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ENGLISH FOR ENGINEERING
ECONOMICS STUDENTS
(POWER ENGINEERING)

Пособие
для студентов специальности
6-05-0718-01 «Инженерная экономика»

*Рекомендовано учебно-методическим объединением
по образованию в области экономики и организации производства*

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Пособие состоит из шести разделов, каждый из которых включает краткий тематический словарь, аутентичный текстовый материал и комплекс лексико-грамматических упражнений. Тексты подбирались с учетом современных реалий экономики.

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UNIT 1 INDIVIDUAL DECISION MAKING

I. Word List:

- 1) affect – влиять, воздействовать
- 2) allocate – распределять
- 3) attain – достигать
- 4) commodity – товар, предмет потребления
- 5) consequences – последствия
- 6) consider – рассматривать
- 7) consumer – потребитель
- 8) decision-maker – лицо, принимающее решения
- 9) define – определять
- 10) distribution – распределение
- 11) encounter – сталкиваться
- 12) equality – равенство
- 13) improve – улучшить
- 14) incentive – стимул
- 15) incremental adjustment – постепенная корректировка
- 16) individuals – физические лица
- 17) inflation – инфляция
- 18) intervention – вмешательство
- 19) marginal change – незначительное изменение
- 20) marginal benefits – предельные выгоды
- 21) marginal costs – предельные издержки
- 22) market forces – рыночные силы
- 23) obtain – получать
- 24) opportunity cost – альтернативные издержки
- 25) outcome – результат, итог
- 26) production – производство
- 27) revenue – доход, выручка
- 28) scarcity – дефицит
- 29) trade-off – зд. компромисс
- 30) unemployment – безработица

II. Match English and Russian equivalents.

- | | |
|----------------------------|------------------------------------|
| 1) marginal change | a) затраты на производство товаров |
| 2) growth of production | b) незначительное изменение |
| 3) cost of producing goods | c) получить продукт |
| 4) individual consumer | d) альтернативные издержки |
| 5) opportunity cost | e) индивидуальный потребитель |
| 6) costs and benefits | f) сталкиваться с компромиссами |
| 7) to encounter trade-offs | g) эффективность и равенство |
| 8) efficiency and equality | h) издержки и выгоды |
| 9) to obtain a product | i) рост производства |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1) produce		
2)	improvement	
3)		allocated
4) consume		
5)	distribution	
6)		employing
7) obtain		
8)	consideration	
9)		inflationary

IV. Find the synonyms of the following words.

- | | |
|------------------|-------------------|
| 1) to affect | a) to achieve |
| 2) to attain | b) to allocate |
| 3) consumers | c) correction |
| 4) to define | d) commodities |
| 5) to distribute | e) to determine |
| 6) goods | f) to enhance |
| 7) to improve | g) influence |
| 8) to produce | h) to manufacture |
| 9) adjustment | i) buyers |

V. Find the antonyms of the following words.

- | | |
|-----------------|------------------|
| 1) to encounter | a) expenses |
| 2) consequences | b) inequality |
| 3) consumption | c) job placement |
| 4) equality | d) to ignore |
| 5) high | e) public |
| 6) individual | f) reasons |
| 7) revenue | g) saving |
| 8) unemployment | h) to avoid |
| 9) to respond | i) low |

VI. Read the text.

Economics is a social science that deals with the production, distribution, and consumption of goods and services within an economy. *Microeconomics* is the study of individual decisions while *macroeconomics* is the study of national economies and topics such as growth, unemployment, inflation, national debt, and investments.

Microeconomics looks at economics at the level of individual consumers, firms and it forms an understanding of how markets and industries work. Microeconomics studies the decisions of individual consumers and producers and how they come together to make markets. It explores how people decide to do what they do and what happens when there is a conflict of interest. Microeconomics also considers how people can improve markets through their actions, the effects of laws, and other outside interventions. The idea is to understand how those decisions are made and explore their consequences.

The concept of decision plays a central role in microeconomics because you always have to make a decision: whether to purchase a new house, how many barrels of oil to refine, what price to sell pharmaceuticals at, and so on. When you do not have options to choose from, you cannot make a decision.

What happens when the price of houses increases? On the one hand, people are more inclined to buy fewer or smaller houses. On the other hand, developers may want to build more houses so that they can get more revenue. The result could be a lot of unsold houses. Then there will be pressure to get rid of those unsold houses, and that

leads to lower prices. The time when the price reduction stops is when exactly as much is sold as it is available to sell. This is a moment where supply and demand are equal.

When people speak of market forces they mean the outcome of all these decisions taken together. Consumers and companies make a lot of simple decisions based on signals that come from prices. Decisions are not right or wrong. They are optimal (getting the best of what you want) and sub-optimal (getting less than the best).

The behavior of an economy reflects the behavior of the individuals that's why we should consider some *principles* about individual decision making.

Every day **people encounter** various **trade-offs**. These are trade-offs between buying more significant wares and spending money on a holiday, a clean environment or a high level of income, efficiency and equality. People will make good decisions only if they are well-informed about all the possible options.

Making decisions requires comparing the costs and benefits of alternative options since people face trade-offs. **The opportunity cost of a product is what you refuse to obtain that product.** When making any decision, everyone should be aware of the opportunity costs that accompany each action.

Rational people do the best they can to achieve their objectives. Companies decide how many workers to hire and how much of their product to make and market to increase income. People use marginal change to describe a small incremental adjustment to a plan of action. They often **make decisions by comparing marginal benefits and marginal costs**. A rational person takes an action when the marginal benefit of the action exceeds the marginal cost.

An incentive is something that motivates a person to take action. As rational **people** make decisions, they **respond to incentives**. A higher market price provides an incentive for purchasers to buy less and sellers to produce more in order to increase supply which in turn will decrease price and increase demand.

Decisions need two sides: buyers base their decisions on the value they get from choosing one option as opposed to another, sellers base their decisions on a measure of revenue against costs.

VII. Match the term on the left with the definition on the right.

- | | |
|-----------------------|--|
| 1) microeconomics | a) a situation in which the achieving of something you want involves the loss of something else which is also desirable, but less so |
| 2) trade-off | b) the outcome of all the decisions taken together, influenced by consumers and companies making decisions based on signals that come from prices |
| 3) macroeconomics | c) a shortage or lack of something (such as a particular natural resource), so that supply is insufficient to meet demand |
| 4) market forces | d) the study of the financial and economic systems of a country or an industry |
| 5) scarcity | e) the process of creating goods and services by combining various inputs, such as labor, capital, and raw materials, with the goal of satisfying human wants and needs |
| 6) production | f) the use or utilization of goods and services by individuals, households, or other entities to satisfy their wants and needs |
| 7) distribution | g) the study of individual decisions and how they come together to make markets, exploring how people decide to do what they do and what happens when interests conflict |
| 8) consumption | h) objects and activities that can satisfy people's wants |
| 9) goods and services | i) the allocation or sharing of goods, services, and resources among individuals, households, businesses, or other entities within an economy |

VIII. Find the words (phrases) in the text which mean:

- 1) want of provisions for the support of life;
- 2) something manufactured or produced for sale;
- 3) a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services;
- 4) one that utilizes economic goods;

5) the process of making choices about how to use resources in order to achieve the best possible outcome.

IX. Answer the following questions.

1. What is economics?
2. What are the two main branches of economics?
3. How does microeconomics differ from macroeconomics?
4. What is the focus of microeconomics?
5. How do microeconomics and individual decisions relate to markets?
6. What happens to the price of houses when there is an excess supply?
7. How do consumers and companies contribute to market forces?
8. How are decisions classified in terms of optimality?
9. What is the concept of trade-offs in decision making?
10. What is the opportunity cost and why is it relevant in decision making?
11. How do rational decision makers compare marginal benefits and costs?
12. What role do incentives play in decision making?

X. Are the following statements true or false?

1. Economics is the study of the relationships between people living in groups, especially in industrial societies.
2. Microeconomic study deals with what choices people make, what factors influence their choices and how their decisions affect the goods markets by affecting the price, the supply and demand.
3. Market forces are influenced solely by small companies and individuals.
4. Opportunity cost refers to the benefits obtained from choosing a particular option.
5. Rational decision makers compare marginal benefits and marginal costs when making choices.
6. Consumers do not base their decisions on the value they receive from different choices.
7. A higher market price does not provide an incentive for buyers to consume less and sellers to produce more.

