

Міністерство освіти і науки України  
Львівський національний університет імені Івана Франка

# THE WORLD OF ECONOMICS

Навчальний посібник

*Рекомендовано  
Міністерством освіти і науки України*

Львів  
Видавничий центр ЛНУ імені Івана Франка  
2007

УДК 8 П. III (075.8)  
ББК Ш 141.21 я 73  
О-53

**Автори:**

Олена Оленюк, Галина Крижанівська, Наталія Курташ,  
Ольга Павлищенко, Оксана Тинкалюк

**Рецензенти:**

д-р екон. наук, проф. *С. М. Панчишин*  
(Львівський національний університет імені Івана Франка);

канд. філол. наук, проф. *А. Є. Рогатюк*  
(Волинський інститут економіки та менеджменту);

канд. пед. наук, доц. *В. М. Чайка*  
(Тернопільський національний педагогічний університет  
імені Володимира Гнатюка)

*Рекомендовано Міністерством освіти і науки України  
як навчальний посібник для студентів вищих навчальних закладів.  
Лист №14/18-9-1009 від 03.11.2006*

**Оленюк О. В., Крижанівська Г. Т., Курташ Н. М. та ін.**  
О-53 The World of Economics: Навч. посібник. – Львів:  
Видавничий центр ЛНУ імені Івана Франка, 2007. – 340 с.  
ISBN 978-966-613-541-7

Посібник *The World of Economics* складається з двох основних частин, а також двох додатків, у яких подано інформацію про Львівський національний університет та економічний факультет ЛНУ. Перша частина складається з восьми уроків-блоків (Units), які охоплюють основні питання економічної теорії. Друга частина поділена на шість уроків, у яких розглянуто базові поняття відповідних спеціальностей економічного факультету. Кожний урок-блок складається з фахового економічного тексту, лексичних і граматичних вправ, проектів з використанням інформації з Інтернету, письмових завдань на розвиток професійних навичок. Завдання та вправи в усіх розділах підручника розраховано на студентів з середнім та вищим рівнем мовної компетенції.

Для студентів економічного факультету.

**УДК 8 П. III (075.8)**  
**ББК Ш 141.21 я 73**

ISBN 978-966-613-541-7

© Оленюк О., Крижанівська Г.,  
Курташ Н. та ін., 2007  
© Львівський національний університет  
імені Івана Франка, 2007

# CONTENTS

## Part I

Unit 1. Macroeconomics.....	11
Reading .....	12
Comprehension check.....	15
Vocabulary .....	16
Language development .....	19
Communicative activities.....	20
Language check: .....	20
Project .....	23
Unit 2. Microeconomics.....	24
Reading.....	25
Comprehension check.....	27
Vocabulary .....	28
Language development .....	30
Communicative activities .....	31
Language check: .....	32
Project .....	35
Unit 3. Supply and demand.....	37
Reading.....	38
Comprehension check .....	40
Vocabulary .....	42
Language development .....	45
Communicative activities .....	47
Language check: .....	47
Project .....	49
Unit 4. Types of economic systems.....	51
Reading.....	52
Comprehension check .....	55
Vocabulary.....	56
Language development .....	58
Communicative activities .....	60

Language check: .....	62
Project .....	64
<b>Unit 5. Types of business organizations.....</b>	<b>65</b>
Reading.....	66
Comprehension check .....	68
Vocabulary .....	69
Language development.....	72
Communicative activities .....	73
Language check: .....	74
Project .....	75
<b>Unit 6. Economics of Ukraine.....</b>	<b>77</b>
Reading .....	78
Comprehension check .....	80
Vocabulary .....	81
Language development .....	83
Communicative activities .....	85
Language check: .....	85
Project .....	87
<b>Unit 7. Economics of Great Britain.....</b>	<b>88</b>
Reading.....	89
Comprehension check .....	91
Vocabulary .....	92
Language development .....	94
Communicative activities .....	95
Language check:.....	96
Project .....	98
<b>Unit 8. How the US economy works.....</b>	<b>99</b>
Reading.....	100
Comprehension check.....	102
Vocabulary.....	103
Language development .....	106
Communicative activities .....	108
Language check: .....	108
Project .....	111

