

4. As secretary of state, Cardinal Eugenio Pacelli was resident in \_\_\_ Vatican when he was elected Pope.
5. The largest school of mass communication in \_\_\_ Soviet Union, \_\_\_ Moscow State University, will start a five-year course specialising in Religious Communication in September this year.
6. Members of the Department of Social Anthropology and the Audio-Visual Aids are collaborating to make the first experimental videodisc at \_\_\_ Cambridge University.
7. The brains behind the organisation were 52-year-old Roy Crack from \_\_\_ Surrey and 42-year-old Paul Newmann from \_\_\_ South London, who both went from “rags to riches” on the profits from pharmacy.

**8. Answer the questions.**

1. What is economics about? What does economics study?
2. Why are *needs* and *wants* the basic concepts of economics?
3. What is *scarcity*? Does *scarcity* mean the same as *rarity*?
4. Why is economics called a science of choice?
5. What is meant by *alternative uses*?
6. What questions does economics study?
7. Name the four basic types of economic systems. What type could Russia be referred to?
8. How does a market economy answer the three basic economic questions?
9. What is a production possibility frontier? How does the PPF help to answer the basic economic questions?
10. What is income distribution? When does redistribution of income take place?

## UNIT 3.

### POSITIVE AND NORMATIVE ECONOMICS

**Learning outcomes**

After studying this unit you should be able to:

- 1) distinguish between positive and normative economic concepts;
- 2) understand why economists use the *ceteris paribus* assumption;
- 3) use the active vocabulary of the unit in speaking and writing;
- 4) read for different purposes (skimming, scanning);
- 5) use grammar effectively (quantifiers and prepositions).

**Lead-in**

**1. Read the sentence and decide which meaning (a, b or c) the word *judgement* has.**

*The inspector needs to make a judgement about how the school is performing.*

- a) the ability to make good decisions or to be right in your opinions
- b) an opinion about someone or something that you decide on after thinking carefully
- c) an official legal decision, usually made by a judge

**2. Match the two types of judgements with their definitions.**

<b>A</b> <i>Objective</i> (scientific) judgements	<b>1)</b> implies a conclusion which is insular or one-sided (synonyms: biased, personalised, unverifiable)
<b>B</b> <i>Subjective</i> (personal) value judgements	<b>2)</b> implies a conclusion based upon balance and public evidence (synonyms: disinterested, impartial, unprejudiced)

## TOPICS

### Text A

#### Positive and normative economics

1 In studying economics it is important to distinguish two branches of the subject. The first is known as “positive economics”, the second as “normative economics”.

2 *Positive economics* deals with objective or scientific explanations of the working of the economy. The aim of positive economics is to explain how society makes decisions about consumption, production, and exchange of goods. The purpose of this investigation is twofold: to satisfy our curiosity about why the economy works as it does, and to have some basis for predicting how the economy will respond to changes in circumstances. Normative economics is very different.

3 *Normative economics* offers prescriptions or recommendations based on personal value judgements. In positive economics, we hope to act as detached scientists. Whatever our political persuasion, whatever our view about what we would like to happen or what we would regard as “a good thing”, in the first instance we have to be concerned with how the world actually works. At this stage, there is no scope for personal value judgements. We are concerned with propositions of the form: if *this* is changed then *that* will happen. In this regard, positive economics is similar to the natural sciences such as physics, geology, or astronomy.

4 Here are some examples of positive economics in action. Economists of widely differing political persuasions would agree that, when the government imposes a tax on a good, the price of that good will rise. The normative question of whether this price rise is desirable is entirely distinct. Many propositions in positive economics would command widespread agreement among professional economists.

5 Of course, as in any other science, there are unresolved questions where disagreement remains. These disagreements are at the frontiers of economics. Research in progress will resolve some of these issues but new issues will arise and provide scope for further research.

6 Although competent and comprehensive research can in principle resolve many of the outstanding issues in positive economics, no corresponding claim can be made about the resolution of disagreement in normative economics. Normative economics is based on subjective value judgements, not on the search for any objective truth. The following statement combines positive and normative economics: “The elderly have very high medical expenses compared with the rest of the population, and the government should subsidise health bills of the aged.” The first part of the proposition — the claim that the aged have relatively high medical bills — is a statement in positive economics. It is a statement about how the world works, and we can imagine a research programme that could determine whether or not it is correct. Broadly speaking, this assertion happens to be correct. The second part of the proposition — the recommendation about what the government should do — could never be “proved” to be correct or false by any scientific research investigation. It is simply a subjective value judgement based on the feelings of the person making the statement. Many people might happen to share this subjective judgement. But other people might reasonably disagree. You might believe that it is more important to devote society’s scarce resources to improving the environment.

7 There is no way that economics can be used to show that one of these normative judgements is correct and the other is wrong. It all depends on the preferences or priorities of the individual or the society that has to make this choice. But we can use positive economics to spell out the detailed implications of making the choice one way or the other. For example, we might be able to show that failure to subsidise the medical bills of the elderly leads middle-aged people to seek a lot of unnecessary medical check-ups in an attempt to detect diseases before their treatment becomes expensive. Society might have to devote a great deal of resources to providing check-up facilities, leaving less resources available than had been supposed to devote to improving the environment. Positive economics can be used to clarify the menu of options from which society must eventually make its normative choice.