XI. Complete the sentences with a word from the box.

family income	economists	savings	resources	individual
standard of living	attain	society	produce	important
buy	save			

1. The management of society's resources is ... because resources are scarce.
2. Scarcity means that ... has limited resources and cannot ... all the goods and services people wish to have.
3. Just as each family member cannot get everything they want, each ... in a society cannot ... the highest ... to which they might aspire.
4. In most societies, ... are allocated not by an all-powerful dictator but through the combined choices of millions of households and firms.
5. ... study how people make decisions: how much they work, what they buy, how much they save, and how they invest their
6. Consider parents deciding how to spend their They can ... food, clothing, or a family vacation.
7. They can ... some of the family income for retirement or the children's college education.

XII. Underline the correct word.

1. Laws that require firms to *decrease / increase* pollution raise the cost of producing commodities.
2. The more a society *spends / saves* on national defense, the less a society can *spend / save* on consumer goods to raise the living standard.
3. The *trade-off / conflict* between a *clean / dirty* environment and a *high / low* level of income is crucial in contemporary society.
4. Because of *higher / lower* costs, the companies earn smaller profits, pay *lower / higher* wages and charge *higher / lower* prices.

XIII. Put the words in the right word order to make sentences.

1. Efficiency / society / that / getting / is / means / benefits / maximum / its / from / resources.

2. Equality / benefits / that / among / distributed / means / are / the members / evenly / of / society.
3. Making / comparing / and / the costs / benefits / decisions / requires.
4. Rational / people / do / they / can / systematically / to / and / purposefully / the best / their / to achieve / objectives.

XIV. Make a list of key words and word combinations from the text.

XV. Summarize the text in less than 8 sentences.

XVI. Translate the sentences from English into Russian.

1. Microeconomics is the study of individual decisions while macroeconomics focuses on the decisions of countries.
2. Microeconomics considers how people can improve markets through their actions, the effects of laws, and other outside interventions.
3. Workers face limitations and make trade-offs. People have to decide whether and when to enter the labor market.
4. Since the kinds of jobs available to a worker depend on education level and skills, a worker must trade off working now for continued education.
5. Workers encounter trade-offs in choosing employment. While some people prefer to work for large corporations that offer limited potential for promotion, others prefer to work for small companies where there are more opportunities for promotion.
6. Workers have to decide how many hours per week they wish to work, thereby trading off labor for leisure.
7. When making any decision, everyone should be aware of the opportunity costs that accompany each action.

UNIT 2 INTERACTIONS AMONG PEOPLE

I. Word List:

- 1) ability – способность
- 2) allocation – распределение
- 3) assume – предполагать
- 4) benefit – выигрывать, извлекать выгоду
- 5) central planners – центральные органы планирования
- 6) compete – конкурировать
- 7) direct – управлять
- 8) economic activity – экономическая деятельность
- 9) economy – экономика, хозяйство
- 10) market economy – рыночная экономика
- 11) enforce – обеспечивать
- 12) exercise control – осуществлять контроль
- 13) gain – получать, приобретать
- 14) guide – руководить, направлять
- 15) hire – нанимать
- 16) household – домохозяйство
- 17) income – доход
- 18) invisible hand – невидимая рука
- 19) interact – взаимодействовать
- 20) left to its own devices – предоставленный самому себе
- 21) make better off – сделать лучше, улучшить
- 22) manifest – проявлять
- 23) market failure – фиаско рынка
- 24) market power – рыночная власть
- 25) profit – прибыль
- 26) promote – способствовать
- 27) property rights – имущественные права
- 28) purchase – покупать
- 29) remedy – устранить
- 30) well-being – благополучие

II. Match English and Russian equivalents.

- | | |
|-----------------------------------|--------------------------------|
| 1) to compete for customers | a) улучшить положение стран |
| 2) to make countries better off | b) желаемые результаты |
| 3) to manifest power | c) возможность торговать |
| 4) to promote well-being | d) невидимая рука рынка |
| 5) firms and households | e) содействовать равенству |
| 6) to interact in the marketplace | f) повысить эффективность |
| 7) desirable outcomes | g) проявить силу |
| 8) to prove success | h) способствовать благополучию |
| 9) to improve efficiency | i) доказать успешность |
| 10) to promote equality | j) взаимодействовать на рынке |
| 11) ability to trade | k) фирмы и домохозяйства |
| 12) invisible hand of the market | l) конкурировать за клиентов |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1. compete		
2.	intervention	
3.		beneficial
4. allocate		
5.	interaction	
6.		manifested
7. promote		
8.	hiring	
9.		failed
10. enforce		

IV. Find the synonyms of the following words (word combinations).

- | | |
|-------------------------------|------------------|
| 1) to improve market outcomes | a) outcomes |
| 2) to gain | b) to correct |
| 3) competitors | c) to contribute |
| 4) to guide | d) to improve |
| 5) to exercise control | e) welfare |
| 6) to assume | f) to benefit |

- 7) results
- 8) to remedy
- 9) to promote
- 10) to make better off
- 11) to enforce
- 12) well-being

- g) to enhance market results
- h) to ensure observance
- i) rivals
- j) to suppose
- k) to direct
- l) to monitor

V. Find the antonyms of the following words (word combinations).

- 1) to benefit from trade
- 2) market failure
- 3) consumption
- 4) to enforce
- 5) economic equality
- 6) ability
- 7) to hire
- 8) opportunity
- 9) to interact in the market
- 10) economic well-being
- 11) free
- 12) personal interest

- a) to function in isolation
- b) obstacle
- c) financial distress
- d) market success
- e) to be disadvantaged by trade
- f) common good
- g) regulated
- h) income inequality
- i) to ignore
- j) production
- k) inability
- l) to dismiss

VI. Read the text.

Throughout our lives, our decisions affect both ourselves and people around us. The following *principles* relate to interactions among people.

Nowadays the Chinese are major competitors in the global economy because firms in China and other countries produce many of the same goods. Companies in different developed countries compete for the same customers in various markets (clothing, solar panels, motor vehicles, automobile tires, etc.). It is a misconception that competition among countries is a bad thing. While in fact this is a healthy practice that incentivizes and promotes better availability and quality of goods. **Trade** among countries **can make** them **better off**.

Take into consideration how trade affects a family. When a household member goes shopping in a bazar, they compete against members of other families because they want to buy the best goods at the lowest prices. A household would not be better off isolating itself

from the outside. If a household isolated itself from all others, it would need to grow its own food and make its own clothes. Every household gains much from its ability to trade with others. Trade encourages specialization in one particular skill or good that is in demand that is not widely available. By trading with others, people can purchase a wider range of goods at a lower price due to increased competition. Countries also benefit from the ability to trade with one another, specializing in what they do best.

In the Soviet Union the central planners controlled what goods and services were produced, how much was produced, who produced and consumed these goods and services. The reasoning behind central planning was that only the government could organize economic activity in a way that promoted economic well-being for the country as a whole.

In a market economy, the decisions of central planners are replaced by the decisions of firms and households. Firms decide whom to hire and what to produce. Households choose their own employers and vocations and what to buy with their incomes. These firms and households interact in the marketplace, where prices and personal interest guide their decisions.

In a market economy, no one takes care of the economic well-being of society as a whole. Free markets contain many buyers and sellers of goods and services, and all of them are interested in their own well-being. **The market economy has proven its success in organizing economic activity** aimed at improving economic well-being.

A Scottish economist by the name of Adam Smith coined the term *invisible hand* that assumed an economy can work well in a free market where all people will work in their own interests. Prices are the instrument with which the invisible hand directs economic activity. The economy will function relatively well if the government gives people the opportunity to buy and sell freely among themselves while the government acts only as an enforcer of rules to all parties. If people were allowed to trade freely, self-interested sellers would compete with each other, guiding the markets to desirable outcomes through an invisible hand. The invisible hand can manifest its power only if the government intervenes. It enforces the rules and supports the institutions that are crucial to a market economy. This is one of the reasons why we need a government.

Market economies need institutions to enforce property rights so individuals can own and control resources. Property rights are the rights of people and companies to own, use, exercise control and receive a profit from resources. We all rely on government institutions to enforce our rights with respect to the goods we produce, and the invisible hand counts on our ability to enforce these rights.

The government has two main arguments for intervening in the economy and changing the allocation of resources: improving efficiency or promoting equality. This is another reason why we need government. **The government can improve market outcomes** by remedying a market failure or by promoting greater economic equality.

VII. Match the term on the left with the definition on the right.

- | | |
|------------------------|--|
| 1) better off | a) people whose wants are satisfied by using goods and services |
| 2) competition | b) involves both producing the goods and services and using inputs in a way that keeps production costs as low as possible |
| 3) trade | c) the result of the interaction between buyers and sellers in a market |
| 4) consumers | d) the rights of people and companies to own, use, exercise control and receive a profit from resources |
| 5) economic efficiency | e) in more favourable circumstances, especially financially |
| 6) property rights | f) a situation in which the outcome of the market is not efficient from society's point of view |
| 7) market outcome | g) rivalry among sellers to supply goods and services, or among buyers to acquire a service or good |
| 8) market failure | h) the act of buying and selling goods and services either on the domestic markets or on the international markets |

VIII. Find the words (phrases) in the text which mean:

- 1) the process of engagement, communication and exchange between buyers, sellers and producers within an economic system;
- 2) any setting where buyers and sellers exchange goods, services, resources, and currencies;
- 3) the value of a good or service stated in money terms;
- 4) the mechanism of market regulation;
- 5) a more equal distribution of goods and services to citizens.

