Unit 1
WHAT IS ECONOMICS ABOUT?

Learning outcomes
After studying this unit you should be able to:
1) define economics as a social science of scarcity and choice;
2) identify the ways society uses its scarce resources;
3) distinguish between society’s needs and wants;
4) use the active vocabulary of the unit in speaking and writing;
5) read for different purposes (skimming, scanning);
6) use grammar effectively (subject/verb agreement, singular/plural forms of a noun, prepositions).

Lead-in
1. Read the following sentences and decide which word from the list a—d is synonymous to the word in bold.

   1. **Tangible** goods are merchandise that you a) insufficient can put your hands on. Stuff like jewellery, b) non-physical computers, clothing or even CD’s are all tangi- gible products. 
   2. On the other side of tangible are **intangible** goods which are products that cannot be seen or touched. Things like domain names or computer programs are intangible goods.
   3. Libya, Saudi Arabia, Kuwait, any other Arabic nations have **abundant** oil resources. They are the main exporters of oil and its derivatives.
   4. Many African nations suffer from limited resources such as water and food, so these **scarce** resources put tight constraints on their social and economic development.

2. Answer the questions and do the tasks.
1. Think of some of your most important needs and wants, and then explain whether these are satisfied by goods or by services.
2. Try to guess why services are called “non-physical activities”.
3. Think of some resources that are (a) scarce and (b) abundant.
4. What would happen to our society if resources were unlimited?
5. Is it possible to overcome scarcity of resources? Justify your opinion.

TOPICS

Text A
Defining economics
1. The *social sciences* are academic disciplines that study human society and social relationships. They are concerned with discovering general principles describing how societies function and are organised. The social sciences include anthropology, economics, political science, psychology and sociology.

2. Economics is a social science because its approach to studying human society is based on the scientific method. It is a social science because it deals with human society and behav- iour, and particularly those aspects concerned with how people organise their activities and how they behave *in order to satisfy their needs and wants*.

3. Human beings have very many needs and wants. Some of these are satisfied by physical objects and others by non-physical activities. All the physical objects people need and want are called goods (food, clothing, houses, books, computers, cars, televisions, refrigerators and so on); the non-physical activities are called *services* (education, health care, entertainment, travel, banking, insurance and many more).

4. The study of economics arises because people’s needs and wants are unlimited. Whereas some individuals may be satisfied with the goods and services they have or can buy, most would prefer to have more.
5. They would like to have more and better computers, cars, educational services, transport services, housing, recreation, travel and so on; the list is endless.

6. Yet it is not possible for societies and the people within them to produce or buy all the things they want. Why is this so? It is because there are not enough resources. Resources are the inputs used to produce goods and services wanted by people. They include things like human labour, machines and factories, and "gifts of nature" like agricultural land and metals inside the earth. Resources do not exist in unlimited abundance: they are scarce, or limited and insufficient in relation to unlimited uses that people have for them.

7. Scarcity is a very important concept in economics. It arises whenever there is not enough of something in relation to the need for it. For example, we could say that food is scarce in poor countries. Or we could say that clean air is scarce in a polluted city. In economics, scarcity is especially important in describing the condition of insufficient resources, because the scarcity of resources causes scarcity in goods and services. Defining scarcity, we can therefore say that: Scarcity is the condition in which available resources are not enough to produce everything that human beings need and want.

8. It follows that societies face a fundamental problem, which is the conflict between unlimited human needs and wants on the one hand, and limited or scarce resources on the other. The subject of economics is how to best resolve this conflict.

9. The conflict between unlimited needs and wants, and scarce resources has an important consequence. Since people can't have everything they want, they must make choices. The classic example of a choice forced on society by resource scarcity is that of "guns or butter", or more realistically the choice between producing defence goods (guns, weapons, tanks) or food: more defence goods mean less food, while more food means fewer defence goods. Societies must choose how much of each they want to have. Note that if there were no resource scarcity, a choice would not be necessary, since society could produce as much of each as was desired. But resource scarcity forces the society to make a choice between available alternatives. Economics is therefore a study of choices.

10. The conflict between unlimited needs and wants, and scarce resources has a second important consequence. Since resources are scarce, it is important to avoid waste in how they are used. If resources are not used effectively and are wasted, they will end up producing less; or they may end up producing goods and services that people don't really want or need. Economics must try to find how best to use scarce resources so that waste can be avoided. Defining economics, we can therefore say that:

Economics is the study of choices leading to the best possible use of scarce resources in order to best satisfy unlimited human needs and wants.

