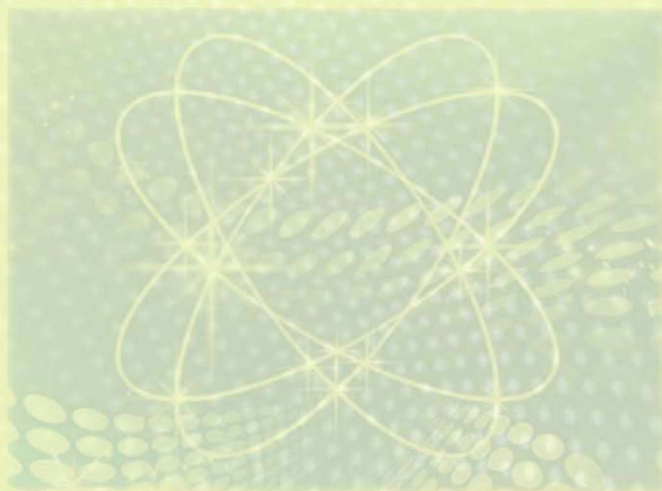


经贸英语教程

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重庆大学出版社

总 序

进入 21 世纪,我国高等教育呈现快速扩展的趋势。为适应社会、经济的快速发展,人才的培养问题已经比我国任何一个历史时期都显得更为重要。当今,人才的能力和素质的衡量越来越多地采用国际标准,人才的外语水平自然地也越来越受到培养单位和用人单位的重视,由此引发了对大学外语教学模式、教材和检测机制的新一轮讨论,掀起了新一轮的大学英语教学改革。作为外语师资队伍和外语专业人才培养的高等学校英语专业,相比之下,在教学改革思路、新教材开发和新教学模式探讨等诸方面均显得滞后。尽管高等学校外语专业教学指导委员会英语组针对当前高校发展的新形式和外语专业人才培养的新规格、新模式和新要求,修订出了新的《高等学校英语专业英语教学大纲》,并结合 21 世纪外语人才培养和需求的新形势,制定了由教育部高等教育司转发的《关于外语专业面向 21 世纪本科教育改革的若干意见》,就英语专业的建设提出了指导性的意见,但在实际工作中这两个文件的精神尚未落实。

为此,重庆大学出版社和外语教学界的专家们就国内高等学校英语专业建设所面临的新形势作了专题讨论。专家们认为,把“大纲”的设计和“若干意见”的思想和理念变为现实的一个最直接的体现方式,就是编写一套全新理念的英语专业系列教材;随着我国教育体制的改革,特别是基础教育课程标准的实施,适合高等学校英语专业教学需要的教材也应作相应的调整,以应对中小学英语教学改革的新要求;高等学校学生入学时英语水平的逐年提高和就业市场对外语人才需求呈多元化趋势的实际,对高等学校英语专业的人才培养、教学模式、课程设置、教材建设等方面也提出了严峻挑战,应对这些挑战,同样可以通过一套新的教材体系来实现。

迄今为止,国内尚无一套完整的、系统的英语专业系列教材;目前已有的教材出自不同的出版社,编写的思路和体例不尽相同;现有的教材因出版时间较早,内容、知识结构、教学方法和手段已经不能适应新的发展要求;传统的教材设计多数基于学科的内在逻辑和系统性,较少考虑学习者的全面发展和社会对人才需求的多元化。

自 2001 年开始,在重庆大学出版社的大力支持下,我们成立了由华中、华南、西南和西北地区的知名专家、学者和教学一线教师组成的《求知高等学校英语专业系列教材》编写组,确定了系列教材编写的指导思想和总体目标,即以《高等学校英语专业英语教学大纲》为依据,将社会的需求与培养外语人才的全面发展紧密结合,注重英语作为一个专业的学科系统性和科学性,注重英语教学和习得的方法与规律,突出特色和系列教材的内在逻辑关系,反映当前教学改革的新理念并具有前瞻性;锤炼精品,建立与英语专业课程配套的新教材体系,推动英语专业的教学改革,培养高素质人才和创新人才。