IX. Answer the following questions.

1. Can trade among countries make them better off?
2. How does trade affect families and their ability to buy goods?
3. Why would a family not be better off isolating itself from all other families?
4. What is the idea of the first principle?
5. What was the reasoning behind central planning in the Soviet Union?
6. In a market economy, who makes the decisions that were previously made by central planners?
7. How do firms and households interact in the marketplace?
8. In a free market, who is responsible for ensuring the economic well-being of society?
9. What is the “invisible hand” of the market, according to Adam Smith?
10. What does the “invisible hand” of the marketplace do?
11. What is the idea of the second principle?
12. What are the two main arguments the government has for intervening in the economy?
13. How can the government improve market outcomes in terms of efficiency or equality?
14. What is the idea of the third principle?

X. Are the following statements true or false?

1. Trade among countries can improve their situation.
2. Trade among countries is like a game with winners and losers.
3. Your family would be better off isolating itself from all other families.
4. By trading with other people, people cannot purchase a wider range of goods at a lower price.

5. In a market economy, firms and households make decisions instead of central planners.
6. Free markets do not contain many buyers and sellers of goods, and they are not all interested in their own well-being.
7. The invisible hand is the unseen market force that helps the demand and supply of goods in a free market to reach equilibrium automatically.
8. The “invisible hand” does not direct its economic activity through prices.
9. Market economies do not need institutions to enforce property rights so individuals can own and control resources.
10. To promote efficiency or to promote equality are two main arguments in favor of government intervention in the economy.

XI. Complete the sentences with a word from the box.

concept	allocation	external	production	air	power
ability	economic	market (×2)	health	left to its own devices	
failure	reasons	pollution	well-thought-out		

1. The ... of market failure is used for a situation in which the ... itself is unable to ensure an efficient ... of resources.
2. One of the possible ... for the ... failure is an ... factor, which is the impact of one person’s actions on the well-being of an outsider.
3. ... is one of the examples of an external factor.
4. When the ... of a good pollutes the ... and creates ... problems for people who live near the factories, the market ... may not take these costs into account.
5. Market ... is another possible reason of market Market power is the ... of one person or firm to exert excessive influence on market prices.
6. If there are external factors or market power, a ... public policy can increase ... efficiency.

XII. Underline the correct word.

1. The *Chinese* / *Burundian* firms are considered competitors in the global economy.
2. Every family in an *economy* / *economics* competes with other families.

3. There are a lot of buyers and sellers in *free / centrally planned* markets who are interested in their own well-being.
4. When the government *prevents / permits* the natural adaptation of prices to supply and demand, it deprives the invisible hand's ability to coordinate the decisions of households and firms.
5. Market refers to an *organizing / organized* group of individuals or entities involved in buying and selling particular goods who are in contact with each other and who are aware of the level of demand and supply. Therefore, there is a single price *calling / called* the market price.

XIII. Put the words in the right word order to make sentences.

1. Firms / to produce / what / whom / to hire / decide / and.
2. Prices / with / the / invisible / economic / the instrument / directs / hand / are / which / activity.
3. Market / need / to enforce / rights / property / economies / institutions.
4. Property / of / people / rights / to own / over / exercise / control / resources / the rights / are / and.
5. Trade / each / to / specialize / allows / person / in / the / she / best / does / activities.

XIV. Make a list of key words and word combinations from the text.

XV. Summarize the information in this text in less than 8 sentences.

XVI. Translate the sentences from English into Russian.

1. Trade among countries can make them better off.
2. The theory behind central planning was that only the government could organize economic activity in a way that promoted economic well-being for the country as a whole.
3. In a market economy, the decisions of central planners are replaced by the decisions of firms and households.
4. The market economy has proven its success in organizing economic activity aimed at improving economic well-being.

5. If people were allowed to trade freely, self-interested sellers would compete with each other, guiding the markets to desirable outcomes through an invisible hand.
6. We all rely on government institutions to enforce our rights with respect to the goods we produce, and the invisible hand counts on our ability to enforce these rights.
7. The government can improve market outcomes by remedying a market failure or by promoting greater economic equality.

UNIT 3 ECONOMIC SYSTEMS

I. Word List:

- 1) boom-bust cycles – циклы подъемов и спадов
- 2) contemporary – современный
- 3) determine – определять
- 4) discourage – препятствовать
- 5) economic – экономический; экономически выгодный
- 6) economical – экономный, бережливый; экономичный
- 7) economize – экономить, экономно расходовать
- 8) command economy – командная экономика
- 9) mixed economy – смешанная экономика
- 10) enterprise – предприятие
- 11) extent – степень
- 12) impact – воздействие
- 13) inequality – неравенство
- 14) insufficiently – недостаточно
- 15) lack of balance – несбалансированность
- 16) laissez faire – невмешательство, принцип невмешательства
- 17) misallocation – нерациональное распределение
- 18) on the contrary – наоборот, напротив
- 19) output – продукция, результат
- 20) pursue – преследовать
- 21) rapid – быстрый
- 22) reward – вознаграждение
- 23) settle – урегулировать
- 24) shortage – нехватка, дефицит
- 25) subsidy – субсидия, дотация
- 26) surplus – избыток, профицит
- 27) taxation – налогообложение
- 28) wages – заработная плата
- 29) yield – приносить

II. Match English and Russian equivalents.

- | | |
|---------------------------------------|---|
| 1) profits and losses | a) недостаточно предоставляемые |
| 2) to yield the highest profits | b) циклы подъемов и спадов |
| 3) incentives and rewards | c) прибыли и убытки |
| 4) lack of public goods | d) глубокое влияние |
| 5) insufficiently provided | e) приносить максимальную прибыль |
| 6) boom-bust cycles | f) стимулы и вознаграждения |
| 7) output of the society | g) через налогообложения и субсидии |
| 8) to discourage innovation | h) отсутствие общественных благ |
| 9) shortages or surpluses | i) отсутствие баланса и невмешательство |
| 10) profound impact | j) дефицит или профицит |
| 11) through taxation and subsidies | k) препятствовать инновациям |
| 12) lack of balance and laissez faire | l) результаты деятельности общества |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1. provide		
2.	regulation	
3.		organized
4. solve		
5.	economy	
6.		taxable
7. determine		

IV. Find the synonyms of the following words (word combinations).

- | | |
|---------------------------|----------------------------------|
| 1) resource misallocation | a) to define |
| 2) to yield | b) degree |
| 3) to settle | c) to look out for own interests |
| 4) to determine | d) inefficient use of resources |

- 5) extent
- 6) to pursue own interests
- 7) laissez faire
- 8) insufficiently
- 9) contemporary
- 10) to discourage

- e) non-interference
- f) to bring
- g) modern
- h) to resolve
- i) to prevent
- j) not enough

V. Find the antonyms of the following words (word combinations).

- 1) market economy
- 2) shortage
- 3) rapid
- 4) subsidies
- 5) reward
- 6) enterprises
- 7) wages
- 8) boom-bust cycles
- 9) lack of balance in support
- 10) on the contrary

- a) stability
- b) punishment
- c) individuals
- d) unemployment benefit
- e) fair distribution
- f) surplus
- g) slow
- h) taxes
- i) similarly
- j) command economy

VI. Fill in each gap with a suitable word from the box.

economic	economical (×2)	economics	economist
economize	economy		

... is a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services. The ... is the system of production, trade, and consumption of goods and services in a particular in a country or area. Being ... means making choices that optimize the use of scarce resources. Something that is ... does not require a lot of money to operate. For example, an automobile that uses a minimal quantity of petrol is People often try ... by seeking the best value for their money or by reducing unnecessary expenses. An ... is a professional who analyzes economic data, trends, and policies to provide insights and forecasts.

VII. Read the text.

Different societies are organized through various economic systems. There are different ways of organizing an economy. On the one hand, government makes most economic decisions. On the other hand, decisions are made in markets, where individuals or enterprises agree to exchange goods and services through payments of money.

