

Economics & Trade Through English

- ★ Economics
- ★ The US Market Economy
- ★ The World Trade Organization

郭廉彰 编

用英语学经贸



化学工业出版社

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· 北 京 ·

本教材分三部分用英文介绍了经济学与市场经济基本理论知识,美国经济的概况、历史及发展以及WTO规则等内容。各单元课文后都设计有注释、词汇和练习,以便学生更好地阅读和理解文章内容。本书将市场经济知识与英语学习二者有机结合,相互兼容,并且自成体系,不仅适用于大学生群体,也适于公务人员、企业职工等一切有意丰富个人知识结构、拓宽自己知识面、提高自己在市场经济条件下的工作适应力的人群。

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Part I

Economics

(经济篇)



Unit I

Ten Principles of Economics

Although the study of economics has many facets, the field is unified by several central ideas. The ten principles of economics explain the unifying central ideas of the field of economics. Below are each of the ten principles, a short definition and explanation of what it means, and an example of what the principle means for society. The ten principles of economics can be divided into 3 aspects.

1 About How people Make Decisions

Principle 1: People Face Trade-offs

Description: To get one thing, you have to give up something else. Making decisions usually requires trading off one desired end for another.

Example: In the recent financial and economic crises extensions for unemployment benefits were included in the economic stimulus programs by many governments. This results in a trade-off between equity and efficiency. It increases equity by providing those who have less money because they are unemployed but it reduces efficiency because the redistribution creates disincentives for production and alleviates the incentive to find work people would otherwise have.

Principle 2: The Cost of Something Is What You Give Up to Get It

Description: Decision-makers have to consider both the obvious and implicit costs of their actions. Since people must make trade-offs, the decision is made by the costs and benefits of each possible choice. The opportunity cost is the desirable end that must be forgone to allow the optimal choice to be made.

Example: The cost of the US spending money on the Iraq war is not simply measured in dollars; the opportunity cost is the other ways the government could have used the money. The cost of the Iraq war can be quantified as reduced salaries for workers, less infrastructure spending, or fewer trips to the moon...

Principle 3: Rational People Think at the Margin

Description: People make decisions based on the benefit and cost that a single extra unit of a good would yield. A rational decision-maker takes action if and only if the marginal benefit^① of the action exceeds the marginal cost^②.

Example: People do not make decisions about supplying every possible hour of their labor or supplying none at all. Rather, rational people choose between working eight-hour days and ten-hour days. A person will only choose to work the additional two hours if the benefits

earned through increased wages exceed the benefit of more time spent at leisure.

Principle 4: People Respond to Incentives

Description: An incentive is something that induces one to act, generally some sort of reward or punishment. Incentives create the costs and benefits people judge to make decisions. Behavior changes when costs or benefits change.

Example: Citizen approval is a major incentive for politicians. When voting on a bill, congressmen must judge the potential benefits and costs of voting one way or the other. The senator of a state with a large population of farmers has an incentive to vote through agricultural subsidies to keep voters happy, thus increasing chances of reelection.

2

About How the Economy Works as A Whole

Principle 5: Trade Can Make Everyone Better Off

Description: Trade allows each person to specialize in the activities he or she does best. By trading with others, people can buy goods or services in greater variety, higher quality and lower cost.

Example: If Wisconsin specializes in dairy farming and another Idaho specializes in potato farming, each state can devote a greater portion of its resources to the specific agricultural activity and improve processes to increase efficiency. This results in better quality, lower cost, agricultural products for not only those two states but all consumers of the products the states produce.

Principle 6: Markets Are Usually a Good Way to Organize Economic Activity

Description: In a market economy, self-interested consumers and producers make decisions, rather than a central planning organization. Individuals, households and firms that interact in the marketplace act as if they are guided by an “invisible hand”^③ that leads the market to allocate resources efficiently and results in desirable outcomes. The opposite of this is economic activity that is organized by a central planner within the government with less efficiency.

Example: The transformation of traditional socialism in many countries in the past 3 decades is an obvious example of undesired outcomes of centrally planned economies. Because a small number of people make decisions about what is produced and how much it will cost, the invisible hand is unable to operate, resulting in misallocation of resources which isn't able to self-correct. This results in greater scarcity and a lower standard of living for everyone.