## Part II

Unit 1. Management.....	112
1.1. <i>Management – an art or science?</i> .....	112
Reading .....	113
Comprehension check.....	115
Vocabulary .....	116
Communicative activities .....	118
Project .....	119
1.2. <i>Managerial strategies</i> .....	120
Reading .....	121
Comprehension check.....	123
Vocabulary .....	124
Communicative activities .....	127
Project .....	129
1.3. <i>Managing multinationals</i> .....	129
Reading.....	130
Comprehension check.....	132
Vocabulary .....	133
Communicative activities .....	135
Check yourself .....	136
Language development .....	141
Language check.....	142
Project .....	146
Develop your professional skills.....	147
Unit 2. Banking systems.....	151
2.1. <i>Banking in USA and its types</i> .....	151
Reading .....	152
Comprehension check.....	155
Vocabulary .....	156
Communicative activities .....	159
Project .....	159
2.2. <i>Structure of the banking system of Ukraine</i> .....	160
Reading.....	160
Comprehension check .....	164
Vocabulary .....	165
Communicative activities .....	167
Project .....	168

2.3. <i>Banking sector in the United Kingdom</i> .....	168
Reading .....	169
Comprehension check.....	172
Vocabulary .....	173
Communicative activities .....	175
Project .....	176
Check yourself .....	176
Language development .....	179
Language check .....	183
Develop your professional skills .....	185
<b>Unit 3. Finance</b> .....	<b>188</b>
3.1. <i>Financing the business</i> .....	188
Reading .....	189
Comprehension check .....	191
Vocabulary .....	191
Communicative activities .....	194
Project .....	194
3.2. <i>Financial analysis</i> .....	195
Reading .....	196
Comprehension check .....	198
Vocabulary .....	198
Communicative activities .....	201
Project .....	201
3.3. <i>Investment</i> .....	202
Reading .....	203
Comprehension check .....	205
Vocabulary .....	205
Communicative activities .....	208
Project .....	208
Check yourself .....	208
Language development .....	210
Language check .....	213
Develop your professional skills .....	215
<b>Unit 4. Accounting Fundamentals</b> .....	<b>218</b>
4.1. <i>Accounting and its categories</i> .....	218
Reading .....	219

Comprehension check.....	222
Vocabulary .....	222
Communicative activities .....	225
Project .....	225
4.2. <i>Auditing</i> .....	226
Reading .....	227
Comprehension check .....	229
Vocabulary .....	229
Communicative activities .....	232
Project .....	232
4.3. <i>Bookkeeping</i> .....	233
Reading .....	234
Comprehension check.....	236
Vocabulary .....	237
Communicative activities .....	239
Project .....	239
Check yourself .....	240
Language development .....	242
Language check .....	244
Develop your professional skills .....	246
Unit 5. Information technology .....	248
5.1. <i>IT fundamentals</i> .....	248
Reading .....	249
Comprehension check.....	253
Vocabulary .....	254
Communicative activities .....	257
Project .....	258
5.2. <i>Internet</i> .....	258
Reading .....	259
Comprehension check.....	263
Vocabulary .....	264
Communicative activities .....	267
Project .....	268
5.3. <i>Cybernetics</i> .....	268
Reading .....	269
Comprehension check.....	271
Vocabulary check .....	271

Communicative activities .....	274
Project .....	275
Check yourself .....	275
Language development .....	277
Language check .....	279
Develop your professional skills .....	281
<b>Unit 6. Marketing .....</b>	<b>287</b>
<i>6.1. Basic marketing .....</i>	<i>287</i>
Reading .....	288
Comprehension check.....	290
Vocabulary .....	291
Communicative activities .....	295
Project .....	295
<i>6.2. Promotional mix .....</i>	<i>295</i>
Reading .....	296
Comprehension check.....	299
Vocabulary .....	300
Communicative activities .....	303
Project .....	304
<i>6.3. International marketing .....</i>	<i>304</i>
Reading .....	305
Comprehension check.....	307
Vocabulary .....	307
Communicative activities .....	310
Project .....	311
Check yourself .....	311
Language development .....	313
Language check .....	316
Develop your professional skills .....	319
Appendix 1 .....	321
Appendix 2 .....	323
Literature .....	325
Glossary .....	326

## Вступ

Посібник призначено для студентів першого та другого курсів економічного факультету. Структурно він складається з двох частин. Перша – присвячена основним питанням економічної теорії, поділена на вісім уроків: „Макроекономіка”, „Мікроекономіка”, „Попит і пропозиція”, „Типи економічних систем”, „Типи організаційних форм підприємництва”, „Економічна система України”, „Економічна система Великобританії”, „Економічна система США”. У другій частині розглянуто базові поняття відповідних спеціальностей економічного факультету. Вона складається з шести уроків: „Менеджмент”, „Банківська справа”, „Фінанси”, „Облік і аудит”, „Інформаційні технології”, „Маркетинг”.