系列教材力求在以下方面有所突破和创新:

第一,教材的整体性。系列教材在课程类型上分为专业技能必修课程、专业知识必修课程、专业技能选修课程、专业知识选修课程和相关专业知识课程等多个板块。在考虑每一种教材针对相应课程的特性和特色的同时,又考虑到系列教材间相互的支撑性。

第二,学生基本技能和实际应用能力的培养。在课程的设计上充分考虑英语作为一个专业来培养学生的基础和基本技能,也充分考虑到英语专业学生应该具备的专业语言、文学和文化素养。同时,教材的设计兼顾到社会需求中对英语专业学生所强调的实际应用能力的培养,除考虑课程和英语专业的培养目的,课程或课程体系应该呈现的学科基本知识和规范外,充分考虑到教材另一方面的功用,即学生通过教材接触真实的语言环境,了解社会,了解文化背景,丰富学生的实践经验。在教材编写中突出强调“enable”,让学习者在实践中学习语言、文学、文化和其他相关知识,更多地强调学习的过程,强调学生的参与,以此提高学生的实际应用技能。

第三,学生的全面发展。对高等学校英语专业学生而言,英语不仅是一门工具,更重要的是一个培养学生人文素质和跨文化意识的学科专业。系列教材强调合作性学习、探索性学习,培养学生的自主性,加强学习策略的指导。通过基础阶段课程的学习,使学生在语言知识、语言技能、文化意识、情感态度和学习策略等方面得到整体发展;在高年级阶段则更多地注重学生的人文精神、专业理论素养、中外文学及文化修养的培养。

第四,教材的开放性。一套好的教材不应该对课堂教学、老师的施教和学生的学习拓展有所制约,应给使用教材的教师和学生留有一定的空间,要让学生感到外语学习是一件愉快的事,通过学习让人思考,给人以自信,引导人走向成功。系列教材的总体设计既考虑严密的学科系统性,也考虑独具特色的开放性。不同地区、不同类型的学校,可以根据自己的生源和培养目标的灵活地取舍、选用、组合教材,尤其是结合国内高等学校中正在探讨的学分制,给教与学一个多维度的课程体系。

我们希望通过这套系列教材,来推动高等学校英语专业教学改革,探讨新的教学理念、模式,为英语专业人才的培养探索新的路子,为英语专业的学生拓展求知的空间。

《求知高等学校英语专业系列教材》编委会

前言

《经贸英语教程》是培养复合型人才的专业教材之一,融合了经济学原理和英语的学习与应用。本书的编写针对复合型人才的特点和培养目标,系统地介绍、讲解分析经济学原理和国际贸易核心理论,将语言技能水平的提高融入到专业知识的学习和应用中来。

教材的编写原则是专业知识和语言训练并重。即理论知识要系统、专业;语言表达要精练、易懂,能准确而流畅地表达专业内容。我们挑选了既是国际经济贸易领域的基础和核心的概念理论,又是同学们日常生活确实有所接触的话题内容,充分考虑了学生的认知能力,激发学生学习的热情和兴趣,循序渐进,进而保证学习的效果。

全书共12章,每一章均由四部分组成。第一、二部分为两篇同一主题的课文,分别介绍基础理论。第一篇引入话题,语言相对浅显通俗,篇幅相对较短,目的是引入话题,激发兴趣,并配有理解性问题引导学生能深入话题;第二篇文章的表述相对复杂,专业性较强,理论概念较多,篇幅相对较长,针对精读,引入更深的思考与理解,能最终进行探讨和学以致用目的进行教学。这一部分配备了不同题型的练习,更多侧重于语言的训练。针对前一版本,我们大力打造了一个用英语阐释专业术语的氛围,这是我们在运用第一版时发现的最大的不足。学生们,出于各种原因,在总结知识性内容时对语言的组织还不够自如,以至于影响了知识点的概括和表达效果,为此,我们专门增添了详尽而准确的专业术语概念的英文定义和阐释。第三部分为相关主题的补充阅读,介绍更多更专业的知识内容,给学习者提供或更为宽泛或更为深刻的阅读思考的视角,并且为检验理解程度附配了几道少而精的问题;最后的案例分析部分是为锻炼学生的实践能力而设计的。