Nowadays in many countries of the world a lot of economic questions are settled by the market mechanism. Therefore, their economic systems are called market economies. A **market economy** is an economy in which individuals and private firms make basic decisions about production and consumption. Prices, markets, profits and losses, incentives and rewards determine what goods are produced and in what quantities, how goods are produced, and for whom these goods are produced. Firms produce goods that yield the highest profits using the least expensive techniques of production. Consumption is determined by individuals' decisions about how to spend the wages generated by their labor.

Any market economy has its advantages, such as competition (incentive for firms to produce efficiently), consumer choice (a wide range of choices in commodities and services), economic growth (rapid economic growth and higher living standards), as well as its disadvantages, which are inequality (differences in income and wealth can be significant), lack of public goods (some basic services may be insufficiently provided without government intervention), boom-bust cycles (a series of events in which a rapid increase in business activity is followed by a rapid decrease in business activity).

On the contrary, a **command economy** is an economy in which the government makes all important decisions about production and distribution. In a command economy, the government owns factories, land and capital. The government owns and directs the operations of enterprises in most industries, it is the employer of most workers and tells them how to do their jobs. The government also decides how the output of the society is to be divided among various goods and services. So, the government makes decisions about what people should consume, how goods should be produced, and how people should work. No economy relies entirely on command. The advantages of a command economy include equality (to reduce income inequality

through central planning), stability (to provide stability during crises), social goals (to direct resources to public services and social welfare). The disadvantages of this economic system include lack of incentives (to discourage innovation and individual initiative) and resource mis-allocation (shortages or surpluses).

No contemporary society falls completely into any of these categories. Most countries are mixed economies, although some are close to command economies and others are nearer to the market economy. **Mixed economy** is an economy in which the government and private sector cooperate in solving economic problems. The government influences decisions through taxation, subsidies and provision of free services. It also regulates the extent to which individuals may pursue their own interests. Market forces play a large role but the government intervenes extensively. Taxes play an important role in the functioning of a mixed economy and have a profound impact on the way society allocates its resources.

Among the advantages of a mixed economy are efficient allocation of resources, incentives for innovation and production efficiency, government support. Disadvantages are a lack of balance in government support and laissez faire, and the excessive influence of private enterprises.

VIII. Match the term on the left with the definition on the right.

- | | |
|-----------------------|---|
| 1) allocation | a) an economic system in which all decisions are made centrally by the national government, usually through the establishment of sequential five-year plans |
| 2) boom-bust cycles | b) an economic system where buyers and sellers meet to exchange goods and services, and the buyers and sellers decide on price |
| 3) collective farming | c) an economic system where buyers and sellers meet to exchange goods and decide on price with some government involvement in the economy |
| 4) command economy | d) a series of events in which a rapid increase in business activity is followed by a rapid decrease in business activity |

- | | |
|-----------------------|---|
| 5) competitive market | e) the belief that markets should be left to run free from government intervention as business and consumer needs will find their balance in the market place |
| 6) laissez faire | f) ways in which to distribute goods, services or resources |
| 7) market economy | g) a market where numerous buyers and sellers interact freely |
| 8) mixed economy | h) the incentive or desire to work or form a business in order to gain profit or make financial gains |
| 9) profit motive | i) an agricultural system in which the state leases land to a collective of workers who operate the farm |

IX. Find the words (phrases) in the text which mean:

- 1) a form of national economic organization, somewhere between a command economy and a market economy;
- 2) economic decisions (e. g. resource allocation, production targets) are determined by a central authority;
- 3) a wide range of choices in commodities and services;
- 4) a situation in which money or opportunities are not shared equally between different groups in society;
- 5) a situation in which something such as an economy, company, or system can continue in a regular and successful way without unexpected changes.

X. a) Answer the following questions.

1. In the beginning of the text, what sentence does the writer use to show that present day a lot of countries have a market economy?
2. How do individuals and private firms play a role in a market economy?
3. What factors determine what goods are produced, how they are produced, and for whom in a market economy?
4. What are the advantages and disadvantages of a market economy?
5. How can a command economy be characterized?

6. What role does the government play in a command economy?
7. What are the advantages and disadvantages of a command economy?
8. In what way does a market economy differ from a command economy?
9. What is a mixed economy? How does it differ from a command or market economy?
10. How does the government influence economic decisions in a mixed economy?
11. What are the advantages and disadvantages of a mixed economy?
12. To which type do most modern economies belong?

b) Think of your own answer and say it:

1. What is the function of the market in an industrial country?
2. To which type does the economy of Belarus belong?
3. Is the level of government regulation growing or falling in the economy of Belarus now?

XI. Are the following statements true or false?

1. Societies use different economic systems to structure their organization.
2. In many countries of the world, a lot of economic problems are solved through the market forces.
3. A market economy is an economy in which the government makes all important decisions about production and distribution.
4. Prices, markets, profits and losses, incentives and rewards do not play a role in determining what goods to produce.
5. Competition, consumer choice and economic growth are advantages of a command economy.
6. The disadvantages of a market economy are the lack of incentives and resource misallocation.
7. In a mixed economy, the government can influence by imposing taxes and subsidies and controlling the boundaries within which individuals can pursue their own interests.
8. Within a mixed economy, market forces do not play an important role and the government does not intervene.

XII. Complete the sentences with a word from the box.

answer	combine	command	control	elements	forms
individuals	inputs	make choices	market	price	
production					

1. The predominant ... of economic organization are command and
2. The ... economy is characterized by extensive government ... and direction.
3. The market economy is governed by a ... and profit system in which the majority of decisions are made by ... and businesses in the private sector.
4. Societies ... command and market ... in different ways.
5. Any society must ... the following questions: what, how, and for whom? To answer these questions, we must ... about the economy's inputs and outputs.
6. ... are land, labor, and capital. Outputs are a variety of goods that result from the ... process.

XIII. Underline the correct word.

1. *A command economy / a market economy* is an economy in which the government makes all important decisions about production and distribution.
2. When people are poor, social services are in *higher / lower* demand.
3. When the *price / importance* of some goods grows, people will try to use them less.
4. In China and Cuba there was *a large part / a small measure* of central planning.
5. Goods are *produced / destroyed* on farms and in factories and consumed by the people who *buy / sell* them.

XIV. Put the words in the right word order to make sentences.

1. Modern / mixed / rely / on / intervention / economies / are / and / the market / with / but / government.
2. In / resources / government / allocated / economy / planning / by / command / a / are / central.

3. The / leads to / problem / economic / which / is / scarcity / central / an opportunity cost.
4. Prices / and / regulate / in / consumption / a market / production / economy.
5. If / allocate / to / we / of / enough / production / agriculture, / achieve / will / a high level / we / resources.

XV. Make a list of key words and word combinations from the text.

XVI. Summarize the information in this text in less than 8 sentences.

XVII. Translate the sentences from English into Russian.

1. There are different ways of economic organization.
2. On the one hand, government makes most economic decisions. On the other hand, decisions are made in markets.
3. A market economy is an economy in which individuals and private firms make basic decisions about production and consumption.
4. Any market economy has its advantages, such as competition, consumer choice, and economic growth, as well as its disadvantages, which are inequality, lack of public goods, and boom-bust cycles.
5. A command economy is an economic system in which the means of production are state-owned, and economic activity is controlled by a central authority that sets quantitative production goals and allocates raw materials among productive enterprises.
6. The advantages of a command economy include equality, stability, social goals; lack of incentives and resource misallocation are the disadvantages of this economic system.
7. Within a mixed economy, the government influences decisions through taxation, subsidies and provision of free services.

UNIT 4 SUPPLY AND DEMAND

I. Word List:

- 1) conceivable price – приемлемая цена
- 2) decline – уменьшаться, снижаться
- 3) demand (smth) – требовать (что-либо)
- 4) demand – спрос
- 5) in demand – пользующийся спросом
- 6) excess demand – избыточный спрос
- 7) each possible price – *зд.* любая возможная цена
- 8) economic goods – экономические блага
- 9) economic bads – экономические антиблага
- 10) equilibrium – равновесие, положение равновесия
- 11) equilibrium price – цена равновесия
- 12) exceed – превышать
- 13) fall – падать, понижаться
- 14) goods – товары
- 15) related goods – сопутствующие товары
- 16) substitute goods – взаимозаменяемые товары (товары-субституты)
- 17) complementary goods – взаимодополняющие товары (комплементарные блага)
- 18) normal goods – нормальные товары
- 19) inferior goods – низкоккачественные товары
- 20) hence – *зд.* следовательно
- 21) other things equal – при прочих равных условиях
- 22) rise – повышаться, увеличиться, расти
- 23) supply – поставлять, снабжать
- 24) supply – предложение (товара)
- 25) excess supply – избыточное предложение
- 26) surplus – избыток, профицит
- 27) consumer surplus – потребительский излишек
- 28) producer surplus – излишек производителя
- 29) economic surplus – экономический профицит