8 Most economists have normative views and some economists are vociferous champions of particular normative recommendations. However, this *advocacy role* about what society should do must be distinguished from the role of the economist as an expert about the likely consequences of pursuing any course of action. In the latter case, the professional economist is offering expert advice on positive economics. However, in a democracy economists have no monopoly on pure value judgments merely because they happen to be economists. Scrupulous economists clearly distinguish their role as an expert adviser on positive economics from their status merely as involved private citizens in arguing for particular normative choices.

*David Begg, Stanley Fisher, Rudige Dornbusch. Economics. — 3<sup>rd</sup> ed. — McGraw-Hill Book. Company Europe. — P. 10—11.*

#### Target vocabulary of text A

advocacy ( <i>n</i> ) =	when someone expresses support for a particular idea or way of doing things
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	<i>For social workers <u>advocacy</u> is a skill used to support a client appealing against a decision within the welfare system.</i>
assertion (n) =	when you say that smth is certainly true <i>I don't agree with his <u>assertion</u> that men are safer drivers than women.</i>
comprehensive (adj) =	including everything <i>a <u>comprehensive</u> study of the subject</i>
consumption (n) =	when someone uses, eats or drinks smth <i>products sold for personal <u>consumption</u></i>
detached (adj) =	not reacting to or becoming involved in smth in an emotional way <i>try to take a more <u>detached</u> view</i>
distinguish (v) =	to recognize and understand the difference between two or more things or people <i>His attorney argued that Cope could not <u>distinguish</u> between right and wrong.</i>
impose (v) =	if someone in authority imposes a rule, punishment, tax, etc., they force people to accept it <i>The court can <u>impose</u> a fine.</i>
persuasion (n) =	a particular type of belief, especially a political or religious one <i>We need people with talent, whatever their political <u>persuasions</u>.</i>
preference (n) =	if you have a preference for smth, you like it more than another thing and will choose it if you can <i>Many elderly people expressed a strong <u>preference</u> to live in their own homes.</i>
scope (n) =	the opportunity to do or develop smth <i>The <u>scope</u> for successful gardening increases dramatically with a greenhouse.</i>
scrupulous (adj) =	doing smth very carefully so that nothing is left out <i><u>scrupulous</u> attention to detail</i>
subsidise (v) =	if a government or organisation subsidises a company, activity, etc., it pays part of its costs <i>Farming is heavily <u>subsidised</u> by the government.</i>
vociferous (adj) =	expressing your opinions loudly and strongly <i>a <u>vociferous</u> opponent of the plan</i>

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

branches, scientific, curiosity, circumstances, persuasion, physics, issue, assertion, subjective, menu, vociferous, advocacy, consequences, scrupulous

**b) Read text A and do the tasks/answer the questions below.**

1. What is the difference between normative and positive statements?
2. Which of the following are positive statements and which are normative?
  - a) It is snowing today.

- b) It is too cold today.
  - c) Economics is a social science.
  - d) Economics should be concerned with how to reduce poverty.
  - e) Households save too much of their income.
3. Should the two branches of economics be considered as separate or interconnected?
  4. Is there any reason why economists should agree about normative statements?

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

1. Normative economics studies how the economy actually behaves. \_\_\_\_
2. Positive economics makes prescriptions about what should be done. \_\_\_\_
3. Given comprehensive research, scientists should agree on issues in positive economics. \_\_\_\_
4. Normative economics is based on personal value judgements. \_\_\_\_

**3. Scan through text A and find the words corresponding to these definitions.**

<i>para 2—3</i> 1) having two important parts ( <i>adj</i> )	_____
2) the feeling of wanting to know or learn about smth ( <i>n</i> )	_____
3) a fact or event that makes a situation the way it is ( <i>n</i> )	_____
4) an idea or suggestion about how you should behave, or how to make a situation, activity, etc. successful ( <i>n</i> )	_____
5) to think about someone or smth in a particular way ( <i>v</i> )	_____
6) an example of a particular type of event, situation or behaviour ( <i>n</i> )	_____
<i>para 4—6</i> 7) to be different ( <i>v</i> )	_____
8) the limits of what is known or what has been done before in an area of knowledge or activity ( <i>n</i> )	_____
9) to solve or end a problem or difficulty ( <i>v</i> )	_____
10) when someone says that smth is true, although it has not been proved ( <i>n</i> )	_____
11) the amount of money that you spend on smth ( <i>n, pl.</i> )	_____
12) compared to other things ( <i>adv</i> )	_____
<i>para 7—8</i> 13) smth that is very important and that must be dealt with before other things ( <i>n</i> )	_____
14) when you seem to suggest smth without saying it directly ( <i>n</i> )	_____
15) to try to do smth or achieve smth, usually over a long period of time ( <i>v</i> )	_____
16) used to emphasise that smth is not large, important, or effective when compared to smth else ( <i>adv</i> )	_____