11. As you can see from this definition of economics, economists study the world from a social perspective, with the objective of determining what is in society's best interests.


Target vocabulary of text A

abundance (n) = when there is more than enough of smth
We had natural resources in abundance.

alternative (n) = smth that is different from smth else, especially from what is usual, and offering the possibility of choice
There must be an alternative to people sleeping on the streets.

goods (n) = everything that is produced in the economy
The government will pay for the new schools by increasing the tax on luxury goods.

needs and wants = the things that a person must have in order to have a satisfactory life
They don't have enough food to meet their needs and wants.

produce (v) = to make smth or bring smth into existence
France produces a great deal of wine for export.

satisfy (v) = to have or provide smth that is needed or wanted
She satisfies all the requirements for the job.
scarcity (adj) = not easy to find or get
Food and clean water were becoming scarce.

service (n) = a system or organisation that provides for a basic public need
the ambulance/health/postal/prison service

social sciences = the study of society and the way people live
Examples of social sciences are sociology, psychology, economics, etc.

1. a) Use your dictionary to check the correct pronunciation of the words below.
   - science, discipline, society, scarce, consequence, perspective, anthropology, psychology, sociology

b) Read text A and do the tasks/answer the questions below.
1. Why does the study of economics exist? Why is it necessary to study economics?
2. Divide the following concepts into the two groups “goods” and “services”: Oxford University tuition, engineering, a house, marketing research, a luxury Swarovski necklace, currency exchange, transport, a tuna sandwich, the Moscow Times subscription, a box of chocolate.
3. Give some examples of unlimitedly abundant resources. Does economics show interest towards these resources? Why?
4. How to avoid waste in the use of resources in modern economies?
5. Which consequences does a conflict between our wants and limited resources have?

2. Decide whether the following statements are True or False according to text A.
1. Economics is a science because it uses principles of anthropology, sociology and psychology.
2. Most individuals are satisfied with what they have and do not strive for more goods and services.
3. The amount of resources available for consumption is limited.

4. The subject of economics is to teach individuals how to consume less.
5. Societies have to make choices because resources are scarce.
6. Economists try to find out how to satisfy society’s wants in the best possible way.

3. Scan through text A and find the words corresponding to these definitions.
   - para 2
     1) to make someone feel pleased by doing what they want (v)
   - para 3
     2) things that are produced in order to be sold (n)
   - para 6
     3) a large quantity of smth (n)
   - para 7
     4) limited (adj)
   - para 8
     5) smth that is able to be used or can easily be bought or found (adj)
     6) to make smth to be bought, used, or enjoyed by people (v)
   - para 9
     7) to find a satisfactory way of dealing with a problem or difficulty (v)
     8) smth that happens as a result of a particular action or set of conditions (n)
     9) smth you can choose to do or use instead of smth else (n)
   - para 10
     10) the ineffective use of smth (time or money) (n)
   - para 11
     11) a way of thinking about smth (n)
     12) smth that you are trying hard to achieve (n)
4. Match the term with its definition.

1) resources  a) the provision of payments facilities, credit and capital to individuals, firms and the government
2) human labour  b) society’s decision on the kind, quality, and quantity of goods for consumption
3) banking  c) anything which can contribute to economic activity. This includes natural resources, capital goods, etc.
4) insurance  d) human beings as factors of production
5) choice  e) the use of contracts to reduce and redistribute risk

5. Use the words from exercise 4 to fill in the gaps.

1. ________ is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. ________ is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.
2. ________ is the stock of competencies, knowledge and personality attributes embodied in the ability to perform labour so as to produce economic value.
3. A ________ is a source or supply from which benefit is produced. Typically ________ are materials or other assets that are transformed to produce benefit and in the process may be consumed or made unavailable.
4. ________ is the business of operating a financial institution. A bank connects customers that have capital deficits to customers with capital surpluses.
5. If the product doesn’t work, you are given the ________ of a refund or a replacement.

6. Fill in the gaps using the prepositions from the box below.

with (x2)  to (x4)  in  of  on

1. Their relationship was based ________ mutual respect.
2. Nowadays the department operates with the objective ________ raising as much taxes as possible.
3. All the people concerned ________ children’s education should be submitted to testing.

4. I’m not satisfied ________ the way the company served me.
5. Women’s earnings are still low ________ relation ________ men’s.
6. Since our research so far has not produced any answers ________ this problem, we need to adopt a different approach ________ it.
7. A degree in English could lead ________ a career in journalism.

