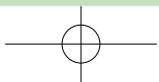


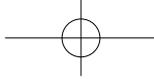
UNIT

1

Decision-Making Behaviors in Economic Activities

People are constantly making decisions in economic activities in their daily lives. Part of economists' work is to observe the often implicit rules behind people's decision-making behaviors. Sometimes economic policies are formulated accordingly. This unit introduces just some of these rules or economic principles.





Text A

Lead-in

Before you start reading anything, ask yourself why you are reading it and what you want to know by reading it. Asking questions like these can help us become active readers.

Task / Look at the title of Text A and think about how people make decisions. You may choose from the following answers or write down your own answer.

- A People make decisions when they have found the best choice.
- B People make decisions when they have no other choice.
- C People make decisions because they might be punished if they do not.
- D People make decisions because they are fooled into doing so.

Your answer: _____

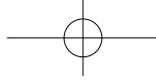
Now read Text A to see if the author agrees with you.

How People Make Decisions¹

N. G. Mankiw



¹ The text is taken from the book *Principles of Economics* by N. G. Mankiw in 2009.



Rational people think at the margin

- 1 Economists normally assume that people are rational. Rational people² systematically and purposefully do the best they can to achieve their objectives, given the available opportunities. As you study economics, you will encounter firms that decide how many workers to hire and how much of their product to manufacture and sell to maximize profits. You will also encounter individuals who decide how much time to spend working and what goods and services to buy with the resulting income to achieve the highest possible level of satisfaction.
- 2 Rational people know that decisions in life are rarely black and white but usually involve shades of gray. At dinnertime, the decision you face is not between fasting or eating like a pig but whether to take the extra spoonful of mashed potatoes. When exams roll around, your decision is not between blowing them off or studying 24 hours a day but whether to spend an extra hour reviewing your notes instead of watching TV. Economists use the term *marginal changes*³ to describe small incremental adjustments to an existing plan of action. Keep in mind that *margin* means “edge”, so marginal changes are adjustments around the edges of what you are doing. Rational people often make decisions by comparing *marginal benefits*⁴ and *marginal costs*⁵.
- 3 For example, consider an airline deciding how much to charge passengers who fly standby. Suppose that flying a 200-seat plane across the United States costs the airline \$100,000. In this case, the average cost of each seat is $\$100,000/200$, which is \$500. One might be tempted to conclude that the airline should never sell a ticket for less than \$500. In fact, a rational airline can often find ways to raise its profits by thinking at the margin. Imagine that a plane is about to take off with 10 empty seats, and a standby passenger waiting at the gate will pay \$300 for a seat. Should the airline sell the ticket? Of course it should. If the plane has empty seats, the cost of adding one more passenger is tiny. Although the *average* cost of flying a passenger is \$500, the *marginal* cost is merely the cost of the bag of peanuts and can of soda that the extra passenger will consume. As long as the standby passenger pays more than the marginal cost, selling the ticket is profitable.
- 4 Marginal decision-making⁶ can help explain some otherwise puzzling economic phenomena. Here is a classic question: Why is water so cheap, while diamonds are so expensive? Humans need water to survive, while diamonds are unnecessary; but for some reason, people are willing to pay much more for a diamond than for a cup of water. The reason is that a person’s willingness to pay for any good is based on the

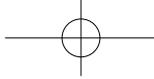
2 **rational people:** 理性人

3 **marginal change:** 边际变化

4 **marginal benefit:** the additional benefit from an increase in an activity 边际效益

5 **marginal cost:** the additional cost from an increase in an activity 边际成本

6 **marginal decision-making:** making decisions by comparing marginal benefits and marginal costs 边际决定



marginal benefit that an extra unit of the good would yield. The marginal benefit, in turn, depends on how many units a person already has. Water is essential, but the marginal benefit of an extra cup is small because water is plentiful. By contrast, no one needs diamonds to survive, but because diamonds are so rare, people consider the marginal benefit of an extra diamond to be large.

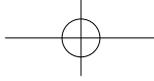
- 5 A rational decision-maker takes an action if and only if the marginal benefit of the action exceeds the marginal cost. This principle can explain why airlines are willing to sell a ticket below average cost and why people are willing to pay more for diamonds than for water. It can take some time to get used to the logic of marginal thinking, but the study of economics will give you ample opportunity to practice.