З уроку в урок схема подання матеріалу залишається незмінною, що сприяє системності навчання. Стержнем кожного уроку є автентичний фаховий текст, до якого подано різноманітні лексичні вправи, вправи на розуміння прочитаного, закріплення термінологічних одиниць, розвиток комунікативних навичок, вдосконалення мовленнєвої компетенції. У кожному уроці на мовному матеріалі економічної тематики передбачено роботу над однією з таких граматичних тем: уживання часових форм дієслова в активному та пасивному станах, прислівників, прикметників, непрямої мови, артиклів, модальних дієслів, герундію, інфінітиву, умовного способу, дієприкметникових зворотів і підрядних речень. Наприкінці уроку для закріплення пройденого матеріалу

запропоновано виконати проект з використанням інформації з Інтернету (посилання на відповідні веб-сторінки додано). Крім того, кожен урок другої частини містить розділ для самоконтролю, а також розділ, орієнтований на розвиток таких професійних навичок, як написання резюме, ділового електронного листа та факсу, заяви на надання банківської позики, складання бізнес-плану, балансового звіту та анкети для вивчення ринку.

Загалом посібник сприяє комплексному вивченню англійської мови професійного спрямування та інтегрованому розвитку мовленнєвих навичок.

# Part I

## UNIT 1. MACROECONOMICS

What is macroeconomics?  
Do you know anything  
about Keynesian Theory?  
What is inflation and what  
are two main inflation  
theories?



### Pre-reading tasks

I. Before you read the text make sure that you know the meanings of these words. Suggest their Ukrainian equivalents:

<i>aggregate, adj</i>	total; combined
<i>relative, adj</i>	connected (with); on the subject (of); relevant (to)
<i>to constitute, v</i>	to be or form something
<i>determinant, n</i>	something that decides, fixes, settles, or limits
<i>variable, n</i>	something which can vary in quantity or size
<i>distress, n</i>	the feeling of being extremely upset or worried

<i>consequence, n</i>	the result of an action or situation, especially a bad result
<i>rigidity, n</i>	being unable to bend or change easily
<i>persist, v</i>	to continue to exist
<i>deficiency, n</i>	the state of lacking something necessary
<i>correlate, v</i>	to (show to) have a close shared relationship or connection of cause and effect
<i>excessive, adj</i>	more than is necessary or wanted
<i>refinement, n</i>	a small change that improves something
<i>reconcile, v</i>	to find agreement between (two ideas, situations etc that seem to be in opposition)

*II. Suggest the situations where you would use the words from Ex. 1.*

### **Reading**

*I. Read the text and do the tasks that follow it:*

<sup>1</sup>Macroeconomics is a branch of economics concerned with the aggregate, or overall, economy. Macroeconomics deals with economic factors such as total national output and income, unemployment, balance of payments, and the rate of inflation. It is distinct from microeconomics, which is the study of the composition of output such as the supply and demand for individual goods and services, the way they are traded in markets, and the pattern of their relative prices.

<sup>2</sup>At the basis of macroeconomics is an understanding of what constitutes national income, and the related concept of gross national product (GNP). The GNP is the total value of goods and services produced in an economy during a given period of time, usually a year. The size of a country's potential GNP at any moment in time depends on its factors of production – labour and capital – and its technology. The

measure of what a country's economic activity produces in the end is called final demand. The main determinants of final demand are consumption (personal expenditure on items such as food, clothing, appliances, and cars), investment (spending by businesses on items such as new facilities and equipment), government spending, and net exports (exports minus imports).

<sup>3</sup>Macroeconomic theory is largely concerned with GNP and its relationship to such variables as unemployment and inflation.