#### 4. Use the words from exercise 3 to fill in the gaps.

1. Although these two savings intermediaries are strong competitors in the personal savings market, their portfolio choices \_\_\_\_\_, because the structures of their liabilities differ.
2. The removal of safety devices to speed up production, for \_\_\_\_\_, is often done with the tacit connivance of supervisors.
3. Estimates suggest that the number is \_\_\_\_\_ small, probably no more than 3 per cent of the total unemployed.
4. Generations of inventors and investors have kept us on the technological \_\_\_\_\_.
5. No analyst would make such a \_\_\_\_\_ today, and the “nationalization” thesis has had to be revised in the light of increased local variations in voting behaviour.
6. He borrowed £150 000 and used the money for legal \_\_\_\_\_.
7. The company’s main duty is \_\_\_\_\_: the exploitation and the protection of the “work”.
8. The \_\_\_\_\_ drawn from the trade is that modern corporations lack an adequate system of accountability.
9. Experiments and observations failed to \_\_\_\_\_ the controversy.
10. The meeting has been cancelled due to \_\_\_\_\_ beyond our control.
11. The party’s main \_\_\_\_\_ for educational problems was to give schools more money.
12. Our main concern is with those policies and issues we \_\_\_\_\_ as being the most important in determining the achievement of national goals through partnership with the multinationals.
13. Winning the Civil War was just such an overriding \_\_\_\_\_, and all other issues were in part subsidiary to this.
14. Other graduates now \_\_\_\_\_ successful careers in the United Kingdom, Europe and the USA.
15. They did not find oil and gas, \_\_\_\_\_ thick sedimentary areas that could indicate their presence.
16. The reasons are numerous and sometimes complex but \_\_\_\_\_ about the planet on which we live is a prime motivator.

#### 5. Fill in the gaps using the prepositions from the box below.

<p style="text-align: center;"><i>from</i> • <i>at</i> • <i>in</i> • <i>on</i> • <i>by</i> <i>to</i> • <i>of</i> • <i>for</i> • <i>with</i></p>
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1. It enables a price system to operate and facilitates the production and exchange \_\_\_ goods.
2. They are the basis \_\_\_ our strategy and the benchmark against which progress will be judged.
3. Car sales last month failed to respond \_\_\_ the budget tax cuts but Ford has retained its market leadership while falling short \_\_\_ its objective of a 30 p.c. share.
4. Last week’s meeting left the crucial question of burden of proof open — a fact which may have shifted the odds in favour \_\_\_ the would-be banners.
5. \_\_\_ this regard the Director of Social Work, in conjunction \_\_\_ the Director of Finance, will give sympathetic consideration to each individual case having regard to all the circumstances.
6. \_\_\_ this stage, they would have to discuss how they wished to employ their right to three years in further education.
7. Most of the high technology services firms were working \_\_\_ the frontier of computer usage, developing new software packages or sophisticated interactive training models for business.
8. The Departments of Environment and Transport could have agreed that \_\_\_ principle it was better not to encourage more cars onto the roads \_\_\_ building better motorways.
9. Most policies pay out a measly amount for expenses \_\_\_ delayed departures.
10. The second major effect of the introduction of private property occurred, according \_\_\_ Engels, as an indirect result of the change to patriliney, a state which he did not clearly distinguish \_\_\_ patriarchy.

#### 6. Read the sentences from text A and decide which meaning (a, b or c) the word in *italics* has.

1. In studying economics it is important to distinguish two *branches* of the subject.
  - a) one of the many parts of a tree that grows out from its trunk (= main, vertical part)
  - b) one of several shops, offices, etc. that are part of a company or organisation
  - c) a part of a subject
2. We are con-cerned with *propositions* of the form: if this is changed then that will happen.
  - a) an offer or suggestion, usually in business
  - b) an idea or opinion
  - c) in the US, a formal plan that people accept or refuse by voting
3. ... no corresponding claim can be made about the *resolution* of disagreement in normative econo-mics ...
  - a) an official decision that is made after a group or organisation have voted

- b) a promise to yourself to do something
- c) the solution to a problem
- 4. Most economists have normative *views* and some economists are vociferous champions of particular normative recommendations.
  - a) opinion
  - b) the things that you can see from a place
  - c) a position from which something can be seen
- 5. Scrupu-lous economists clearly distinguish their role as an expert adviser on positive economics from their *status* merely as involved private citizens in arguing for particular normative choices.
  - a) the legal position of someone or something
  - b) the position that you have in relation to other people because of your job or social position
  - c) possessions a person has

**7. Give a definition of the word in bold using the words given in the list below.**

<b>objective</b> decision facts beliefs	<b>purpose</b> aim intended to achieve	<b>to satisfy</b> to make pleased wants
<b>to predict</b> to happen future result	<b>persuasion</b> to persuade idea belief	<b>research</b> to study subject facts
<b>expensive</b> to cost a lot of money	<b>to improve</b> to make better before	<b>expert</b> special skills knowledge

**8. Translate the following sentences from Russian into English.**

1. Позитивная экономика пытается объяснить, как общество принимает решения о потреблении, производстве и обмене благами.
2. Нормативная экономика имеет дело с предписаниями или рекомендациями, основанными на персональных оценочных суждениях.
3. В позитивной экономике мы пытаемся действовать как независимые ученые и разобраться с тем, как устроен мир вокруг нас, независимо от наших политических воззрений и взглядов. В этом отношении позитивная экономика близка к естественным наукам — таким, как физика, геология или астрономия.
4. Нормативная экономика основывается на субъективных оценочных суждениях, а не на поиске объективной истины.
5. Следующий тезис комбинирует положения позитивной и нормативной экономики: у пожилых людей очень высокие медицинские расходы по сравнению с остальной частью населения, в связи с чем государство должно субсидировать оплату медицинских счетов пожилых. Первая часть тезиса — утверждение, что пожилые имеют относительно большие медицинские счета, — это утверждение позитивной экономики, объясняющее реальность окружающего нас мира. Вторая часть тезиса — рекомендация о том, что правительство должно делать, — не может быть обозначена как верная или ложная каким угодно научным исследованием. Это субъективное оценочное суждение, основанное на чувствах человека, делающего его.