7. a) Choose the correct letter (a, b or c).

1. If you are ________ satisfied with this product, please return it.
   a) un  b) mis  c) dis
2. It is ________ realistic to expect these changes to happen overnight.
   a) in  b) un  c) dis
3. The system can support an ________ limited number of users.
   a) in  b) un  c) dis
4. His salary was ________ sufficient for their needs.
   a) in  b) un  c) non
5. Various drugs have proved ________ effective against the virus.
   a) in  b) un  c) dis
6. It would be ________ profitable to pursue this argument any further.
   a) in  b) dis  c) un
7. The parking facilities are ________ adequate for a busy shopping centre.
   a) in  b) non  c) dis
8. Prices for natural resources are ________ normally high at the moment.
   a) in  b) un  c) ab
9. We have been ________ successful in finding a new manager.
   a) in  b) un  c) dis
10. Never ________ estimate the power of the press.
    a) in  b) dis  c) under

b) Group the words from exercise 7. a) under the following headings.

un-  in-  dis-  ab-  under-

-
8. Give a definition of the word in bold using the words given in the list below.

<table>
<thead>
<tr>
<th>need sitution to want necessary</th>
<th>resource useful to use production</th>
<th>goods things to produce to sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>to produce to make goods resources</td>
<td>scarce not much available resources</td>
<td>problem situation to cause difficulties</td>
</tr>
<tr>
<td>conflict disagreement argument people</td>
<td>choice to choose things several</td>
<td>to buy to get to pay money</td>
</tr>
</tbody>
</table>

Text B

Scarcity and importance of economics

1. Naturally, reality constrains our choices. There has never been enough to satisfy everyone completely. That is what scarcity means. Although per capita real income in the United States increased 50 per cent in just one generation, these middle-class families have had to work hard for their modest gains. (Were they expecting manna from heaven?) As for how hard they worked and the modesty of their gains, it is doubtful whether most other people in the world would regard Americans' work in air conditioned offices with coffee breaks as "hard" or their standard of living as "just getting by". However, as someone once said: "Just as soon as people make enough money to live comfortably, they want to live extravagantly." Even millionaires can have a hard time making ends meet if they try to live like billionaires. *The New York Times* reporter wrote of one of these middle-class families: After getting in over their heads in credit card spending years ago, their finances are now in order. "But if we make a wrong move," Geraldine Frazier said, "the pressure we had from the bills will come back, and that is painful."

2. To all these people — from academia and journalism, as well as the middle-class people themselves — it apparently seemed strange somehow that there should be such a thing as scarcity and that this should imply a need for both productive efforts on their part and personal responsibility in spending. Yet nothing has been more pervasive in the history of the human race than scarcity and all the requirements for economising that go with scarcity. Not only scarcity but also "alternative uses" are at the heart of economics. If each resource had only one use, economics would be much simpler. But water can be used to produce ice or steam by itself or innumerable mixtures and compounds in combination with other things. A virtually limitless number of products can also be produced from wood or from petroleum, iron ore, etc. How much of each resource should be allocated to each of its many uses? Every economy has to answer that question, and each one does, in one way or another, efficiently or inefficiently.

3. Doing so efficiently is what economics is all about. Whether the people in a given economy will be prosperous or poverty-stricken depends in large part on how well their resources are allocated. Rich resources often exist in very poor countries, simply because the country lacks the economic mechanisms, as well as specific skills, for efficiently turning those resources into abundant output. Conversely, countries with relatively few natural resources — Japan or Switzerland, for example — can have very high standards of living, if their people and their economy are well adapted for allocating and using whatever resources they have or can purchase from other countries. Economics is not about the financial fate of individuals. It is about the material well-being of society as a whole. It shows cause and effect relationships involving prices, industry and commerce, work and pay, or the international balance-of-trade — all from the standpoint of how this affects the allocation of scarce resources in a way that raises or lowers the material standard of living of the people as a whole. Money doesn't even have to be involved to make a decision be economic.

4. Most of us hate even to think of having to make such choices. Indeed, as we have already seen, some middle-class Americans are distressed at having to make much milder choices and trade-offs. But life does not ask what we want. It presents us with options. Economics is just one of the ways of trying to make the most of those options. While there are controversies in economics, as there are in science, this does not mean that economics is just a matter of opinion. There are basic propositions and procedures in economics on which a Marxist economist like
Oskar Lange did not differ in any fundamental way from a conservative economist like Milton Friedman.

