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<p style="text-align: center;">ECONOMIC THEORY BASICS</p> <p style="text-align: center;">ОСНОВИ ЕКОНОМІЧНОЇ ТЕОРІЇ</p> <p style="text-align: center;">ОСНОВЫ ЭКОНОМИЧЕСКОЙ ТЕОРИИ</p>
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1

POSITIVE AND NORMATIVE ECONOMICS

In studying economics it is important to distinguish two branches of the subject. The first is known as “positive economics”, the second as “normative economics”.

Positive economics deals with objective or scientific explanations of the working of the economy.

The aim of positive economics is to explain how society makes decisions about consumption, production, and exchange of goods. The purpose of this investigation is twofold: to satisfy our curiosity about why the economy works as it does, and to have some basis for predicting how the economy will respond to changes in circumstances. Normative economics is very different.

Normative economics offers prescriptions or recommendations based on personal value judgements.

In positive economics, we hope to act as detached scientists. Whatever our political persuasion, whatever our view about what we would like to happen or what we would regard as “a good thing”, in the first instance we have to be concerned with how the world actually works. At this stage, there is no scope for personal value judgements. We are concerned with propositions of the form: if *this* is changed then *that* will happen. In this regard, positive economics is similar to the natural sciences such as physics, geology, or astronomy.

Here are some examples of positive economics in action. Economists of widely differing political persuasions would agree that, when the government imposes a tax on a good, the price of that good will rise. The normative question of whether this price rise is desirable is entirely distinct. Similarly, there would be substantial agreement that the following proposition of positive economics is correct:

favourable weather conditions will increase wheat output, reduce the price of wheat, and increase the consumption of wheat. Many propositions in positive economics would command widespread agreement among professional economists.

Of course, as in any other science, there are unresolved questions where disagreement remains. These disagreements are at the frontiers of economics. Research in progress will resolve some of these issues but new issues will arise and provide scope for further research.

Although competent and comprehensive research can in principle resolve many of the outstanding issues in positive economics, no corresponding claim can be made about the resolution of disagreement in normative economics. Normative economics is based on subjective value judgements, not on the search for any objective truth. The following statement combines positive and normative economics: “The elderly have very high medical expenses compared with the rest of the population, and the government should subsidize health bills of the aged”. The first part of the proposition – the claim that the aged have relatively high medical bills – is a statement in positive economics. It is a statement about how the world works, and we can imagine a research programme that could determine whether or not it is correct. Broadly speaking, this assertion happens to be correct. The second part of the proposition – the recommendation about what the government should do – could never be “proved” to be correct or false by any scientific research investigation. It is simply a subjective value judgement based on the feelings of the person making the statement. Many people might happen to share this subjective judgement, for example those people who believe that all citizens alive today should be able to purchase roughly equal amounts of luxury and recreational goods after paying for the necessities of life. But other people might reasonably disagree. You might believe that it is more important to devote society’s scarce resources to improving the environment.

There is no way that economics can be used to show that one of these normative judgements is correct and the other is wrong. It all depends on the preferences or priorities of the individual or the society that has to make this choice. But that does not mean that economics can throw no light on normative issues. We can use positive economics to spell out the detailed implications of making the choice one way or the other. For example, we might be able to show that failure to subsidize the medical bills of the elderly leads

MONITORING GOVERNMENT DIRECT DEBT

Procedures for collecting data on external debt depend on whether debts are direct obligations of the central government. Government debt is serviced through the budget and is monitored by a unit linked closely to the budgetary process. This unit must collect transaction-by-transaction detail. Responsibility for paying debts not included in the central government's budget lies with the individual borrowers. The central government requires information on such debts for national economic management, but need collect only summary statistical information.

The Ministry of Finance needs a specialized unit to manage debt that is paid through the state budget. This specialized unit must manage central government direct debt and it will have administrative, accounting and statistical responsibilities. *The administrative task* is to assure that each principal and interest service payment falling due is paid on schedule. This requires: (1) that the debt office has details of all government loan contracts, (2) that the budget authorities have schedules of amounts due in the future so that budgetary resources are available when required, (3) that payment orders are issued in a timely fashion to the Treasury to make interest and principal payments on their appropriate due dates and, after budget funds have been allocated, that payment orders are transmitted to the Central Bank for remittance.