本教程目标明确,内容充实丰富,知识体系清晰,涵盖专业内容基础和核心,语言通俗准确,是培养复合型人才的理想教材。该书话题涉及了宏微观经济学原理和国际贸易理论实践。章节话题分别是什么是经济学,经济增长,经济模式,政府的经济职能,货币与货币体系,投资,会计学基础知识,国际贸易理论,贸易组织,贸易壁垒,外汇,国际支付等方面。

在编写过程中作者参阅了大量英语原版专业文献,并结合自身的多年教学经验,博取众长,努力化专深为通俗,尽量为学生们打造一本融系统的经贸专业知识学习和语言技能训练于一体的复合型教材。但由于作者能力水平有限,不足在所难免,愿同行、专家不吝赐教。

本书的出版得到了丛书编审的宝贵建议和重庆大学出版社编辑们的热心支持,在此特致以谢意。

编者
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Chapter 1 What Is Economics

Preview Questions

1. What does economics talk about?
2. How do you understand the economic terms of “unemployment” and “inflation”?

Passage 1

What Is Economics

The word ECONOMICS comes from the Greek and it means “good housekeeping”. A good housekeeper knows how much money she will make and how much she will spend. Governments, businesses, households and individuals, doing the same things, must try to be “good housekeepers”, to make both ends meet. People in an economy are always trying their best to make use of resources which is limited in quantity to coordinate their wants and desires which are diverse and unlimited. And, as individuals and as a society, we need economics because we experience scarcity (of raw materials, of goods and services, of time, and so on) in relationship to our ever-growing needs and wants. Then what can be used to satisfy our needs and how? And owing to the scarcity of resources what needs should be fulfilled first? To answer these questions we have to make wise choices. That is to say, economics is the study of making choices. Economics examines how we make choices; a new car or a new house? To go to work or go to a college? More free time or more income from work? As a scholarly discipline, economics helps us examine trade-offs between various goals and anticipate the outcomes of changes in governmental policies, company practices, or composition of the population, and so on. Almost all issues of public and private policy involve economics and so do your own individual choices.

Most simply put, economics is the study of how a society (people) chooses to use scarce resources to produce goods and services and to distribute them to people for consumption. Any economy's resources consist of three broad areas: natural, capital, and labor. Natural resources, such as crude oil, natural gas, minerals, timber, and water, are provided by nature in limited amounts; they must be processed to become a product or to be used to produce other goods or services. For example, trees must be processed into lumber before they can be used to build homes. Meanwhile, capital resources, also known as financial resources, refer to the goods produced for the purpose of making other types of goods and services. More exactly, the funds used to acquire the natural and human resources needed to provide products. Some capital resources, called current

assets, have a short life and are generally used up in the production process. These resources include fuel, raw materials, paper, and money. Opposite to current assets, long-lived capital resources, which can be used repeatedly in the production process, are called fixed capital. Examples include factory buildings, compact-disk machines, personal computers, and railroad cars. We also could find the different categorizations of capital due to different standards. Simply stated, human capital means people's skill and technology. People are assets whose value can be enhanced through investment. As the value of people increases, so does the performance capacity of the organization. Physical capital, however, includes machines and money, something like fixed assets. In fact, the different categorizations of capital depend on where we stand on.

In addition to natural resources and capital resources, labor resources represent the human talent of a nation, both physical and mental. To have value in the labor force, individuals must be trained to perform either skilled or semiskilled work. For example, the job of physicist requires extensive training, whereas only minimal training is needed to operate a service station's gas pumps. This collection of human talent is the most valuable national resource. Without human resources, productive use of either natural or capital resources is impossible.