II. Match English and Russian equivalents.

- | | |
|----------------------------------|--------------------------------------|
| 1) to regulate demand and supply | a) снижение цен на сырье |
| 2) at the equilibrium price | b) спрос на обычные товары |
| 3) quantity of commodities | c) диаграмма комплементарных благ |
| 4) factors affecting the demand | d) спрос на низкокачественные товары |
| 5) consumer preferences | e) регулировать спрос и предложение |
| 6) prices of related goods | f) технический прогресс |
| 7) examples of substitute goods | g) при равновесной цене |
| 8) demand for inferior goods | h) цены на сопутствующие товары |
| 9) technological advances | i) количество товаров |
| 10) complementary goods diagram | j) примеры товаров-заменителей |
| 11) demand for normal goods | k) факторы, влияющие на спрос |
| 12) reduction in input prices | l) предпочтения потребителя |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1) decline		
2)	exceedance	
3)		complementary
4) reduce		
5)	increase	
6)		decreasing
7) supply		

IV. Find the synonyms of the following words (word combinations).

- | | |
|-------------------|--------------------------|
| 1) shortage | a) to surpass |
| 2) surplus | b) popular |
| 3) possible price | c) market-clearing price |
| 4) to equal | d) excess |

- 5) equilibrium price
- 6) to exceed
- 7) in demand

- e) scarcity
- f) to be equivalent
- g) conceivable price

V. Find the antonyms of the following words (word combinations).

- 1) consumer
- 2) to decline
- 3) to demand
- 4) equilibrium
- 5) excess demand
- 6) quantity demanded
- 7) to rise

- a) to fall
- b) quantity supplied
- c) excess supply
- d) imbalance
- e) to supply
- f) to increase
- g) producer

VI. Read the text.

At a market each participant is either a buyer or a seller. **Demand** is the possible behavior of buyers; it is the quantity of goods and services that buyers wish to buy. **Supply** is the possible behavior of sellers; it is the quantity of goods and services that sellers wish to sell. Hence supply and demand is a relationship between the quantity of a commodity that producers wish to sell at each possible price and the quantity that consumers wish to buy at every conceivable price. The price of a commodity is determined by the interaction of supply and demand in a market.

If the price of any commodity rises, this commodity becomes more and more expensive and therefore the demand for it falls, other things equal. If the price of this commodity falls, the quantity demanded exceeds the quantity supplied. The price at which the quantity of goods supplied by producers equals the quantity of goods demanded by consumers is called the **equilibrium price**.

If the price of a commodity lies below the equilibrium price, the quantity of commodities in demand exceeds the quantity of commodities in supply at the current price. All this gives rise to **excess demand**, which leads to a shortage.

If the price of a commodity is above the equilibrium price, the quantity supplied exceeds the quantity demanded at the current price. All this generates **excess supply**, which results in surplus. At the equilibrium price, the quantity demanded and quantity supplied are equal, people's wishes are fulfilled. There is no incentive for further price changes.

There are some factors affecting the demand for a commodity. They are the prices of related goods, the income of buyers, population, consumer tastes or preferences, special influences.

Related goods are categorized as either substitute goods or complementary goods. **Substitute goods** are goods that satisfy a similar need (tea and coffee, Pepsi and Coca-Cola). An increase in the price of these goods raises demand for their substitutes, while a decrease in the price of the goods decreases demand for their substitutes.

Complementary goods are goods that are consumed jointly (car and fuel, shoes and shoelaces). An increase in the price of these goods decreases demand for their complements while a decrease in the price of these goods increases demand for their complements.

A rise in the income of buyers increases demand for goods which consumers are ready to purchase in large quantities. They are called **normal goods**. However, an increase in the consumer incomes decreases demand for **inferior goods** which are goods whose demand declines when consumer income rises.

Any economic system accounts for both economic goods and bads. **Economic bad** is anything with a negative value to the consumer, for example, pollution, loss of resources, noise, risks, misinformation.

In regards to supply, there are also some factors which affect it. Among them are the technological advances, input prices, prices of related goods, government policies and special influences. Improvements in technology as well as a reduction in input prices lead to an increase in the quantity supplied.

An increase in demand results in a rise in both equilibrium price and quantity. A decline in demand leads to a decrease in both equilibrium price and quantity.

A rise in supply increases quantity demanded but decreases price. A fall in supply reduces quantity but increases equilibrium price.

We can define a measure of customers' trade gain as **consumer surplus**. However, when we wish to reflect a measure of sellers' trade gain we say about **producer surplus**. Hence, **economic surplus** can be measured by the sum of the consumer and producer surplus. Government actions regulate demand and supply imposing maximum and minimum prices and, if necessary, adding its own demand to the demand of the private sector.

VII. Match the term on the left with the definition on the right.

- | | |
|----------------------|--|
| 1) demand | a) things that motivate and influence the behavior of households and businesses (e. g. prices, profits, and losses) |
| 2) equilibrium price | b) a schedule of how much producers are willing and able to produce and sell at each possible price during some time period |
| 3) incentives | c) a schedule of how much consumers are willing and able to buy at each possible price during some time period |
| 4) income | d) the situation resulting when the quantity demanded exceeds the quantity supplied at the current price of a good, service, or resource |
| 5) economic bad | e) the situation resulting when the quantity supplied exceeds the quantity demanded at the current price of a good, service, or resource |
| 6) shortage | f) the amount of money received in a specified period in exchange for providing labor or selling goods and services |
| 7) supply | g) an undesirable outcome caused by continuous business activity and endless consumption by people |
| 8) surplus | h) the market clearing price at which the quantity demanded by buyers equals the quantity supplied by sellers |

VIII. Find the words (phrases) in the text which mean:

- 1) a measure of customers' trade gain;
- 2) a price that is within the limits of possibility, often based on existing market conditions and economic factors;
- 3) similar goods;
- 4) a measure of sellers' trade gain;
- 5) goods that are used together.

IX. a) Answer the following questions.

1. What is supply and demand?
2. What is the difference between supply and demand in a market?

3. How is the relationship between supply and demand defined?
4. How is the price of a commodity determined in a market?
5. What is the significance of the equilibrium price in relation to supply and demand?
6. What are the consequences when the price of a commodity falls below the equilibrium price?
7. What happens when the price of a commodity exceeds the equilibrium price?
8. What factors influence the demand for a commodity?
9. How do substitute goods impact the demand for each other?
10. In what way does the demand for one good affect the demand for its complementary good?
11. How does an increase in buyer's income impact the demand for goods, and what are normal and inferior goods?
12. What factors influence the supply of goods, and how do technological advances and input prices play a role?
13. How does an increase in supply affect the quantity demanded and price?
14. How do consumer surplus and producer surplus contribute to economic surplus?
15. How does the government regulate demand and supply in the market?

b) Think of your own answer and say it.

1. How can prices for other goods affect the demand for a good? Provide examples.
2. What substitute goods can you name?
3. What complementary goods can you name?

X. Are the following statements true or false?

1. Demand is the quantity of goods and services that sellers wish to sell.
2. Supply is the quantity of goods and services that buyers wish to buy.
3. Equilibrium price is the price at which supply and demand are equal.
4. Excess supply is a situation in which the quantity demanded is less than the quantity supplied at a certain price.
5. Rising incomes result in an absolute fall of demand for inferior goods.
6. Inferior goods are usually low-quality goods for which there are higher-quality substitutes.

7. Complement goods are the goods which are used jointly. As the price for petrol increases, the demand for automobiles decreases.
8. Consumer surplus is the difference between what consumers are willing to pay for a commodity and the actual price at which it is sold in the market.

XI. Complete the sentences with a word from the box.

collapse	consumers	decrease	demand	increased
prices	reduction	rise	surplus	switching
				transition

1. The mad cow disease crisis in the 1990s led to a ... in the demand for beef.
2. We can view the mad cow disease crisis as a blow to ... tastes.
3. Consumers began ... to pork and chicken because they were considered safer than beef.
4. With a ... in demand, taking into account supply, the equilibrium price of beef fell.
5. The ... for pork increased. Pork prices ... as well.
6. Numerous farmers made a ... from raising cattle to breeding pigs, leading to a ... in the supply of pork in the market.
7. In the late 1990s a ... of pork flooded the market, causing a significant decline in pig
8. In the early 2000s there was a significant ... in the pig breeding for sale in the market.

XII. Underline the correct word.

1. A rise in food prices significantly *affects* / *increases* consumer real income because food is a large part of consumer *expenditure* / *budget*.
2. A rise in the price of the good *a* increases the quantity demanded of the good *b* when the two goods are *substitutes* / *normal*.
3. A fall in *additional* / *input* prices makes the production less expensive.
4. The fashion for vapes *increased* / *reduced* the demand for regular cigarettes.
5. If the *rise* / *fall* in prices is very large and *fast* / *slow*, the situation is known as hyperinflation.

