**2.3.**

**КОНТРОЛЬНАЯ РАБОТА № 3**

***Text 3: The economic functions of the government***

**1. Read the text:**

1. All real-life economies are "mixed", government and the market system share the function of answering the three fundamental questions. The economic functions of government - federal, state, and local - are of very considerable significance. A variety of regulatory programs designed to protect the environment, improve workers health and safety, protect consumers from unsafe products, provide equal access to employment opportunities, and control the pricing behavior of certain industries impose government into every sector of economic activity. The economic functions of government are varied. Some of them are designed to strengthen and facilitate the operation of the market system. Through the other functions, government modifies the operation of the market system. So, the major functions of the government include:

• providing the legal foundation and social environment conductive to the effective operation of the market system;

• maintaining competition;

• redistributing income and wealth;

• adjusting the allocation of resources so as to alter the composition of the national output;

• stabilizing the economy.

2. **Providing the legal foundation and social environment conductive to the effective operation of the market system.** The necessary legal framework involves such things as providing for the legal status of business enterprises, defining the rights of private ownership. Government also establishes legal rules of the game to govern the relationship of business, resource supplies, and consumers with one another. The basic services provided by the government include the use of police powers to maintain order, provision of a system of standards for measuring the weight and quality of products, and establishing of a monetary system to facilitate the exchange of goods and services.

3. **Maintaining competition.** Competition is the basic regulatory mechanism. With competition, it is the supply and demand decisions of many sellers and buyers which determine market prices. With competition, buyers are the boss, the market is their agent, and the businesses are their servant. The growth of monopoly alters this situation. Through their ability to determine total supply, monopolists can influence the market in terms of their own self-interest. They charge above-competitive prices which are in direct conflict with the interests of consumer.

4. **Redistribution of income and wealth.**The market system is an impersonal mechanism, and the distribution of income to which it gives rise may cause more inequality than society desires. Those who possess valuable capital and land receive large property incomes. But others in our society have no property resources and their incomes are very low. Many of the aged, the physically and mentally handicapped, and husbandless women with dependent children earn only very small incomes or like the unemployed no incomes at all through the market system.

Government is involved in a variety of social insurance and welfare programs designed to ameliorate income inequality in the society. The government carries out redistribution by deliberate policy measures:

• by directing market intervention ( by modifying the prices established by market forces);

• through the transfer payments such as social security and unemployment benefits to individuals (transfer payments are payments for which no current direct economic service is provided in return);

• by imposing taxes (the personal income tax has been used historically to take a larger proportion of the incomes of the rich than of the poor).

5. **Adjusting the allocation of resources so as to alter the composition of the nation output.** Government purposely reallocates resources to bring about significant changes in the composition of the economy's total output. When government taxes a good, such as cigarettes, it generally reduces the quantity of that good produced; when it subsidizes a good, such as milk, it generally increases the quantity of the good produced. By taxing cigarettes, the government can reduce the amount of cigarettes smoked and thereby improve health. The power to tax is thus the power to affect the allocation of the economies resources.

Sometimes markets do not allocate resources efficiently, and government intervention may improve economic performance. Economic theory identifies several types of market failure. One of them involves public goods. Most goods are private goods. A private good, if consumed by one person, cannot be consumed by another. A public good is a good that, even it is consumed by one person, is still available for consumption by others (clean air, national defense, public safety). The government does not have to produce public goods; it only has to specify how much of each should be produced. It may rely on private contractors to do the actual production. On the other hand, there is no general economic reason why government should not produce private goods. There are government-owned firms or nationalized in most countries. Some government enterprises appear successful and efficient.

6. **Stabilizing the economy** means controlling unemployment and inflation and promoting economic growth. Every market economy suffers from business cycle. The business cycle consists of fluctuations of total production, or GDP, accompanied by fluctuations in the level of unemployment and the rate of inflation. The government may reduce taxes in a recession in the hope that people will increase spending and thus raise the GDP. The central bank, which controls the quantity of money, may increase the quantity of money more rapidly in a recession to help bring the economy out of the recession. When inflation is high, the central bank may reduce the rate of money growth with the aim of reducing inflation. These are macroeconomic policies through which the government attempts to stabilize the economy, keeping it close to full employment but with low inflation.

**2. Discuss the answers to the questions (orally):**

1. What are government regulatory programs designed for?

2. What is the government intervention in economy aimed at?

3. What are the main economic functions of government?

4. What basic services does the government provide?

5. Why is it so important to maintain competition?

6. Is there an economic justification for government intervention in income redistribution?

7. How does the government perform its redistribution function?

8. What public goods and services does government provide?

9. What does stabilization of the economy imply?

10. How can government manipulate its expenditures and tax revenues to reduce unemployment and rate of inflation?

Все последующие задания выполняются письменно

**3. Find an appropriate heading for each paragraph of the text:**

a. economic stabilization

b. redistributive role of government

c. legal and social framework

d. reallocation of economic resources

e. maintaining and strengthening competition

f. fivefold breakdown of government's function.

**4. Find English equivalents of the following Russian words and word combination:**

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | налог на добавленную стоимость | **a** | Transfer payments |
| 2 | валовой национальный продукт | **b** | Welfare program |
| 3 | валовой внутренний продукт | **c** | Resource allocation |
| 4 | распределение ресурсов | **d** | Public product |
| 5 | социальное страхование | **e** | Gross domestic product (GDP) |
| 6 | программа социального обеспечения | **f** | Gross National Product (GNP) |
| 7 | трансфертные платежи | **g** | Legal and social framework |
| 8 | правовая и социальная система | **h** | Social insurance |
| 9 | общественные блага | **i** | Value Added Tax (VAT) |
| 10 | Несостоятельность рынка | **j** | Market failure |

**5. Find the definition of the following terms:**

|  |  |
| --- | --- |
| 1. Business cycle | a. Goods that consumed by one person, cannot be consumed by another. |
| 2. Public goods | b. Goods that, even they are consumed by one person, is still available for consumption by others. |
| 3. Private goods | c. Payments for which no current direct economic service is provided in return. |
| 4. Merit goods | d. Goods that society thinks people should consume or receive, no matter what their incomes are. |
| 5. Transfer payments | e. Fluctuation of total production, or GDP, accompanied by fluctuations in the level of unemployment and the rate of inflation. |

**6. Identify the parts of speech (nouns, adjectives, adverbs, verbs) in the following group of words of the same root. Translate the words into Russian:**

a. compete

b. competence

c. competent

d. competing

e. competition

f. competitive

g.uncompetitive

h. competitor

i. competitiveness

**7. Use the appropriate words from the ex.6 in the sentences below:**

1. The minister believes that higher taxes would make industry ….

2. Many firms are struggling to survive in a highly … marketplace.

3. Benchmarking is used to determine a company's efficiency compared to its ….

4. Companies as small as ours just can't … at that level.

5. We have to choose between the … priorities of industry, health, and education.

6. He demonstrated thorough ... in dealing with issues.

7. The government has enacted a series of antitrust laws to maintain ….

8. We must increase our ….

9. He is … enough to run this business.

**8. Match the words having the opposite meaning:**

|  |  |
| --- | --- |
| 1. recession | a. flaw |
| 2. to include | b. narrow |
| 3. broad | c. to weaken |
| 4. boss | d. to exclude |
| 5. to charge | e. minor |
| 6. to strengthen | f. servant |
| 7. major | g. growth |
| 8. merit | i. to discharge |

**9. Match the words which are very close in their meaning:**

|  |  |
| --- | --- |
| 1. to ameliorate | a. to keep safe |
| 2. to benefit | b. to regulate |
| 3. to maintain | c. to change |
| 4. virtually | d. to get advantage from |
| 5. to protect | e. practically |
| 6. to facilitate | f. to make easy |
| 7. to modify | g. to support |
| 8. to adjust | i. to make it less severe |

**10. Fill in the blanks using the words from the box:**

|  |
| --- |
| **a.**the business cycle,**b.**legal framework,**c.**mixed,**d.**economic grounds**, e.**market failure,**f.**allocation of resources,**g.**taxing |

Governments pay a major role in modern 1) … economies purchasing goods and

services, raising taxes, and making transfer payments. Governments also set 2) …, regulate economic activity, and attempt to stabilize 3) ….

Taxes affect the 4) …. 5) … a good raises the price to the buyers and lowers the price to the seller, thereby reducing the output of the good.

Government intervention can be justified by 6) …. Stabilizing the business cycle, declining on the amount of public goods, preventing the exercise of market power, and creating a socially desirable distribution of income and merit goods are all 7) … for a government role in the economy.

**Grammar references. The degrees of comparison of Adjective.**

**Степени сравнения прилагательных.**

**11. Fill in the missing degrees of comparison  
(Заполните недостающие степени сравнения прилагательных):**

|  |  |  |
| --- | --- | --- |
| Положительная степень | Сравнительная степень | Превосходная степень |
| short | shorter | the shortest |
| big | bigger |  |
| long |  |  |
| hot |  |  |
| lazy | lazier |  |
| good |  | the best |
| bad |  | the worst |
| little | less |  |
| interesting | more interesting |  |
| beautiful |  |  |

**12. Complete the sentences with the comparative or superlative.**

1. It is … than it was this time last year. (hot)

2. The … way to travel is by train. (safe)

3. The bar is three meters long but we need a … bar. (long)

4. The tower is a hundred meters in height. It is the … of all here. (high)

5. Moscow State University is the … University in Europe. (large)

6. Is it … to study at the university than at school? (interesting)

7. My friend works … at his English than me. (hard)

8. Days in summer are … than in winter. (long)