5. All sorts of economies — capitalist, socialist, feudal, etc. — must determine in one way or another how the available resources are directed toward their various uses. But how well they do it can lead to poverty or affluence for a whole country. That is what the study of economics is all about and that is what makes it important.


Target vocabulary of text B

income (n) = money that is earned from doing work or received from investments

Average incomes have risen by 4.5% over the past year.

standard of living = the amount of money and comfort people have in a particular society

The standard of living in many developing countries is low.

economise (v) = to try to save money by reducing the amount that you are spending

You could economise on food by not eating in restaurants all the time.

alternative use = the cost of any activity measured in terms of the value of the next best alternative forgone (that is not chosen)

prosperous (adj) = rich and successful

a prosperous landowner

poverty-stricken (adj) = extremely poor

poverty-stricken families

purchase (v) = formal to buy smth

You can purchase insurance on-line.

well-being (n) = the well-being of a country is the state in which it is strong and doing well

We are now concerned about the economic well-being of the country.

balance-of-trade (n) = the difference in value between the goods a country buys from abroad and the goods it sells abroad

a positive balance-of-trade

trade-off (n) = a balance between two opposing things, that you are willing to accept in order to achieve smth

There has to be a trade-off between quality and quantity if we want to keep prices low.

proposition (n) = a statement that consists of a carefully considered opinion or judgment

The theory is founded on two basic propositions.

1. a) Use your dictionary to check the correct pronunciation of the words below.

scarcity, per capita, pressure, pervasive, innumerable, ore, mechanism, procedures, Marxist, feudal, affluence, to vary, variable

b) Read text B and answer the questions below.

1. Why do people become extravagant with money when they get well-off?
2. Which two concepts lie at the heart of economics?
3. How can a country decide which way of resources allocation is the most effective?
4. Do rich resources guarantee prosperity for their owner (e.g. a country)?
5. Which factors affect the standard of living in a country?

2. Decide whether the following statements are True or False according to text B.

1. People eagerly welcome the opportunity to economise on their spending. ____
2. Wrong decisions on resource allocation lead to economic inefficiency. ____
3. Countries with the immense resource supply are the richest in the world. ____
4. Oskar Lange’s and Milton Friedman’s economic theories had little common ground. ____
5. The chief objective of economics is to make people more well-off and happy. ____
3. Scan through text B and find the words corresponding to these definitions.

para 1
1) used to describe the average amount of smth in a particular place, calculated according to the number of people who live there (adj)
2) financial profit, especially when this seems to be the only thing someone is interested in (n)
3) events or conditions that cause changes and affect the way a situation develops, especially in economics or politics (n)

para 2
4) to suggest that smth is true, without saying this directly (v)
5) existing everywhere (adj)
6) smth that you must do, or smth you need (n)
7) almost (adv)

para 3
8) rich and successful (adj)
9) to not have or not have enough of smth that is needed or wanted (v)
10) in an opposite way (adv)
11) the state of feeling healthy and happy (n)
12) a set of beliefs and ideas from which opinions and decisions are formed (n)

para 4
13) a situation in which you balance two opposing situations or qualities (n)
14) a lot of disagreement or argument about smth (n)
15) an idea or opinion (n)

para 5
16) to make a strong decision (v)
17) welfare, riches (n)

4. Match the term with its definition.

1) real income   a) the money which is used for a particular purpose, especially by a government or organisation
                b) the difference in value between the goods a country buys from abroad and the goods it sells abroad
                c) the value of earnings/income, etc. after the effect of rising prices is considered
                d) a balance between two opposing things, that you are willing to accept in order to achieve smth
                e) the amount of money and comfort people have in a particular society
                f) ways of using smth differently

5. Use the words from exercise 4 to fill in the gaps.
1. ________ refers to the level of wealth, happiness, comfort, material goods and necessities available to a certain socioeconomic class in a certain geographic area. It includes factors such as income, quality and availability of employment, class disparity, poverty rate, quality and affordability of housing, etc.
2. A ________ is a situation that involves losing one quality or aspect of something in return for gaining another quality or aspect. It implies a decision to be made with full comprehension of both the upside and downside of a particular choice.
3. The ________ is the difference between the monetary value of exports and imports of output in an economy over a certain period. It is the relationship between a nation's imports and exports.
4. ________ includes all government consumption, investment but excludes transfer payments made by a state.
5. ________ and scarcity lie at the heart of economics. This science would not exist at all if resources were abundant or had only one use.
6. ________ is the income of individuals or nations after adjusting for inflation. It is calculated by subtracting inflation from the nominal income.

