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

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

1. What are government regulatory programs designed for?

They are designed to protect the environment, improve workers health and safety, protect consumers from unsafe products, provide equal access to employment opportunities, and conctol the pricing behavior of certain industries impose government into every sector of economic activity.

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

It is aimed at strengthening and facilitating the operation of the market system and modifying operation of the market system.

3. What are the main economic functions of government?

The main economic functions of government are 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.

4. What basic services does the government provide?

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.

5. Why is it so important to maintain 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.

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

Government is involved in a variety of social insurance and welfare programs designed to ameliorate income inequality in the society.

7. How does the government perform its redistribution function?

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); and 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).

8. What public goods and services does government provide?

Government provides such public goods and services as clean air, national defense, public safety

9. What does stabilization of the economy imply?

Stabilizing the economy means controlling unemployment and inflation and promoting economic growth.

10. How can government manipulate its expenditures and tax revenues to reduce unemployment and 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.

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

1. f. fivefold breakdown of government's function.

2. c. legal and social framework

3. e. maintaining and strengthening competition

4. b. redistributive role of government

5. d. reallocation of economic resources

6. a. economic stabilization

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

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

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

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

**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 | verb | конкурировать |
| b. competence | noun | компетентность |
| c. competent | adjective | компетентный |
| d. competing | adjective | конкурирующий |
| e. competition | noun | конкуренция |
| f. competitive | adjective | конкурентоспособный |
| g.uncompetitive | adjective | неконкурентоспособный |
| h. competitor | noun | конкурент |
| i. competitiveness | noun | конкурентоспособность |

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

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

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

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

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

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

6. He demonstrated thorough competence in dealing with issues.

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

8. We must increase our competitiveness

9. He is competent enough to run this business.

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

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

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

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

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

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

services, raising taxes, and making transfer payments. Governments also set 2) legal framework, regulate economic activity, and attempt to stabilize 3)the business cycle

Taxes affect the 4) taxing 5) allocation of resources 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) market failure. 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) economic grounds for a government role in the economy.

**11. Fill in the missing degrees of comparison**

|  |  |  |
| --- | --- | --- |
| Положительная степень | Сравнительная степень | Превосходная степень |
| short | shorter | the shortest |
| big | bigger | the biggest |
| long | longer | the longest |
| hot | hotter | the hottest |
| lazy | lazier | the laziest |
| good | better | the best |
| bad | worse | the worst |
| little | less | the least |
| interesting | more interesting | the most interesting |
| beautiful | more beautiful | the most beautiful |

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

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

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

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

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

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

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

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

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