XIII. Put the words in the right word order to make sentences.

1. An expenditure / something / is / on / money / spent.
2. Governments / activities / restrictions / regulate / some / imposing / economic.
3. When / consume / goods / services / provide / and / people / they / a basis / further / for / production.
4. Every / sell / possible / to / wants / as / firm / goods / many / as.
5. When / is / a / failure, the / producers' / will / there / decrease / harvest / supply.

XIV. Make a list of key words and word combinations from the text.

XV. Summarize the information in this text in less than 8 sentences.

XVI. Translate the sentences from English into Russian.

1. Supply and demand is relationship between the quantity of a commodity that producers wish to sell and the quantity that consumers wish to buy at the current price.
2. The interaction of supply and demand in a market determines the price of a commodity.
3. The price at which the quantity of goods supplied by producers equals the quantity of goods demanded by consumers is called the equilibrium price.
4. Excess demand arises when the quantity of commodities demanded exceeds the quantity supplied at the current price, indicating a price below the equilibrium level.
5. Excess supply occurs when the quantity supplied exceeds the quantity demanded at the current price, indicating a price above the equilibrium level for a commodity.
6. A rise in the income of buyers increases demand for normal goods and decreases demand for inferior goods.
7. Any economic system accounts for both economic goods and bads.
8. Government actions regulate supply and demand by setting maximum and minimum prices and, if necessary, adding its own demand to that of the private sector.

UNIT 5 TYPES OF ELASTICITY OF DEMAND

I. Word List:

- 1) degree of responsiveness – степень чувствительности
- 2) demand – спрос
- 3) elastic demand – эластичный спрос
- 4) inelastic demand – неэластичный спрос
- 5) unit elastic demand – единичная эластичность спроса
- 6) elasticity – эластичность
- 7) elasticity of demand – эластичность спроса
- 8) cross elasticity of demand – перекрестная эластичность спроса
- 9) income elasticity of demand – эластичность спроса по доходу
- 10) price elasticity of demand – ценовая эластичность спроса
- 11) imply – подразумевать
- 12) indicate – указывать
- 13) magnitude of response – величина реакции
- 14) matter of degree – вопрос степени
- 15) occur – происходить
- 16) percentage change – процентное изменение
- 17) remain – оставаться
- 18) variation – изменение
- 19) vice versa – наоборот
- 20) with regard to – по отношению к

II. Match English and Russian equivalents.

- | | |
|--|--|
| 1) types of elasticity of demand | a) вопрос степени |
| 2) degree of responsiveness of demand | b) товар обладает эластичным спросом |
| 3) percentage change in price | c) цена остается прежней |
| 4) to calculate price elasticity of demand | d) перекрестная эластичность спроса измеряет |
| 5) a matter of degree | e) различия между продуктами |
| 6) income elasticity of demand | f) степень чувствительности спроса |
| 7) a good has elastic demand | g) виды эластичности спроса |

- | | |
|--|--|
| 8) cross elasticity of demand measures | h) рассчитать ценовую эла-
стичность спроса |
| 9) price remains the same | i) процентное изменение цены |
| 10) variation between products | j) эластичность спроса по
доходу |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1. to occur		
2.	indicator	
3.		implying
4. variate		
5.	significance	

IV. Find the synonyms of the following words (word combinations).

- | | |
|-----------------------------|-------------------------|
| 1) elasticity of demand | a) to assume |
| 2) degree of responsiveness | b) to stay |
| 3) to occur | c) to specify |
| 4) vice versa | d) conversely |
| 5) to indicate | e) price sensitivity |
| 6) to imply | f) to happen |
| 7) to remain | g) level of sensitivity |

V. Find the antonyms of the following words (word combinations).

- | | |
|--------------------------|---------------------|
| 1) elastic demand | a) inelasticity |
| 2) magnitude of response | b) small |
| 3) significant | c) minimal response |
| 4) elasticity | d) inelastic demand |

VI. Read the text.

To measure how much consumers respond to changes in quantity and price, economists use the concept of elasticity. **Elasticity of demand** is the degree of responsiveness of quantity demanded of a good to a change in its

price, income and prices of related goods. There are several types of elasticity of demand: price elasticity of demand, income elasticity of demand and cross elasticity of demand.

Price elasticity of demand is the percentage change in the quantity demanded of a good divided by the percentage change in the price. Price elasticity of demand is negative because the change in quantity demanded occurs in the opposite direction to the change in price. When price falls, quantity demanded increases and vice versa. There is a significant variation between different products with regard to the magnitude of response of demand to changes in price. The demand for some goods is more sensitive to price changes than for others.

Elasticity is just a matter of degree. There is no product for which the demand is completely inelastic, and there is no product for which the demand is absolutely elastic. **Demand** for a good *is elastic* if the elasticity of demand for the good is greater than 1. A small change in prices leads to a large change in quantity demanded. For example, the demand for refrigerators and televisions is elastic because the prices of these goods lead to a significant change in the quantity demanded.

Demand is inelastic if the elasticity of demand is less than 1. Changes in prices have a quite small impact on the quantity demanded. For example, the demand for wheat, salt and water is inelastic, since people need them despite the price.

Unit elastic demand implies that the percentage change in quantity demanded is exactly the same as the percentage change in price. Expenses and revenues reach a maximum at the point of unit elastic demand. The elasticity of demand is equal to 1. The price change does not affect total spending on the good.

Income elasticity of demand is a measure of responsiveness of the quantity demanded of a good to changes in income. If the income elasticity of demand is positive, it indicates that the good is a normal good, meaning that as income increases, the quantity demanded of the good also increases. If the income elasticity of demand is negative, this indicates that the good is an inferior good, and as income increases, the quantity demanded of the good decreases. The income elasticity of demand helps people understand how changes in income impact consumer demand for various goods.

Cross elasticity of demand is the change in the demand for one good in response to the change in price of the related good. Sometimes the demand for two goods are so related to each other, that if the price of any one of

them changes, the demand for other good also changes while price remains the same. Positive cross elasticity implies that the goods are substitutes, and negative cross elasticity assumes that the goods are complements.

VII. Match the term on the left with the definition on the right.

- | | |
|--------------------------------|---|
| 1) elasticity | a) the response of quantity demanded of a good to change in its price |
| 2) cross elasticity of demand | b) represents the dividing line between elastic and inelastic demand |
| 3) income elasticity of demand | c) if quantity demanded varies proportionally more than the price, then the price elasticity is more negative than -1 |
| 4) price elasticity of demand | d) if quantity demanded varies proportionally less than the price, then the elasticity lies between -1 and 0 |
| 5) unit elastic demand | e) quantifies the relationship between changes in income and changes in the quantity demanded of a product |
| 6) demand is elastic | f) measures the sensitivity of quantity demanded of one good to changes in the price of a related good |
| 7) demand is inelastic | g) a measure of the responsiveness of one economic variable to another |

VIII. Find the words (phrases) in the text which mean:

- 1) the quantity of a commodity that people are willing to buy at a particular price at a certain time;
- 2) a principle of economics that captures the consumer's desire to buy the product or service;
- 3) individuals or organizations using goods and services;
- 4) income earned from the sale of goods or services.

IX. a) Answer the following questions.

1. How do economists measure the responsiveness of consumers to changes in quantity and price?
2. What are the three types of elasticity of demand?

3. Why is the price elasticity of demand considered negative and what does it indicate about the relationship between price and quantity demanded?
4. Can demand for a specific product be completely inelastic or absolutely elastic? Why or why not?
5. How does elastic demand differ from inelastic demand in terms of the impact of price changes on quantity demanded? Provide examples.
6. What is unit elastic demand and what does it imply about the relationship between price and quantity demanded?
7. How does unit elastic demand affect total spending on the good?
8. How does the income elasticity of demand help determine whether a good is a normal good or an inferior one?
9. What does the cross elasticity of demand measure and how does it relate to changes in price?
10. How can the cross elasticity of demand be used to determine whether two goods are substitutes or complements?

b) Think of your own answer and say it:

1. What are the key factors influencing the elasticity of demand?
2. What other types of elasticity of demand do you know?

X. Are the following statements true or false?

1. The price elasticity of demand is the percentage change in quantity demanded multiplied by the percentage change in price.
2. Price elasticity of demand is positive because the change in quantity demanded occurs in the opposite direction to the change in price.
3. Demand is inelastic if quantity demanded varies proportionally less than the price, then the elasticity lies between -1 and 0 .
4. The demand for wheat, salt and water is highly elastic.
5. When price falls, quantity demanded decreases.
6. Income elasticity of demand indicates the responsiveness to change in consumers' income with the change in the demand for a certain good.
7. Cross elasticity of demand is the elasticity of the price of a good with respect to the price of another good.