6. Fill in the gaps using prepositions from the box below if necessary.

from • on (x2) • for (x3) • to (x2)

1. The government is allocating £10 million ______ health education.
2. As project leader, you will have to allocate jobs ___ people.
3. "I have to put aside my emotions," he says, "and consider it ___ a professional standpoint."
4. It was the event that led ___ the start of the First World War.
5. The airline is legally responsible ___ the safety of its passengers.
6. As a political party they are trying to effect ___ a change in the way that we think about our environment.
7. Several factors are likely to influence ___ this decision.
8. The Council had influence ___ many government decisions.
9. They managed to agree ___ a date for the meeting.
10. There is a huge demand ___ new cars.

7. Choose the correct letter (a, b or c).
1. Works of art were lost, many of them ___replaceable.
   a) un       b) in       c) ir
2. They have decided to ___continue the production of Product P because sales have fallen.
   a) de       b) un       c) dis
3. The experiment produced some ___expected results.
   a) in       b) un       c) non
4. Punishment of ___desirable behaviour should be severe.
   a) in       b) un       c) non
5. The government plans to ___regulate the banking industry.
   a) de       b) un       c) dis
6. One shouldn't ___estimate the difficulties of getting all the political parties to the conference table.
   a) in  b) under  c) un
7. She owes $30 000 in unpaid taxes based on $100 000 of ___reported income.
   a) in       b) non       c) un
8. The minister maintained that the coal mines were ___economic and would have to be closed.
   a) in       b) un       c) non
9. If you're ___satisfied with the service, why don't you complain to the hotel manager?
   a) in       b) un       c) dis
10. The project has been delayed by ___numerable problems.
    a) un       b) dis       c) in

8. Vocabulary
1. Look at the following pair of words, spot the difference and do the task.

   TO AFFECT ≠ TO EFFECT

   to affect — to influence someone or smth, or cause them to change
   It's a decision which affects our life.
   The civil rights movement effected a huge change in America.

   to effect — to make smth happen

2. Did the newspapers really ___ the outcome of election?
3. It is known that poor housing significantly ___ educational achievement.
4. The area has been badly ___ by pollution.
5. We have tried out our best to ___ a reconciliation between the two parties.
6. It will take years to ___ meaningful changes in the educational system.
7. The building was badly ___ by the fire.
8. As a political party they are trying to ___ a change in the way that we think about our environment.
9. Trading has been adversely ___ by the downturn in consumer spending.
10. The transfer of a business is governed or ___ by the law of the country in which the business is situated.

2. Look through the two sets of sentences and decide which word affect or effect should be inserted to make these sentences complete.
1. Foreign trade is excluded from consideration, since it is assumed that such trade will not ___ the value of production, but merely affect its material form.
2. How will the Board’s decision ______ householder's?
3. National resources, combined with policy choice, ______ both the appropriateness of various forms of firm strategy and the nation's attractiveness to existing and potential investors.

The missing word is ______

1. Increasingly people looked to the state to provide services, to regulate more of the affairs between men and to overall improvement in the quality of the nation’s life.
2. They lack confidence in their ability to ______ change or improve the quality of their lives.
3. In order to ______ these objectives a number of changes were to be made in the provision and funding of social care.

The missing word is ______

5. Translate the sentences from Russian into English using the collocations from exercise 3.
1. Сегодня Россия напоминает «африканскую» модель колониальной экономики, которая располагает по дешевле минеральное сырье и сельскохозяйственные земли.
2. Нынешний этап торговых переговоров ВТО провалился в 1999 г. в Сиэтле, так как более бедные страны поняли, что они не дождутся от этой организации ничего, в то время как богатые мировые корпорации получают новые и новые права.
3. Теоретически выгоднее платить больше налогов и нормальную зарплату чиновникам, поскольку решения, принятые коррумпированным чиновником, с общественной точкой зрения, заведомо хуже, чем честным.
4. Министр уверен, что реальный доход у всех бюджетников к началу следующего года при этом увеличится почти на 40 процентов.
5. Фундаментальными ценностью либерализма являются личная свобода и личная ответственность, свобода слова и объединений.
6. Беднейшие государства обвиняют богатые в нежелании увеличивать им финансовую помощь, открывая рынки для их товаров.
7. Цель социальной политики — обеспечить каждому гражданину России достаточное материальное благоустройство и цивилизованный образ жизни.
1. Look through the two definitions and try to guess which one refers to “a collective noun”.
   a) a noun which you cannot make plural by adding -s, because it only has a singular form
   b) a noun that can be singular in form whilst referring to a group of people or things

2. Choose the examples of the collective nouns from the list below:
   audience, news, economics, committee, government, species, means, craft, council, team, belongings, staff, data, riches, jury, company, people

3. Use either a word singular or plural to make rules 1 and 2 complete.

   1. When a group is considered as a single unit, the collective noun is used with a _____ verb and _____ pronoun.
   2. When the focus is on the individual parts of the group, British English sometimes uses a _____ verb and _____ pronouns.