**<sup>4</sup>Keynesian theory and unemployment.** Unemployment causes a great deal of social distress and concern; as a result, the causes and consequences of unemployment have received the most attention in macroeconomic theory. Until the publication in 1936 of *The General Theory of Employment, Interest and Money* by Keynes, unemployment was generally explained in terms of rigidity in the labour market that prevented wages from falling to a level at which the labour market would be in equilibrium. Equilibrium would be reached when pressure from members of the labour force seeking work had brought down the wage to the point where either some dropped out of the labour market (the supply of labour fell) or firms became willing to take on more labour given that the lower wage increased the profitability of hiring more workers (demand increased).

<sup>5</sup>Keynes's major innovation was to argue that persistent unemployment might be caused by a deficiency in demand for production or services. Such a deficiency of demand could be explained by a failure of planned investment to match planned savings. Savings constitute a leakage in the circular flow which would tend to reduce the level of total demand. "Real" investment, known as capital formation (the production of machines, factories, housing, and so on), is an injection into the circular flow relating income to output and tends to raise the level of demand.

<sup>6</sup>Keynes's emphasis on demand as the key determinant of output in the short run stimulated developments in many

other fields of macroeconomics. It was partly instrumental in the development of national income accounting, which measures the components of GNP – consumption, investment, government spending and net exports.

**<sup>7</sup>Inflation and money supply.** For several decades after World War II the main inflation theories were demand-pull and cost-push. The cost-push theory basically emphasized the role of excessive increases in wages relative to productivity increases as a cause of inflation, whereas the demand-pull theory tended to attribute inflation more to excess demand in the goods market caused by expansion of the money supply. A central concept in inflationary theory since the mid-1950s has been the Phillips curve, which relates the level of unemployment to the rate of inflation.

**<sup>8</sup>Theories regarding the money supply** are also central to macroeconomics. They are also the subject of debate between Keynesians and monetarists (economists who believe that growth in the money supply is the most important factor that determines economic growth). The classical pre-Keynes view was that the interest rate led to a balance between savings and investment, which in turn would cause equilibrium in the goods market. Keynes disagreed and believed that the interest rate was largely a monetary phenomenon; its chief function was to balance the unpredictable supply and demand for money, not savings and investment.

**<sup>9</sup>Modern theories.** During the last few decades there have been numerous refinements of the Keynesian theory of unemployment. Significant progress has been made in explaining wage rigidity without appealing to trade union behaviour or government regulation. At first it seemed difficult to reconcile the notion of wage rigidity with the usual economist's assumption that people want to maximize utility or satisfaction and would be willing to accept a lower wage in order to get a job. However, by widening the range of variables such variables as loyalty and self-respect are included, it has become easier to reconcile labour market disequilibrium with the usual assumptions of optimizing behaviour.

<sup>10</sup>Large macroeconomic models are also used in economic forecasting to make predictions of output and employment. During the last few years, the record of most such predictions has been poor, and an analysis of the errors has led to continual revisions of the basic models and refinements of the theory.

*(Microsoft® Encarta® Encyclopedia, 2002)*

## **Vocabulary notes**

*gross national product* – валовий національний продукт;

*government spending* – державні видатки;

*factors of production* – фактори виробництва;

*deficiency* – нестача;

*circular flow* – схема потоку;

*interest rate* – процентна ставка;

*demand-pull inflation* – інфляція попиту;

*cost-push inflation* – інфляція витрат;

*economic forecasting* – економічне прогнозування.

## **Comprehension check**

*I. Read the first paragraph and give the definition of the term “Macroeconomics”.*

*II. Look through the second and third paragraphs and answer the following questions:*

- 1. What is at the basis of macroeconomics?*
- 2. What is GNP (Gross National Product)?*
- 3. What is final demand and what are its main determinants?*

*III. Scan the paragraphs about the Keynesian theory and unemployment (fourth-sixth) and decide whether the following statements are true or false:*

- 1. Only in Keynes’s theory large-scale unemployment was explained in terms of rigidity in the labour market that prevented wages from falling to a level at which the labour market would be in equilibrium.*
- 2. “Real” investment can help to raise the level of demand.*

3. The Keynesian approach is extremely helpful in the development of the national income accounting.

IV. Examine the seventh paragraph and describe the Phillips curve.

V. Skim the eighth paragraph and explain the difference between pre-Keynes view and Keynes's view regarding the money supply.