People respond to incentives

- 6 An *incentive*⁷ is something that induces a person to act, such as the prospect of a punishment or a reward. Because rational people make decisions by comparing costs and benefits, they respond to incentives. You will see that incentives play a central role in the study of economics. One economist went so far as to suggest that the entire field could be simply summarized: “People respond to incentives. The rest is commentary.”
- 7 Incentives are crucial to analyzing how markets work. For example, when the price of an apple rises, people decide to eat fewer apples. At the same time, apple orchards decide to hire more workers and harvest more apples. In other words, a higher price in a market provides an incentive for buyers to consume less and an incentive for sellers to produce more. As we will see, the influence of prices on the behavior of consumers and producers is crucial for how a market economy allocates scarce resources.
- 8 Public policymakers should never forget about incentives: Many policies change the costs or benefits that people face and, therefore, alter their behavior. A tax on gasoline, for instance, encourages people to drive smaller, more fuel-efficient cars. That is one reason people drive smaller cars in Europe, where gasoline taxes are high, than in the United States, where gasoline taxes are low. A gasoline tax also encourages people to carpool, take public transportation, and live closer to where they work. If the tax were larger, more people would be driving hybrid cars, and if it were large enough, they would switch to electric cars.
- 9 When policymakers fail to consider how their policies affect incentives, they often end up with unintended consequences. For example, consider public policy regarding auto safety. Today, all cars have seat belts, but this was not true 50 years ago. In the 1960s, Ralph Nader’s⁸ book *Unsafe at Any Speed* generated much public concern over auto

7 **incentive**: sth. that provides a motive for a person to choose a particular course of action 激励

8 **Ralph Nader**: (1934-) an American attorney, author, lecturer, political activist. He wrote the book *Unsafe at Any Speed* in 1965. 拉尔夫·纳德

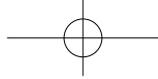


safety. Congress responded with laws requiring seat belts as standard equipment on new cars.

- 10 How does a seat belt law affect auto safety? The direct effect is obvious: When a person wears a seat belt, the probability of surviving an auto accident rises. But that's not the end of the story because the law also affects behavior by altering incentives. The relevant behavior here is the speed and care with which drivers operate their cars. Driving slowly and carefully is costly because it uses the driver's time and energy. When deciding how safely to drive, rational people compare, perhaps unconsciously, the marginal benefit from safer driving to the marginal cost. As a result, they drive more slowly and carefully when the benefit of increased safety is high. For example, when road conditions are icy, people drive more attentively and at lower speeds than they do when road conditions are clear.
- 11 Consider how a seat belt law alters a driver's cost-benefit calculation. Seat belts make accidents less costly because they reduce the likelihood of injury or death. In other words, seat belts reduce the benefits of slow and careful driving. People respond to seat belts as they would to an improvement in road conditions — by driving faster and less carefully. The result of a seat belt law, therefore, is a larger number of accidents. The decline in safe driving has a clear, adverse impact on pedestrians, who are more likely to find themselves in an accident but (unlike the drivers) don't have the benefit of added protection.
- 12 At first, this discussion of incentives and seat belts might seem like idle speculation. Yet in a classic 1975 study, economist Sam Peltzman⁹ argued that auto-safety laws have had many of these effects. According to Peltzman's evidence, these laws produce both fewer deaths per accident and more accidents. He concluded that the net result¹⁰ is little change in the number of driver deaths and an increase in the number of pedestrian deaths.
- 13 Peltzman's analysis of auto safety is an offbeat example of the general principle that people respond to incentives. When analyzing any policy, we must consider not only the direct effects but also the less obvious indirect effects that work through incentives. If the policy changes incentives, it will cause people to alter their behavior. (1,303 words)

9 **Sam Peltzman:** a professor of Economics at the University of Chicago. He is an expert on regulation and voting behavior and the author of the book *Political Participation and Government Regulation*. 萨姆·佩兹曼

