

领先商务英语专业系列教材

BUSINESS

■ 总主编 仲伟合 王立非

领先

Leader

Fundamentals
of Economics

经济学原理

(英文版)

■ 鲁明易 何玉梅 编著



高等教育出版社
HIGHER EDUCATION PRESS

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常州大学图书馆
藏书章

LINGXIAN JINGJIXUE YUANLI



高等教育出版社·北京
HIGHER EDUCATION PRESS BEIJING

图书在版编目(CIP)数据

领先经济学原理:英文 / 鲁明易,何玉梅编著. --
北京:高等教育出版社, 2013. 12
ISBN 978-7-04-035623-6

I. ①领… II. ①鲁… ②何… III. ①经济学 - 高等
学校 - 教材 - 英文 IV. ① F0

中国版本图书馆 CIP 数据核字 (2013) 第 263623 号

策划编辑	张维华 李 瑶	责任编辑	王代军	封面设计	姜 磊	版式设计	魏 亮
责任校对	王代军	责任印制	田 甜				

出版发行	高等教育出版社	咨询电话	400-810-0598
社 址	北京市西城区德外大街 4 号	网 址	http://www.hep.edu.cn
邮政编码	100120		http://www.hep.com.cn
印 刷	北京民族印务有限责任公司	网上订购	http://www.landaco.com
开 本	787mm × 1092mm 1/16		http://www.landaco.com.cn
印 张	17.25	版 次	2013 年 12 月第 1 版
字 数	385 千字	印 次	2013 年 12 月第 1 次印刷
购书热线	010-58581118	定 价	35.00 元

本书如有缺页、倒页、脱页等质量问题,请到所购图书销售部门联系调换

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物 料 号 35623-00

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总序

“十二五”期间，我国对外开放和经济国际化的步伐将不断加快，迫切需要培养大批精通跨国投资、跨国贸易且具备较强英语能力的复合型商务英语人才。截至2011年，教育部已批准32所高校开办商务英语本科专业，全国700多所院校开设了商务英语方向课程。

《领先商务英语》专业系列教材的设计理念和定位是：培养具有扎实的英语基本功、宽阔的国际视野、专门的国际商务知识与技能，掌握经济学、管理学和法学等相关学科的基本知识和理论，具备较强的跨文化交际能力与较高的人文素养，能在国际环境中熟练使用英语从事商务、经贸、管理、金融等工作的复合应用型商务英语专业人才。

教材突出商务英语的特色和优势，包含语言技能、商务知识、跨文化交际能力和人文素养四个模块，体系完整，内容全面，设计新颖，特色鲜明。注重贯彻以内容为依托的教学理念，注重语言技能、跨文化能力和国际商务知识三者的平衡，以形式新颖和丰富多样的教学任务激发学生的学习兴趣 and 积极性，培养学生的自主学习能力和实践能力和创新能力。本套教材具有以下4个特点：

1) 合理兼顾语言、商务、文化三者的关系

教材选材新颖，反映当今社会经济发展的新知识和新动态。选材兼顾语言、商务和文化三者的合理比例和衔接。不同阶段有所侧重，从侧重语言与文化逐步过渡到侧重商务与文化。

2) 突出跨文化商务交际能力的培养

教材突出商务英语应用性和实践性强的特点，在打好扎实的语言基本功的同时，强调跨文化商务交际能力的培养，培养国际化思维，提高在多元文化和复杂国际商务关系的环境中用英语沟通、跨文化思维、跨文化适应和跨文化沟通的能力。

3) 强调国际商务知识与应用

教材突出商务英语特色和国际商务知识与技能的运用，逐步培养学生的学科思维 and 创新能力，使其掌握就业所需的社交知识、商务办公礼仪等普通商务知识和经济学、管理学、国际商法、国际贸易、国际金融等商务专业基础知识以及谈判、演讲、写作等商务技能。

4) 采用立体化教材设计手段

教材突出可教性原则，在保留传统教学方法的优点的同时，整合现代信息技术与教材设计，搭建立体化商务英语学习平台，将多种类、多模态的商务英语学习资源进行网络化和数字化集成，培养学生在网络环境下的自主学习能力。

本套系列教材配有学生用书、教师用书、多媒体教学材料等立体化教学资源

源, 适合商务英语专业的本科生、高职高专商务英语和经贸方向的学生以及涉外财经方向的本科生使用。

教材编者均为全国主要商务英语专业院校的教学科研专家或中青年骨干教师, 不仅具有丰富的商务英语教学和商务实践经验, 而且都主持或参与过多项商务英语教材编写项目, 从而保证了本套教材的编写质量。我们衷心地希望本套教材能够很好地满足各类高校商务英语教学和课程建设的需要。

编 者

2011年7月

Preface

The graduates who major in Business English will be exposed to a wide variety of economic questions in their workplaces and during their lifetimes. The quality of their decision-making in these situations is crucial to the companies and organizations they serve, as well as to their own career development. This book is intended to give majors in Business English a general understanding of how the economy works, to empower them with economic modes of analysis, and to help them develop the capacity to understand and make economic decisions.

Features of this book

1. Mastery of the basic concepts of economics

With the purpose of improving economic literacy for majors in Business English, this book emphasizes comprehension of the basic economic concepts and focuses more sharply on the principles that students can use throughout their lives as consumers, producers, savers and investors. As a truly working understanding of a limited set of economic concepts is more important than a superficial familiarity with a heavy dose of economic knowledge, this book concentrates on aiding students to grasp a short list of concepts, dropping some of the traditional economic content and limiting the use of mathematical and graphical tools.

2. Command of a framework of economics

This book gives a framework to help students understand how the principal concepts of economics relate to each other and how the various components and sectors of the economy interact. An appreciation of the framework of economics enables students to organize their understanding of economics, to combine different elements of economic knowledge when they address specific questions, and to deal with the complex real world economic problems they will face in their work.

3. Development of analytical abilities through concrete examples

The objective of economic education to majors in Business English is to prepare them for effective decision-making in their future work. If this purpose is to be achieved, students must be provided with the skills of identifying, analyzing, and evaluating economic issues. Parts of this book are dedicated to helping students apply the basic principles to a wide range of current economic issues and problems that are more like those they themselves confront throughout their lives.

Through repeated applications, students can internalize these economic principles well enough, grasp the economic aspects of particular issues and build their analytical skills.

4. End-of-Chapter aids and Real-world Problem-solving exercises

This book creates valuable opportunities for students to practice applying the principles and methods of economics. At the end of each chapter, a summary highlights the important points of the chapter and a list of Key Concepts helps students test their knowledge of the basic material. Students are assigned with real-world problems that may have no fixed resolution and require them to explore sources of information on their own, using the Internet. Being actively involved in their own learning, students not only review chapter material but also develop analytical skills.

Please visit <http://www.cflo.com.cn> to find the answers for the questions at the end of each chapter.

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The Basics of Economics

Part I

Chapter One

What Is Economics?

Learning Objectives:

After studying this chapter, you should be able to:

- *distinguish between microeconomics and macroeconomics*
- *understand the concept of scarcity*
- *be familiar with notions of economic resources*
- *see how choices are made*
- *appreciate the significance of opportunity cost*
- *understand the meaning and significance of production possibilities curve*

1. Two Branches of Economics

You probably hear about economics several times each day. P&G, the biggest consumer goods seller in China, raised prices of Pampers diapers by 6 percent, and the prices of some other products by as much as 20 percent under pressure from soaring raw material prices. Crude oil price is increasing as investors predict that the OPEC will almost certainly decide to cut crude oil output because OPEC believes the world oil market is oversupplied by about 2 million barrels a day. Ford reported huge third-quarter losses and said it will cut another 10% of its North American salaried work force costs as it tries to conserve cash to weather the worst economic downturn in decades. US GDP fell at 0.3% annual rate in the third quarter of 2008; and consumer spending plunged at the sharpest rate since 1980. The People's Bank of China, China's central bank, raised banks' deposit reserve ratio by 0.5 percentage points to 14 percent to curb the excessive growth of money supply.

The above economic issues can be roughly divided into two major categories: those related to individuals and firms, for example, P&G, Ford; and those dealing with economic aggregates, for example, GDP, money supply, etc.

