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Методические указания «Basic Concepts and Essentials of Sociology and Economics» для самостоятельной работы по иностранному языку для обучающихся на факультете экономики и менеджмента по направлениям подготовки: 38.03.01 Экономика, 38.03.02 Менеджмент, 38.03.03 Управление персоналом, 38.05.01 Экономическая безопасность, 39.03.01 Социология соответствуют федеральному государственному образовательному стандарту высшего образования.

Цель методических указаний – освоение базовой терминологии и умений с целью формирования коммуникативных и языковых компетенций, необходимых для работы с профессионально ориентированными текстами и решения проблемно ориентированных задач в объеме, предусмотренном программой, а также подготовка будущих специалистов к международному профессиональному общению на английском языке по широкому профилю специальности.

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# INTRODUCTION

## Supporting Materials for Text Tasks

### *Sample models*

<p><b>Схема «Научное исследование»</b> <b>“Scientific Research”</b></p> <p>Описание проблемы (постановка задачи)</p> <p>Факты</p> <p>Гипотезы</p> <p>Аргументы</p> <p>Выводы</p> <p>Заключение</p>	<p><b>Схема «Естественнонаучное явление»</b> <b>“Natural-Science Phenomenon”</b></p> <p>Агенты</p> <p>Действие (феноменологическое описание)</p> <p>Инструмент (механизм действия)</p> <p>Условия</p> <p>Результат</p>
<p><b>Схема «Технология»</b> <b>“Technology”</b></p> <p>Цель</p> <p>Средства</p> <p>Объект обработки: материалы исходные продукты конечные продукты</p> <p>Способ обработки</p> <p>Условия обработки</p> <p>Результат: эффективность широта применения</p> <p>Персонал и организация работы</p>	<p><b>Схема «Биографическое описание личности ученого»</b> <b>“Biographic Description”</b></p> <p>Область деятельности</p> <p>Жизненный путь</p> <p>Хронология жизненных событий</p> <p>Личная жизнь, семья</p> <p>Наиболее известные произведения (работы)</p> <p>Внешность</p> <p>Личностные качества</p> <p>Политические убеждения</p> <p>Критика, полемика</p>
<p><b>Схема «Развитие техники»</b> <b>“Technological Expansion”</b></p> <p>Научная область</p> <p>Этапы развития: научные идеи/события</p> <p>Время</p> <p>Место</p> <p>Автор</p> <p>Технические характеристики</p> <p>Теоретическая значимость</p> <p>Практическая значимость</p>	<p><b>Схема «Классификация»</b> <b>“Classification”</b></p> <p>Предметная область</p> <p>Классифицируемое множество объектов</p> <p>Критерии классификации</p> <p>Типы классификационных объектов</p> <p><b>Схема «Описание объекта»</b> <b>“Description of an Object”</b></p> <p>Объект</p> <p>Состав</p> <p>Структура</p> <p>Свойства/ характеристики</p> <p>Получение</p> <p>Применение</p>

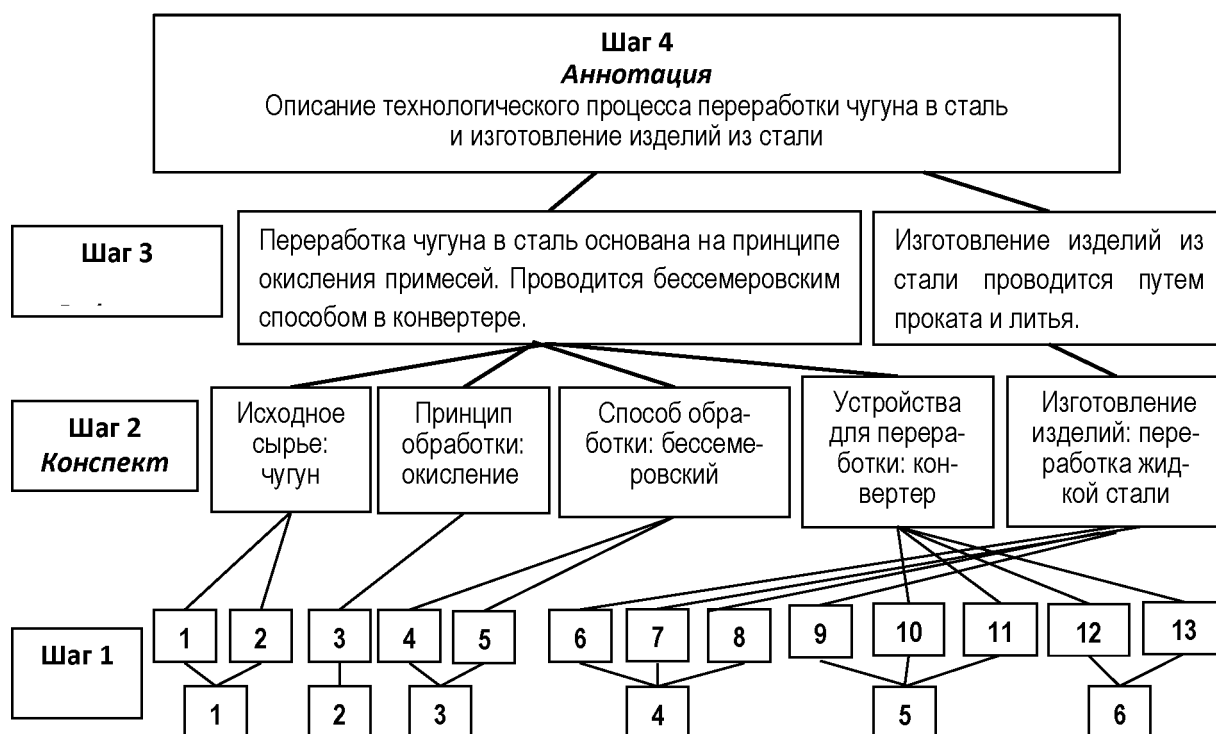
## Sample model and graph for text (in Russian)