Resources are used to produce goods and services which will meet people's needs and wants. Needs are goods and services that people must have or possess simply for survival or exist. For example, food, clothing, shelter, and medical care are needs; Wants, on the other hand, are things they would like or are willing to have but do not absolutely need for survival. Video recorders, cassettes, fashionable clothes, and luxury vacations are generally viewed as wants. Wants mostly are unlimited: According to psychological theories, people have different levels of needs and wants. As soon as one level of wants is satisfied, another arises. Even wealthy people tend to have unlimited wants. Henry Ford was once asked how much money it would like before a person would stop wanting more. He reportedly answered, "Just a little bit more".

Thus, goods and services are produced to meet needs and satisfy wants of consumers. Since the resources are limited while wants are unlimited, how could the society allocate the scarce resources to produce and distribute as many products as possible to satisfy people's wants? Allocation of resources is a big challenge for all countries. How to combine the production factors is the basic line to accumulate wealth. In Adam Smith's words, the more efficient the combination, the greater the production, the greater the national wealth.

Then how to combine them more efficiently? How will goods and services be produced, and by whom? Will electricity be produced from coal, oil, waterfall, sun or wind, or nuclear power? Who will use the goods and services? When the goods and services are divided, who is to benefit from their use? A few rich or many poor people? Families or single people? Old or young? Or we share the nation's output equally? High rewards go to the muscles or to IQ? How these questions are answered will determine how our resources will be used and how they will be allocated to best satisfy consumers' wants and needs.

Allocation can be very complicated, indeed. Answers to these questions vary among the different countries and different economic systems. An economic system is the institutional structure

through which individuals in a society are organized in a certain way to coordinate their diverse wants and desires. For example, if an economy is organized through markets, it is a market economic system.

Today market economic system is the most dominant system in the world, which based upon private property and the market in which, in principle, individuals decide how, what and for whom to produce. Under market system, individuals are encouraged to follow their own self-interest, while market forces of supply and demand are relied upon to coordinate those individuals' pursuits. That is to say, individuals are free to do whatever they want as long as it's legal. Specifically speaking, market runs on the basis of price mechanism through which peoples' desires are coordinated and goods are rationed. If there is not enough of something to go around, its price goes up; if more of something needs to get done, the price given to individuals goes up. If something isn't wanted or doesn't need to be done, its price goes down. Then, suppliers will adjust their production automatically as people respond to economic incentives created by price changes. On the other hand, distribution of goods to each individual depends on his or her ability, effort, and even inherited property. If you have a lot of money or wealth, of course, you can buy and consume more goods and services. Under market economies, fluctuations in prices play a central role in coordinating individual's wants.

Consequently, market works through a system of rewards and payments. If you do something you get paid for doing that something; if you take something, you pay for that something. How much you get is determined by how much you give. This relationship seems fair to most people. But there are instances when it doesn't seem fair. Say someone is unable to work. Should that person get nothing?

Another extreme is command economy, also known as planned economy in which government makes all decisions about production and distribution. This government might be dictatorial or democratic, exactly telling people what to produce, how to produce and whose desires should be satisfied first and how to satisfy. In this case, all of economic decisions are made by the central government, or regulated by a relatively comprehensive plan. Due to the less sensitive to market change, this system is not the best to help producers cheaply produce goods and services that are demanded by consumers. With tight control on price rates, producers are less motivated to gain greatest profits. As a result, this system incurs seriously weak productive efficiency and misuse of scarce economic resources.

Words and Expressions

allocate	<i>v.</i>	assign or devote to (for a purpose or for a person, place)
allocation	<i>n.</i>	the action or process of allocating or distributing something
anticipate	<i>v.</i>	regard sth. as probable or likely
cassette	<i>n.</i>	a compact case containing a length of magnetic tape that runs between two small reels
coordinate	<i>v.</i>	word or act together effectively
command	<i>n.</i>	the possession or exercise of controlling authority