The accounting function is to record transactions in the loan record for each obligation. The first step is to note the amount committed and the prospective loan disbursement and repayment schedules. Next, the actual individual loan disbursements are recorded. Then, as debt service falls due, entries have to be made for the ordering and the execution of debt service payments. Finally, if the Central Bank cannot make remittances because of foreign-exchange shortages, a record must be kept of arrears.

From these accounting records, *statistics* can be compiled on transactions conducted during any period, such as a calendar year. Before computers were available, this was a formidable task; data for each loan had to be converted into a common currency using uniform exchange rates, posted on to worksheets and then aggregated. The work was slow and error-prone, and the format of the output

difficult to change. Thanks to low-cost computers and specialized software, these mechanics can be preprogrammed and statistics prepared almost instantaneously.

CHECK YOUR VOCABULARY

debt	борг	долг
direct obligations	прямі зобов'язання	прямые обязательства
borrower	позичальник	заемщик
unit	відділ	отдел
responsibility	відповідальність	ответственность
loan	кредит	кредит
budgetary resources	бюджетні ресурси	бюджетные ресурсы
treasury	казначейство	казначейство
orders	вимоги	требования
interest	відсоток	процент
transmit	передавати	передавать
appropriate due date	відповідна дата платежу	соответствующая дата платежа
allocate	асигнувати, виділяти, розподіляти (<i>кошти</i>)	ассигновать, выделять, распределять (<i>средства</i>)
accounting function	облікова функція	учетная функция
transaction	операція	операция
obligation	заборгованість, борг, позика	задолженность, долг, заем
repayment	погашення позики	погашение займа
remittance	платіж	платеж
shortage	недостача	нехватка
formidable task	дуже складна задача	очень сложная задача
worksheet	зведена таблиця	сводная таблица
aggregate	збирати в ціле, агрегувати, укрупнювати	собирать в целое, агрегировать, укрупнять
instantaneously	миттєво	мгновенно

CHECK YOUR VOCABULARY

weigh up	зважувати	взвешивать
the pros and cons	за і проти	за и против
swell	швидко збільшуватися	быстро увеличиваться
blue-chip companies	великі престижні компанії	крупные престижные компании
afford	дозволяти собі	позволять себе
glossy prospectuses	проспекти (рекламні брошури) у глянсових обкладинках	проспекты (рекламные брошюры) в глянцевых обложках
forge links	налагоджувати зв'язки	налаживать связи
training	підготовка кадрів	подготовка кадров
experience	досвід	опыт
monitor	керувати	управлять
clarity	ясність	ясность
on-the-job	на місці, на роботі	на месте, на работе
plotting	складання плану, обмірковування схеми	составление плана, обдумывание схемы
hierarchy	“службові сходи”, службова ієрархія	“служебная лестница”, иерархия на службе
steep	крутий	крутой
challenging	важливі і важкі	важные и трудные
assignments	завдання	задания
potential	можливість	возможность
be at pains to do smth.	усіляко намагатися зробити щось	всячески стараться сделать что-то
bottom line	посади, що не вимагають високої кваліфікації	должности, не требующие высокой квалификации
on the downside	серед недоліків	среди недостатков

benefit	привілей, пільга; матеріальна виплата (<i>страхова, через хворобу й ін.</i>), пенсія	привилегия, льгота; пособие (<i>страховое, по болезни и др.</i>), пенсия
generous	великий; щедрий	большой; щедрый
survey	огляд	обзор
top concern	основна турбота; перша тема для занепокоєння	главная забота; первая тема для беспокойства
particularly given the student debt burden	особливо при наявності грошового боргу за оплату навчання	особенно при наличии денежного долга за оплату обучения
average starting salary	середня стартова (початкова) зарплата	средняя стартовая (начальная) зарплата
issue	проблема	проблема
work flexibility	гнучкий робочий графік	гибкий рабочий график
for fear of	через страх, побоюючись	из-за боязни, опасаясь
damage	шкодити, завдавати шкоди	вредить, наносить ущерб
overseas clients	іноземні клієнти	иностранные клиенты

CHECK YOUR UNDERSTANDING

1. Does a company's size influence the training or career opportunities for new entrants into profession?
2. What conditions do the graduates seek for their training course? Are they the same for all trainees?
3. What are trainees' reasons for going to the multinational company? How is the usual training process organized by large companies?
4. What are advantages and disadvantages of the training period in small and middle-sized companies?
5. What elements does a usual training scheme contain? Do graduates want challenging assignments and significant responsibilities during their initial period of work?

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