**Text B**

***Ceteris paribus***

1 When we try to understand the relationship between two or more variables in the context of economic models, we must assume that everything else, other than the variables we are studying, does not change. We do this by use of the *ceteris paribus* assumption:

*Ceteris paribus* is a Latin expression that means “other things equal”. Another way of saying this is that all other things are assumed to be constant or unchanging.

2 Consider the simple circular flow model, and suppose that households decide to save (not spend) a portion of the income they receive from selling their factors of production. What will happen to household spending on

goods and services? We might think that household spending will fall by an amount equal to savings. But will this necessarily happen? The answer is no, it may not, if other things happen at the same time that also affect household spending. For example, let's say that at the same time that households decide to start saving, they also decide to work longer hours (sell more of their labour in the labour market to firms) in order to increase their income. If they succeed, their longer working hours will have the effect of increasing their income and therefore their spending, at the same time that their saving will have the effect of lowering their spending. We have no idea what will happen on balance.

3 If we want to study the relationship between household saving and spending, we can do it by assuming that all other things that could affect spending are constant and unchanging. More formally, we could say that we are examining the impact of the decision to save on household spending, *ceteris paribus*. This means simply that we are studying the relationship between saving and spending on the assumption that nothing else happens that can influence this relationship. By eliminating all other possible interferences, we isolate the impact of saving on spending, so we can study it alone.

4 In the real world all the variables that can affect household spending are likely to be changing at the same time. The *ceteris paribus* assumption does not say anything about what happens in the real world. It is simply a tool used by economists to construct models and theories.

*Ellie Tragakes. Economics for the IB Diploma. — Cambridge University Press, 2009. — P. 7—8.*

### Target vocabulary of text B

assume (v) =	to think that smth is likely to be true, although you have no proof <i>Everything was quiet when I got home so I <u>assumed</u> that you had gone out.</i>
constant (adj) =	staying at the same level <i>The temperature remained <u>constant</u>.</i>
eliminate (v) =	to remove smth from smth, or get rid of smth <i>The doctor advised me to <u>eliminate</u> salt from my diet.</i>
impact (n) =	the effect that a person, event, or situation has on someone or smth <i>Latino singers have had a major <u>impact</u> on pop music this year.</i>
interference (n) =	when someone tries to interfere in a situation <i>There have been claims of too much political <u>interference</u> in education.</i>
isolate (v) =	to separate someone or smth from other people or things <i>Scientists have been able to <u>isolate</u> the gene responsible for causing the illness.</i>
portion (n) =	a part of smth <i>A large <u>portion</u> of their profits goes straight back into new projects.</i>

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

variable, variety, to vary, *ceteris paribus*, circular, receive, therefore, interference, to isolate

#### b) Read text B and answer the questions/do the tasks below.

1. What does the expression *ceteris paribus* mean?
2. Consider the statement "If we increase our consumption of calories, we will put on weight."
  - a) Do you think this statement is necessarily true? Why? Why not?
  - b) How to rephrase this statement to make it more accurate?

#### 2. Scan through text B and find the words corresponding to these definitions.

<i>para 1</i>	
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1) a connection between two or more things ( <i>n</i> ) 2) a smaller copy of a real object, often used to show how smth works or what it looks like ( <i>n</i> ) 3) a phrase that has a special meaning ( <i>n</i> )	----- ----- -----
<i>para 2</i> 4) used to say you think smth is true, although you are uncertain about it ( <i>v</i> ) 5) the same in size, number, amount, value, etc. as smth else ( <i>adj</i> ) 6) to do smth that produces an effect or change in smth or in someone's situation ( <i>v</i> ) 7) you think smth is true after considering all the facts ( <i>v</i> )	----- ----- ----- -----
<i>para 3, 4</i> 8) officially ( <i>adv</i> ) 9) to look at something carefully and thoroughly because you want to find out more about it ( <i>v</i> ) 10) the amount of money spent, especially by a government or organisation ( <i>n</i> )	----- ----- -----

**3. Look through the sets of sentences and try to guess which word is missing in every sentence. The words were taken from exercise 2.**

(1) \_\_\_\_\_

1. In general, they suggest that ... provided reasonable and reliable evacuation times.
2. The ... constructed from this definition is shown in Fig. 12.7.
3. This ... not only represents the simplest type of search but it would appear to have become the basis for subject searches as well, over-simplifying what is in fact a very complex process.

(2) \_\_\_\_\_

1. A great advantage of these tests is that sets of tasks can be made of ... difficulty.
2. Two quantities can only be ... if they contain the same powers of space, time and mass.
3. The author explores, in this paper, some philosophical arguments for ... distribution of scarce goods between people of different age groups living in the same society.