4. Choose either is or are to complete the sentences below.

   1. Government ____ one of humanity’s oldest and most important institutions.
   2. The company ____ almost entirely dependent on Royal Navy orders, although it has built the odd merchant ship of a more complex kind.
   3. The staff ____ all expert stylists, accustomed to helping customers create their own individual look from their marvellous range of exclusive labels.
   4. It is an attempt to deal with a prevalent problem, but I fear a distortion — the Government ____ considering only one aspect of the issue.
   5. The staff ____ frequently consulted by national bodies in the UK, as well as by international organisations, the UN family, World Bank, etc.

5. Group the nouns under the two headings.

   noun + singular verb  noun + plural verb

   news _______ people _______
   _______ _______
   _______ _______
   _______ _______
   _______ _______

   advice • arms • Athens • billiards
   binoculars • Brussels • earnings • economics
   education • evidence • mathematics
   money • Naples • news • outskirts
   people • premises • quarters • riches
   stationery • the blind • the clergy
   the military • the police

6. The nouns below have different meanings in the singular and plural. Fill in the gaps using either singular or plural form of these nouns.

   Example:
   content / contents

   1. Please empty out the _____ contents _____ of your pockets.
   2. The _____ content _____ of the article was controversial.
SKILLS FOCUS

Reading

1. Read the text which focuses on the definition of economics given by the famous economist of the past Adam Smith. In the second part of the text match the criticisms of Smith’s definitions (they are given in the left-hand column) to their headings (the right-hand column).

(I) Adam Smith and his definition of economics

There is no unique definition of economics which has a general acceptance. The formal roots of the scientific framework of economics can be traced back to classical economists. The pioneers of the science of economics defined economics as the science of wealth.

Adam Smith (1723–1790), the founder of economics, described it as a body of knowledge which relates to wealth. Accordingly to him if a nation has larger amount of wealth, it can help in achieving its betterment. He defined economics as:

“The study of nature and causes of generating of wealth of a nation.”


The main points of the definitions of economics given by Adam Smith and other classical economists are that:

(1) Economics is the study of wealth only. It deals with consumption, production, exchange and distribution aspects of wealth.

(2) Only those commodities which are scarce are included in wealth. Non-material goods such as air, services, etc. are excluded from the category of wealth.

(II) Criticism on the classical definition of economics

The definitions given by Adam Smith and other classical economists were severely criticised by social reformers and men of letters of that time Ruskin and Carlyle. They dubbed economics as a “dismal science” and a “science of getting rich”. The main criticisms on these definitions are as under:
### CRITICISM

1. **The definitions of economics give primary importance to wealth and secondary importance to man. The fact is that the study of man is more important than the study of wealth.**

2. **The word “wealth” in the classical economist's definitions of economics means only material goods such as chair, book, pen, etc. These do not include services of doctors, nurses, soldiers, etc. In modern economics, the word “wealth” includes material as well as non-material goods.**

3. **According to “wealth” definitions, man works only for his self-interest. Social interest is ignored. Dr. Marshall and his followers were of the view that economics does not study a selfish man but a common man.**

4. **The “wealth” definitions ignore the importance of man’s welfare. Wealth is not be all and the end all of all human activities.**

5. **The definitions of economics lay emphasis on the earning of wealth as an end in itself. They ignore the means which are scarce for the earning of wealth.**

6. **The definitions economics given by classical economists were unduly criticised by the literacy writers of that time. The fact is that what Adam Smith wrote in his book The Wealth of Nations (1776) still holds well. The central argument of the book that market economy enables every individual to contribute his maximum to the production of wealth of nation still not only holds good but is also being practised and advocated throughout the capitalistic world. Since the word “wealth” did not have clear meaning, therefore the definition of economics became controversial. It was regarded unscientific and narrow. At the end of the 19th century, Dr. Alfred Marshall gave his own definition of economics and therein he laid emphasis on man and his welfare.**