comprehensive	<i>adj.</i>	of large scope; covering or involving much; inclusive
consumption	<i>n.</i>	the purchase and use of goods
democratic	<i>adj.</i>	pertaining to or characterized by the principle of political or social equality for all
distribute	<i>v.</i>	to pass out or deliver (mail, newspapers, etc.) to intended recipients
discipline	<i>n.</i>	a branch of learning
extensive	<i>adj.</i>	of great extent; wide; broad; covering
extreme	<i>n.</i>	one of two things as remote or different from each other as possible; the furthest or utmost length; an excessive length, beyond the ordinary or average
fluctuation	<i>n.</i>	rise and fall
incentive	<i>n.</i>	something that incites or tends to incite to action or greater effort, as a reward offered for increased productivity
incur	<i>v.</i>	to come into or acquire (some consequence, usually undesirable or injurious)
inflation	<i>n.</i>	an increase in available currency regarded as causing this
inherit	<i>v.</i>	to take or receive (property, a right, a title, etc.) by succession or will, as an heir
instance	<i>n.</i>	an example or single occurrence of something
lumber	<i>n.</i>	timber sawed or split into planks, boards, etc.
mechanism	<i>n.</i>	a means; device consisting of a piece of machinery; has moving parts that perform some function
misuse	<i>v.</i>	use (something) in the wrong way or for the wrong purpose
pump	<i>n.</i>	an apparatus or machine for raising, driving, exhausting, or compressing fluids or gases by means of a piston, plunger, or set of rotating vanes
process	<i>v.</i>	handle or deal with by a particular process
reliance	<i>n.</i>	trust, confidence
reward	<i>n.</i>	a thing given in recognition of one's service, effort, or achievement
scarce	<i>adj.</i>	insufficient for demand
shelter	<i>n.</i>	anything serving as a shield
semiskilled	<i>adj.</i>	having some training but less than for a skilled worker
sensitivity	<i>n.</i>	the state or quality of being sensitive; sensitiveness. (Physiology) the ability of an organism or part of an organism to react to stimuli
tight	<i>adj.</i>	fixed, fastened, or closed firmly; hard to move, undo, or open
want	<i>n.</i>	a desire for sth.

Notes

1. Economics: social science of allocating scarce resources.
2. Factor of production: basic inputs into the private enterprise system, including natural resources, labor, capital. Today, more people would like to add technology and management in their consideration of production factors. Each factor receives a payment, such as rent, wages,

interest, or profits.

3. **Natural resources:** everything useful as a productive input in its natural state, including land, crops, forest products, and mineral deposits, etc. They are basic resources required in any economic system.
4. **Capital:** funds that finance the operation of business, provided in the form of investments, profits or loans. They can be used for the purchase of anything required by business, including raw materials, labor or talents of workers, technologies.
5. **Labor/human resources:** anyone who work for a business. They might be presidents, all levels of managers, engineers, R&D staff, clerks, technicians, sale representatives and the assembly-line workers and so on.

Special Terms

1. **Capital resources** 资本资源,包括资本量和技术水平,是三大经济资源的一种,另外两种为自然资源和人力资源。按照哈佛大学米歇尔·波特对资本资源的定义,它包括三类指标,一是国内投资总额,一个国家经济中对固定资产追加的支出加上存货水平的净变化;二是外国直接投资(FDI),它是指为获得在一国经济中经营的某个企业的长期权利权益(10%和更多的有表决权的股份)而投资的净流入量,它有别于投资人,这是国际收支中股本、收益再投资、其他长期资本和短期资本的总和;三是股票市场市值,也称为资本市值,是指所有在国内证券交易所上市的公司的资本市值的总和,这一指标反映了一国金融市场的发展规模。
2. **Current assets** 流动资产,是指可以在1年内(含1年)变现或耗用的资产。
3. **Fixed capital** 固定资产,是指同时具有以下特征的有形资产:(1)为生产商品、提供劳务、出租或经营管理而持有的;(2)使用期限超过1年;(3)单位价值较高。

Comprehension Questions

1. What is “economy” according to the text?
2. What is “economic system” according to the text?
3. What are three central problems in the study of economics?
4. How do you understand capital resources?
5. Could you analyze the advantages and disadvantages of market economic system?
6. What are the main features of the market economic systems?
7. What is economics?