(3) \_\_\_\_\_

1. The right to national self-determination was ... included in the first programme of the Russian Social Democratic Labour Party (RSDLP), but was accorded a relatively low priority.
2. The new stand was completed in November 1932 at a cost of £45 000 and ... opened the following month by the Prince of Wales.
3. Subsequently, we shall ask you to ... approve a list of parties to whom details of the opportunity will be circulated.

(4) \_\_\_\_\_

1. This is the meaning of the proposition that "another way to curb prices would be to establish a body (probably a prices commission) ... particular prices and report upon them publicly."
2. When I had started ... pensions, many in the industry were opposed to any change in payments and almost everyone was opposed to personal pensions.
3. When you get the results, ... them thoroughly and dispassionately and ask the question: What are people really concerned about?

(5) \_\_\_\_\_

1. A plan to increase military ... has been successfully introduced.
2. There are some factors of the real world that can change the level of consumer ... .
3. Government ... on public welfare has increased by 15%.

**4. Fill in the gaps with the words from the box.**

<p><i>circumstances</i> • <i>assumptions</i> • <i>isolated</i> • <i>complex</i> <i>fundamental</i> • <i>laws</i> • <i>prove</i> • <i>experiments</i></p>
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interfere • controls • relevant

A *ceteris paribus* assumption is often (1) \_\_\_\_\_ to the *predictive* purpose of scientific inquiry. In order to formulate scientific (2) \_\_\_\_\_, it is usually necessary to rule out factors which (3) \_\_\_\_\_ with examining a specific causal relationship. Under scientific (4) \_\_\_\_\_, the *ceteris paribus* assumption is realised when a scientist (5) \_\_\_\_\_ for all of the independent variables other than the one under study, so that the effect of a *single* independent variable on the dependent variable can be (6) \_\_\_\_\_. By holding all the other (7) \_\_\_\_\_ factors constant, a scientist is able to focus on the unique effects of a given factor in a (8) \_\_\_\_\_ causal situation.

Such assumptions are also relevant to the *descriptive* purpose of modelling a theory. In such (9) \_\_\_\_\_, analysts such as physicists, economists, and behavioural psychologists apply simplifying (10) \_\_\_\_\_ in order to devise or explain an analytical framework that does not necessarily (11) \_\_\_\_\_ cause and effect but is still useful for describing fundamental concepts within a realm of inquiry.

**5. Fill in the gaps using the prepositions (or particles) from the box below if necessary.**

by • from • on • with • at  
of • between • to • in

1. Some income is ignored, such as Attendance Allowance, Mobility Allowance, payments \_\_\_ the Social Fund, or any actual income you receive \_\_\_ your savings.
2. The average spending \_\_\_ new equipment was generally very modest.
3. The number of teenagers there is expected to fall \_\_\_ 45 per cent \_\_\_ 1980 and 2000.
4. Girls were equal \_\_\_, or in advance of boys in topics concerned \_\_\_ money and on calendar questions.
5. Selling a house even provides an opportunity to practise survey techniques and \_\_\_ the same time improve the chances \_\_\_ selling quickly.
6. Another salesman may communicate imperfectly but succeed \_\_\_ making a sale because one of the triggers used was sufficient to motivate the purchase.
7. \_\_\_ balance, it was a package strongly \_\_\_ favour of the government.
8. How abnormal weather conditions can affect \_\_\_ tidal predictions?
9. Tax revenues increase and the impact \_\_\_ personal spending power is less.
10. Whatever the source of the differing outcomes \_\_\_ these two experiments, it remains the case that the specific procedures used \_\_\_ Kaye et al.

**6. Read the text below. Use the words to the right of the text to form a word that fits the context.**

**What is economics about?**

<p>The (0) <u>social</u> sciences seek to describe how people will act. What makes eco-nomics (1) _____ from the other social sciences is the models economists use. Economic models (2) _____ people are rational (with well-ordered pref-erences), want to maximize something (such as profits or (3) _____), and then do the best they can given their (4) _____ resources.</p> <p>Consider a simple economic model. We are at a grocery store that has several checkout lanes open. It is a crowded day, and peo--ple are in every line. We want a model (5) _____ how many people will be in each line. An economist would likely assume that people know how fast each line is moving and that people seek to spend the least time in line. If the waiting time in one line is less, people will change lines. This</p> <p style="text-align: center;">w i l l c o n t i n u e</p>	<p>(0) society</p> <p>(1) differ</p> <p>(2) assumption</p> <p>(3) satisfy</p> <p>(4) scarcity</p> <p>(5) prediction</p>
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until all lines have the same (6) _____ wait time. This is the key prediction of the model. It also predicts that slower clerks will have shorter lines.	(6) expectation
The prediction of equal waiting time is a positive statement. A positive statement is a claim about what really is. A positive statement can be tested. We could, for example, find the wait time in a grocery store. Most (7) _____, we would find only an average wait time. However, the results could be wrong because the assumptions may be wrong (people may not have (8) _____ information or they may care about more things than just the wait time). Thus, a positive statement is a statement that can be demonstrated to be (9) _____ or false.	(7) like (8) suffice (9) truth
Another type of statement is a normative statement. A normative statement makes a moral claim about what should be. For example, some customers might say, "Some customers have to wait longer than others, and that is not fair." Without making a moral (10) _____, no way exists to say that such a statement is right.	(10) judge

**VOCABULARY**

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

EFFECTIVE ≠ EFFICIENT	
<b>effective</b> — successful or achieving the results that you want	<b>efficient</b> — working or operating quickly and producing good results by using the available time, money, etc. in the most effective way

Insert the proper word *effective* or *efficient* in these sentences.