<table>
<thead>
<tr>
<th>CRITICISM</th>
<th>HEADINGS</th>
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<tbody>
<tr>
<td>1. The definitions of economics give primary importance to wealth and secondary importance to man. The fact is that the study of man is more important than the study of wealth</td>
<td>a) Defective logic</td>
</tr>
<tr>
<td>2. The word “wealth” in the classical economist’s definitions of economics means only material goods such as chair, book, pen, etc. These do not include services of doctors, nurses, soldiers, etc. In modern economics, the word “wealth” includes material as well as non-material goods</td>
<td>b) Narrow meaning of wealth</td>
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<td>c) No mention of man’s welfare</td>
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<tr>
<td>4. The “wealth” definitions ignore the importance of man’s welfare. Wealth is not be all and the end all of all human activities</td>
<td>d) Too much importance to wealth</td>
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<tr>
<td>5. The definitions of economics lay emphasis on the earning of wealth as an end in itself. They ignore the means which are scarce for the earning of wealth</td>
<td>e) Concept of economic man</td>
</tr>
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<td>f) It does not study means</td>
</tr>
</tbody>
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2. Read more about economics as a social science in Reading file: Unit 1.

### Speaking

**Women and work**

This activity is based on the materials taken from [http://www.economist.com/](http://www.economist.com/). The site presents the debate between the two economists: Linda Basch and Christina Hoff Sommers. They discuss the question “Is a woman’s place at work?” The brief description of the problem is given below:

Nearly two-thirds of women in rich countries now have paid jobs, not far off the proportion for men, compared with under half only a few decades ago. This house believes this to be a good thing all round: for the national economies concerned, because it provides extra labour as working populations in many countries are beginning to age and shrink; for employers, because they are able to draw on a much larger and more diverse pool of talent; and for women themselves, because they now enjoy a wider choice of careers and more financial independence at a time when many marriages end in divorce. But more remains to be done. The pay gap between women and men for comparable work remains substantial, and women in top positions in any field are still relatively rare. For women to get the most out of work, and workplaces to get the most out of women, it needs to become easier for them to combine work and family. This will involve a change in men’s attitudes too.

Your task is to visit [http://www.economist.com/debate/overview/219](http://www.economist.com/debate/overview/219) and do the following:

1. Summarise the viewpoints of the debate participants.
2. Use the speech patterns given below.
   a) Linda Basch is a ... She is defending the idea of ... Her arguments in favour of the statement are ...
   b) Christina Hoff Sommers is a ... She is against the idea of ... Because ... Her arguments are ...
3. Speak about the results of the debate.
4. Tell your partner about your own viewpoint on the problem discussed.
B. Discuss the following questions with the partner.
1. Who are the greatest women in your country’s history?
2. Harriet Beecher Stowe said: “Women are the real architects of society.” Do you agree?
3. What common characteristics do all women share?
4. How would the world be different if all leaders were women?
5. Do men and women have equal career opportunities?

Writing

1. Render the following text using the plan:

1. State the central idea of the article.
2. Give a summary of the article.
3. State the main problem discussed in the article.
4. Point out the facts that turned out to be new for you.
5. Express your own point of view on the problem discussed.

Мужчины недооценивают роль женщин в экономике
5 ошибок, которые совершают руководители-мужчины, когда их клиенты — женщины

Мужчины, управляющие бизнесом, зачастую не задумываются о том, какую фундаментальную роль играют женщины как потребители товаров и услуг. Между тем именно женская половина человечества представляет собой самую стремительно развивающуюся «экономику» мирового рынка, которая превышает даже вместе взятые потребительские рынки Китая и Индии.

Согласно исследованию Бостонской консалтинговой группы (BCG), в ходе которого было опрошено 15 тысяч женщин и 5 тысяч мужчин в 22 странах, женщины покупают 70% всех потребительских товаров не первой необходимости. При этом они не удовлетворены тем, что предлагают им рынок во многих сферах, в особенности в области здравоохранения, финансовых услуг и товаров длительного пользования.

Большинством компаний руководят мужчины, значительная часть из которых не понимают женщин и не осознают ту фундаментальную роль, которую женщины играют в экономике и которую сложно игнорировать. Между тем женщины приобретают товары и услуги иначе, чем мужчины, у них больше опыта в шопинге, они уделяют процессу и результату большие эмоции.

Мужчины-боссы плохо знакомы со столь важной потребительской категорией по ряду причин. Прежде всего, производители товаров не проводят достаточного количества исследований в отношении особенностей потребления женским полом, а на этапах разработки новых продуктов, определения цены и создания маркетинговой концепции мужчины-руководители привыкли взаимодействовать с другими мужчинами, нежели с женщинами.

