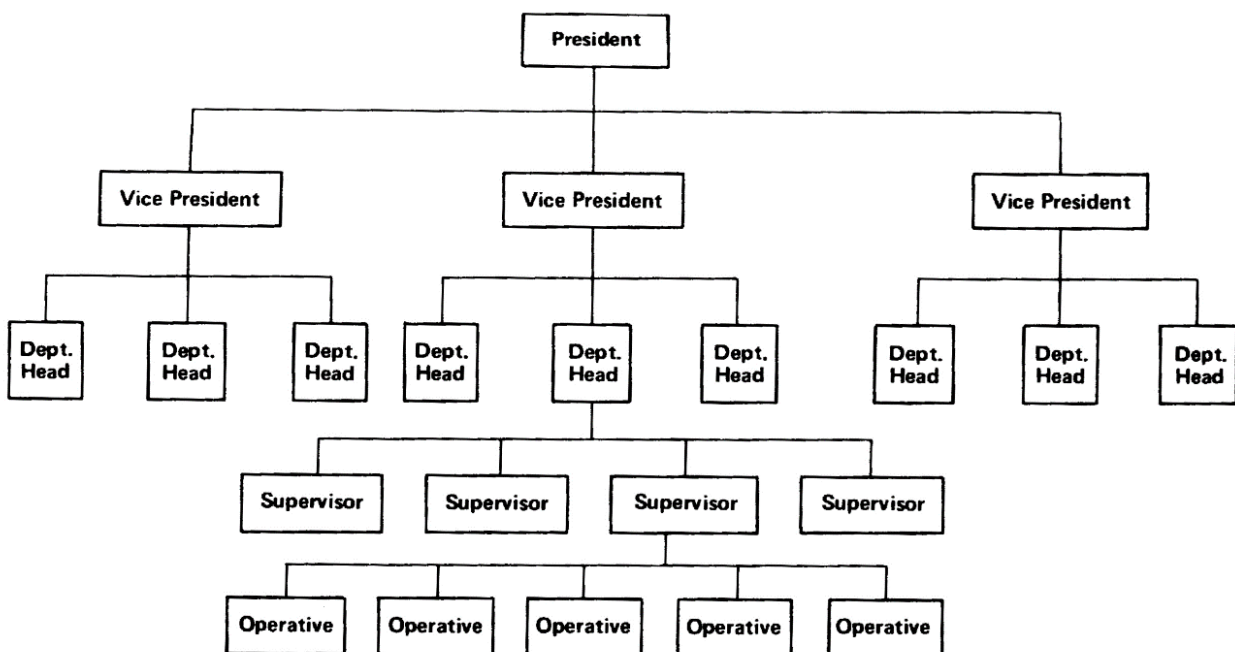


Figure 1

A formal organization is only half the story, for superimposed on these relationships is a whole series of *informal* or *de facto* relationships that are not sanctioned by the organization. These include informal work groupings of employees, informal leaders, informal channels of communication and informal power and status differentials. Usually the structure of an organization is rather permanent and stable but in some cases a temporary, ad hoc, organization may be created. The organization exists to reach a certain goal or set of goals and disbands once the goal is achieved.

1. What did people find early in human existence?
2. What is the meaning of the organization?
3. What is an organization?
4. What are the components of organization theory?
5. What role do power and authority play in building every organization?
6. What is the starting point for the design of an organization?
7. What is delegation and why is it necessary in today's organization?
8. Which is more important: formal or informal structure?
9. Can you give any example of an ad hoc organization?

TEXT 8

Read the text and be ready to answer what theory you would follow as a manager. Give your reasons.

People in Organization

If there is any one characteristic of people which is universally valid and important, it is that they differ. To say that all persons are created equal is a statement of human rights under the law. It communicates nothing at all about human nature. As a matter of fact, people differ greatly in intelligence, aptitudes, physical strength, manual dexterity, knowledge, skill, interests, personality traits, motivation, and many other attributes which potentially influence behavior and productivity.

We are rational – but only to a point. We plan, set goals, think, reason, and live by creeds and values. But we also become frustrated and behave in ways that can be perceived as rational only by someone who understands all our deeply embedded, sometimes conflicting needs, aspirations, and perceptions. In many situations our motivation is unconscious so that not even we understand our own actions.

The fact that one's environment strongly influences behavior is indisputable. A number of prominent psychologists have assumed that human freedom is an illusion. Human choices are thought to be totally determined. This, of course, is an assumption. Many people do not subjectively perceive themselves in this way. It is significant that behavior and expectations are strongly influenced by what a person believes to be true. Individuals feel responsible for their actions. Also, people consciously believe that their choices are real, regardless of any awareness of philosophical arguments to the contrary. Organizations cannot function optimally without these pragmatic assumptions.

There are, of course, innumerable statements which one might make about human nature, but they would not all have a direct influence on how people should be dealt within the work environment. The late Douglas McGregor did an

excellent job of conceptualizing some of the assumptions about human nature which are relevant to organizational behavior. He labeled these, *Theory X*, the classical or traditional view, and *Theory Y*, a progressive view upon which he believed a new model for human relations in organizations could be developed.

Theory X. This theory holds that the average person inherently dislikes work, is innately lazy, irresponsible, self-centered, and security oriented, and consequently is indifferent to the needs of the organization. Because of these characteristics, the average person must be threatened, coerced, and controlled. In fact, most people prefer to be directed and controlled. They seek security above all, prefer to avoid responsibility, and both want and need external control in the work situation. Because people are basically cunning and immature, management should experience little difficulty in using a highly directive and manipulative style of supervision.

Theory Y. Experience has shown that Theory X assumptions result in a great deal of difficulty for management although they remain popular with some managers. McGregor's Theory Y makes the opposite assumptions. People do not inherently dislike work and are not inherently lazy. Rather they have learned to dislike work, to be lazy, and to be irresponsible because of the nature of their work and supervision. They have a high capacity for developing an intrinsic interest in their work, for committing themselves to organizational objectives, and for working productively with a minimum of external controls.

Two points should be made with reference to these theories. First, the Theory X characteristics are said to be inherent or innate. To be such, they would necessarily apply to everyone, which is obviously absurd. On the other hand, under Theory Y, people are said to have the potential or capacity for the responsible behavior and attitudes described. If anyone possesses these qualities, and a great many people do, then everyone has the potential for them. Second, McGregor speaks of assumptions about the average person, and one must ask, «Average on what dimensions?» Are we talking about intelligence? education? experience? Average is a statistical concept. The average person is nonexistent, hypothetical construct. When we make assumptions about the average person, at best we are referring to most people, and in doing so must recognize that there are exceptions.

TEXT 9

Here is one more text about people in organization. Read it and say whether you can take the information seriously.

When might you need to give blood for a personality test? The answer to that question may puzzle you more than the question itself: when you apply for a job. What's more, your blood group could seriously influence your career prospects. Some people believe your blood group hides no secrets. It reveals the

«real you» – a person who gets things done, a good salesman, a creative person or a problem-solver – that is why you could be asked to state your blood group when completing a job application form. This growing trend was first used in Japan and now management consultant firms in other parts of the world have joined in. Someone, somewhere has spent some time working out statistics regarding who's who in the blood group system. The owners of certain group tend to be particularly good or bad at certain tasks. In fact, one major Japanese firm is so well informed about blood groups that the company is quite specific about its needs: «We must have 30 per cent of blood group A and 15 per cent of AB, 25 per cent of blood group O, and 30 per cent of blood group B among echelons of our management personnel». Apparently, if you belong to blood group O you get things done and sell the goods. Blood group A are thinkers, while blood group B are highly creative. And if you got problems, ask the Abs to solve them.

TEXT 10

What is meant by «organizational climate»? Why is it important? What part does an organization's culture play in the daily lives of its members?

Read the text and be ready to discuss each point of cultural values. Can you add any more?

Organizational Climate

Although the concept of organizational climate is somewhat nebulous, it is valuable in understanding several aspects of organizational behavior. **Organizational climate is the overall favourability of member attitudes and perceptions with reference to specific activities and features of an organization.**

Organizations tend to have their specific culture: a peculiar mix of values, attitudes, norms, habits, traditions, behaviors and rituals. Some organizations are well aware of their culture and regard it as a powerful strategic tool, used to orient all units and individuals toward common goals, mobilize employee initiative, ensure loyalty, and facilitate communication. They aim at creating a culture of their own and making sure that all employees understand it and adhere to it. The specific cultural values of an organization may concern, for example:

- the organization's mission and image (high technologies, innovative spirit, superior quality);
- seniority and authority (respect for seniority; seniority as a criterion of authority);

- the treatment of people (concern for people and their needs, equitable treatment or favouritism, privileges, respect for individual rights, training and developing opportunities, how people are motivated);
- the importance of different management positions and functions (authority of personnel department; importance of different vice-presidents' positions; respective role and authority of research and development);
- work organization and discipline (voluntary versus imposed discipline; punctuality; use of time clocks; flexibility in changing roles at work; use of new forms of work organization);
- decision making process (who decides; who has to be consulted; individual or collective decision making; need to reach consensus);
- circulation and sharing of information (employees amply or poorly informed; information readily shared or not);
- communication pattern (preference for oral or written communication; rigidity or flexibility in using established channels, use of meetings; who is invited to what meeting; established behaviour in the conduct of meeting);
- ways of handling the conflicts (desire to avoid conflict; preference for informal or formal ways; involvement of higher management);
- performance evaluation (confidential or public; by whom carried out; how results are used);
- socialization patterns (who socializes with whom during and after work; facilities such as separate dining rooms or reserved clubs);
- management and leadership style (paternalism; authoritative, consultative or participative style; flexibility and adaptability);
- identification with the organization (manager and staff adherence to company objectives and policies; enjoying working with organization).

TEXT 11

Read the text and be ready to define: 1. what a business entity is and 2. three main types and forms of business organizations.

Types and Forms of Business Organization

A business organization is frequently referred to as a business entity. **A business entity is any business organization that exists as an economic unit.** Business entities can be grouped according to the type of business activity they perform.

1. *Service companies* perform services for a fee. This group includes companies such as accounting firms, law firms, repair shops, and many others.

2. *Merchandising companies* purchase goods that are ready for sale and sell them to customers. They include such companies as auto dealerships, clothing stores, and supermarkets.

3. *Manufacturing companies* buy materials, convert them into products, and then sell the products to the companies or to the final customer. Examples are steel mills, auto manufacturers, and so on.

The business entity concept applies to all forms of businesses – single proprietorship, a partnership, and a corporation.

A *single (sole) proprietorship* is business owned by an individual and often managed by that same individual. Single proprietors include physicians, lawyers, electricians, and other people who are ‘in business for themselves’. In a single proprietorship, the owner is responsible for all debts of the business. Operating as a proprietorship is the easiest way to get started in a business activity. Other than the possibility of needing a local license, there are not any prerequisites to beginning operations.

A *partnership* is a business owned by two or more persons associated as partners. Partnerships are created by an agreement. Included in the agreement are such terms as the initial investment of each partner, the duties of each partner, the means of dividing profits or losses between the partners each year, and the settlement to be made upon the death or withdrawal of a partner. Accountants, attorneys, and other professionals frequently operate their firms as partnerships.

A *corporation* is a business owned by a few persons or by thousands of persons. The owners of the corporation are called shareholders or stockholders. They buy shares of stock. If the corporation fails, the owners lose only the amount they paid for their stock. The personal assets of the owner are protected from the creditors of the corporation. The stockholders do not directly manage the corporation; they elect a board of directors to represent their interests. The board of directors select the president and vice president, who manage the corporation for the stockholders.

TEXT 12

Why are Companies Referred to as LTD., INC., GMBH, or S.A.?

An individual, like Henry Ford, might want to begin a small enterprise and personally retain total responsibility and liability, but once it starts to grow, a partnership or a «company» – such as Ford Motor Company – would need to be formed. The key factor in owning any company is the guarantee called *limited liability*: the owners of a company never have to pay more than they have invested in the company. Their liabilities are limited. When a company goes bankrupt, the owners can never be required to pay its unpaid bills.

The worst that can happen to investors in a limited liability company is losing their initial investment if the company fails. By limiting the downside risk for shareholders, companies are able to attract *equity investors* and raise large amounts of funds called *equity capital* through sales of shares rather than by borrowing money at potentially high interest rates.

The names of companies around the world reflect this guarantee of limited liability. The abbreviations «GmbH» in Germany, «Inc.» in the United States, or «Ltd.» in most other English-speaking countries indicate that the firm is a limited liability company and investors have nothing more to lose than the money invested in their shares. The «S.A.» in French- and Spanish-speaking countries also refers to limited liability by defining shareholders as «anonymous.» Since the identity of shareholders can be kept secret, the creditors of a bankrupt company have no right to pursue them for the company's unpaid debts.

Many countries make a clear distinction between public and private companies, with separate designations, such as AG and GmbH in Germany, or Plc and Ltd. in Britain. Generally, «public» companies are those large enough to have their shares traded on stock exchanges, while smaller unquoted companies are said to be «private,» even though their shares can be held by the public at large. In some countries, a large company is said to be privately owned if its shares are not available to the general public. In the United States, where little distinction is made between public and private companies, most companies simply bear the title «Incorporated.»

1. What do the names of companies around the world reflect?

TEXT 13

Job specification

An interesting feature of the labour markets is that many organizations do not specify the type of person they require instead they will give the details of a job in a job specification. The Department of Employment has given the following definitions of a job description and job specification:

Job description: a broad statement of the purpose, scope, duties and responsibilities of a particular job.

Job specification: a detailed statement of the physical and mental activities involved in the job. The specification is usually expressed in terms of behaviour: what the worker does, what knowledge he uses in doing it, the judgments he makes and the factors he takes into account when making them.

The great variety of job specifications which exists in business illustrates the range of specification in occupation. The five categories given below do not

cover this wide range, but can become a guide to the role of manpower in organization.

1. *Unskilled*. Many jobs do not require any training or previous experience, for example manual labour or assembly work. These occupations are often highly repetitive and boring, as well as being poorly paid.

2. *Mechanical or motor skills*. There are some tasks in business which are performed by machines which require an operator. The more complicated the machine, then generally the more the operator must be.

3. *Intelligence and knowledge*. Occupations which require a high level of motor skill sometimes also demand a high level of intelligence and aptitude. But there are jobs which do not need mechanical skills but make demand on people's knowledge.

4. *Administrative or managerial skills*. The ability to organize other people is a rare skill. It not only requires knowledge and understanding of the functions within an organization, but also the ability to motivate people. In addition managers must be able to organize nonhuman resources using techniques of forecasting, planning, coordinating and controlling. These are techniques which require judgment as well as knowledge.

5. *Decision-making skills and initiative*. Decision-making is an everyday occurrence for everyone. We decide what to eat, what to wear, where to go, and so on. Similarly, decisions are part of an organization's everyday activities. The higher one goes up the hierarchy, the more necessary is the skill of decision. The risks which all organizations face mean that that organizations have to be run by people who have the ability to diagnose and assess the risk, and the capacity to decide on the correct strategy. Business is constantly changing and organizations require people with enterprise and initiative in order to survive.

1. Give your own examples of a trade or profession illustrating each category of the job specification.

TEXT 14

Entrepreneurs

Entrepreneur is a person who organizes and manages a business. This is a French word that has been accepted into the English language. Its popularity probably has something to do with its grand sound which befits anyone who has the initiative to create and run a business.

Entrepreneurs are a mystery to some people, especially those who are only comfortable with a nine-to-five existence and assured weekly paychecks and fringe benefits. The entrepreneur is a business person who prefers to take calculated risks in order to be his or her own boss.

Sometimes the entrepreneur is regarded as a business person who takes risks. This is not so. An entrepreneur is a business person who minimizes risks. He or she does this by advance planning, research, and meticulous consideration of all factors that could affect and possibly endanger her or his enterprise. When the entrepreneur forgets to do advance investigation and preparation, then he or she is a gambler at best, and a failure statistic at worst.

Speaking about entrepreneurship, Professor K. Vesper of the University of Washington says that « Businesses continue to be launched by people who didn't make it the first time around. A driving force in entrepreneurship... is addictiveness. Once people have a taste of freedom in a business of their own, they like it. They don't want to go back to working for someone else.»

While the percentage of growth for men entering into business independence could be measured in the teens, women's increase in a single decade was 69 percent. There is no mystery here. Women go into business for the same reason men do – to make money and to be their own bosses. The rise in female entrepreneurship is reminiscent of what the early-20th-century immigrants did – and the more recent waves of immigrants from different parts of the world. Entrepreneurship is regarded to be the first track to success. Rather than to take low-wage, big-industry job, people opt to use their wits and energy to climb the ladder of independence the entrepreneurial way.

The American magazine *Venture* attempted to dissect entrepreneurs and to see what makes them tick. They conducted a survey to which 2,740 readers responded. Here is what they had in common:

1) Typically they were firstborn children who had a positive relationship with their father. (2) They held jobs before they were 15 and started their first businesses by the time they reached 20. (3) They borrowed money to launch their enterprises and made themselves personally liable. (4) Most of them are college graduates, consider themselves demanding of others, and start work early in the day (82 percent start work before 9 A.M.). (5) Twenty percent described themselves as successful; another 53 percent claimed moderate success; 27 percent reported the expectation of success.

While these entrepreneurs are intrepid adventurers on the business sea, they still seek the approval of others – often after they have launched an action. Respondent Richard M. Ask, president of the 2000-member National Association of Entrepreneurs, wrote, «I go out and do what I damn well please, and then I look around for approval to reinforce the action».

How old are the people, who start new businesses? The majority are 30 to 34, with the biggest segment (70 percent) between 25 and 44.

Age of Entrepreneur	%
Under 20 years	1
20 to 24	8
25–29	17
30–34	21
35–39	18
40–44	15
45–49	9
50–59	10
60 and over	1

With what do entrepreneurs start up new businesses? How much money do they invest? Most businesses require between \$20,000 and \$50,000 in cash. The vast majority of business start-ups (87 percent) are in the range of a few thousand dollars to \$100,000.

Start-Up Capital	%
Under \$5,000	17
\$5,000–\$10,000	14
\$10,000–\$20,000	16
\$20,000–\$50,000	25
\$50,000–\$100,000	15
\$100,000–\$250,000	8
\$250,000–\$500,000	2
Over \$500,000	1

Which businesses are the most popular? There is no doubt that retailing is number one. Nearly half of all new business start-ups are retail shops. Here is the line-up:

Type of Business	%
Retailing	46
Service	19
Construction	8
Manufacturing	8
Finance	5
Professional	5
Wholesale	4
Transportation	2
Agriculture	2
Others	1

1. Do you belong to the people who are comfortable with a nine-to-five existence? Are there many people of this type among your friends, relatives, colleagues?
2. «Calculated risk'—what is it?
3. Give your variant of an entrepreneur profile (age, traits of character, business, backgrounds, etc.)

TEXT 15

The Field of International Business

International business includes all business transactions that involve two or more countries. Such business relationships may be private or governmental. In the case of private firms the transactions are for profit. Government-sponsored activities in international business may or may not have a profit orientation.

There are three major motivations for private firms to pursue international business. These are to expand sales, to acquire resources, and to diversify sources of sales and supplies.

Sales expansion. Sales are limited by the number of people interested in a firm's products and services and by customers' capacity to make purchases. Since the number of people and the degree of their purchasing power is higher for the world as a whole than for a single country firms may increase their sales potentials by defining markets in international terms.

Ordinarily higher sales mean higher profits. If, for example, each sales unit has the same mark-up, more volume translates to more profits. Lucas film, for example, receives a percentage of the sales made by companies marketing *Star Wars* merchandise; thus Lucas film's revenues increase with each additional toy that Parker Kenner sells in the United Kingdom. In fact, profits per unit of sales may increase as sales increase. *Star Wars* cost approximately \$10 million to produce; as more people see the film, the average production cost per viewer decreases.

International sales are thus a major motive for firms' expansion into international business. A United Nations study indicated that among the largest industrial firms in the world, about 40 percent of their sales come from outside their home markets.

Resource acquisition. Manufacturers and distributors seek out products and services as well as components and finished goods produced in foreign countries. Sometimes this is to reduce their costs: for example, Lucas film used studios in the United Kingdom in the filming of *Star Wars* and Kenner manufactures its Laser Pistol in Hong Kong. The potential effects on profits are

obvious. The profit margin may be increased, or cost savings may be passed on to consumers, thereby permitting more people to buy the products.

Diversification. Companies usually prefer to avoid wild swings in their sales and profits; so they seek out foreign markets and procurement as a means to this end. Lucas film has been able to smooth its yearlong sales somewhat because the summer vacation period (the main season for children's film attendance) varies between the northern and southern hemispheres. It has also been able to make large television contracts during different years for different countries. Many other firms take advantage of the fact that the timing of business cycles differs among countries. Thus while sales decrease in one country that is experiencing a recession, they increase in another that is undergoing recovery. Finally by depending on supplies of the same product or component from different countries, a company may be able to avoid the full impact of price swings or shortages in any one country that might be brought about, for example, by a strike.