10 **net result:** the final result or effect of sth. 净结果



New words and expressions

maximize /'mæksɪmaɪz/ *vt.* increase sth. such as profit or income as much as possible 使增加到最大限度; 最大化

fast /fɑːst/ *vi.* eat no food or very little food for a period of time, often for religious reasons (常因宗教原因而) 禁食, 斋戒

spoonful /'spuːnfʊl/ *n.* the amount that a spoon will hold 一匙之量, 一满勺

mash /mæʃ/ *vt.* crush sth., especially a food that has been cooked, until it is soft and smooth 把(某物, 尤指已煮熟的食物) 捣成泥状, 捣烂

mashed potato *n.* potatoes that have been boiled and then crushed until they are smooth 土豆泥

roll around happen or arrive again 再次发生

blow off (*AmE, infml*) not do sth. sb. has agreed or arranged to do 逃避(该做的事)

incremental /,ɪŋkrɪ'mentl/ *a.* increasing gradually 递增的

adjustment /ə'dʒʌstmənt/ *n.* a change or correction made to sth. so that it fits, looks, or works better 调整

standby /'stændbaɪ/ *a.* ready to buy tickets shortly before a plane takes off, if there are still some seats left for emergency use 备用的

tempt /tempt/ *vt.* give rise to a desire by being attractive or inviting 吸引, 打动

profitable /'prɒfɪtəbəl/ *a.* making a profit 盈利的; 有利可图的

ample /'æmpəl/ *a.* more than enough 充足的, 充裕的

incentive /ɪn'sentɪv/ *n.* sth. which encourages a person to do sth. 刺激; 鼓励

commentary /'kɒmentəri/ *n.* a discussion of sth. such as an event or theory 评论

orchard /'ɔːtʃəd/ *n.* an area of land where fruit trees are grown 果园

allocate /'æləkeɪt/ *vt.* distribute according to a plan or set apart for a special purpose 分配, 配给

fuel-efficient *a.* a fuel-efficient engine or vehicle burns fuel in a more effective way than usual, so that it uses less fuel 燃油高效的, 节油的

carpool /'kɑːpuːl/ *vi.* if a group of people carpool, they travel together to

work, school etc. in one car and share the cost 拼车

hybrid /'haɪbrɪd/ *n.* sth. that consists of or comes from a mixture of two or more other things 混合物

hybrid car *n.* 混合动力汽车

probability /,prɒbə'bɪləti/ *n.* a measure of how likely sth. is to happen 概率

attentively /ə'tentɪvli/ *ad.* 专注地; 专心地

calculation /,kælkjʊ'leɪʃən/ *n.* a judgment about what is likely to happen, based on available information 估计; 推测; 预测

likelihood /'laɪklihʊd/ *n.* the chance that sth. might happen 可能性

adverse /'ædvɜːs/ *a.* not favorable 有害的; 不利的

pedestrian /pɪ'destrɪən/ *n.* sb. who is walking, especially on a city street, instead of driving or riding 行人

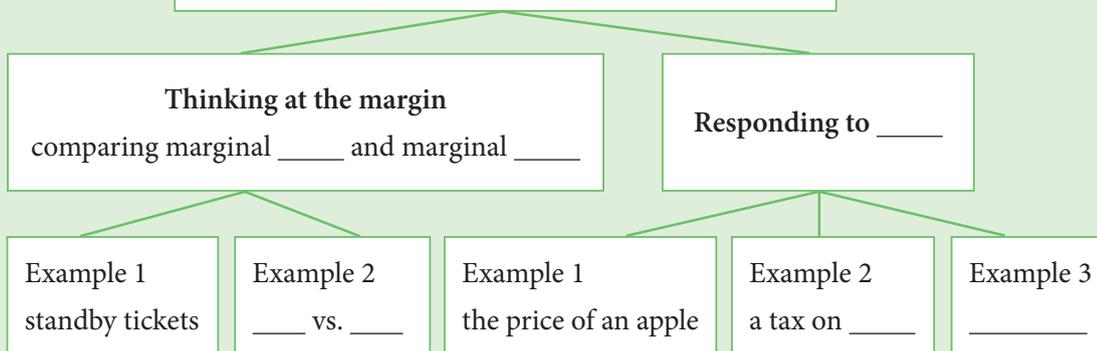
speculation /,spekjʊ'leɪʃən/ *n.* ideas or discussion about why sth. has happened or what might happen 推测

offbeat /ɒf'bi:t/ *a.* unusual and not what people normally expect 不寻常的; 不落俗套的

Critical reading and thinking

Task 1 / The tree diagram below illustrates the main points of the text. Fill in the blanks according to the text.