- It's an extremely \_\_\_\_\_ cure for a headache.
- The most \_\_\_\_\_ way to plan is to put your tasks in order of priority.
- The lighting for the production made a very \_\_\_\_\_ use of shadow.
- She's a very \_\_\_\_\_ teacher.
- The new machine is far more \_\_\_\_\_ than the old one.
- You need \_\_\_\_\_ communication in your organisation.
- The troops should be deployed where they will be most \_\_\_\_\_.
- Humour is often far more \_\_\_\_\_ than shouting.
- The city's transport system is one of the most \_\_\_\_\_ in Europe.
- We need someone really \_\_\_\_\_ who can organise the office and make it run smoothly.

2. Look through the two sets of sentences and decide which word *effective* or *efficient* should be inserted to make these sentences complete.

- Industrial output is concentrated in the most \_\_\_\_\_ plants using the cheapest labour.

2. The emphasis for the future is heavily on decentralisation in the hopes that a devolved management can be more \_\_\_\_\_ and responsive to local needs.
3. The lack of an \_\_\_\_\_ railway system was a major contributing factor to the stagnant economy.  
The missing word is \_\_\_\_\_

1. I have cautioned a lot of people, and the caution always seems to be \_\_\_\_\_.
2. Scientific analysis of society was considered an essential preliminary to the \_\_\_\_\_ reform of social and political arrangements.
3. A very simple and \_\_\_\_\_ thing for the teacher to do is to comment on errors, not as a complaint but as praise for the attempt.  
The missing word is \_\_\_\_\_

**3. Match the words of Latin origin (1—14) with their definitions (a—n).**

1) ad hoc	a) used in writing to introduce smth else that should be compared or considered
2) ad valorem	b) written after a list of names to mean that other people are also involved in smth
3) a priori	c) used to say that smth is being considered alone, not with other connected things
4) cf. = confer	d) not planned, but arranged or done only when necessary
5) ceteris paribus	e) used in writing after a list to show that there are many other similar things or people that you could have added
6) et al. = et alii	f) used when comparing the advantages of two different things, ideas, etc.
7) etc. = et cetera	g) in proportion to the estimated value of the goods taxed
8) e.g. = exempli gratia	h) using previous experiences or facts to decide what the likely result or effect of smth will be
9) ibid. = ibidem	i) with other things equal
10) i.e. = id est	j) written before a word or phrase that gives the exact meaning of smth you have just written or said
11) per capita	k) used to say that the opposite of a situation you have just described is also true
12) per se	l) for example
13) vice versa	m) used in formal writing to mean from the same book, writer, or article as the one that has just been mentioned
14) vs. = versus	n) used to describe the average amount of smth in a particular place, calculated according to the number of people who live there

**4. Use the lexical units from exercise 3 to fill in the gaps.**

1. The film is only open to adults, \_\_\_\_\_ people over 18.
2. Governments operate in the world of real time during which many elements can change, as against the economist's world of rational time and \_\_\_\_\_.
3. The industrial market economies with a population of about 730 m enjoy an average GNP \_\_\_\_\_ of \$11 060 per annum.

4. Crime writers, \_\_\_\_\_ Agatha Christie and Ruth Rendell, are very popular among Russian reading audience.
5. In the North-West, for example, those employed by the Civil Service constitute 1.7 per cent of the civilian workforce (\_\_\_\_\_).
6. But there is no \_\_\_\_\_ reason to expect that any one paradigm is perfect or even the best available.
7. People may also trade good relations with their boss for better relations with their colleagues, or \_\_\_\_\_.
8. The finance minister must weigh up the benefits of a tax cut \_\_\_\_\_ those of increased public spending.
9. Customs duties were of two kinds, specific and \_\_\_\_\_.
10. Decisions affecting fixed assets are, by their nature, \_\_\_\_\_ and occasional.
11. While cars are required by law to stop at all stop signs (Vehicle Code section 1234), pedestrians are not (\_\_\_\_\_ Vehicle Code section 4321).
12. The data reported by Smith \_\_\_\_\_ is not accurate enough to build any model on its base.
13. Using the interview analysis technique where there is a need to draw conclusions about issues from a large number of interviews notes, discussion papers \_\_\_\_\_.
14. There are numerous questions to be raised later about those women who would prefer to continue working, but this example illustrates clearly why it is important to distinguish between age \_\_\_\_\_ and continuous tenure when considering wage profiles.