1. How would you define the concept «international business»?
2. What are the main motives for a firm to join international business?

TEXT 16

Read the text and be ready to speak about the main types of international business. Explain the meanings of the words and word combinations which have been highlighted.

Types of International Business

Merchandise exports are goods sent out of a country whereas **merchandise imports** are goods brought in. Since these are tangible goods that visibly leave and enter countries, they are sometimes referred to as visible exports and imports. The terms *exports* or *imports* are used frequently yet in reality the reference is only to the merchandise exports or imports.

Exporting and importing of goods are the major sources of international revenue and expenditure for most countries. Among companies engaged in some form of international business, more are involved in importing and exporting than in any other type of transaction.

Importing and/or exporting is usually but not always, the first type of foreign operations in which a firm gets involved. This is because at an early stage of international involvement these operations usually take the least commitment and least risk of a firm's resources. Exporting or importing are not typically abandoned when firms adopt other international business forms. Although this may sometimes occur, exporting and importing usually continue, either by business with other markets or to complement the new types of business activities.

Service exports and imports refer to international earnings other than those from goods sent to another country. Receipt of these earnings is considered a service export, whereas payment is considered a service import. Services are also referred to as invisibles. International business comprises many different types of services.

Travel, tourism and transportation. Earnings from transportation and from foreign travel can be an important source of revenue for international airlines, shipping companies, reservations agencies, and hotels. On a national level, such countries as Greece and Norway depend heavily on revenue collected from carrying foreign cargo on their ships. The Bahamas earns much more from foreign tourists than it earns from exporting merchandise.

Performance of activities abroad. Fees are payments for the performance of certain activities abroad, such services as banking, insurance, rentals (e.g., the *Star Wars* film), engineering, and management. Engineering services are often handled through turn-key operations, contracts for the construction of operating facilities that are transferred to the owner when the facilities are ready to begin operations. Fees for management services are often the result of management contracts, arrangements through which one firm provides management personnel to perform general or specialized management functions for another firm.

Use of assets from abroad. Royalties are the payment for use of assets from abroad, such as for trademarks, patents, copyrights, or other expertise under contracts known as licensing agreements. Royalties are also paid for franchising, a way of doing business in which one party (the franchisor) sells an independent party (the franchisee) the use of a trademark that is an essential asset for the franchisee's business. In addition, the franchisor assists on a continuing basis in the operation of the business, such as by providing components, managerial services, or technology.

Firms often move to foreign licensing or franchising after successfully building exports to a market. This move usually involves a greater international commitment than in the early stages of exporting. The greater involvement occurs because the firm commonly has to send technicians to the foreign country to assist the licensee or franchisee in establishing and adapting its production facilities for the new product.

Direct investments. Direct investment takes place when control follows the investment. This can amount to a small percentage of the equity of the company being acquired, perhaps even as little as 10 percent. The ownership of a controlling interest in a foreign operation is the highest type of commitment to foreign operations in the given country. Direct investment operations may be set up in order to gain access to certain resources or access to a market for the firm's product.

When two or more organizations share in the ownership of a direct investment, the operation is known as a **joint venture**. In a special type of joint venture, a **mixed venture**, a government is in partnership with a private company.

The **multinational enterprise**, or MNE, has a worldwide approach to foreign markets and production and an integrated global philosophy encompassing both domestic and overseas operations. The term **multinational corporation**, or MNC, is also quite common in the literature of international business. Another term sometimes used interchangeably with MNE, especially by the United Nations, is **transnational corporation**, or TNC.

Навчальне видання

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АНГЛІЙСЬКА МОВА

Навчальний посібник

**для студентів 1-го курсу
економічних спеціальностей**

Редагування, комп'ютерне верстання Я. О. Бершацька

104/2019. Формат 60 × 84/16. Ум. друк. арк. 6,045.
Обл.-вид. арк. 5,15. Тираж 100 пр. Зам. № 27.

Видавець і виготівник
Донбаська державна машинобудівна академія
84313, м. Краматорськ, вул. Академічна, 72.
Свідоцтво суб'єкта видавничої справи
ДК №1633 від 24.12.2003