VI. Look at the last two paragraphs and say how the Keynesian theory was refined during the last decades.

## Vocabulary

I. Find the words in the text which mean the following. To help you, some letters of the missing words are given and the number of dashes corresponds to the number of missing letters:

1. Clearly different or separate.

d \_ \_ \_ \_ \_

2. To stop something happening or to stop someone doing something.

p \_ \_ \_ \_ \_

3. Helpful; being the cause of.

i \_ \_ \_ r \_ \_ \_ \_ t \_ \_

4. Discussion or argument about a subject.

d \_ \_ \_ \_ \_

5. Something that exists or happens, usually something unusual.

p \_ \_ \_ o \_ \_ \_ \_ n

6. The rate at which goods are produced.

p \_ \_ \_ \_ c \_ \_ \_ \_ \_ y

7. A line which bends round like part of a circle.

c \_ \_ \_ \_ \_

8. Many

n \_ \_ \_ \_ \_ \_ \_

9. Something that is taken as a fact or believed to be true without proof.

a \_ \_ \_ m \_ \_ \_ \_ \_

10. A report saying what is likely to happen in the future.

f \_ \_ \_ \_ \_

II. Match the terms on the right with their definitions on the left:

- |   |                          |
|---|--------------------------|
| 1. A theoretical relationship between the unemployment rate of a given economy and rates of (wage) inflation. | a) savings               |
| 2. A measure of those individuals in the labour force working, at least one hour per week, for pay.           | b) relative price        |
| 3. A situation where there is no tendency for change  | c) inflation             |
| 4. A ratio of any two prices or one particular price compared to a price index.                               | d) the Phillips Curve    |
| 5. A measure of the satisfaction received from some type of economic activity.                                | e) unemployment          |
| 6. Changes to the existing capital stock or business inventories.   | f) utility               |
| 7. The difference between income and expenditure in the current time period.                                  | g) equilibrium           |
| 8. The difference between the number of people in the labour force and those working for pay.                 | h) factors of production |
| 9. An exhaustive list of inputs required for any type of production.  | i) investment            |
| 10. An increase in the price level over some defined period of time.  | j) employment            |

III. Substitute the italicized parts of the sentences using one of the words and word combinations from the lists in brackets:

1. Women *constitute* more than sixty per cent of the company's workforce (comprise, establish, create, appoint).

2. We must try to keep the opposing economic forces in *equilibrium* (equanimity, evenness, serenity, balance).  
 3. Considering the smallness of the cut, it is *relatively* roomy inside (comparatively, reasonably, somewhat, proportionately).  
 4. America has *produced* more cars than ever this year (made, yielded, composed, generated).  
 5. They have offices in *various* parts of the country (numerous, miscellaneous, different, mixed).  
 6. The scandal *led* to his resignation (guided, caused, induced, commanded).  
 7. The organization will need a *massive injection* of government money (investment, instilment, vaccination, introduction).  
 8. We *hired* an advertising company to help sell our new product (rented, leased, enlisted, took on).  
 9. A number of *potential* buyers have expressed interest in the building (budding, latent, promising, possible).  
 10. There has been a sudden 50% *growth* in the market for home computers (deepening, expansion, enlargement, amplification).

IV. In the text find the words with the opposite meaning to the words given below:

decrease, v

enhance, v

loss, n

sufficiency, n

group, n

divestment, n

shorten, v

exclude, v

agree, v

rich, adj

V. Suggest English equivalents of the following words and word combinations:

Загальний обсяг виробництва; безробіття; платіжний баланс; темп інфляції; попит і пропозиція; відносні ціни; національний дохід; валовий національний продукт; фактори виробництва; кінцевий попит; споживання; інвестиції; державні видатки; чистий експорт; процент; ринок праці; рівновага; прибутковість; нестача; заощадження; витік; схема потоку; загальний попит; залучення капіталу; рівень виробництва; обчислення національного доходу; інфляція попиту; інфляція витрат; крива Філіпса; процентна ставка; незмінюваність зарплати; профсоюз; державне регулювання; корисність, ефективність; економічне прогнозування.