**5. Match the words in the box on the left with the words that they collocate with on the right.**

1) household	a) market
2) circular flow	b) world
3) labour	c) interferences
4) possible	d) model
5) real	e) spending

**6. Use the collocations from exercise 5 to complete the sentences.**

1. Realistic generalization is only possible, however, when there are good theories of the phenomena that occur in the \_\_\_\_\_.
2. It follows that, because our young men cannot earn good money, they cannot afford to marry and take their wives out of the \_\_\_\_\_.
3. Since leakages are assumed to be related to income, and injections are assumed exogenous, then variations in income equate total income and expenditure flows in the \_\_\_\_\_.
4. \_\_\_\_\_ on consumption (C) and household saving (S) are both directly related to household after-tax income.
5. Industrial relations should be free from state \_\_\_\_\_.

## GRAMMAR

**1. Read the 4 sentences and decide which meaning (a or b) the underlined word has.**

1. We have had very <u>few</u> opportunities to practise English.	a) some, a small number b) hardly any at all
2. The police would like to ask him <u>a few</u> questions.	
3. He has very <u>little</u> hope of winning this race.	
4. I'd like <u>a little</u> time to think about it please.	

**2. Fill in the gaps using *few, a few, little, a little*.**

1. \_\_\_ times, the show has been the catalyst in bringing fans together.
2. There is \_\_\_ point in publishing this data.
3. Many lengthy evocations of individual works will be incomprehensible to readers as \_\_\_ of the sculptures

and drawings are illustrated.

4. What's needed is \_\_\_ thought — and \_\_\_ heart.
5. Monarchy was almost the rule in Europe, which had many republicans, but \_\_\_ republics.
6. Some of them are pretty useless, but you do pick up \_\_\_ information from each one.
7. I should, however, add \_\_\_ words for the benefit of any student who wishes to research more deeply.
8. They will need to speak fluent English and French and \_\_\_ Flemish.

### 3. Match the halves of the sentences.

1. The system admits variations, but usually requires the exclusion of the candidate having...	a) fewer transnational corporations, national law violation may well become old-fashioned.
2. With the internationalization of capital and the concentration of power in the hands of...	b) the fewest reserves and resources.
3. Caribbean women have...	c) less gas and/or electricity at home during the next year.
4. Some non-OPEC producers also are cutting back: seven (including Russia and China) have offered to pump 5%...	d) the fewest votes in each successive count.
5. I pledge to use 10 per cent...	e) the least viewers.
6. Political programmes on TV attract...	f) less oil during the second quarter of 1989.
7. There was too much poverty, and hardship fell on those with...	g) the fewest children, and in Cuba the average is 1.7.

## SKILLS FOCUS

### Reading

1. Read the text *Positive and normative concepts*, choose the best sentence from the list below to fill in the gaps.

#### Positive and normative concepts

Economists think about the economic world in two different ways: one way tries to describe and explain how things in the economy actually work, (1) \_\_\_\_.

The first of these is based on positive statements, which are about something that is, was or will be. Positive statements are used in several ways:

- They may describe something (e.g. the unemployment rate is 5%; industrial output grew by 3%).
- They may be statements in a theory (e.g. an increase in price leads to a decrease in quantity bought).

The second way of thinking about the economic world, dealing with how things ought to work, is based on normative statements, (2) \_\_\_\_.

These are subjective statements about what should happen. Examples include the following: the unemployment rate should be lower; health care should be available free of charge; extreme poverty should be eradicated.

Positive statements may be true or they may be false. For example, we may say that the unemployment rate is 5%; if in fact the unemployment rate is 5% this statement is true; but if the unemployment rate is actually 7%, the statement is false. Normative statements, by contrast, cannot be true or false. They can only be assessed relative to beliefs and value judgements. Consider the normative statement "the unemployment rate should be lower". We cannot say whether this statement is true or false, though we may agree or disagree with it, (3) \_\_\_\_.

If we believe that the present unemployment rate is too high, then we will agree; but if we believe that the present unemployment rate is not too high, (4) \_\_\_\_.

Positive statements play an important role in economics because they are used to describe economic events and to construct theories and models (5) \_\_\_\_.

Normative statements are important because they form the basis of economic policy-making. Economic policies are government actions (6) \_\_\_\_.

When a government formulates

a policy to lower the unemployment rate, this is based on a belief that the unemployment rate is too high, and the value judgement (7) \_\_\_\_\_. If a government pursues a policy to make health care available free of charge, this is based on a belief that people should not have to pay for receiving health care services.

Positive and normative statements, while distinct, often work together in economics. To be successful, an economic policy aimed at lowering unemployment (the normative dimension) must be based on a body of economic knowledge (8) \_\_\_\_\_. The positive dimension provides guidance to policy-makers on how to achieve their economic goals.

*Ellie Tragakes. Economics for the IB Diploma. — Cambridge University Press, 2009. — P. 8.*

- A which are about what ought to be.
- B that try to solve economic problems.
- C depending on our beliefs about unemployment.
- D that high unemployment is not a good thing.
- E and the other deals with how things ought to work.
- F that try to explain these events.
- G then we will disagree.
- H about what causes unemployment.

## 2. Read more about positive and normative analysis in economics in Reading file: Unit 3.

### Speaking

A

#### The cost of higher education

This activity is based on the materials taken from <http://www.economist.com/>. The site presents the debate between the two economists: Alison Wolf and Anders Flodström. They are discussing the question “Who should pay for higher education: individuals or state?” The brief description of the problem is given below:

Where does the lion’s share of value rest when it comes to higher education? Is it with the individuals who reap the rewards of interesting work and higher salaries? Or is it the state, which will benefit from an educated society and competitive workers? In a globalised world where talent shortages are growing and highly educated individuals move freely between jobs and countries, has the balance of the benefit of higher education shifted from the state to the individual? If so, who bears the responsibility for paying for higher education?

