**3.3.**

**КОНТРОЛЬНАЯ РАБОТА № 2**

***Text 2. The fundamental problem of economics***

**1. Read the text:**

1. Two fundamental facts provide a foundation for the field of economics and comprise the economizing problem. The first fact is that the society's material wants are unlimited. Second: economics resources - the means of producing goods and services - are limited or scare.

2. The desires of consumers to obtain and use various goods and services are defined as "material wants". Innumerable products which we sometimes classify as necessities (food, shelter, clothing) and luxuries (perfumes, yachts, mink coats) satisfy human wants. Services satisfy our wants as much as products do. The differences between goods and services are often less than they seem to be at first.

3. Economic resources can be classified into the following categories: property resources - land or raw materials and capital; human resources - labor. Land refers to all natural resources which are usable in the productive process. Such resources are arable land, forests, mineral and oil deposits, water resources come under this general classification. Capital, or investment goods, refers to all manufactured aids to production, that is, all tools, machinery, equipment, and factory, storage, transportation and distribution facilities used in producing goods and services. It is a man-made resource. Real capital - tools, machinery, and other productive equipment - is an economic resource; money or financial capital is not. Besides, capital goods should be distinguished from consumer goods. Labor is a broad term which the economists use in referring to all of the physical and mental talents of men and women which are usable in producing goods and services.

4. We must recognize that a variety of different institutional arrangements and coordinating mechanisms are used by a society in responding to the economizing problem. The industrially advanced economies of the world differ essentially on two grounds: 1) the ownership of the means of production, and 2) the method by which economic activity is coordinated and directed.

5. Pure, or laissez faire, capitalism is characterized by the private ownership of resources and the use of a system of markets and prices to coordinate and direct economic activity. In such a system each participant is motivated by his or her own self interest; each economic unit seeks to maximize its income through individual decision making. The market system functions as a mechanism through which individual decision and preferences are communicated and coordinated. The fact that goods and services are produced and resources are supplied under competitive condition means there are many independently acting buyers and sellers of each product and resource. As a result, economic power is widely dispersed. The term laissez faire translates as "let it be", that is, keep the government from interfering with the economy. Government's role is limited to the protection of private property and establishing an appropriate legal framework to facilitate the functioning of free markets.

6. The polar alternative to pure capitalism is the command economy, characterized by public ownership of all property resources and collective determination of economic decision through central economic planning. All major decision concerning the level of resource use, the composition and distribution of output, the organization of production are determined by a central planning board. Business firms are governmentally owned and produce according to state directives.

7. No country relies exclusively on the market mechanism to make its economic decisions. The USA and most other countries rely instead on the market for some decision and on centralized decisions making for others. The use of both market signals and nonmarket directives is the hallmark of a mixed economy. The U.S. economy is distinguished by a heavy reliance on the market mechanism. The Swedish economy is also a hybrid system. Although over 90 % of business activity is in private hands, government is deeply involved in achieving economic stability and in redistributing income. Other "mixed" economies include a heavier dose of government intervention.

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

1. What is the fundamental problem of economic?

2. What are economic resources?

3. How can economic resources be classified?

4. What is land in economic sense?

5. What does capital include?

6. Is there any difference between real capital and money capital?

7. What is the difference between capital goods and consumer goods?

8. What does the term laissez faire mean?

9. How is economic activity coordinated in pure capitalism?

10. What is a hallmark of mixed economy?

Все последующие задания выполняются письменно

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

A. responses of world economic systems to the economizing problem

B. mixed economy

C. main points of economizing problem

D. classification of economic resources

E. material wants

F. command economy

G. pure capitalism

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

|  |  |
| --- | --- |
| 1. административно-командная система хозяйствования | a. property resources |
| 2. организационно-техническая база сбыта продукции | b. legal  framework |
| 3.  проблема минимизации издержек | c. total output |
| 4. средства производства | d. production facilities |
| 5. материальные ресурсы | e. command economy |
| 6. производственные мощности | f. distribution facilities |
| 7. общий объем производства | g. investment goods |
| 8. правовая система | h. economizing problem |

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

|  |  |
| --- | --- |
| 1. economic resources | a. A “gift of nature” including any valuable mineral deposits. |
| 2. land | b. Investment goods used to produce other goods. |
| 3. capital | c. An essential element in all forms of production. It represents all forms of work, both physical and mental. |
| 4. labor | d. Legal possession of something, usually big and valuable. |
| 5. command economy | e. A situation in which the supply of something is not enough for the people who want or need it. |
| 6. pure capitalism | f. A system with the private ownership of resources and the use of markets and prices to coordinate and direct economic activity. |
| 7.mixed economy | g. An economy that relies on central planning rather than decentralized markets. |
| 8. ownership | h. A typical feature; an official mark on an object made of gold or silver, showing the quality of the metal and where the object was made. |
| 9. scarcity | i. An economy that uses market signals and government intervention. |
| 10. hallmark | j. Means of producing goods and services. |

**6. Mark the statement true (T) or false (F):**

**(Определите, верно или ложно утверждение)**

|  |  |  |
| --- | --- | --- |
| **Statement** | **T** | **F** |
| 1. Economic problem arise because resources are limited, but there are limitless human wants. |  |  |
| 2. Money or financial capital is considered to be an economic resource. |  |  |
| 3. Human resources can be classified into mental and physical resources. |  |  |
| 4. Land comprises the natural resources of the earth, such as forests, mineral and oil deposits. |  |  |
| 5. Command economies rely on market systems and prices to coordinate economic activity. |  |  |
| 6. Product and services are scarce because resources are scarce. |  |  |
| 7. The term laissez faire means to keep the government from interfering with the economy. |  |  |

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

|  |  |
| --- | --- |
| 1. legal | a. slow |
| 2. advance | b. physical |
| 3. similar | c. narrow |
| 4. private | d. regress |
| 5. mental | e. illegal |
| 6. stability | f. dissimilar |
| 7. rapid | g. instability |
| 8. broad | h. public |

**8. Choose the answer from the alternatives:**

1. The economizing problem is one of deciding how to make the best use of:

a) unlimited resources to satisfy unlimited wants.

b) limited resources to satisfy unlimited wants.

c) unlimited resources to satisfy limited wants.

d) limited resources to satisfy limited wants.

2. The fundamental problem of economics is:

a) the scarcity of productive resources relative to material wants.

b) the establishment of prices which reflect the relative scarcities of products and resources.

c) to establish an equitable system of personal and business taxation.

3. Because of their scarcity, the efficient use of resources is:

a) an important issue in all economies.

b) an important issue only in centrally planned economy;

c) an important issue only in market economy;

d) not an important issue.

4. Money is not considered to be an economic resource because:

a) money is not a free gift of nature;

b) money is not productive;

c) the term of trade can be determined in nonmonetary terms.

5. The term "laissez faire" suggests that:

a) land and other natural resources should be privately owned, but capital should be publicly owned;

b) land and other natural resources should be publicly owned, but capital equipment should be privately owned;

c) government should not interfere with the operation of the economy.

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

|  |
| --- |
| Man-made, scarce, factor of production, unlimited, labor, “gift of nature”, capital, mental, land, physical. |

The science of economics centers upon two basic facts: first, human material wants are 1) … ; second, economic resources are 2) …. Economic resources may be classified as property resources 3) … and 4) … or as human resources 5) …. Land comprises the natural resources of the earth, the 6) …. Land, in its economic sense, is a 7) … which, when combined with labor and capital produces goods such as food and raw materials. Labor is divided into 8) … and 9) …. Capital is a 10) … resource which is used to make further production possible.

**Grammar revision.**

**Participle** (**-ing** and **-ed** clause).

**Participle I** (-ing) e.g.: Do you know the woman **talking**to Dan? = One woman is talking to Dan now. Somebody wants to know who she is.

**Participle II** (-ed) e.g.: Some of the people **invited**to the party can't come. =The people have been invited. Somebody invited them to the party.

**10. Complete the sentences with Participle I or Participle II**

**(Дополните предложение одной из форм причастия):**

1. The goods (producing, produced) by the company are in great demand.

2. A new model of equipment (developing, developed) by this company is rather interesting.

3. They saw (overturning, overturned) tables and chairs and pieces of broken glass over the room.

4. Nobody saw the things (keeping, kept) in that box.

5. The books (writing, written) by Dickens give us a realistic picture of the 19th century England.

**11. Change the subordinate clause (in bold type) for the Participle I or Participle II.**

**(Замените придаточное предложение причастным оборотом):**

1. **As she now felt more at ease**, the woman spoke in a louder voice.

2. **Since he knew who the man was**, Tom was very pleased to have the chance of talking to him.

3. **As he thought that it was his brother at the window**, Steve decided to open it.

4. The young man **who helps the professor in his experiments** studies at our university.

5. You must have much practice **when you are learning to speak a foreign language**.

**12. Use Participle I or Participle II:**

**(Используйте в предложении одну из форм причастия):**

1) (to write) in very bad handwriting, the letter was difficult to read.

2) (not to wish) to discuss that difficult and painful problem, he changed the subject.

3) (to translate) by a good specialist, the story preserved all the sparkling humour of the original.

4) (to approve) by the critics, the young author's story was accepted by a thick magazine.

5) (to phone) the agency, the manager left said he would be back in two hours.