Economics is thus divided into two major parts: microeconomics and macroeconomics. The prefix micro- in microeconomics is derived from the Greek word “mikros”, meaning “small”. It takes a close-up view of the economy, as if looking through a microscope. It analyzes the behavior of smaller units — households, business firms, individual industries and markets, and so on. Some of the examples are: how does the demand for beef change if a buyer’s disposable income increases, what happens to the market of tea when the price of coffee rises, what is the optimal number of workers employed by a vehicle manufacturing firm. In microeconomics, we examine the trees rather than the forest.

Macroeconomics — from the Greek word “makros”, meaning “large” — examines the economy as a whole. Macroeconomics is not concerned about individual households, individual firms; rather, it studies the aggregates, such as the total household, the business sectors. Instead of focusing on the price of computers, macroeconomics looks at the general price level. Instead of focusing on the production of apples or mobile phones, it lumps all goods and services together and concentrates on the economy’s total output. Instead of focusing on employment in the automobile industry, it studies total employment in the economy. In a word, macroeconomics examines the forest, not the trees.

2. Economics, Scarcity and Choice

2.1 Scarcity

So far, we have not yet answered the question what economics is. A useful definition of economics is the following: *economics is the study of how individuals, groups of individuals and entire societies use limited resources to satisfy unlimited wants*. Thus arises the basic condition of *scarcity*, the imbalance between relatively limited resources and relatively unlimited wants.

To see how this concept works, think for a moment about your own situation. Do you have enough time available for everything that you wish to do? You want to see a movie tonight; however, there is an economics exam tomorrow morning and you need time to study for it. Can you afford everything that you would like to own? There are so many things you might like to own right now — a new laptop, a ticket for a rock concert, a trip to Disneyland ... the list is endless. But you cannot have them all because you should live within budget. We all face the problems of scarcity. We have them, our neighbors have them, and even the wealthiest people have them: nobody can assert that he owns everything.

This problem of scarcity also applies to a society. No society has ever had enough resources to produce the full amount and variety of goods and services its members want. Most societies would like to have more consumer goods, better health service, convenient public

transportation and good education. However, the more a society spends on national defense to protect the nation against foreign aggression, the less it can spend on consumer goods to raise people's living standard. The government might be considering the construction of additional housing on a particular estate, or the construction of a kindergarten. If the plot of land is used to build houses, it cannot be used to build the kindergarten. Though these problems vary greatly in type with those confronted by individuals, they are all just examples of a common problem — scarcity.

Both the individuals and the societies face a scarcity of economic resources. Economic resources, also known as factors of production, are inputs that are combined together to create goods and services that satisfy our wants. Just as you cannot make ice cream without fat, milk, sugar, and egg, you cannot produce goods and services without resources. Resources are divided into four broad categories: land, labor, capital, and entrepreneurial ability.

Land. The category of “land” represents not only land in the conventional sense of plots of ground, but all things provided by nature that can be used in production, such as land, rivers, trees, minerals, and all other free gifts of nature. The quantity of land is fixed at national level although some countries, such as Holland, reclaimed more land from the sea than its original size.

Labor. Labor is physical and intellectual service provided by human beings. The quantity of labor available to a society is limited at any given time. It is determined by the size of its population, the age distribution and the prevailing attitudes about who should work and for how long one should work. Countries with large populations and with small percentages of elderly people have large amounts of labor. Countries in which women are more willing to go out to work have larger size of working population. The amount of labor that a country has also depends on the length of the workday and the workweek, and the amount of holiday and vacation time that workers receive. China has the largest labor force in the world. As of May, 2008, China has a labor force of 803.3 million¹. As of October, 2008, the labor force in United States is 155,038 million².

Another dimension of labor is the quality of the labor resource, i.e. the level of ability of workers and their motivation. Production is more than simply expending energy. The workers' skills and attitude toward the job are important to production. Education and training are important factors in determining the quality of the labor. China is much larger than Japan in terms of population, but Japan has a labor force of higher quality than that of China.

Capital. Capital is all manufactured material resource used in the production. Examples include the plant, equipment, machinery, roads, a surgeon's scalpel, an artist's brush, and

1 Source: CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/>.

2 Source: CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/>.

the building where your economics class meets. What economists call capital differs from the everyday use of this term. Stocks, bonds, and other financial assets are not capital under this definition of the term. Note that if you buy a DVD player for recreation at home, it must be classified as consumer goods. But if it is fixed in the classroom as one of teaching facilities, i.e. for use in the production of other goods or services (teaching in this case), it should be classified as capital goods. The essential property of capital is that they are needed to produce other goods or to supply services. The variety of capital goods available and how they are used reflect the state of technology, which is regarded as an especially important kind of capital because it helps to determine how much a society will be able to produce with its limited amounts of other resources. Technology is composed of all know-how, inventions, and innovations. A society with a good stock of technology will be able to produce a great many more goods and services with its resources than it could produce if it had less. Existing technology is the outcome of many inventions. Innovation is the application of technology to the production of goods and services. However, no level of technological excellence will solve the economic problem of scarcity; it can only help make resources less scarce.

Entrepreneurship. Entrepreneurship, which comes from a French word meaning “to undertake”, is the ability of some people to organize land, labor, and capital required for production. Economists call such people entrepreneurs. Entrepreneurs identify the need for a new product, figure out how best to produce it, make business decisions, and assume the risks associated with these decisions. People such as Bill Gates, who founded the Microsoft, Ma Yun, President and CEO of Alibaba.com, and Larry Page and Sergey Brin, the founders of search engine giant Google, are examples of entrepreneurs with exceptional talents.

Time can also be regarded as resources because its quantity is fixed and we have to choose among the numerous things we want to do. We may choose to spend an evening listening to Sarah Brightman instead of studying economics. We may choose to purchase freshly cooked apple pie from food stores and then read an interesting book instead of spending the time cooking our own apple pie. Like land, labor, capital and entrepreneurship, time is scarce and has a cost that we inevitably incur when we make a choice.

2.2 Choice

The economic problem — the existence of scarcity — necessitates choice. If we can't have everything we would like, we must choose which things we want most. Thus, both individuals and societies must continuously make choices about how to use the scarce resources available to them.

As individuals, we must spend our scarce spending power among different goods and services: food, clothes, housing, travel, and many others. We must allocate our scarce time to different activities: preparing for the coming exam, meeting friends, enjoying a concert, and

more. And each time we choose to buy something or do something, we are also choosing not to buy or do something else.

Societies must make choices among competing alternatives. Even though the United States is the wealthiest nation in the world, it still does not have enough resources to satisfy all the economic wants of its residents. Societies may have to choose between safer highways and more accurate missiles, between more health care and better education.

While making choices, economists like to *think at the margin*, i.e. to compare the *marginal benefits* and *marginal costs* associated with the choices.

Most choices and trade-offs are not of an all-or-nothing nature: instead, they typically involve small changes at the margin — a little more of this for a little less of that. Individuals, rarely ask whether they should purchase food, clothing, or medicare service, but instead consider whether to buy one unit more or one unit less of goods or services. Business firms, likewise, are not usually trying to decide whether to produce or not to produce. Rather, they are more often concerned with whether to produce one unit more or one unit less of output. Students do not make a choice between studying 24 hours a day and messing around everyday. Rather, they decide how much time to devote to study and how much to leisure. Should a fourth hour be devoted to studying for an exam, or should that hour be spent watching TV?

Marginal means “extra” or “additional”. For an individual thinking about how much of a product to buy, the marginal unit is the last unit bought, or the next unit that might be bought. *Marginal analysis is a method to finding the optimal level of any activity by equating the marginal benefits with the marginal costs.* Every activity we undertake involves both benefits and costs. *The marginal benefit from an activity is the additional benefit resulting from a one-unit increase in the level of an activity.* For example, one more hour spent preparing for the economics exam will improve your score by 10 points. And *the marginal cost is the additional cost associated with one-unit increase in the level of the activity.* For example, you will miss a very good movie if you spend one more hour studying. To achieve an optimal level of an activity, individuals are not expected to maximize benefit; nor are they expected to minimize costs. Individuals are assumed to attempt to maximize the level of net benefit (total benefit minus total cost) from any activity in which they are engaged. If marginal benefit exceeds marginal cost, net benefit will increase if the level of the activity rises. Therefore, a rational decision maker will increase the level of any activity when the expected marginal benefit exceeds the expected marginal costs. On the other hand, if the expected marginal cost exceeds the expected marginal benefit, net benefit rises when the level of the activity is decreased. There is no reason to change the level of an activity (and net benefit is maximized) at the level of an activity at which marginal benefit equals marginal cost.