**Your task is to visit <http://www.economist.com/debate/days/view/232> and do the following:**

**1. Summarise the view points of the debate participants. Use the speech patterns given below.**

- a) Alison Wolf is a ... He is defending the idea of ... His arguments in favour of the statement are...
- b) Anders Flodström is a ... He is against the idea of ... be--cause ... His arguments are ...

**2. Speak about the results of the debate.**

**3. Tell your partner about your own viewpoint on the problem discussed.**

B

**1. What do the following quotations tell us about the advantages of education?**

- a) *Education’s purpose is to replace an empty mind with an open one.* (Malcolm Forbes (1919—1990))
- b) *Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be permanently maintained.* (James A. Garfield (1831—1881))
- c) *The great aim of education is not knowledge but action.* (Herbert Spencer (1820—1903))
- d) *There is only one thing that can kill the Movies, and that is education.* (Will Rogers (1879—1935))
- e) *Education is the best provision for old age.* (Aristotle (384 BC-322 BC))

**2. What problems of education do the following quotations highlight?**

- a) *I have never let my schooling interfere with my education.* (Mark Twain (1835—1910))
- b) *America believes in education: the average professor earns more money in a year than a professional athlete earns in a whole week.* (Evan Esar (1899—1995))
- c) *Education has produced a vast population able to read but unable to distinguish what is worth reading.* (G. M. Trevelyan (1876—1962))

C **Discuss the following questions with the partner.**

- 1. How important do you think education is?
- 2. Do you think you have had a good education?
- 3. Do you think the quality of education is slipping?
- 4. Does your government really care about education?

5. What would you like to change about the education system of your country/university?

### Writing

**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.

#### Позитивная и нормативная экономическая теория

Многие экономисты проводят четкую грань между вопросами эффективности и справедливости. Дискуссии об эффективности рассматриваются как часть позитивной экономической теории, которая имеет дело с фактами и реальными зависимостями. Дискуссии же о справедливости — это часть нормативной экономической теории, то есть той отрасли науки, которая выносит суждения о том, хороши или плохи конкретные экономические условия и политика.

*Нормативная экономическая теория* имеет отношение не только к проблеме справедливости и распределении продукта. Оценочные суждения также возможны по поводу оставшихся трех основных видов выбора, совершаемого каждой экономической системой: при принятии решения о том, что производить, будет ли справедливым разрешить производство табака и алкогольных напитков и в то же время запретить производство марихуаны и кокаина? При совершении выбора «как производить» возможно ли позволить людям работать в опасных или вредных условиях или труд в этих условиях должен быть запрещен? Решая, кто и какую работу будет выполнять, справедливо ли ограничивать доступ к различным видам работы на основе возраста, пола или расы? Нормативные проблемы охватывают все стороны экономики.

*Позитивная теория*, не предлагая никаких оценочных суждений, фокусирует свое внимание на процессах, в результате действия которых люди получают ответы на четыре основных экономических вопроса. Эта теория анализирует действие экономики, влияние определенных институтов и политических действий на экономическую систему. Позитивная наука прослеживает связи между фактами, ищет измеримые закономерности в происходящих процессах.

Предназначение экономической теории заключается в том, чтобы, во-первых, описать и объяснить процессы производства и обращения; во-вторых, обеспечить должное экономическое поведение хозяйственных субъектов. В обоих случаях мы сначала имеем дело с позитивной экономикой, а затем — с нормативной. Позитивная экономика описывает факты, условия, отношения в сфере экономики, взаимосвязи между ними, наиболее существенные процессы хозяйственной деятельности и их взаимодействие с другими экономическими и социальными процессами. Одним словом, позитивная экономика занимается раскрытием содержательной стороны явлений и процессов хозяйственной жизни общества, т.е. раскрытием экономических законов и закономерностей.

*Нормативная экономика* охватывает моральные и стоимостные оценки экономических явлений и процессов, руководствуясь знанием позитивной экономики. Скажем, каков допустимый уровень инфляции или нормы процента? Следует ли через системы налогообложения перераспределять доходы в пользу бедных слоев общества? Какими темпами должны расти или сокращаться расходы на оборону? Ответы на эти вопросы диктуются политическим выбором. В заключение можно сказать, что позитивная экономика занимается познанием и действием экономических законов, тогда как нормативная экономика — их использованием.

<http://ua.coolreferat.com/>

**2. Use the following link <http://www.investopedia.com/video/play/ceteris-paribus/#axzz2Hgwodcow> to learn more about *ceteris paribus* assertion. Watch the video and write a summary of what you listen to.**

**Use the following plan:**

- 1 Application of the term *ceteris paribus* in economics and finance.
- 2 The way markets respond to chicken price increases given the *ceteris paribus* condition.
- 3 How price increases change Liz's market behaviour.

## UNIT 4.

### FREE AND ECONOMIC GOOD

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**Learning outcomes**

After studying this unit you should be able to: