

much firms and consumers want to spend. A firm faced with high interest rates may decide to postpone building a new factory because the cost of borrowing is so high. Conversely, a consumer may be enthusiastic about buying a new home if interest rates are low and mortgage payments are more affordable. By raising or lowering interest rates, the Federal Reserve is able to generate recessions or booms. This description of what causes business cycles reflects the Keynesian or New Keynesian view that cycles are the result of imperfections in the economy. Only when prices and expectations are not fully flexible can fluctuations in government spending or the money stock cause large swings in real output.

**Ex.1. Answer the following questions:**

1. How can you define an economic recession?
2. What does the peak of a business cycle refer to?
3. What does the trough of the business cycle refer to?
4. Why does the dating of peaks and troughs involve a certain amount of subjective judgment?
5. What are the reasons for the business cycles to occur?
6. Why do some do some economists prefer to use the term *economic fluctuation*?
7. What can generate economic booms?

• **Pay attention to the comment of *recession* and *depression***

**Recession** – a) *The demand for goods and services falls*

b) *Drops in prices and in output*

c) *Spending falls*

d) *Unemployment rises*

e) *High interests rates*

**Depression** –a) *Gross national product falls to its lowest point*

b) *People cannot but the goods and services they need*

c) *Business is bad and unemployment is high*

d) *People cannot find work and earn money*

**Ex.2. Combine the words listed below into meaningful two or three word expressions as possible.**

gross	high	product
point	national	stage

final	capital	business
goods	cycle	recovery
fall in	interest rate	expectation

**Ex.3. Write short essay on these themes:**

- a) Countries should have isolated economical system in order not to face crisis.
- b) The crisis of today is the joke of tomorrow.
- c) Is depression the only way to reach the prosperity?
- d) The economical history of Uzbekistan: difficult years of the country's economy on the way to prosperity.
- e) Uzbekistan's economical relations with other developed countries is one of the further prior factors to strengthen own economy.
- f) Economical depression and recession are the natural phenomena in developing countries.

**UNIT 11.**

**ECONOMICS<sup>1</sup>**

**ECONOMICS** studies of how goods and services get produced and how they are distributed. By goods and services economists mean everything that can be bought and sold. By produced they mean the processing and making of goods and services and by distributed they mean the way goods and services are divided among people.

In all countries the resources used to produce goods and services are scarce. Money is also scarce. Few people have enough money to buy everything they want when they want it. Therefore, people everywhere must choose the best possible way to use their resources and money.

An economy must grow to provide people with an increasing standard of living – that is more and better goods and services. In general the faster a country's economy grows the faster its standard of living rises. Four main elements make it possible for nations to produce goods and services. These elements called productive resources are:

- 1.Natural resources** – it's all land and raw materials, such as materials, water and sunlight.
- 2.Capital** – it's a factories, tools, supplies and equipment.
- 3.Labor force** – all people who are seeking work and their education and skills.
- 4.Technology** – refers to scientific and business research and inventions.

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<sup>1</sup>Note: O'quv qo'llanmaning ushbu bo'limidagi iqtisodiyotga oid ma'lumotlar va mashqlar talabalar uchun takrorlash emas balki iqtisodiyot sohasini soliq va biznes sohalari bilan bog'liq holda o'rganiladi.

The first major theories about a nation's economy were not developed until the 1500's the beginning of the period of mercantilism. It's believed a government should regulate economic activities to establish a favorable balance of trade. During the 1700's a group of French writers known as physiocrats attacked mercantilism. They were the first economists to use the term laissez faire to mean noninterference by the government. The physiocrats also began the first organized study how economic works. For example, today most economists consider Adam Smith of Scotland to be the father of modern economics.

In 1800's a German philosopher was Karl Marks. He interpreted human history a struggle between the ruling class and the working class. In his book "Das Kapital", Marks declared that free enterprises would lead to increasingly severe depressions and eventually to a revolution by the workers. Later Marks's theories provided the basis for communism. 1900's and 2000's economists began to use modern technology with scientific methods to study economic problems.

### Active vocabulary you may need

distribute – тақсимламоқ	increase – орттирмоқ
standard of living – турмуш тарзи	favorable – мос келган ҳолда
productive – ишлаб чиқарувчи	inventions – кашфиётлар
working class – ишчилар синфи	resources – ресурслар
goods and services – товарлар ва хизматлар	regulate – тартибга солмоқ
activity – фаолият	consider – ...деб ҳисобламоқ
seek – қидирмоқ	declare – эълон қилмоқ
enterprise – корхона	balance - мувозанат
noninterference – аралашмаслик	provide – таъминламоқ

### •GRAMMAR REVISION: The Future Indefinite Tense

Тасдиқ шакли

I shall be an economist.

We shall be economists.

I shall read the text.

We shall read the text now.

You will be economists.

You will read the text now.

He will be an economist.

They will be economists.

He will read the text now.

They will read the text now.

She will be an economist.

She will read the text now.

Сўроқ шакли

Shall I be an economist?

Shall we be economists?

Shall I read the text now?

Shall we read the text now?

Will you be economists?

Will you read the text now?

Will he be an economist?

Will they be economists?

Will he read the text now?

Will they read the text now?

Will she be an economist?

Will she read the text now?

Инкор шакл

I shall not/shan't be an economist.  
economists.

We shall not/shan't be

I shall not/shan't read the text now.

We shall not/shan't read the text.

You will not/won't be economists.

You will not/won't read the text now.

He will not/won't read the text now.

They will not/won't be economists

He will not/won't read the text now.

They will not/won't read the text.

She will not/won't be an economist.

She will not/won't read the text now.

**Ex 1. Write the term the best matches each definition:**

1. Natural resources
2. Capital
3. Labour force
4. Technology

**Ex 2. Productive resources has four major elements and describe it in written form.**

**Ex 3. Find antonyms for:**

goods	grow	major
buy	began	increase
modern	work	rise
use	develop	trade

**Ex 4. Write the following words in singular.**

goods	supplies	works
factories	countries	activities
grows	businesses	methods

**Ex 5. Find synonyms to the following words:**

goods	distribute	supply
grow	study	work
trade	establish	regulate

**Read the text and translate it into Uzbek. Explain how the economy machine works.**

### **The Nation's Economy**

The economy of the country is like a machine which provides us with things we need, i.e. goods and services. The economy creates the wealth of the country. The better it works the better off are the people.

The government through its economic policy plays an important role in the control of the economy machine. The major branches of economic policy are fiscal and monetary policies. The fiscal policy is concerned with taxes and government spending activities. Monetary policy is concerned with controlling the supply of money and credit.

A nation's economy can be divided into three sectors of activity. The primary sector deals with extraction of minerals, agriculture, fishing and forestry. Processing of the primary sector materials and production of manufactured goods is the field of the manufacturing sector. The service sector provides service of various kinds such as transportation, distribution, catering as well as financial services and tourism. The role of the manufacturing sector in the advanced industrialized countries is decreasing while the service sector is becoming more important.

### Words and word combinations you may need

branch – тармоқ	extraction – қазиб олиш
fiscal policy – солиқ-бюджет сиёсати	processing – қайта ишлаш
monetary policy – пул-кредит сиёсати	manufacture – ишлаб чиқармоқ
supply – таклиф	advanced - илғор
primary sector – бирламчи сектор	fishing - балиқчилик
deal with – ...шуғулланмоқ	activity - фаолият
forestry – ўрмончилик	be divided - бўлинади
industrialized – саноатлашган	various – турли-туман
catering – умум овқатланиш	concerned with - ...билан боғлиқ
supply of money and credit – муомаладаги пул массаси ва кредит бўйича таклиф	

#### Ex.1. Match the infinitive in A with the nouns in B.

A	B
to produce	an enterprise
to privatize	a climate
to play	raw materials
to take	assistance
to create	productivity
to provide	goods
to raise	a decision
to process	a role

**Ex.2. a) Read the interview with a Uzbek economist published in one of the specialist journals. b) Sum up his assessment of the economic situation in Uzbekistan.**

### Interview with the Economist

**Foreigner:** How did your economy fare last year?

**Uzbek:** Last year was one of the best years for Uzbekistan. GDP grew at a reasonable pace, then we harvested a record crop.

**Foreigner:** I think it was due to very favorable weather conditions. What factors resulted in it in your opinion.

**Uzbek:** Undoubtedly, the weather conditions affected the crop. But I think that investment and reforms an agriculture started to pay back.

**Foreigner:** And how do you assess the manufacturing sector, your industry?

**Uzbek:** Industrial production went up in some branches, though the real sector still needs more investment if we want it to develop faster.

**Foreigner:** If you want foreigners to invest you must give them guarantees of law and order in the country, create a more favorable business climate.

**Uzbek:** I can't agree more. Last year a lot of laws were passed to this effect. Suffice it to mention our tax system, it was simplified.

**Foreigner:** I see. Considerable progress was made in your country last year. Besides, as far as I know the living standards improved.

**Uzbek:** Yes, pensions were increased, salaries of state employees were raised too. Demand for consumer goods increased.

### Words and word combinations you may need

harvest – ҳосилни йиғмоқ	pass – қабул қилмоқ
record crop – рекорд даражадаги ҳосил	simplify - соддалаштирмоқ
due to – ... сабабли, туфайли	demand - талаб
result (in) – натижага келмоқ	consumer - истеъмолчи
affect – таъсир кўрсатмоқ	tax system – солиқ тизими
reform – ислоҳот	to this affect – шу мақсадда
pay (back) – ўрни қопланмоқ	law and order – қонун ва тартиб
real sector – реал сектор	suffice - етарли
guarantee – кафолат	mention – эслатмоқ
investment – сармоя	employees - ходимлар
favorable climate – қулай муҳит	assess - баҳоламоқ

**Ex.3. Say or write how you assess the economic situation in our country.**

### Role-play

**Imagine that your foreign friend is writing a course paper on Uzbekistan's economy and he asks you to give him a short description of its structure, major branches etc. Answer his question and add information you believe important (our dependence on cotton, oil, gas etc.).**

## **UZBEKISTAN'S ECONOMIC RELATIONS WITH FOREIGN COUNTRIES**

Since independence, the government of Uzbekistan has stated that it is committed to a gradual transition to a market based economy. The progress with economic policy reforms has been cautious, but cumulatively Uzbekistan has registered respectable achievements. The government is yet to eliminate the gap between the black market and official exchange rates by successfully introducing convertibility of the national currency. Its restrictive trade regime and generally interventionist policies continue to have a negative effect on the economy. Substantial structural reform is needed particularly in the area of improving the investment climate for foreign investors, strengthening the banking system and freeing the agricultural sector from state control.

Remaining restrictions on currency conversion capacity and other government measures to control economic activity, including the implementation of severe import restrictions and sporadic closures of Uzbekistan's border with neighboring Kazakhstan, Kirgizstan and Tajikistan have led international lending organizations to suspend or scale back credits. The government is working closely with IMF has made considerable progress in reducing inflation and the budget deficit. The national currency was made convertible in 2003 as a part of the IMF engineered stabilization program, although some administrative restrictions remain. Agricultural and manufacturing industries contribute equally to the economy, each accounting for about one quarter of GDP.

Uzbekistan is a major producer and exporter of cotton, although the importance of this commodity has declined significantly since independence. Uzbekistan is also a major producer of gold with the largest open pit gold mine in the world and has substantial deposits of copper, strategic minerals, gas and oil. Uzbekistan's foreign trade policy is based on import substitution. The system of multiple exchange rates combined with the highly regulated trade regime caused both imports and exports. The success of stabilization and currency liberalization in 2003 has led to significant increases in exports and imports in recent years, although imports have increased much less rapidly while exports had more than doubled and imports had risen reflecting the impact of the government's import substitution policies designed to maintain hard currency reserves. Draconian tariffs, sporadic border closures and border crossing "fees" have a negative effect on legal imports of both consumer products and capital equipment. Uzbekistan's traditional trade partners are the CIS



countries, notably Russia, Ukraine and Kazakhstan which in aggregate account for over 40% of its exports and imports. Non-CIS partners have been increasing in importance in recent years, with Turkey, China, Iran, South Korea and EU being the most active. As of 2006, Russia remains the main foreign trade partner for Uzbekistan. Nowadays Uzbekistan is a member of the IMF, World Bank, Asian Development Bank and European Bank for Reconstruction and Development.

### Words and word combinations you may need

transition to a market based economy – бозор иқтисодиётига ўтиш
economic policy reforms – иқтисодий сиёсат ислоҳотлари
achievements – ютуқлар

successfully introducing – муваффақиятли амалга оширмак
restrictive trade regime – чегараланган савдо тизими
to have a negative effect – салбий таъсир қилмак
investment climate – сармоя киритиш учун муҳит
international lending organizations – қарз берувчи халқаро ташкилотлар
IMF-International Monetary Fund – халқаро валюта фонди
currency liberalization – валюта олди-сотди жараёнини эркинлаштириш
consumer products – истеъмол маҳсулотлари
border crossing “fees” – чегарадан ўтиш учун тўланадиган бадал
main foreign trade partner – хорижлик асосий савдо шериклар

### •GRAMMAR REVISION: The Present Perfect Tense

Тасдиқ шакли		
I have read it.	You have read it.	We have read it.
He has read it.		They have read it.
She has read it.		
Сўроқ шакли		
Have I read it?		Have we read it?
Have you read it?		Have they read it?
Has he read it?		
Has she read it?		

Инкор шакли

I have not read it

He/She has not read it

We have not read it

You have not read it

They have not read

• **Translate into Uzbek:**

We have studied two lessons.

Have you read today's papers?

Have you ever read the Financial Times?

The sales have increased significantly this year.

**Ex.1. Discussion questions.**

1. What is the main purpose of the economy?
2. How do people earn money?
3. What economic agents populate the modern economy?
4. Do many people in Uzbekistan buy shares?

**Ex.2. Translate the following sentences into Uzbek.**

1. The government working closely with IMF has made considerable progress in reducing inflation and budget deficit.
2. The government should eliminate the gap between the black market.
3. The system of multiple exchange rates combined with the highly regulated trade regime caused both imports and exports.
4. Uzbekistan is also major producer of gold with the largest open pit gold mine in the world and has substantial deposits of copper, strategic minerals, gas and oil.
5. Uzbekistan is also major producer and exporter of cotton, although the importance of this commodity has declined significantly since independence.
6. Its restrictive trade regime and generally interventionist policies continue to have a negative effect on the economy.

**Ex.3. Complete the following blanks on the basis of the information given in the text:**

1. The Government of Uzbekistan has stated that it is committed .....
2. Remaining restrictions on currency conversion capacity and .....
3. Uzbekistan is also a major producer of gold with the largest .....
4. Nowadays Uzbekistan is a member of the .....

**Ex.4. Write following words in singular.**

policies	industries
activities	members
deficit	economics
inflation	people

- a) Read the text. b) How do the figures and facts in the text compare with those in Uzbekistan?**

**CONSUMER SOCIETY**

It is often said these days that we live in a consumer society. The idea of the consumer society is based on wanting things. The more we see in the shops the more we want. We work as hard as we can because we want more things.

Market improvements in the standard of living have taken place in the UK in the last few years. According to a recent United Nations report, Britain ranks tenth out of 173 countries as to life expectancy, education levels and basic purchasing power. As a result there has been a change in consumption and expenditure. Households spend a smaller proportion of their income on food and more on housing now. Four-fifths of British households live in houses rather than flats.

As the standard of living rose for many people, they began to buy a lot of durable goods. There has been a steady growth of car ownership.

Besides, there has been an increase in the number of meals eaten away from home, for example, in restaurants, “fast food” shops and pubs. Consumption of non-alcoholic drinks is increasing.

A big proportion of household expenditure goes on leisure, leisure goods, entertainment and travel. Young people in Britain make special consumer group.

**Words and word combinations you may need**

consumer society – истеъмолчилар жамияти	report - ҳисобот
marked – белгиланган	proportion – улушб пропорция
improvement – яхшилаш	household - хўжалик
according to – ...га мувофиқ	steady - барқарор
rank – ўринни эгалламоқ	ownership – эгалик

### **Ex1. Discussion questions.**

1. What factors affect consumers' decision?
2. How do consumers distribute their incomes?
3. Does the pattern of consumption and consumer spending have an impact on the level of economic activity?
4. Do you consider "living in credit" a normal way of life?
5. Is hire purchase practiced in Uzbekistan?
6. Is investing in shares a reliable way of getting an income?
7. What major accounts do banks offer to their clients?

### **Ex 2. Write a short summary of the newspaper item (in three or four sentences).**

#### **Asian Consumers Upbeat on Economic Prospects**

Consumers in China, Korea and Thailand and across much of Asia remain surprisingly upbeat about economic prospects, according to a consumer confidence survey released by MasterCard International.

The biannual survey of about 4, 500 people across Asia, conducted in June, found that people in many Asian countries – notably Korea and Thailand, which are currently enjoying a widespread boom – are confident of their economic prospects in the next six months. The survey suggests that consumer confidence and domestic consumption in Asia could prove more resilient to a slowdown in the US than in the past.

Nine countries in Asia showed positive sentiment scores, including ratings of 76.5 in Korea, 74.0 in Malaysia and 73.9 in Thailand. China's score of 73.6 is a drop from its highest ever score of 84.8 six months ago, but consumer confidence in the populous nation remained strong. Zero is the most pessimistic while 50 is neutral and 100 the most optimistic.

The picture is gloomier in Japan and Hong Kong. Japan's rating of future economic prospects was 23.5 while Hong Kong scored 13.9. The authors said this was a function of their much higher living standards than the rest of Asia.

### **Ex.3. Read and translate the text, give answers to the questions.**

#### **PERSONAL EXPENDITURE**

The modern market economy is populated by three types of economic agents, whose interaction constitutes economic activity: consumers, producers, and the government. The main purpose of the economy is to produce goods and services for the satisfaction of the needs of consumers.

Consumers, typically representing households, spend their income to buy consumer goods and services or to save.

How does a consumer distribute the income earned by him amongst a variety of goods and services offered in the market?

There are different factors affecting his/her decision. For instance, a fall in the price of a good or service will increase his consumption of it, while a rise in its price will have the opposite effect. Then a rise in his real income will naturally result in an increased consumption of goods and services, a fall in real income having the opposite effect.

The pattern of consumer expenditure is also influenced by tastes, consumer preferences and family circumstances. As incomes rise, expenditure on basic goods will form a smaller proportion of total spending. The terms “necessities” and “luxuries” are of little use in analyzing consumer expenditure because what are today’s luxuries will probably be tomorrow’s necessities.

It should be stressed here, that some customers, however, want to have high-quality products even when quality means a higher price. Some other customers prefer foreign products.

The amount spent on goods and services and changes in this variable have a big impact on the level of economic activity: the increase in consumer spending creates new employment opportunities and causes better living standards.

### Words and word combinations you may need

personal expenditure – шахсий харажат	cause – сабаб бўлмоқ
pattern - тузилиши	basic goods – асосий товар
interaction – ўзаро муносабат	circumstances - вазият
constitute – ташкил қилмоқ	luxury – зеб-зийнат
producer – ишлаб чиқарувчи	variable – ўзгарувчан миқдор
consumer – истеъмолчи	impact - таъсир
represent – касб этмоқ	create - яратмоқ
opposite – қарама-қарши	level - даража
consumer preference – истеъмолчи ҳохиши	probably - эҳтимол
populate – аҳолини ташкил этмоқ	market economy – бозор иқтисодиёти
agent – агент, вакил	

### Comprehension Questions

1. What economic agents interact in the market?
2. What is the main purpose of the economy?
3. How do consumers spend the income they earn?
4. How do prices influence consumers’ decision?

5. How does a rise in real income affect consumers' decision?
6. is it reasonable to use the terms "necessities" and "luxuries" analyzing consumer expenditure?
7. Why does consumer expenditure have a big impact on the level of economic activity?

• **GRAMMAR REVISION: The Present Continuous Tense**

Тасдиқ шакли	
I am speaking English.	We are speaking English.
	You are speaking English.
He is speaking English.	They are speaking English.
She is speaking English.	
Сўроқ шакли	
Is the price rising?	Are the prices rising?
Инкор шакли	
The price is not rising	The prices are not rising

• **Translate into Uzbek.**

- They are rising prices.  
 We are doing some research work now.  
 The company is steadily increasing their sales revenue.  
 The experts are discussing this problem now.  
 We are comparing these two figures.  
 The students are preparing reports for tomorrow.

**Ex.4. Do the task given below, find in the text the sentences containing:**

- .... consumers .... representing ....
- .... the income earned by him ....
- .... goods and service offered ....
- .... factors affecting ....
- .... the amount spent ....

**Ex.5. Read and translate the text, answer the questions.**