Decision-making behaviors in economic activities





Task 2 / Decide whether the following statements are true (T) or false (F).

- _____ 1 When rational people make decisions in life, they are very certain of the choice.
- _____ 2 At the time of examination, students have to decide how to use all their time studying.
- _____ 3 Marginal changes are small gradual changes of the present plan of action.
- _____ 4 The example of the standby fly is told to show how cost can be ignored.
- _____ 5 Diamonds are more expensive than water because people are more attracted to them.
- _____ 6 The quotation of one economist “People respond to incentives. The rest is commentary.” is given to show the importance of incentives.
- _____ 7 The example of the apple shows how food prices vary according to market needs.
- _____ 8 The gasoline tax has an effect on people’s choice of cars.
- _____ 9 When the seat belt is made compulsory, people drive more carefully.
- _____ 10 Policymakers need to take into consideration the less obvious indirect effects of a policy.

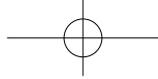
Task 3 / You are having to make a decision about whether or not to take a week’s trip to England during the summer vacation. Complete the following table about your decision-making process. Here are some ideas:

- The financial costs including applying for a visa, the flight, accommodation etc. are quite high for you as a student.
- The benefits you gain include pleasure, entertainment and experience in an English-speaking country.

Costs	
Benefits	
Your decision	
Your reasons	

Task 4 / The Chinese basketball star Yao Ming fully understood opportunity cost and incentives. Despite the opportunity to enter college, he decided to go straight to the pros and played in NBA. Write down the costs and benefits of his decision.

Costs	
Benefits	



Language building-up

Task 1 / Specialized vocabulary

Specialized vocabulary consists of the words and phrases used regularly in a given subject area. For example:

The ocean has a significant effect on the biosphere. Oceanic evaporation, as a phase of the water cycle, is the source of most rainfall.

“Biosphere”, “oceanic evaporation”, “water cycle” and “rainfall” are all technical terms belonging to the field of ocean and life. To comprehend writings or talks on a specific subject, you must have a good command of the special terms relating to that subject.

- 1 Match the words in Column A with those in Column B and then translate the phrases you have got into Chinese.

Column A	Column B
1 marginal	a resource
2 scarce	b result
3 maximize	c change
4 net	d satisfaction
5 level of	e people
6 rational	f profit

- 1 _____ 2 _____
 3 _____ 4 _____
 5 _____ 6 _____

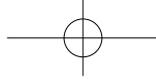
- 2 Translate the following sentences into English, using some of the phrases above.

1 我们明年的目标是获得利润最大化。

2 时间是一种稀缺资源，因此如果工人失业，他们的时间就浪费了。

3 理性人有非理性的想法吗？

4 满意度调查结果表明游客对某些服务不满意。



Task 2 / Signpost language

In streets, you can see many signposts which show directions. In English writing, some expressions function as signposts to prepare the reader for what is coming up.

- 1 Match the signpost language from Text A with the purpose each of them serves.

Signpost language	Purposes
1 as we will see	a explanation
2 at the same time	b time sequence
3 by contrast	c giving examples
4 for example	d comparison and contrast
5 in other words	e coherence
6 in this case	

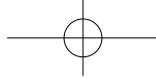
- 2 Complete the following sentences using the signpost language listed above.

- 1 He is not well-known for his respect for factual accuracy, _____, he was lying.
- 2 Offices can easily become more environmentally-friendly by _____, using recycled paper.
- 3 We don't like the situation. But _____, we have to deal with this problem.
- 4 Their economy has expanded enormously, while ours, _____, has declined.
- 5 _____, in this chapter there is no general formula for the solution to this question.
- 6 The whole team don't want to lose him. _____, he needs to realize that company regulations must be obeyed.

Task 3 / Formal English

Academic writing follows certain rules of formality. The expressions we use when we are writing to friends are different from those we use when writing a research paper. For the latter, formal words and expressions are preferred and colloquial ones are avoided. For example:

- *She got the Nobel Prize in 2007.* (colloquial, informal)
She was awarded the Nobel Prize in 2007. (formal)
- *The results of the study were important.* (colloquial, informal)
The results of the study were of great importance. (formal)



1 Replace the underlined words in the following sentences with the more formal ones from Text A.

- _____ 1 As you study economics, you will come across firms that decide how many workers to hire and how much of their product to manufacture and sell to maximize profits.
- _____ 2 The reason is that a person's willingness to pay for any good is based on the marginal benefit that an extra unit of the good would produce.
- _____ 3 An incentive is something that persuades a person to act, such as the prospect of a punishment or a reward.
- _____ 4 Many policies change the costs or benefits that people face and, therefore, change their behavior.
- _____ 5 For example, consider public policy about auto safety.
- _____ 6 The decline in safe driving has a clear, bad impact on pedestrians.
- _____ 7 At first, this discussion of incentives and seat belts might seem like an idle guess.
- _____ 8 When a person wears a seat belt, the likelihood of surviving an auto accident rises.

2 Complete the sentences with some of the answers you have got in the above exercise.

- 1 Stress can have a(n) _____ effect on people's health.
- 2 This doesn't _____ the fact that what you did was wrong.
- 3 He warned us that we might _____ a lot of opposition at the very beginning.
- 4 Some believe that surgery could _____ a heart attack.
- 5 He has very little to say _____ the new EU regulations.
- 6 Knowing about the past doesn't necessarily _____ solutions to current problems.



In Text A, the author says, “Many policies change the costs or benefits that people face and, therefore, alter their behavior.” We’ll use this principle to analyze the issue brought forth by the following text.

Text B

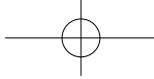
New Airport Landing Fees Delayed¹

Dan Caterinicchia



- ¹ The government has delayed by at least a month a plan to reduce congestion at the nation’s airports following stiff resistance from airlines.
- ² A new federal policy allowing airports to charge higher landing fees during peak periods, and for other reasons, aims to reduce delays by encouraging airlines to spread their flights more evenly throughout the day. The policy, which also encourages

¹ The text is taken from the Associated Press, February 8, 2008.



congested airports to include in landing fees the cost of expansion projects, had been scheduled to take effect in March, following a 45-day comment period.

- 3 But airline trade groups, which oppose the plan, requested a 30-day extension of the comment period. Their request has been granted, a Transportation Department spokesman said Thursday.
- 4 The Air Transport Association², which represents the nation's largest airlines, welcomed the government's decision for giving it "more time to thoroughly review the proposal and provide meaningful input", said spokesman David Castelveter.
- 5 Airline delays last year were the second worst since comparable data began being collected in 1995, the department said this week.
- 6 The association representing airport owners and operators said its members are ready to act now, but did not oppose the airlines' request for an extension.
- 7 "Airports are ready to implement measures to address passenger congestion and delay today," said Deborah McElroy, executive vice president for policy and external affairs at Airports Council International — North America.
- 8 On January 14, Transportation Secretary³ Mary Peters said the policy will make it easier for airports to reduce delays by charging fees based on traffic volume, instead of aircraft weight alone. The proposal also would allow operators of multiple airports, such as the Port Authority of New York and New Jersey⁴, to distribute landing-fee revenue among facilities.
- 9 The Port Authority runs John F. Kennedy International Airport⁵, LaGuardia⁶ and New Jersey's Newark Liberty⁷, which last year had the nation's lowest on-time arrival rates, and aviation officials say delays there cascade throughout the system.
- 10 "You can't have all flights leaving JFK at five o'clock," said Terry Trippler, a Minneapolis-based airline expert who wasn't surprised by the airlines' request for an extension. Their

2 **Air Transport Association:** (ATA) (美国) 航空运输协会

3 **Transportation Secretary:** the head of Department of Transportation (美国) 交通部部长

4 **Port Authority of New York and New Jersey:** a bistate port district authority that runs most of the regional transportation infrastructure, including the bridges, tunnels, airports, and seaports, within the Port of New York and New Jersey 纽新航港局

5 **John F. Kennedy International Airport:** an international airport located in the borough of Queens in New York City 肯尼迪国际机场

6 **LaGuardia:** LaGuardia Airport, in the northern part of Queens County on Long Island in the City of New York 拉瓜迪亚机场

7 **Newark Liberty:** Newark Liberty International Airport, an international airport within the city limits of both Newark and Elizabeth, New Jersey and not far from Manhattan, New York 纽瓦克自由国际机场



schedules, he says, are done far in advance, leaving them little time to make changes the policy will require.