### Производство стали

Производство стали основывается преимущественно на чугуна, получаемом из руды в доменных печах. При этом содержание углерода в чугуне снижается путем окисления от 3,5% до 1,3-0,02% в зависимости от требуемого сорта стали.

Методы получения стали используют высокие температуры и дают сталь в жидком состоянии, причем находящиеся также в жидком состоянии шлаки легко отделяются. Жидкая сталь заливается в кокиль для получения чушек, которые затем прокатываются на прокатных станах в заготовки, рельсы, балки, прутковое железо, трубы или в листовую сталь, либо в сталелитейных цехах разливается в сухие песочные формы для получения стального литья.

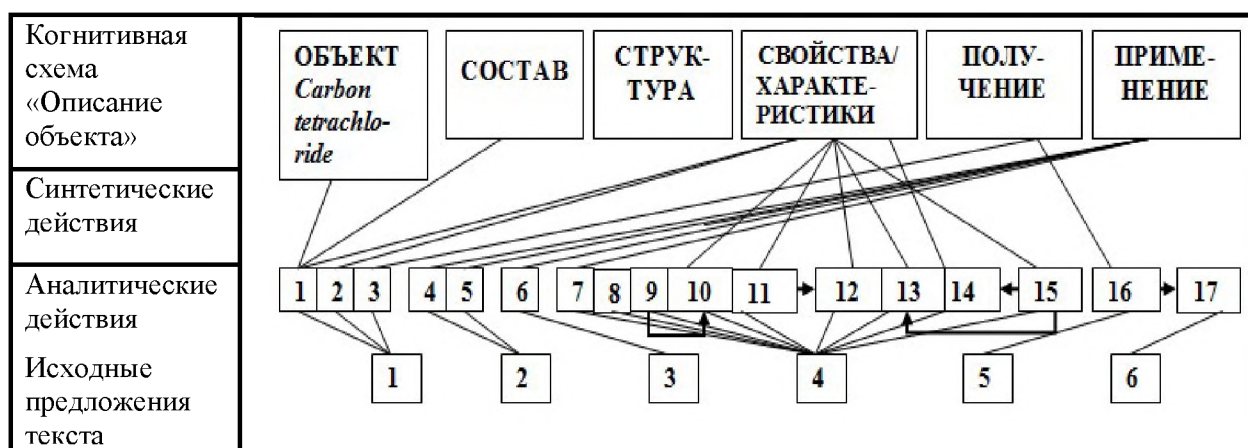
По введенному в 1855 году Бессемером бессемеровскому способу превращение чугуна в сталь происходит в опрокидывающемся сосуде (конвертере), снабженном огнеупорной футеровкой, содержащей кремниевую кислоту, в который чугун заливается в жидком состоянии. Через конвертер снизу продувается воздух или обогащенная кислородом воздушная смесь, которая проходит через ванну с чугуном, что вызывает быстрое выгорание углерода и спутников железа.



Предложения исходного текста

### *Sample model and graph for text (in English)*

Carbon tetrachloride is a colorless and inflammable liquid that can be produced by combining carbon disulfide and chlorine. This compound is widely used in industry today because of its effectiveness as a solvent as well as its use in the production of propellants. Despite its widespread use in industry, carbon tetrachloride has been banned for home use. In the past, carbon tetrachloride was a common ingredient in cleaning compounds that were used throughout the home, but it was found to be dangerous: when heated, it changes into a poisonous gas that can cause severe illness and even death if it is inhaled. Because of this dangerous characteristic, the United States revoked permission for the home use of carbon tetrachloride in 1970. The United States has taken similar action with various other chemical compounds.