Principle 7: Governments Can Sometimes Improve Market Outcomes

Description: The invisible hand can work only if laws are enforced and institutions are maintained which are necessary to a market economy. When a market fails to allocate resources efficiently, the government can change the outcome through public policy.

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Example: Common examples are regulations against monopolies and pollution. Here we have one more: Property right enforcement is the most important thing a government can do to allow the market to work. If the property rights of a storeowner are not enforced any criminal could steal without the threat of prosecution. This would result in irreparable losses, thus reducing the incentive to do business in the marketplace.

3 About How People Interact

Principle 8: A Country's Standard of Living Depends on Its Ability to Produce Goods and Services

Description: There is a fundamental relationship between productivity and living standards. Countries whose workers produce a large quantity of goods and services per unit of time enjoy a high standard of living. Similarly, as a nation's productivity grows, so does its average income. Thus the more productive a country is the higher its standard of living will be.

Example: The use of the horseshoe, which did not become common until around the second century, profoundly increased agricultural productivity by allowing horses to plow substantially larger plots of land without becoming painful. Because of this increase in productivity, farmers were able to plant and harvest more crops, subsequently resulting in greater surplus, which could be sold at lower costs but still for greater profits.

Principle 9: Prices Rise When the Government Prints Too Much Money

Description: When too much money is printed by the government, its value decreases and prices increase because of inflation, requiring more of the same currency to buy the same amount of goods and services.

Example: The Zimbabwe government has printed so much money that the inflation rate as of the end of January was at 231 million percent. This results in vast hikes in consumer prices and a disincentive to save for the future, which ultimately prohibits future growth in the economy.

Principle 10: Society Faces a Short-Run Trade-off between Inflation and Unemployment

Description: By increasing the money supply, the overall demand to consume goods and services rises, resulting in higher levels of employment. But there is no free lunch; this brings with it higher prices and less savings. On the contrary, reducing inflation often causes a temporary rise in unemployment. This tradeoff is crucial for understanding the short-run effects of changes in taxes, government spending and monetary policy.

Example: The economic stimulus programs by many governments in the recent financial and economic crises in effect pump a large quantity of money into the economy, which comes from expanding the money supply. This will artificially raise employment levels but will make the money that consumers have less valuable by making goods less affordable.

Vocabulary

facet ['fæsɪt] *n.* one of numerous aspects, as of a subject 某一个方面; 刻面, 小平面: There are several facets to this question. 这个问题有几个方面。

【近】aspect phase side

equity ['ekwɪti] *n.* the state, quality, or ideal of being just, impartial, and fair 公平; 公正

disincentive [ˌdɪsɪn'sentɪv] *n.* something that prevents or discourages action; a deterrent (生产等方面的) 障碍因素, 产生抑制或沮丧行为的事物

【反】encouragement incentive inducement motive stimulus

alleviate [ə'li:vɪeɪt] *vt.* to make (pain, for example) more bearable 减轻, 缓和 (痛苦等): Heat often alleviates pain. 热常常能减缓疼痛。

【近】relieve

forgo [fɔ:'gəʊ] *vt.* (-went, -gone) 抛弃; 放弃: to forgo pleasures 放弃享乐 (Note: forgone ≠ foregone)

【近】do without, give up, relinquish, sacrifice

optimal ['ɒptɪm(ə)l] *adj.* most favorable or desirable 最佳的, 最理想的, 最适宜的

【近】optimum

infrastructure ['ɪnfəstrʌktʃə] *n.* the basic facilities, services, and installations needed for the functioning of a community or society, such as transportation and communications systems, water and power lines, and public institutions including schools, post offices, and prisons (社会或社区正常运作所需要的) 基础设施: Some countries lack a suitable economic infrastructure. 有些国家还缺乏相应的经济基础设施。