- 11 While generally supportive of the airline industry, Trippler said “they have failed to handle this situation and they’re going to have to do it. ... The government is going to win this one.”
- 12 Transportation Department spokesman Brian Turmail said the agency “received a number of requests to extend the comment period and felt it appropriate to accommodate those requests so we could consider the broadest range of comments.”
- 13 Several requests came from airline industry trade groups, following the lead of the ATA, which last month called the proposal “congestion pricing disguised as an airport fee”.
- 14 “Because the central policy issue at stake here — influencing airline market decisions through airport pricing — is inherently complex and historically has been controversial, we believe that it merits additional time to fully develop comments reflecting the views of industry stakeholders,” according to a letter dated January 30 and submitted to Federal Aviation Administration by the ATA, the Cargo Airline Association, the National Air Carrier Association and the Regional Airline Association.
- 15 The groups’ letter also asked the government to clear up some ambiguity about which airports it identified as “congested”. The Aircraft Owners and Pilots Association, the National Business Aviation Association and the International Air Transport Association also submitted letters supporting the ATA’s request.
- 16 The government maintains the plan will go into effect promptly. “Our intention remains to move forward as quickly as possible with this policy once the comment period closes,” Turmail wrote in an e-mail Thursday. (604 words)

New words and expressions

congestion /kən'dʒestʃən/ *n.* a situation in which a place is crowded with people or vehicles 拥挤; 堵车

evenly /'i:vənli/ *ad.* in a steady and regular way 平衡地, 有规律地

congested /kən'dʒestɪd/ *a.* with so many vehicles or people that it is difficult to move around 阻塞的

aviation /,eɪvɪ'eɪʃən/ *n.* the operation of aircraft to provide transportation 航空

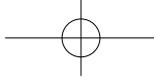
cascade /kæ'skeɪd/ *vi.* flow, fall or hang down in large quantities 瀑布似地落下, 大量倾泻

supportive /sə'pɔ:tɪv/ *a.* providing support, help or sympathy 支持的; 同情的

accommodate /ə'kɒmədeɪt/ *vt.* consider and include sth. when you are deciding what to do 把……作为考虑因素

stakeholder /'steɪk,həʊldə/ *n.* a person with an interest or concern in sth., especially a business 股东; 利益相关者

ambiguity /,æmbɪ'gju:ɪti/ *n.* sth. that is unclear or confusing because it has more than one possible meaning 模糊, 含混不清



Critical reading and thinking

Task 1 / Work in pairs and help airports and airlines compare the costs and benefits the new policy brings about. Complete the following table.

The new policy: allowing airports to charge higher landing fees during peak periods		
	Costs	Benefits
Airports		
Airlines		

Task 2 / Work in groups of 4-5 and discuss the following questions.

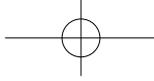
- 1 Why does the government formulate this policy?
- 2 How might the policy change the airlines' behaviors?
- 3 Do you think the policy will work? Why or why not?

Researching

Task / Work in groups of 4-5 and research the policies concerning traffic jam in big cities like Beijing, Shanghai, London, Tokyo and New York. Consider:

- How does the traffic work in these cities?
- What are the policies dealing with traffic jams in these cities?
- How effective are they? Try to provide hard data.

Now write a summary of your findings and present it to the class.



Adam Smith and the Invisible Hand¹

N. G. Mankiw



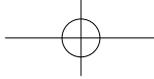
- ¹ It may be only a coincidence that Adam Smith's² great book *The Wealth of Nations* was published in 1776, the exact year American revolutionaries signed the Declaration of Independence³. But the two documents share a point of view that was prevalent at the time: Individuals are usually best left to their own devices, without the heavy hand of government guiding their actions. This political philosophy provides the intellectual basis for the market economy and for free society more generally.
- ² Why do decentralized market economies work so well? Is it because people can be counted on to treat one another with love and kindness? Not at all. Here is Adam Smith's description of how people interact in a market economy:

Man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them ... Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of.

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow-citizens ...