### *Step by step model*

#### Схема «Описание объекта»

##### Объект

*Carbon tetrachloride*

##### Состав

##### Структура

##### Свойства/ характеристики

1. *Carbon tetrachloride is a colorless liquid.*
2. *Carbon tetrachloride is an inflammable liquid.*
9. *It was found.* → 10. *Carbon tetrachloride is dangerous.*
11. *When carbon tetrachloride is heated* → 12. *Carbon tetrachloride changes into a poisonous gas.*
15. *If a poisonous gas is inhaled*
  - 13. *A poisonous gas can cause severe illness.*
  - 14. *A poisonous gas can cause even death.*

**Получение**

3. *Carbon tetrachloride can be produced by combining carbon disulfide and chlorine.*

**Применение**

4. *This compound (carbon tetrachloride) is widely used in industry today as a solvent.*

5. *This compound (carbon tetrachloride) is widely used in the production of propellants.*

6. *Carbon tetrachloride has been banned for home use.*

7. *Carbon tetrachloride was a common ingredient in cleaning compounds.*

8. *Cleaning compounds (that) were used throughout the home.*

16. *The United States revoked permission for the home use of carbon tetrachloride in 1970.*

17. *The United States has taken similar action with various other chemical compounds.*

**PART I. SOCIOLOGY****Unit 1. Introduction to Sociology****1. Answer the questions.**

- 1) What is Sociology?
- 2) Which of the options was a topic of study in early sociology? Astrology, Economics, Physics, or History?
- 3) Why should you study Sociology?
- 4) Which theory is most likely looks at the social world on a micro level?
- 5) How do a sociology course can affect your social interactions?

**2. Critical Thinking Questions.**

1) Can you find the difference in understanding “society” from the viewpoint of Sociology and everyday usage?

2) Describe a situation in which a choice you made was influenced by societal pressures.

3) Do you think the way people behave in social interactions is more like the behaviour of animals or more like actors playing a role in a theatrical production? Why?

**3. Read the text and perform the tasks below.**

So far, the examples in this chapter have often described how people are expected to behave in certain situations – for example, when buying food or boarding a bus. These examples describe the visible and invisible rules of conduct through which societies are structured, or

what sociologists call norms. Norms define how to behave in accordance with what a society has defined as good, right, and important, and most members of the society adhere to them.

Formal norms are established, written rules. They are behaviours worked out and agreed upon in order to suit and serve the most people. Laws are formal norms, but so are employee manuals, college entrance exam requirements, and “no running” signs at swimming pools. Formal norms are the most specific and clearly stated of the various types of norms, and the most strictly enforced. But even formal norms are enforced to varying degrees, reflected in cultural values.

For example, money is highly valued in the United States, so monetary crimes are punished. It’s against the law to rob a bank, and banks go to great lengths to prevent such crimes. People safeguard valuable possessions and install antitheft devices to protect homes and cars. A less strictly enforced social norm is driving while intoxicated. While it’s against the law to drive drunk, drinking is for the most part an acceptable social behaviour. And though there are laws to punish drunk driving, there are few systems in place to prevent the crime. These examples show a range of enforcement in formal norms.

There are plenty of formal norms, but the list of informal norms – casual behaviours that are generally and widely conformed to – is longer. People learn informal norms by observation, imitation, and general socialization. Some informal norms are taught directly – “Kiss your Aunt Edna” or “Use your napkin” – while others are learned by observation, including observations of the consequences when someone else violates a norm. But although informal norms define personal interactions, they extend into other systems as well. Think back to the discussion of fast-food restaurants at the beginning of this chapter. In the United States, there are informal norms regarding behaviour at these restaurants.

Customers line up to order their food, and leave when they are done. They don’t sit down at a table with strangers, sing loudly as they prepare their condiments, or nap in a booth. Most people don’t commit even benign breaches of informal norms. Informal norms dictate appropriate behaviours without the need of written rules.

Norms may be further classified as either mores or folkways. Mores (morays) are norms that embody the moral views and principles of a

group. Violating them can have serious consequences. The strongest mores are legally protected with laws or other formal norms. In the United States, for instance, murder is considered immoral, and it's punishable by law (a formal norm). But more often, mores are judged and guarded by public sentiment (an informal norm). People who violate mores are seen as shameful. They can even be shunned or banned from some groups. The mores of the U.S. school system require that a student's writing be in the student's own words or use special forms (such as quotation marks and a whole system of citation) for crediting other writers. Writing another person's words as if they are one's own has a name – plagiarism. The consequences for violating this norm are severe, and can usually result in expulsion.

Unlike mores, folkways are norms without any moral underpinnings. Rather, folkways direct appropriate behaviour in the day-to-day practices and expressions of a culture. Folkways indicate whether to shake hands or kiss on the cheek when greeting another person. They specify whether to wear a tie and blazer or a T-shirt and sandals to an event. In Canada, women can smile and say hello to men on the street. In Egypt, it's not acceptable. In regions in the southern United States, bumping into an acquaintance means stopping to chat. It's considered rude not to, no matter how busy one is. In other regions, people guard their privacy and value time efficiency. A simple nod of the head is enough.

Many folkways are actions we take for granted. People need to act without thinking to get seamlessly through daily routines; they can't stop and analyze every action (Sumner 1906). People who experience culture shock may find that it subsides as they learn the new culture's folkways and are able to move through their daily routines more smoothly. Folkways might be small manners, learned by observation and imitated, but they are by no means trivial. Like mores and laws, these norms help people negotiate their daily life within a given culture.

As a functionalist, Emile Durkheim's (1858–1917) perspective on society stressed the necessary interconnectivity of all of its elements. To Durkheim, society was greater than the sum of its parts. He asserted that individual behaviour was not the same as collective behaviour, and that studying collective behaviour was quite different from studying an individual's actions. Durkheim called the communal beliefs, morals, and at-

titudes of a society the collective conscience. In his quest to understand what causes individuals to act in similar and predictable ways, he wrote, "If I do not submit to the conventions of society, if in my dress I do not conform to the customs observed in my country and in my class, the ridicule I provoke, the social isolation in which I am kept, produce, although in an attenuated form, the same effects as punishment" (Durkheim 1895). Durkheim also believed that social integration, or the strength of ties that people have to their social groups, was a key factor in social life.

Following the ideas of Comte and Spencer, Durkheim likened society to that of a living organism, in which each organ plays a necessary role in keeping the being alive. Even the socially deviant members of society are necessary, Durkheim argued, as punishments for deviance affirm established cultural values and norms. That is, punishment of a crime reaffirms our moral consciousness. "A crime is a crime because we condemn it," Durkheim wrote in 1893. "An act offends the common consciousness not because it is criminal, but it is criminal because it offends that consciousness" (Durkheim 1893). Durkheim called these elements of society "social facts." By this, he meant that social forces were to be considered real and existed outside the individual.

As an observer of his social world, Durkheim was not entirely satisfied with the direction of society in his day. His primary concern was that the cultural glue that held society together was failing, and that people were becoming more divided. In his book *The Division of Labour in Society* (1893), Durkheim argued that as society grew more complex, social order made the transition from mechanical to organic.

Pre-industrial societies, Durkheim explained, were held together by mechanical solidarity, a type of social order maintained by the collective consciousness of a culture. Societies with mechanical solidarity act in a mechanical fashion; things are done mostly because they have always been done that way. This type of thinking was common in pre-industrial societies where strong bonds of kinship and a low division of labour created shared morals and values among people, such as hunter-gatherer groups. When people tend to do the same type of work, Durkheim argued, they tend to think and act alike.

In industrial societies, mechanical solidarity is replaced with organic solidarity, social order based around an acceptance of economic

and social differences. In capitalist societies, Durkheim wrote, division of labour becomes so specialized that everyone is doing different things. Instead of punishing members of a society for failure to assimilate to common values, organic solidarity allows people with differing values to coexist. Laws exist as formalized morals and are based on restitution rather than revenge.

While the transition from mechanical to organic solidarity is, in the long run, advantageous for a society, Durkheim noted that it can be a time of chaos and “normlessness.” One of the outcomes of the transition is something he called social anomie. Anomie – literally, “without law” – is a situation in which society no longer has the support of a firm collective consciousness. Collective norms are weakened. People, while more interdependent to accomplish complex tasks, are also alienated from each other. Anomie is experienced in times of social uncertainty, such as war, or a great upturn or downturn in the economy. As societies reach an advanced stage of organic solidarity, they avoid anomie by re-developing a set of shared norms. According to Durkheim, once a society achieves organic solidarity, it has finished its development.

### **Tasks to the Text**

- 1) What is this text about?
- 2) Make a model of the text.
- 3) Make a graph of the text.
- 4) Put three questions to the text.
- 5) Write the summary of the text.

## **Unit 2. Sociological Research**

### **1. Answer the questions.**

- 1) Which theory do you think better explains how societies operate – structural functionalism or conflict theory? Why?
- 2) What are the main research methods in Sociology?
- 3) Do you tend to place more value on qualitative or quantitative research? Why? Does it matter what topic is being studied?
- 4) Which materials are considered secondary data?
- 5) Why is choosing a random sample an effective way to select participants?

## **2. Critical Thinking Questions**

1) What type of data do surveys gather? For what topics would surveys be the best research method? What drawbacks might you expect to encounter when using a survey? To explore further, ask a research question and write a hypothesis.

2) Imagine you are about to do field research in a specific place for a set time. Instead of thinking about the topic of study itself, consider how you, as the researcher, will have to prepare for the study. What personal, social, and physical sacrifices will you have to make? How will you manage your personal effects? What organizational equipment and systems will you need to collect the data?

3) Create a brief research design about a topic in which you are passionately interested. Now write a letter to a philanthropic or grant organization requesting funding for your study. How can you describe the project in a convincing yet realistic and objective way? Explain how the results of your study will be a relevant contribution to the body of sociological work already in existence.

## **3. Read the text then perform the tasks below.**

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## **Unit 3. Culture**

### **1. Answer the questions.**

- 1) What is culture?
- 2) Is music a cultural universal?
- 3) What are the elements of culture?
- 4) What theoretical perspective views society as having a system of independent inherently connected parts?
- 5) Do you think technology effects culture positively or negatively?

### **2. Critical Thinking Questions**

1) Identify several examples of popular culture and describe how they inform larger culture. How prevalent is the effect of these examples in your everyday life?

2) Consider a current social trend that you have witnessed, perhaps situated around family, education, transportation, or finances. For example, many veterans of the Armed Forces, after completing tours of duty in the Middle East, are returning to college rather than entering jobs as veterans as previous generations did. Choose a sociological approach –functionalism, conflict theory, or symbolic interactionism – to describe, explain, and analyze the social issue you choose. Afterwards, determine why you chose the approach you did. Does it suit your own way of thinking? Or did it offer the best method to illuminate the social issue?

3) Consider some of the specific issues or concerns of your generation. Are any ideas countercultural? What subcultures have emerged from your generation? How have the issues of your generation expressed themselves culturally? How has your generation made its mark on society's collective culture?

### **3. Read the text define the key words and its main idea.**

In the summer of 2005, police detective Mark Holste followed an investigator from the Department of Children and Families to a home in Plant City, Florida. They were there to look into a statement from the neighbor concerning a shabby house on Old Sydney Road. A small girl was reported peering from one of its broken windows. This seemed odd because no one in the neighborhood had seen a young child in or around the home, which had been inhabited for the past three years by a woman, her boyfriend, and two adult sons.

Who was the mystery girl in the window?

Entering the house, Detective Holste and his team were shocked. It was the worst mess they'd ever seen, infested with cockroaches, smeared with feces and urine from both people and pets, and filled with dilapidated furniture and ragged window coverings.

Detective Holste headed down a hallway and entered a small room. That's where he found the little girl, with big, vacant eyes, staring into the darkness. A newspaper report later described the detective's first encounter with the child: "She lay on a torn, moldy mattress on the floor. She was curled on her side ... her ribs and collarbone jugged out ... her black hair was matted, crawling with lice. Insect bites, rashes and sores pocked her skin ... . She was naked – except for a swollen diaper ... . Her name, her mother said, was Danielle. She was almost seven years old" (De Gregory 2008).

Detective Holste immediately carried Danielle out of the home. She was taken to a hospital for medical treatment and evaluation. Through extensive testing, doctors determined that, although she was severely malnourished, Danielle was able to see, hear, and vocalize normally. Still, she wouldn't look anyone in the eyes, didn't know how to chew or swallow solid food, didn't cry, didn't respond to stimuli that would typically cause pain, and didn't know how to communicate either with words or simple gestures such as nodding "yes" or "no." Likewise,

although tests showed she had no chronic diseases or genetic abnormalities, the only way she could stand was with someone holding onto her hands, and she “walked sideways on her toes, like a crab” (DeGregory 2008).

What had happened to Danielle? Put simply: beyond the basic requirements for survival, she had been neglected. Based on their investigation, social workers concluded that she had been left almost entirely alone in rooms like the one where she was found. Without regular interaction – the holding, hugging, talking, the explanations and demonstrations given to most young children – she had not learned to walk or to speak, to eat or to interact, to play or even to understand the world around her. From a sociological point of view, Danielle had not had been socialized.

Socialization is the process through which people are taught to be proficient members of a society. It describes the ways that people come to understand societal norms and expectations, to accept society’s beliefs, and to be aware of societal values. Socialization is not the same as socializing (interacting with others, like family, friends, and coworkers); to be precise, it is a sociological process that occurs through socializing. As Danielle’s story illustrates, even the most basic of human activities are learned. You may be surprised to know that even physical tasks like sitting, standing, and walking had not automatically developed for Danielle as she grew. And without socialization, Danielle hadn’t learned about the material culture of her society (the tangible objects a culture uses): for example, she couldn’t hold a spoon, bounce a ball, or use a chair for sitting. She also hadn’t learned its nonmaterial culture, such as its beliefs, values, and norms. She had no understanding of the concept of “family,” didn’t know cultural expectations for using a bathroom for elimination, and had no sense of modesty. Most importantly, she hadn’t learned to use the symbols that make up language – through which we learn about who we are, how we fit with other people, and the natural and social worlds in which we live.

Sociologists have long been fascinated by circumstances like Danielle’s – in which a child receives sufficient human support to survive, but virtually no social interaction – because they highlight how much we depend on social interaction to provide the information and skills that we need to be part of society or even to develop a “self.”

The necessity for early social contact was demonstrated by the research of Harry and Margaret Harlow. From 1957 to 1963, the Harlows conducted a series of experiments studying how rhesus monkeys, which behave a lot like people, are affected by isolation as babies. They studied monkeys raised under two types of “substitute” mothering circumstances: a mesh and wire sculpture, or a soft terrycloth “mother.” The monkeys systematically preferred the company of a soft, terrycloth substitute mother (closely resembling a rhesus monkey) that was unable to feed them, to a mesh and wire mother that provided sustenance via a feeding tube. This demonstrated that while food was important, social comfort was of greater value (Harlow and Harlow 1962; Harlow 1971). Later experiments testing more severe isolation revealed that such deprivation of social contact led to significant developmental and social challenges later in life.

In the following sections, we will examine the importance of the complex process of socialization and how it takes place through interaction with many individuals, groups, and social institutions. We will explore how socialization is not only critical to children as they develop, but how it is a lifelong process through which we become prepared for new social environments and expectations in every stage of our lives. But first, we will turn to scholarship about self-development, the process of coming to recognize a sense of self, a “self” that is then able to be socialized.

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## **PART 2. ECONOMICS**

### **Unit 4. What is Economics?**

#### **1. Answer the questions.**

- 1) What are three reasons to study economics?
- 2) What is the difference between microeconomics and macroeconomics?

- 3) What are the three main goals of macroeconomics?
- 4) What is globalization? How do you think it might have affected the economy over the past decade?
- 5) What are the three ways that societies can organize themselves economically?

## **2. Critical Thinking Questions**

1) Suppose you have a team of two workers: one is a baker and one is a chef. Explain why the kitchen can produce more meals in a given period of time if each worker specializes in what they do best than if each worker tries to do everything from appetizer to dessert.

2) Suppose, as an economist, you are asked to analyze an issue unlike anything you have ever done before. Also, suppose you do not have a specific model for analyzing that issue. What should you do?  
*Hint: What would a carpenter do in a similar situation?*

3) Can you think of ways that globalization has helped you economically? Can you think of ways that it has not?

## **3. Read the text define the key words and its main idea.**

In 1924 a series of experiments began at the Hawthorne Works of the Western Electric Company. Although initially they seemed to be a minor scientific significance, they became classics in industrial psychology. In the opinion of many writers, the Hawthorn studies represent the most significant research program undertaken to show the enormous complexity of the problem of production in relation to efficiency.

The Hawthorne studies were a joint venture between Western Electric and several re-searchers from Harvard University (none of whom were industrial psychologist by training). The original study attempted to find the relationship between lightning and efficiency. The researchers installed various sets of lights in workrooms where electrical equipment was being produced. In some cases, the light was intense; in other cases, it was reduced to the equivalent of moon-light. Much to the researchers' surprise, productivity increased whether illumination was de-creased, increased or held constant. The results of the study were so bizarre that the researchers hypothesized some other factors as being responsible for productivity.

The results of the first study initiated four other major studies that were conducted over a twelve-year period: (1) relay assembly test room,

(2) mass interviewing program, (3) bank wiring observation room, and (4) personnel counseling. In essence, the Hawthorne studies revealed many previously unrecognized aspects of human behaviour in a workplace. Researchers hypothesized that the study's results were caused by the employees' desire to please them. Flattered at having distinguished investigators from Harvard University take the time to study them, the workers had gone out of their way to do what they thought would impress them – namely, to be highly productive. They therefore had produced at a high level whether the room was too light or too dark. The researchers learned that factors other than purely technical ones (for example, illumination) influence productivity.

One of the major findings from the studies was a phenomenon labeled the Hawthorne effect. The workers' job performance began to improve following the start of the researchers' intervention and continued to improve because of the novelty of the situation; that is the employees responded positively to the novel treatment they were getting from the researchers. Eventually, however, the novelty began to wear off, and productivity returned to its earlier level. This phenomenon of the change in the behaviour following the onset of the novel treatment, with a gradual return to the previous level of behaviour as the effect of the novelty wears off, is the Hawthorn effect.

As Adair (1984) observed, however, the precise reason for the change in behaviour (for example, the novelty of the situation, special attention, or prestige from being selected for study) is not always clear. Sometimes behaviour change is due just to a change in the environment (for example, the presence of the researchers) and not to the effect of some experimentally manipulated variable (for example, the amount of illumination). The psychological literature indicates that Hawthorn effects may last anywhere from a few days to two years, depending on the situation.

The Hawthorne studies also revealed the existence of informal employee work groups and their control on production, as well as the importance of employee attitudes, the value of having sympathetic and understanding supervisor, and the need to treat workers as people instead of merely as human capital. Their revelation of the complexity of human behaviour opened up new vistas for industrial psychology, which for nearly 40 years had been dominated by the desire to improve

company efficiency. Today the Hawthorn studies, while regarded by some contemporary psychologists as having been based on flawed research methods, are considered to be the greatest single episode in the formation of industrial psychology. They also showed that re-searchers sometimes obtain totally unexpected results. Because the investigators were not tied to any one explanation, their studies took them into areas never before studied by industrial psychology and raised question that otherwise might never have been asked. Industrial psychology was never the same again.

This era in industrial psychology ended with the coincidence of the Hawthorn studies and the outbreak of the World War II.

### **Tasks to the Text**

- 1) What is this text about?
- 2) Make a model of the text.
- 3) Make a graph of the text.
- 4) Put three questions to the text.
- 5) Write the summary of the text.

## **Unit 5. Choice in a World of Scarcity**

### **1. Answer the questions.**

- 1) What is comparative advantage?
- 2) Could a nation be producing in a way that is allocatively efficient, but productively inefficient?
- 3) What is productive efficiency?
- 4) What is allocative efficiency?
- 5) Is the economic model of decision-making intended as a literal description of how individuals, firms, and the governments actually make decisions?

### **2. Critical Thinking Questions.**

1) It is clear that productive inefficiency is a waste since resources are used in a way that produces less goods and services than a nation is capable of. Why is allocative inefficiency also wasteful?

2) Do economists have any particular expertise at making normative arguments? In other words, they have expertise at making positive statements (i.e., what will happen) about some economic policy, for example, but do they have special expertise to judge whether or not the policy should be undertaken?

3) What assumptions about the economy must be true for the invisible hand to work? To what extent are those assumptions valid in the real world?

### **3. Read the text define the key words and its main idea.**

The formal study of economics began when Adam Smith (1723–1790) published his famous book *The Wealth of Nations* in 1776. Many authors had written on economics in the centuries before Smith, but he was the first to address the subject in a comprehensive way. In the first chapter, Smith introduces the concept of division of labour, which means that the way one produces a good or service is divided into a number of tasks that different workers perform, instead of all the tasks being done by the same person.

To illustrate division of labour, Smith counted how many tasks went into making a pin: drawing out a piece of wire, cutting it to the right length, straightening it, putting a head on one end and a point on the other, and packaging pins for sale, to name just a few. Smith counted 18 distinct tasks that different people performed — all for a pin, believe it or not!

Modern businesses divide tasks as well. Even a relatively simple business like a restaurant divides the task of serving meals into a range of jobs like top chef, sous chefs, less-skilled kitchen help, servers to wait on the tables, a greeter at the door, janitors to clean up, and a business manager to handle paychecks and bills – not to mention the economic connections a restaurant has with suppliers of food, furniture, kitchen equipment, and the building where it is located. When we divide and subdivide the tasks involved with producing a good or service, workers and businesses can produce a greater quantity of output. In his observations of pin factories, Smith noticed that one worker alone might make 20 pins in a day, but that a small business of 10 workers (some of whom would need to complete two or three of the 18 tasks involved with pin-making), could make 48,000 pins in a day. How can a group of

workers, each specializing in certain tasks, produce so much more than the same number of workers who try to produce the entire good or service by themselves? Smith offered three reasons.

First, specialization in a particular small job allows workers to focus on the parts of the production process where they have an advantage. (In later chapters, we will develop this idea by discussing comparative advantage.) People have different skills, talents, and interests, so they will be better at some jobs than at others. The particular advantages may be based on educational choices, which are in turn shaped by interests and talents. Only those with medical degrees qualify to become doctors, for instance. For some goods, geography affects specialization. For example, it is easier to be a wheat farmer in North Dakota than in Florida, but easier to run a tourist hotel in Florida than in North Dakota. If you live in or near a big city, it is easier to attract enough customers to operate a successful dry-cleaning business or movie theater than if you live in a sparsely populated rural area. Whatever the reason, if people specialize in the production of what they do best, they will be more effective than if they produce a combination of things, some of which they are good at and some of which they are not.