Idaho ['aɪdəhəʊ] *n.* a state of the northwest United States (美国西北部的) 爱达荷州

dairy ['deəri] *a. & n.* (of, for, or relating to)

milk or milk products 牛奶的, 乳制品的: the dairy section at the grocery store 杂货店的乳制品部

irreparable [ɪ'repərəbəl] *a.* impossible to repair, rectify, or amend 无法弥补的, 不能恢复的: The flood did irreparable damage to the building. 洪水对这幢楼房的损坏是无法弥补的。

hike [haɪk] *n.* an often abrupt increase or rise 突然的或急剧的上升、上涨、增加: a hike in living expenses 生活费用高涨

free lunch (Slang) something acquired without due effort or without cost 免费午餐, 没付出努力或没付钱就得到的事物

function ['fʌŋkʃ(ə)n] *n.* a variable so related to another that for each value assumed by one there is a value determined for the other

【数学】应变量, 函数, 一个与他量有关联的变量 (这一量中的任何一值都能在他量中找到对应的固定值)

derivative [dɪ'rɪvətɪv] *n.* something derived; the limiting value of the ratio of the change in a function to the corresponding change in its independent variable 导出物, 衍生物; 导数, 函数, 相应其自变量的变化率的有限值

asymmetry [æ'sɪmɛtri] *n.* lack of balance or symmetry 不对称, 缺乏平衡或对称性

【反】symmetry

externality [ˌekstə:'nælɪti] *n.* an incidental condition that may affect a course of action 外部性, 外部因素, 可能影响行动进程的外在偶然条件

affected [ə'fektɪd] *a.* assumed or simulated to impress others; speaking or behaving in an artificial way to make an impression 佯装或假装以给人深刻印象的, 装模作样的, 造作的: His manners are affected. 他的态度不自然。

【反】unaffected

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The text is slightly adapted from Mankiw's Ten Principles of Economics by Abby Olin, The Tiger Town Observer <http://media.www.tigertownobserver.com/media/storage/paper1123/news/2009/03/05/NewsAndOpinion/Mankiws.Ten.Principles.Of.Economics-3663799.shtml>

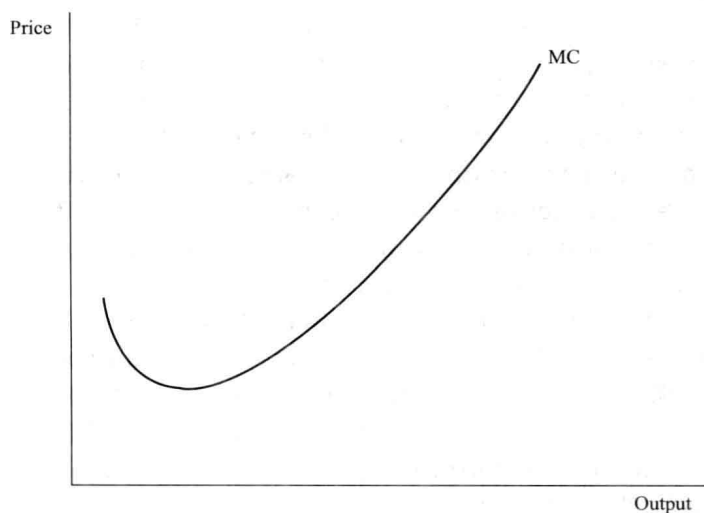
Notes

① marginal benefit is the additional satisfaction, or utility, that a person receives from consuming an additional unit of a good or service. A person's marginal benefit is the maximum amount they are willing to pay to consume that additional unit of a good or service. In a normal situation, the marginal benefit will decrease as consumption increases.

For example, assume there is a consumer wishing to purchase an additional burger. If this consumer is willing to pay \$10 for that additional burger, then his marginal benefit of consuming that burger is \$10. The more burgers the consumer has, the less he will want to pay for the next one. This is because the benefit decreases as the quantity consumed increases.

It is important to note that even though the consumer is willing to pay \$10 for the burger, it is not the price he will actually pay for the burger. The price of the burger will be determined by market forces. The difference between the market price and the price the consumer is willing to pay is called consumer surplus.

② marginal cost is the change in total cost that arises when the quantity produced changes by one unit. That is, it is the cost of producing one more unit of a good. Mathematically, the marginal cost (MC) function is expressed as the first derivative of the total cost (TC) function with respect to quantity (Q). Note that the marginal cost may change with volume, and so at each level of production, the marginal cost is the cost of the next unit produced.