Every individual ... neither intends to promote the public interest, nor knows how much he is promoting it ... He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

- ¹ This text is taken from the book *Principles of Economics* by N. G. Mankiw in 2009.
- ² **Adam Smith:** (1723-1790) a Scottish moral philosopher and a pioneer of political economics. He is the author of *The Theory of Moral Sentiments* and *An Inquiry into the Nature and Causes of the Wealth of Nations*. The latter, usually abbreviated as *The Wealth of Nations* (《国富论》), is considered the first modern work of economics. Smith is widely cited as the father of modern economics. 亚当·斯密
- ³ **Declaration of Independence:** The document was written in 1776, in which the 13 British colonies in America officially stated that they were an independent nation and would no longer agree to be ruled by Britain. The most famous part of it is: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." 《独立宣言》



- 3 Smith is saying that participants in the economy are motivated by self-interest and that the “invisible hand” of the marketplace guides this self-interest into promoting general economic well-being. (405 words)

New words and expressions

coincidence /kəʊ'ɪnsɪdəns/ *n.* an occasion when two or more similar things happen at the same time, especially in a way that is unlikely and surprising 巧合

prevalent /'prevələnt/ *a.* common at a particular time or in a particular place (在某时或某地) 普遍的, 盛行的

decentralized /,di:'sentərəlaɪzd/ *a.* the state that the power is taken from a central government or organization and

given to several smaller and more local ones (权力) 下放的

brethren /'breðrən/ *n.* brothers 兄弟们 (用以称呼某一组织或宗教团体的成员们)

benevolence /bɪ'nevələns/ *n.* an act intending or showing kindness and good will 善意

brewer /'bru:ə/ *n.* a person or company that makes beer 啤酒制造商

effectually /ɪ'fektʃuəli/ *ad.* 有效地

marketplace /'mɑ:kɪtpleɪs/ *n.* the world of commercial activity where goods and services are bought and sold 市场 (指涉及营销的种种活动)

self-interest *n.* regard for one's own interest, especially with disregard for others 自私自利, 利己之心

well-being /,wel'bi:ɪŋ/ *n.* the well-being of a country is the state in which it is strong and doing well (国家的) 繁荣

Task / Text C illustrates the central message of Adam Smith's *The Wealth of Nations* — individuals are usually best left to their own devices, without the heavy hand of government guiding their actions. Of which of the following government policies do you think Adam Smith would approve?

- 1 Investing heavily in infrastructure to stimulate the economy.
- 2 Privatization of the railway industry.
- 3 Allowing producers to choose freely what to sell and how to produce the goods.
- 4 Financing scientific breakthroughs.

Prediction

A valuable skill for listening comprehension is prediction. That is, instead of relying on the actual words or sounds, you can use background information and common world knowledge to develop expectations about what you will hear and then confirm or reject them as you listen. This strategy is considered as an effective way of processing speech because it makes the most use of the resources available to you. For instance, in this section, you will listen to a clip of a lecture on how to structure businesses. Before listening to the clip, think about the following questions:

- How is the speaker going to organize his talk?
- How many sections will there be?
- What sort of approach is he going to take?
- How does the speaker define any key terms?

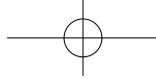
Reflection on these questions can facilitate your listening process and enhance understanding.

Word bank	proprietorship /prə'praɪətəʃɪp/ <i>n.</i> 所有权, 业主权
	proprietor /prə'praɪətə/ <i>n.</i> 业主, 老板
	limited liability /'lɪmɪtɪd ,laɪə'bɪlɪəti/ <i>n.</i> 有限责任
	corporation /,kɔ:pə'reɪʃən/ <i>n.</i> 公司
	dividend /'dɪvɪdənd/ <i>n.</i> 红利; 股息
	shareholder /'ʃeə,həʊldə/ <i>n.</i> 股东
	entity /'entɪti/ <i>n.</i> 实体

Task 1 / Before listening, look at the first sentence of the lecture you are going to hear and predict what will follow. Write down your expectation.

Businesses are structured in different ways to meet different needs.

Now listen to the lecture and check your answer.



Task 2 / Listen to the lecture again and complete the following table according to what you have heard.

Forms of business	Ownership	Responsibility for debts	Length of existence
_____ proprietorship	_____	owner fully responsible	_____
Partnership	_____	_____	_____
_____	_____	_____	an unlimited lifetime

Task 3 / Listen to the lecture a third time and choose the correct answer to each of the following questions.

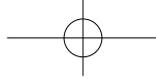
- Which of the following descriptions fits an individual proprietorship?
 - The owner has to pay any debts alone.
 - The company goes bankrupt when the owner dies.
 - The owner keeps all the profits with his family.
 - The owner cannot borrow money.
- What is a must when two people go into business together?
 - They must share equal responsibility.
 - They must not be husband and wife.
 - They must decide how to share the partnership.
 - They must be doctors, lawyers or accountants.
- What is true of a corporation?
 - It is owned by directors.
 - It always sells stocks.
 - It pays its shareholders rewards every year.
 - It is an independent legal being.



Seminar and Presentation

Asking for information and clarification

Knowing how to ask questions and seek clarification during tutorials, seminars and lectures is important at university. Here are some useful expressions for your reference. In fact there are two sets of expressions that serve similar purposes, but they differ in the degree of politeness. Remember being polite is important in academic discussions. Now read these sentences in the following two columns and compare them in terms of politeness.



Can you go over the bit about ... again?	Could you go over the bit about ... again?
I didn't understand what you said about ...	I didn't quite understand what you said about ...
Could you repeat ...?	I wonder if you could repeat ...?
Can you give ... again?	Would you mind giving ... again?
Do marginal changes mean ...?	Do you know if marginal changes mean ...?
What does ... mean?	Can you remember what ... means?
What are ...?	Could you tell me something about ...?
less polite	more polite

Task 1 / Work in pairs and do the role-play. Try to use the strategy of politeness in asking for information and clarification.

Role A: A student

You are required to write an essay on decision-making in economic activities. You have a chance to consult an economist. Ask for clarification of the following terms in a polite way and listen to him or her carefully.

- rational man
- marginal benefits
- marginal costs
- incentives

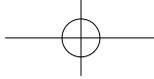
Role B: An economist

Tell the student that the concept of a *rational man* is the key to understanding decision-making behaviors. You can use examples from Text A to illustrate your points:

- the standby flight
- water vs. diamonds
- the price of an apple
- a tax on gasoline
- the seat belt policy

Task 2 / Work in groups of 4-5 and discuss the following issues. Try to use the above strategy in your discussion.

- 1 How do you explain those behaviors that appear to be irrational, a shopping spree for example? (shopping spree: a short period of time when you buy a lot of things)
- 2 Can you think of other examples that involve seemingly irrational economic behaviors? Explain them.



Writing

Research Paper Project

Choosing a topic

An essential part of academic work is writing a research paper, which presents the results of systematic investigations on a particular topic. For this semester, you need to write a research paper in one of the fields covered in this course, for example, economics, sociology and political science. You are expected to gather, sort, synthesize and analyze relevant information and offer your own unique perspective. To guide you through this challenging, arduous yet fascinating process, we outline the major steps and issues of writing a research paper and present them in this section of each unit.

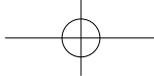
Let's start with the first step — deciding upon a topic on your own. Keep in mind the following points:

- 1 **Choose a topic that really intrigues you.** Your attitude determines the amount of effort you put into your research.
- 2 **Narrow down a topic.** Some topics are too broad to make a manageable paper. Begin by doing some general reading about something you are interested in and then try to find a focus. For instance, you may narrow down a topic from “social justice” to “the issue of equity for migrant workers in China”, and finally to “the education situation for migrant workers’ children in Shanghai”.
- 3 **Avoid a topic whose sources are too limited.**
- 4 **Remember that an initial topic may not be the topic you end up writing about.** This is a common characteristic in a student’s ongoing research.

Following the above guidelines, you may start thinking about a topic for your research paper now. Thinking early leads to starting early.

Task 1 / Modify the topics that are too general, narrow them down to specific and feasible ones. An example is given for your reference.

Topics that are too general	Feasible topics
1 DINK families in China (DINK: double income, no kids)	Chinese university students’ attitudes toward DINK families
2 peer pressure	
3 personal finance	
4 discrimination against migrant workers	



Task 2 / Write down the topics that you are curious about. Make sure they are specific and feasible.

Key Terms and Websites for Further Study

Reference

economics 经济学

incentive 激励

marginal benefit 边际效益

marginal change 边际变化

marginal cost 边际成本

market economy 市场经济

rational people 理性人

pricing 定价

economics Internet library

<http://www.businessbookmall.com/Economics%20Internet%20Library.htm>

the library of economics and liberty

<http://www.econlib.org/>

NYSE (New York Stock Exchange) Euronext

<http://www.nyse.com>