Second, workers who specialize in certain tasks often learn to produce more quickly and with higher quality. This pattern holds true for many workers, including assembly line labourers who build cars, stylists who cut hair, and doctors who perform heart surgery. In fact, specialized workers often know their jobs well enough to suggest innovative ways to do their work faster and better. A similar pattern often operates within businesses. In many cases, a business that focuses on one or a few products (sometimes called its “core competency”) is more successful than firms that try to make a wide range of products.

Third, specialization allows businesses to take advantage of economies of scale, which means that for many goods, as the level of production increases, the average cost of producing each individual unit declines. For example, if a factory produces only 100 cars per year, each car will be quite expensive to make on average.

However, if a factory produces 50,000 cars each year, then it can set up an assembly line with huge machines and workers performing specialized tasks, and the average cost of production per car will be lower. The ultimate result of workers who can focus on their prefer-

ences and talents, learn to do their specialized jobs better, and work in larger organizations is that society as a whole can produce and consume far more than if each person tried to produce all of their own goods and services. The division and specialization of labour has been a force against the problem of scarcity.

### **Tasks to the Text**

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## **Unit 6. Demand and Supply**

### **1. Answer the questions.**

- 1) What determines the level of prices in a market?
- 2) What is consumer surplus?
- 3) What is producer surplus?
- 4) What is the relationship between total surplus and economic efficiency?
- 5) If the price is above the equilibrium level, would you predict a surplus or a shortage? If the price is below the equilibrium level, would you predict a surplus or a shortage? Why?

### **2. Critical Thinking Questions**

- 1) Explain why the following statement is false: “In the goods market, no buyer would be willing to pay more than the equilibrium price.”
- 2) What term would an economist use to describe what happens when a shopper gets a “good deal” on a product?
- 3) Why would a free market never operate at a quantity greater than the equilibrium quantity? *Hint*: What would be required for a transaction to occur at that quantity?

### **3. Read the text and perform the tasks below.**

The theories of supply and demand do not apply just to markets for goods. They apply to any market, even markets for things we may not think of as goods and services like labour and financial services.

Labour markets are markets for employees or jobs. Financial services markets are markets for saving or borrowing.

When we think about demand and supply curves in goods and services markets, it is easy to picture the demanders and suppliers: businesses produce the products and households buy them. Who are the demanders and suppliers in labour and financial service markets? In labour markets job seekers (individuals) are the suppliers of labour, while firms and other employers who hire labour are the demanders for labour. In financial markets, any individual or firm who saves contributes to the supply of money, and any entity that borrows (person, firm, or government) contributes to the demand for money.

As a college student, you most likely participate in both labour and financial markets. Employment is a fact of life for most college students: According to the National Center for Educational Statistics, in 2018 43% of fulltime college students and 81% of part-time college students were employed. Most college students are also heavily involved in financial markets, primarily as borrowers. As of the 2018-19 school year, 43% of full-time undergraduate students were receiving loan aid to help finance their education, and those loans averaged \$7,300 per year. Many students also borrow for other expenses, like purchasing a car. As this chapter will illustrate, we can analyze labour markets and financial markets with the same tools we use to analyze demand and supply in the goods markets.

Markets for labour have demand and supply curves, just like markets for goods. The law of demand applies in labour markets this way: A higher salary or wage – is, a higher price in the labour market – leads to a decrease in the quantity of labour demanded by employers, while a lower salary or wage leads to an increase in the quantity of labour demanded. The law of supply functions in labour markets, too: A higher price for labour leads to a higher quantity of labour supplied; a lower price leads to a lower quantity supplied.

Economic events can change the equilibrium salary (or wage) and quantity of labour. Consider how the wave of new information technologies, like computer and telecommunications networks, has affected low-skill and high-skill workers in the U.S. economy. From the perspective of employers who demand labour, these new technologies are often a substitute for low-skill labourers like file clerks who used to keep file

cabinets full of paper records of transactions. However, the same new technologies are a complement to high-skill workers like managers, who benefit from the technological advances by having the ability to monitor more information, communicate more easily, and juggle a wider array of responsibilities.

In the demand and supply analysis of financial markets, the “price” is the rate of return or the interest rate received. We measure the quantity by the money that flows from those who supply financial capital to those who demand it.

Two factors can shift the supply of financial capital to a certain investment: if people want to alter their existing levels of consumption, and if the riskiness or return on one investment changes relative to other investments. Factors that can shift demand for capital include business confidence and consumer confidence in the future – since financial investments received in the present are typically repaid in the future.

The market price system provides a highly efficient mechanism for disseminating information about relative scarcities of goods, services, labour, and financial capital. Market participants do not need to know why prices have changed, only that the changes require them to revisit previous decisions they made about supply and demand. Price controls hide information about the true scarcity of products and thereby cause misallocation of resources.

### **Tasks to the Text**

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