XI. Complete the sentences with a word from the box.

close	consumption	declines	demand	elasticity	fall
meat	pork	price	product	substitutes	switch

1. The ... of demand is influenced by the presence of close ... for a specific product.
2. If another ... can be substituted for your product, consumers will ... to the other product if the ... of your product rises or the price of the other product
3. Beef, ... and poultry are all classified as ... products.
4. The ... in poultry meat prices has led to an increase in poultry meat ..., at the expense of beef and pork.
5. The ... for products with ... substitutes is usually elastic.

XII. Underline the correct word.

1. The demand elasticity for many agricultural products is very *low* / *high*, harvest failures produce large *increases* / *decreases* in the price of food.
2. Record crops induce very large *falls* / *rises* in food prices. When demand is very *inelastic* / *elastic*, shifts in the supply curve lead to large fluctuations in price.
3. Although the price cut *raises* / *reduces* the quantity demanded, the *rise* / *fall* in quantity is insufficient to compensate for the lower price.
4. The *higher* / *lower* quantity demanded exactly compensates for the *lower* / *higher* price.
5. A 1 % price cut leads to an *increase* / *decrease* in quantity by more than 1 %.
6. A 15% price cut induces a 15 % *rise* / *fall* in the quantity demanded.

XIII. Put the words in the right word order to make sentences.

1. Elasticity / is / variation / demand / the concept / of / demand / of / an / important / on.
2. Demand / as / classified / elastic, / be / can / inelastic / unit / elastic / or.
3. An example / with / products / of / an / elastic / is / demand / durables / consumer.

4. Durable / goods / purchased / are / infrequently, / items / or / that / for / example, / a washing machine / an automobile.
5. Close / substitutes / the elasticity / a product / for / affect / demand / of.

XIV. Find synonyms in the box for the underlined words in the text.

a price fall of 5 %	change in price	change in quantity
demand elasticity	falls	mean
rise	rises	since
	minus sign	reduces
	mean	reduces
	since	speak of

When economists refer to demand elasticity, they suppose the price elasticity of demand. For example, a 2 % price increase decreases demand for products by 3 %.

Hence, the demand elasticity is the quantity change (-3 %) divided by the price change (+2 %) and is given by -1.5. The negative symbol indicates that quantity decreases when price increases. If a 5 % price decrease rises the quantity demanded by 3 %, the price elasticity of demand is -0.6 as the quantity change (+3 %) is divided by the price change (-5 %). The demand elasticities are negative numbers as demand curves slope down.

XV. Make a list of key words and word combinations from the text.

XVI. Summarize the information in this text in less than 8 sentences.

XVII. Translate the sentences from English into Russian.

1. Price elasticity of demand is the percentage change in the quantity demanded of a good divided by the percentage change in the price.
2. If quantity demanded rises 1 % when the price falls 1 %, total spending is unchanged.
3. When the price falls from 10 rubles per unit to 8 rubles per unit, the quantity sold rises from 30 units to 50 units.

4. Inelastic demand corresponds to an increase in revenue, elastic demand corresponds to a decrease in revenue, and at unit elastic demand revenue is stationary.
5. A unit elastic demand means that, according to the results of calculations, the price elasticity of demand is equal to 1.
6. If the income elasticity of demand is positive, it indicates that the good is a normal good while if the income elasticity of demand is negative, this indicates that the good is an inferior good.
7. Positive cross elasticity implies that the goods are substitutes, and negative cross elasticity assumes that the goods are complements.

UNIT 6 MARKET STRUCTURES

I. Word List:

- 1) advertising – реклама
- 2) at own discretion – по своему усмотрению
- 3) barriers to entry – барьеры для входа
- 4) compared to – по сравнению с
- 5) copyright – авторское право
- 6) deliberate – целенаправленный
- 7) differentiate – дифференцировать
- 8) homogeneous – однородный
- 9) in terms of – с точки зрения, в плане
- 10) indivisibility – неделимость
- 11) industry – отрасль
- 12) insignificant – незначительный
- 13) market structure – рыночная структура
- 14) monopolistic competition – монополистическая конкуренция
- 15) monopoly – монополия
- 16) obstacle – препятствие
- 17) oligopoly – олигополия
- 18) output – объем производства
- 19) patent – патент
- 20) prevail – преобладать
- 21) pure competition – чистая конкуренция
- 22) restriction – ограничение
- 23) sole seller – единственный продавец
- 24) startup costs – затраты на запуск
- 25) takeover attempt – попытка поглощения
- 26) tension – напряженность
- 27) uniform price – единая цена

II. Match English and Russian equivalents.

- | | |
|------------------------------|-----------------------------|
| 1) various market structures | a) нести расходы на рекламу |
| 2) product differentiation | b) продуманная политика |

- | | |
|--|---|
| 3) insignificant output | с) ограничения и затраты на запуск |
| 4) pure competition prevails | д) барьеры для выхода на рынок |
| 5) prices at own discretion | е) единственный продавец продукта |
| 6) target of a takeover attempt | ф) различные рыночные структуры |
| 7) in terms of quality and functionality | г) незначительный объем производства |
| 8) sole seller of a product | h) дифференциация продукции |
| 9) barriers to entry the market | и) преобладает чистая конкуренция |
| 10) restrictions and startup costs | j) цены по своему усмотрению |
| 11) deliberate policy | к) цель попытки поглощения |
| | л) с точки зрения качества и функциональности |

III. Complete the table with the correct form of the words.

Verb	Noun	Adjective / Participle
1)	advertising	
2) differentiate		
3)		prevailing
4)	restriction	
5)	tension	
6)		classified
7)		various
8)	mobility	
9) monopolize		

IV. Find the synonyms of the following words (word combinations).

- | | |
|----------------|-------------------|
| 1) in terms of | a) intentional |
| 2) barrier | b) inseparability |
| 3) homogeneous | c) seizure |
| 4) compared to | d) judgment |

- 5) restriction
- 6) uniform
- 7) discretion
- 8) takeover
- 9) indivisibility
- 10) deliberate

- e) single
- f) limitation
- g) in comparison with
- h) standardized
- i) obstacle
- j) regarding

V. Find the antonyms of the following words (word combinations).

- 1) to enter
- 2) advertising
- 3) differentiation
- 4) copyright
- 5) pure competition
- 6) startup costs
- 7) significant differences
- 8) production input

- a) revenue
- b) production input
- c) concealing
- d) uniformity
- e) public domain
- f) minor similarities
- g) monopoly
- h) to exit

VI. Read the text.

Economists have classified various market structures into pure competition, monopoly, monopolistic competition and oligopoly.

Monopoly, monopolistic competition and oligopoly are categorized as imperfect competition and they differ with respect to the degrees of imperfection in competition in the market.

Pure competition

Pure competition means that each firm or household assumes its actions have no power to influence the market price. The maximum output which an individual firm can produce is very small compared to the total demand or the industry product so that a firm cannot affect the price by changing the supply of its products. Pure competition prevails when the demand for each manufacturer's products is absolutely elastic. The number of sellers is large, so the output of any seller is insignificant. Buyers compete with sellers in terms of their choice, so the market is perfect.

Key characteristics of pure competition include:

1. Large number of buyers and sellers. There is a large number of buyers and sellers in the market who compete among themselves and no buyer or seller is able to influence the demand and supply in the market.

2. Homogeneous products. The products offered by sellers are very similar in terms of quality, features, and functionality and buyers do not see significant differences between the products of different sellers.

3. Easy market entry and exit. New firms can easily enter or exit the market without facing significant barriers.

4. Perfect knowledge of buyers and sellers. Both buyers and sellers have access to complete information about prices, market conditions, and product characteristics.

5. Mobility of resources. Resources, such as labor and capital, can move freely between different firms and industries.

6. The goods are sold at a uniform price. Individual firms take the market price. Buyers and sellers have no power to influence the market price.

Monopoly

Monopoly is a firm that is the sole seller of a product without any close substitutes. The fundamental cause of monopoly is the presence of obstacles that prevent other firms from entering the market and engaging in competition. These barriers to entry have three main sources:

Monopoly resources: a key resource is owned by a single firm.

Government regulation: the existence of an exclusive right to production.

Production process: a single firm can produce goods at a reduced expense compared to a larger number of firms.

Key characteristics of monopoly include:

1. Sole seller of the product. A single firm is supplying a product which constitutes the industry and there is no distinction between the firm and the industry in a monopolistic market.

2. Significant barriers to entry the market. There are some barriers to entry such as legal restrictions, high startup costs, exclusive access to resources, patents etc.

3. Lack of close substitutes. The monopolist's product has no close substitutes. The cross elasticity of demand for the monopolist's product is zero or very small and the price elasticity of demand is less than one.

4. Immobility of factors of production. Immobility means that new market participants cannot replace existing suppliers. Many firms would

face technical difficulties in providing services such as electricity and water supply. Inventions and development of new ideas are through patents and copyrights. Control over the supply source is carried out by one firm.

5. Ignorance of competitors. A monopoly may exist due to ignorance of potential competitors. They may not be aware of the excess profits generated by existing firms and may not be able to acquire the know how involved in the technical processes of the monopolist's firm.

6. Indivisibilities. The original firm can gradually increase its size, but it is difficult for new firms to raise the capital required to produce cost-competitive products. In some cases, the scale of the enterprise depends heavily on the market, and a new company has no opportunities for development (e. g. electricity generation).

7. Deliberate policy of avoiding competitors. There can be a deliberate action to exclude competitors. Firms may combine, or a competitor may become a target of a takeover attempt.

8. Market power and price control. The monopolistic firm has significant market power, which means it has the ability to influence or control the market conditions and to set prices at their discretion.

Monopolistic competition

Monopolistic competition is a market structure in which many firms sell products that are similar but not identical. In a monopolistically competitive market, each firm has a monopoly on the product it produces, but many other firms produce similar products competing for the same consumers. Hence, monopolistically competitive industries are monopolistic in some ways and competitive in others.

Monopolistic competition describes a market with the following characteristics:

1. Many sellers. A lot of firms operate in the market and compete for the same customers. No single firm has significant control over the market.

2. Product differentiation. Each firm produces a product that is different from the product of other firms. Firms differentiate them through branding, packaging, quality, location, and advertising. This differentiation creates an idea of product diversity and allows firms to compete on the basis of non-price factors.

3. Free market entry and exit. Firms can enter or exit the market without restriction.

4. Independent decision-making. Each firm is free to set its own price and output level.

5. Limited market power. Due to product differentiation, firms have a certain degree of control over their prices, but they are still subject to competition from other firms.

6. Imperfect information. Consumers may have imperfect information about the different products available in the market. It can impact their decision-making and provide opportunities for firms to influence consumer perceptions through advertising and marketing strategies.

Oligopoly

Oligopoly is a market structure in which only a few sellers offer similar or identical products. As an oligopolistic market has only a small group of sellers, a key feature of oligopoly is the tension between cooperation and personal interests.

Key characteristics of oligopoly market include:

1. Few large firms. A small number of large firms dominate oligopolistic markets.

2. Interdependence. Any change in price and output or any other decisions made by one firm will have a direct impact on the other firms. An oligopolist firm should consider the likely reactions of its competitors when making pricing, production or marketing decisions.

3. Barriers to entry. High capital requirements, economies of scale, legal restrictions, strong brand loyalty, etc. are barriers to entry the market.

4. Non-price competition. Oligopolies have to bear significant costs for advertising, differentiation, innovation, customer service and other sales promotion measures. Oligopolies avoid price cuts and try to compete on a non-price basis.

5. Cooperative behaviour. Each oligopolist watches closely the business behaviour of others in the industry and develops his strategy based on certain assumptions.

VII. Match the term on the left with the definition on the right.

1) monopoly

a) a market structure with a small number of firms, none of which can keep the others from having significant influence

2) monopolistic competition

b) a market structure based on the assumption that a large number of firms produce identical goods consumed by a large number of buyers

- 3) oligopoly c) a market structure where many companies are present in an industry, and they produce similar but differentiated products
- 4) pure competition d) a market structure characterized by a single seller, selling a unique product in the market

VIII. Find the words (phrases) in the text which mean:

- 1) a form of national economic organization, somewhere between a command economy and a market economy;
- 2) economic decisions (e. g. resource allocation, production targets) are determined by a central authority;
- 3) a wide range of choices in commodities and services;
- 4) a situation in which money or opportunities are not shared equally between different groups in society;
- 5) a situation in which something such as an economy, company, or system can continue in a regular and successful way without unexpected changes.

IX. Answer the following questions.

1. What are the key characteristics of pure competition?
2. How does pure competition differ from other market structures?
3. What factors contribute to the prevalence of pure competition, and how does it impact the pricing and behavior of buyers and sellers?
4. What are the key characteristics of a monopoly and how does it differ from other market structures?
5. What are the main sources of barriers to entry in a monopoly market?
6. How does a monopoly exert market power and control over prices, and what factors contribute to its ability to do so?
7. How does monopolistic competition differ from other market structures?
8. What role does product diversity play in monopolistic competition, and how does it impact competition among firms?
9. How does imperfect information affect consumer behavior and provide opportunities for firms in a monopolistically competitive market?
10. How does the interdependence among firms in an oligopoly market influence their decision-making process?

11. What are the main barriers to entry in an oligopoly market, and how do they contribute to the dominance of a few large firms?
12. How does non-price competition play a significant role in oligopolistic markets?

X. Are the following statements true or false?

1. A competitive market has two characteristics: a) there are a lot of buyers and sellers in the market; b) the goods offered by the various sellers are mostly the same.
2. A competitive firm is a price taker; a monopoly firm is a price maker.
3. Monopolies do not charge high prices for their products.
4. The simplest way for a monopoly to arise is for a single firm to own a key resource.
5. In a monopolistically competitive market, each firm has a monopoly over its product, but many other firms make similar products that compete for the same customers.
6. Monopolistic competition describes a market with a few sellers, product differentiation and free entry and exit.
7. Oligopolist does not watch the business behaviour of competitors and does not design his strategy.
8. The oligopoly firms realizing their interdependence will pursue their common interest and will form a collusion.

XI. Complete the sentences with a word from the box.

affect	characteristics	cost	decision	higher	markets
maximize	more	price	produce	strategic	gaming

1. The monopolist's quantity will be lower and its price ... than the competitive quantity and price.
2. This imposes a ... on society because fewer consumers buy the product, and those who do pay ... for it.
3. Pure monopoly is rare, but in many ... only a few firms compete with each other.
4. The interactions of firms in such markets can be complicated and often involve aspects of

5. The firms may be able to ... price and may find it profitable to charge a ... higher than marginal cost.
6. These firms have monopoly power. To ... profit, the monopolist should determine its costs and the ... of market demand.
7. Knowledge of demand and cost is crucial for a firm's economic ... making.
8. With this knowledge, the monopolist must decide how much to ... and sell.

XII. Underline the correct word.

1. When a pharmaceutical company *discovers* / *sells* a new drug, it can apply to the government for a patent.
2. If there is only one firm, the market is a *monopoly* / *oligopoly*. If there are a few firms, the market is an *oligopoly* / *monopolistic competition*.
3. If many firms sell identical products, the market is *perfectly competitive* / *monopolistically competitive*. But if a lot of firms sell differentiated products, the market is *monopolistically competitive* / *perfectly competitive*.
4. Advertising tries to *convince* / *dissuade* consumers that products differ from each other *more* / *less* than they actually are.
5. The firm with the brand name *spends* / *earns* more on advertising and charges a *higher* / *lower* price for its product.

XIII. Put the words in the right word order to make sentences.

1. The copyright / a monopolist / novel / of / makes / in the sale / the novelist / her.
2. An example / is / the distribution / of / a natural monopoly / of / water.
3. In / market, / exceeds / a monopoly / price / cost / the marginal.
4. Firms / differentiated / highly / goods / sell / consumer / that / spend / around / of / their / advertising / on / 15 percent / revenue.
5. Firms / salt / homogeneous / that / products, / sell / such as / spend / sugar, / advertising / nothing / on / and.

XIV. Make a list of key words and word combinations from the text.

XV. Summarize the text in less than 8 sentences.

XVI. Translate the sentences from English into Russian.

1. The problem in a monopolized market arises because the firm produces and sells a quantity of output below the level that maximizes total surplus.
2. The maximum output which an individual firm can produce is very small compared to the total demand or the industry product so that a firm cannot affect the price by changing the supply of its products.
3. The products offered by sellers are very similar in terms of quality, features, and functionality and buyers do not see significant differences between the products of different sellers.
4. The fundamental cause of monopoly is the presence of obstacles that prevent other firms from entering the market and engaging in competition.
5. The original firm can gradually increase its size, but it is difficult for new firms to raise the capital required to produce cost-competitive products.
6. In a monopolistically competitive market, each firm has a monopoly on the product it produces, but many other firms produce similar products competing for the same consumers.
7. Economists measure a market's domination of a small number of firms with a statistical indicator called the concentration ratio, which is the percentage of total output in the market supplied by a few largest firms.

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