A typical Marginal Cost Curve

$$MC = \frac{dTC}{dQ}$$

In general terms, marginal cost at each level of production includes any additional costs required to produce the next unit. If producing additional vehicles requires, for example, building a new factory, the marginal cost of those extra vehicles includes the cost of the new factory. In practice, the analysis is segregated into short and long-run cases, and over the longest run, all costs are marginal. At each level of production and time period being considered, marginal costs include all costs which vary with the level of production, and other costs are considered fixed costs.

A number of other factors can affect marginal cost and its applicability to real world problems. Some of these may be considered market failures. These may include information asymmetries, the presence of negative or positive externalities, transaction costs, price discrimination etc...

③ **invisible hand** is a metaphor created by Adam Smith to illustrate the principle of “enlightened self interest”, holding that the greatest benefit to a society is brought about by individuals acting freely in a competitive marketplace in the pursuit of their own self-interest.

According to Adam Smith, in a free market each participant will try to maximize self-interest, and the interaction of market participants, leading to exchange of goods and services, enables each participant to be better off than when simply producing for himself/herself. He further said that in a free market, no regulation of any type would be needed to ensure that the mutually beneficial exchange of goods and services took place, since this “invisible hand” would guide market participants to trade in the most mutually beneficial manner.

Today this principle is associated with psychological egoism. In *The Wealth of Nations*, Adam Smith makes the claim that, within the system of capitalism, an individual acting for his own good tends also to promote the good of his community. He attributed this principle to a social mechanism that he called **the Invisible Hand**.

Exercises

I. Multiple Choices

- The ten principles of economics are _____.
 - rules or standards for people to follow in a capitalist market economy
 - fixed or predetermined policies for people to carry out in practice
 - explanations of the central ideas of economics for people to understand
 - basic lines for economists to adhere to in a socialist market economy
- Extensions for unemployment benefits results in a trade-off between equity and efficiency because _____.
 - it increases equity by providing those who have less money
 - it intensifies the incentive to find work people would otherwise have
 - it reduces efficiency by creating disincentives for production
 - both A and C

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3. The opportunity cost of the US spending money on the Iraq war can be _____.
 - A. less infrastructure spending
 - B. fewer trips to the moon
 - C. reduced salaries for workers
 - D. all of the above
4. Trade _____.
 - A. limits specialization of labor
 - B. results in more choices of goods and services in the market
 - C. can only make some people better off
 - D. both A and C
5. In a market economy, consumers and producers are generally assumed to be _____.
 - A. self-interested
 - B. public minded
 - C. unselfish
 - D. generous
6. Most decisions in a market economy are made by _____.
 - A. government
 - B. consumers & producers
 - C. a central planner
 - D. households
7. The necessary condition to a market economy includes _____.
 - A. government intervenes
 - B. laws are enforced
 - C. institutions are maintained
 - D. all of the above except A
8. Increasing the money supply may result in lower levels of unemployment but bring with it _____.
 - A. less savings
 - B. less valuable money
 - C. less affordable goods
 - D. all of the above

II. True or False?

1. The opportunity cost is the desirable goal that you must give up to make your optimal choice. _____
2. Rational People Think at the Margin means people make decisions about supplying every possible hour of their labor. _____
3. Although citizen approval may be a major incentive for politicians money is still a major incentive in most occupations. _____
4. The undesired outcomes of centrally planned economies are greater scarcity and a lower standard of living for everyone. _____
5. The "invisible hand" can hardly lead the market to allocate resources efficiently. _____
6. The invisible hand can always work well and allocate resources efficiently. _____
7. Regulations against monopolies and pollution are common examples of government improvement of negative market outcomes. _____
8. The more productive a country is the lower its standard of living will be. _____

III. Close

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that 1 value. As every individual, 2, endeavors as much he can both to employ his capital in the support of domestic industry, and so to direct that industry that its 3 may be of the greatest value; every individual necessarily labors to render the annual 4 of the society as great as he can. He generally, indeed, neither intends to promote the public 5, nor knows how much he is 6 it. By preferring the support of domestic to that of foreign industry, he 7 only his own security; and