В свою очередь руководители финансовых компаний не всегда в курсе того, какое обслуживание требуется женщинам, являющимся потребителями услуг финансового сектора. Как правило, в центре внимания консультантов чаще оказывается мужчина, даже если «добытчиком» в семье является женщина.

По результатам исследований BCG Wall Street Journal публикует 5 основных ошибок, которые совершают мужчины-руководители при разработке и продаже товаров, предназначенных преимущественно для женщин.

1. Игнорирование значимости эмоционального фактора.

Мужчины-руководители часто не осознают, что женщины покупают тот или иной товар, ориентируясь на эмоции, которые он вызывает. Они прислушиваются к своим ощущениям от процесса и результата покупки. Женщины обычно более прагматичны: покупая новые товары на замену старым, они руководствуются привычкой. Вот почему, например, мода в женской одежде гораздо более переменчива, чем в мужской.

2. Неизменный ассортимент из года в год.

Руководители часто не видят необходимости в разработке чего-то нового, если бизнес идет достаточно успешно. Они могут увеличивать цикл разработки продукции, внося незначительные изменения от сезона к сезону, мало чем отличаясь на фоне конкурентов. Женщин больше, чем мужчин, интересо-
суют новинки, им нравится пользоваться чем-то обновленным и улучшенным.

3. То же самое, но в розовом цвете.

Если то или иной товар достаточно успешно продается среди мужской потребительской группы, то руководители компаний часто считают, что достаточно внести минимальные изменения формы и цвета, чтобы он приобрел такую же популярность среди женщин. Однако если по сути ничего не изменилось, женщинам оказывают не удовлетворены тем, что мужскую вещь просто перекрасили в розовый цвет.

4. Неуклюжая маркетинговая стратегия.

Маркетинговые кампании часто базируется на стереотипах, а не на глубоком понимании действительных потребностей женщин. Руководители компаний зачастую даже не осознают, что их продукция работает совсем не так, как обещает реклама. В результате товары, предназначенные той или иной части потребителей, попросту проваливаются в продаже.

5. Игнорирование проблемы дефицита времени.

По данным BCG женщины называют своей основной проблемой нехватку времени. Производители упускают из внимания и тот факт, что современная женщина живет в постоянном состоянии цейтнота, в большей степени это касается работающих замужних женщин. Хотя в современном обществе мужчины берут на себя все больше ответственности за воспитание детей и ведение домашнего хозяйства, все это по-прежнему остается прерогативой женщины. Поэтому работающая женщина нуждается в товарах и услугах, позволяющих максимально сэкономить время.


2. Write a summary of the article Russia economic structure (100 words). Use the plan given below:

Thesis statement (the main idea of the text)
Main points of para 1
Main points of para 2
...
Conclusion

Russia economic structure

The economic structure that exists in the Russian Federation today was created mostly as a consequence of decisions made during the prior economic regime.

For nearly 60 years, the Russian economy operated on the basis of centralized planning where the Russian state government controlled virtually all means of production, investment and consumption decisions throughout the economy. Economic policies were made according to directives from the Communist Party, which controlled all aspects of economic activity. The State Planning Committee formulated countrywide output targets for stipulated planning periods. Regional planning bodies then refined these targets for economic units such as state industrial enterprises and state farms and collective farms, each of which had its own specific output plan.

Since 1991, under the leadership of Boris N. Yeltsin, the country has made great strides toward developing a market economy by implementing basic tenets such as market-determined prices. Critical elements such as privatisation of state enterprises and extensive foreign investment went into place in the first few years of the post-Soviet period.

But other fundamental parts of the economic infrastructure, such as commercial banking and authoritative, comprehensive commercial laws, are still lacking in Russia today, limiting its potential growth and ability to attract and sustain investments.

Russia Economic Structure: The Road Ahead

Although Russia is well placed in its path to economic growth and development, given the feeble global economy, it needs to take lessons from its 1998 crisis to avoid the pitfalls of debt and balance sheet crises. Russia, an emerging economy, must structure its fiscal policies in line with government policies and the external environment. With its over reliance on energy and oil exports, Russia needs to guard itself from the fluctuating oil prices and the US dollar, and create diversity in its economic structure.

With interest rates set to decline further and bank deposits continuing to grow, Russian financial institutions are also likely to restart their credit facilities and reorganise their consumer and investment banking policies.