Passage 2

Macroeconomics

We might conclude that economics talks about many of life's practical questions. But it does more than talk: economics is vitally concerned with the measurement of important phenomena—economic growth, employment, stable prices and so forth.

Two important measurements occur in macroeconomics and microeconomics. Macroeconomics deals primarily with aggregates (total amount of goods & services produced by society) and absolute levels of prices. It addresses issues in a whole such as level of growth of national output (GNP & GDP), interest rates, unemployment and inflation. Microeconomics, in a sense, looks at the economy through a microscope, studying the behavior of an economy's individuals' choices. Since prices have important effects on the individuals' decisions, the microeconomics is frequently called "Price Theory".

Economics is only two centuries old since in 1776 Adam Smith published his path-breaking work: *Inquiry into the Nature and Causes of The Wealth of Nations*. Then in 1867, there appeared the massive critique of capitalism by Karl Marx: *Das Kapital*. And economics went through many stages until the publication of John Maynard Keynes *The General Theory of Employment, Interest and Money* in 1936. Keynes' contribution was so crucial that a central school of thought in macroeconomics has ever been called "Keynesian" economics. Because in 1930s, production dropped sharply over a few years that came to be known as "The Great Depression". At the same time, "unemployment" emerged as a crucial social problem for market economies, one which at first threatened their survival. It appeared that microeconomics was not very suited for understanding the depression and unemployment, and many economists turned back to the macroeconomic focus of the founders of political economy a century before. They didn't find any explanatory and workable approach until Keynes proposed a limited, but increased and very controversial role of government planning and intervention in the economy as a means of solving the problem of unemployment, and most governments of industrialized countries have followed that advice. Later, it has become central to economic policy in many major nations, finally helped the economic recovery for these nations. Also, Keynesian economics, with great attention from many economists and governors, has had an important impact on the world.

This is not to say that microeconomics was abandoned. It was in the late nineteenth century that, however, economics found a new focus that gave rise to the branch known as microeconomics. Microeconomics is still a vigorous and growing field within economics, and many economists still regard macroeconomics as less reliable and more controversial than microeconomics. But in modern economics, macroeconomics is recognized as equal in importance with microeconomics.

Macroeconomic Problems

Many economists shifted their attention from microeconomics to macroeconomics just because they found that all these three very important national problems—economic recession, high unemployment, high inflation—are macroeconomic problems, that is, these problems could not be understood or solved without an understanding of the workings of the market economic system as a whole.

Recession

A recession is defined as a period of two or more successive quarters of decreasing production. Production is measured by a number of variables. Gross Domestic Product is one important measure. During business cycle, actual GDP departs from its potential GDP. If the gap or difference is a small

downturn, the economy in this period is called recession; if the total output declined with a large gap between actual and potential output, the period is known as depression. There is no general definition of a depression, however, and until recently the decline of 1929—1940 was the only decline referred to as a “depression”. It lasted about 10 years and was dominated by two recessions with unparalleled depth, and that was what caused people to refer to it as a depression and as “The Great Depression”.

In many recession periods, businesses could not produce so many goods and services as people expect. Fewer businesses, lower employment, less income; furthermore, less consumption, less demand, less production. Finally, lower living standard. To put it another way, recession causes unemployment. Rather than taking effective measures to help recover economies, some governments preferred trade barriers to achieve equilibrium of trade payment. These powerful protectionism policies worsened the world trade and economy.

There are many reasons that cause economic recession or depression. But, it is self-evident that a drop in production is a bad thing. That is why economic growth is one of macroeconomic objectives for most countries.

Unemployment

Our second macroeconomic problem—unemployment, highly correlating with recession, is most directly felt by individuals. Unemployment refers to the condition in which people, as part of working population or labor force, are not employed but seeking for jobs. Therefore, it excludes a few special groups of people, such as housewives, prisoners, the retired, the ill and the unable. Without having the jobs, relevant production and reciprocal income are impossible.

According to law of supply and demand, unemployment could be caused by excessive supply of labor. But it is not the only force affecting employment in the market economy. The others, to name some, are incessant movement of people and structural imbalance between regions and jobs occupations and economic declines.

Traditionally, there have been three main types of unemployment, frictional, cyclical, structural unemployment.

Frictional Unemployment Suppose a person loses a job, perhaps because the work is finished. This always happens to a construction worker. Because when the construction job is finished; it will ordinarily take some time before that person finds another job. That also happens to the students after graduation and to the women after giving birth to children. This frictional unemployment exists because of the difficulties of movement through different stages of business lifecycle. This is a particularly important category, since this category of unemployment can never be reduced to zero, no matter in what economic systems.

Cyclical Unemployment In recessions, we typically see increases in unemployment. It exists when the overall demand for labor is very low. For instance, the unemployment rate rose from virtually zero to 25% of the work force in 1933, then rising again to 20% in the recession of 1938. And in the recession year 1982 in the United States, the unemployment rate rose in 48 of the 50 states. That is true for most countries when their economies fluctuate or shrink.

Structural Unemployment structural unemployment problems generally arise because of a mismatch between the needs of employers and the skills and training of the labor force. People do not quickly adjust themselves to the market change since it is not easy to predict which industry or sector will prosper, which will decline. The extent and duration of structural unemployment will consequently depend on occupational mobility of labor. For example, the disarmament of 1990s in America made many people structurally unemployed. The cutbacks in national defense industry reduced the output of related goods and services and laid off thousands of workers. Although they were experienced of many years, their specific and highly developed skills were no longer in demand and were not soon applicable in non-defense industries.

Unemployment Rate

The unemployment rate is a ratio, a fraction, less than one, obtained by dividing the number of unemployed persons by the number of persons in the labor force. The labor force consists of all those persons who are willing to work at a market equilibrium wage, and who either have jobs or are seeking work. In the nineties, the unemployment rate in the United States has usually been between 5% and 6%. An alternative approach to the analysis of unemployment is based on the concept of **natural rate of unemployment**. The natural rate, also sometimes referred to as the non-accelerating inflation rate of unemployment, is the normal unemployment rate that can be sustained for long without upward pressure on inflation. It can be identified with the concepts of frictional and structural and cyclical unemployment.

High unemployment rate is both an economic and a social problem, because it causes waste use of labor resources and mostly economic decline. And the unemployed people, without income, could not improve their life and suffer from much economic and social or emotional distress.

Inflation

Recessions and unemployment are trouble enough, but many people in the modern world see a danger in too much prosperity. That danger is inflation.

Inflation is defined as an increase in the average price level in the economy. The most common measure is consumer price index (CPI), representing the price level of a basket of market consumer goods and services bought by the average urban consumer during a particular year. Thus, if the price of each goods or services in the fields of food, clothing, shelter, medical care and the like were to rise by 5% from one year to the next, we could say without hesitation that the average price level has risen by 5%, and there has been 5% inflation. It does not mean this price increase of these entire goods take place at the same time.

Rates of Inflation

The “rate of inflation” is the rate of change of the price level expressed as a percent of the base price level. More precisely, it can be expressed as dividing the CPI difference between this year and base year by base year’s CPI. When the prices rise slowly and predictably, that is, the inflation rate is below 10 percent, with single digit, we call it as **low inflation**. If inflation rate is expressed in double-digit, we define that as **galloping inflation**. More seriously, as the price fluctuates in the

three or more digits range, money loses its value quickly and will become meaningless virtually. In such a situation, we say **hyper-inflation** happens and price system breaks down. In reality, the case in which prices rise steadily annually as people expect is known as **inertial rate of inflation**.

Like illness, inflation happens for many reasons. Some inflations come from the demand side; others come from the supply side. Our analysis follows the same way, because prices in general would only rise if, on the average, demand increases or supply decreases. In the first case, when demand increase results in inflation, we describe it as **demand-pull inflation**. On the other hand, when cost increase causes supply to decrease in turn, and this results in inflation, we describe it as **cost-push inflation**. The rising cost may come from rising wages, soaring prices of oil (other production resources) or from exchange-rate movements. But these two different causes of inflation are not independent. A demand-pull inflation may itself lead to cost increases, which then give rise to a further cost-push inflation. This sort of vicious circle could account for the persistence of inflation in the latter half of the twentieth century, and many economists believe that it does.

To sum up, a nation's economic success is usually evaluated by whether it attains the following macroeconomic objectives: rapid and steady economic growth not decline; an ample supply of good jobs and low unemployment; stable prices and low inflation rate. Unfortunately, these attainments involve many difficulties.

Words and Expressions

aggregate	<i>adj.</i>	formed or calculated by the combination of many separate units or items; total
	<i>n.</i>	a whole formed by combining several (typically disparate) elements
	<i>v.</i>	form or group into a class or cluster
alternative	<i>adj. & n.</i>	the freedom or opportunity to choose between two or more things
disarmament	<i>n.</i>	the act of reducing, limiting, or abolishing weapons. Disarmament generally refers to a country's military or specific type of weaponry. Disarmament is often taken to mean total elimination of weapons of mass destruction, such as nuclear arms
distress	<i>n.</i>	discomfort or sorrow; great pain
fraction	<i>n.</i>	precise division of a number, e.g. $1/3$, $5/8$
friction	<i>n.</i>	resistance of one surface to another surface or substance that moves over it
gap	<i>n.</i>	a wide divergence or difference; disparity
incessant	<i>adj.</i>	continual; often repeated
inquiry	<i>n.</i>	an act of asking for information
path-breaking	<i>adj.</i>	pioneering; innovative
phenomena	<i>n.</i>	a plural of phenomenon 'a fact, occurrence, or circumstance observed or observable
recession	<i>n.</i>	temporary decline in economic activity or prosperity

successive	<i>adj.</i>	coming one after the other in an uninterrupted sequence
sustain	<i>v.</i>	to support, hold, or bear up from below; bear the weight of, as a structure; to bear (a burden, charge, etc.); to keep up or keep going, as an action or process
vigorous	<i>adj.</i>	strong; active; robust; energetic; forceful; powerful in action or effect a vicious circle continuous rise in one thing (e.g. prices) caused by a continuous rise in sth. else (e.g. wages)

Notes

1. Macroeconomics: study of the overall operation of an economy. Macroeconomists study aggregated indicators such as GDP, unemployment rates, and price indexes to understand how the whole economy functions. Macroeconomists develop models that explain the relationship between such factors as national income, output, consumption, unemployment, inflation, savings, investment, international trade and international finance.
2. Microeconomics: study of “small” economic units such as individuals, families, companies and firms’ activities. Typically, it applies to markets where goods or services are bought and sold, examining how these decisions and behaviors affect the supply and demand for goods and services, which determines prices, and how prices, in turn, determine the quantity supplied and quantity demanded of goods and services.
3. Supply: the quantity of goods or services that businesses are willing to sell at different prices at a specific time.
4. Demand: the quantity of goods or services that consumers are willing to buy at different prices at a specific time.
5. Recession: a decline in production, employment, and income. Recessions generally occur when there is a widespread drop in spending (an adverse demand shock). This may be triggered by various events, such as a financial crisis, an external trade shock, an adverse supply shock or the bursting of an economic bubble. Governments usually respond to recessions by adopting expansionary macroeconomic policies, such as increasing money supply, increasing government spending and decreasing taxation.
6. Depression: a severe trough in the business cycle where there is widespread and sustained unemployment. A depression is an unusual and extreme form of recession. Depressions are characterized by their length, by abnormally large increases in unemployment, falls in the availability of credit (often due to some form of banking or financial crisis), shrinking output as buyers dry up and suppliers cut back on production and investment, large number of bankruptcies including sovereign debt defaults, significantly reduced amounts of trade and commerce (especially international trade), as well as highly volatile relative currency value fluctuations (often due to currency devaluations). Price deflation, financial crises and bank failures are also common elements of a depression that do not normally occur during a recession. Only the period 1929—1933 in the United Kingdom is usually referred to as a depression.