

## A History Of Economics

Although reading is thought of as a passive skill, it cannot be so because of what goes on in a person's mind as he reads. In trying to reach the top of a mountain (the meaning) a great deal of thought processing occurs. As one reads he does stop to think and ask questions (where, why, what, etc...). This, of course, is done so as to facilitate comprehension and get him closer to the meaning. Another feature of this thinking process is his making predictions and logical guesses based on what he has read and what he will read.

*Read the short passages quickly at first; then read them again looking at and answering the questions below.*

1. What does 'its' refer to in the phrase 'its proponents supported...'?
2. If you know the word *supported* (*support*) then you can guess the meaning of the words 'proponents' and 'advocated' Notice that the word 'proponents' is a noun and 'advocated' is a verb, also notice the *and* between the two verbs 'supported' and 'advocated'
3. Adam Smith 'mocked them' (whom?) by saying...

*(to be continued in the next page)*

### The Mercantilist School (17th and 18th centuries)

The Mercantilist School believed that exports bring wealth to the nation. *Its proponents supported and advocated* devices by which the government could protect the *balance of trade*. Adam Smith *mocked them* by saying that they mistook gold for wealth, but they were not really so foolish.

Before a system of international finance was highly developed, a country which had a deficit on its balance of foreign payments –paying more abroad than it received– had to cover the difference in cash and the main element in the balance of payments was the value of goods exported and imported.

The Mercantilists were concerned with the problem of effective demand. They realized that a deficit in the balance is, in general, bad for production. The deficit is an influence depressing *effective demand*. Imports represent supply without demand. Exports, on the other

(continued from the previous page)

foolish. What did Adam Smith consider them to be?

4. In the second paragraph the phrase ‘*deficit on the balance of...*’ is explained. How is it explained?
5. What can the phrase ‘*effective demand*’ mean? Use the context to come up with an answer.
6. What is meant by the phrase ‘*flow of commodities*’?
7. What can the word ‘*peasants*’ mean? Were they an important class at the time? Why/Why not?

hand, represent demand without supply to offset it.

## The Physiocrats

The Physiocrats were the first to present the mechanism of an economy in terms of its system of social classes. In 18th century France, the rent of land, along with taxes levied from the cultivators was the source of funds to support the court, the army and all arts of civilization. Rent was simply taken from the peasants as a share of the crop. The peasants had to provide their own subsistence and the necessary investment in seed and so forth, out of the rest. The Physiocrats based their doctrines on this picture; in their view the land, which yields rent, is the only source of net output.

Francois Quesnay (1694-1771), a physician at the court of Louis XIV, is sometimes acclaimed as the first modern economist who set out his analysis of the economic system in terms of an abstract scheme illustrating the *flows of commodities* in the process of production and consumption. This table, which Quesnay based on the circulation of blood, somewhat resembles an input/output table such as is nowadays used to show the structure of industrial production. There are three social classes: landlords, peasants and artisans.

### Activity 1: Word study: Supply the word that goes in the blanks:

(a) *deficits*, (b) *subsistence*, (c) *supply*, (d) *demand*, (e) *levy*, (f) *funds*, (g) *net*, (h) *yield*, (i) *commodities*, (j) *consumption*

1. My ..... earnings were considerably lower after taxes and insurance deductions were made.
2. The ..... of fossil fuels in this country reached its highest level ever.

3. We have a plentiful . . . . . of food and drink. We will not need any for quite a while.
4. You've got to go out and create a new market for the . . . . . you are bringing out.
5. I'm a bit short of . . . . . at the moment, can you lend me \$200 till the end of the month; here is my I.O.U.
6. . . . . for that particular model is not as high as it was last year.
7. The government will . . . . . new taxes in its attempt to raise 30 billion Euros.
8. Accountants traditionally use red ink to record . . . . . and losses.
9. They are living at a . . . . . level; they barely have enough food and money on which to survive.
10. He bought shares that will probably . . . . . a ten per cent profit.

'Before a system of international *finance* was highly developed...'

In the sentence above *finance* means nothing more than money/control of money. Who is in control of all this money? Of course the company's *financial manager*.

**Activity 2: Read the following about a financial manager and supply the missing words; choose from the list that follows:**

A financial manager or (1) . . . . . is responsible for providing financial (2) . . . . . and support to clients and colleagues to enable them to make sound business (3) . . . . . . This work takes place in both the private and (4) . . . . . sector. The settings where a financial manager will work vary greatly and they include huge (5) . . . . . concerns, financial (6) . . . . . , NHS trusts, small manufacturing (7) . . . . . and universities.

Financial (8) . . . . . is the cause of all major business decisions. Flawless planning of the (9) . . . . . is essential to be able to plan for the future, both short and (10) . . . . . term; companies need to know the financial (11) . . . . . of any decision before proceeding.

The roles of financial managers may vary slightly, depending on the size of the (12) . . . . . : in larger companies, the role is more concerned with strategic analysis; in smaller (13) . . . . . , a financial manager may be

responsible for the collection and preparation of (14). . . . . as well as the (15). . . . . of them.

- |                   |                  |
|-------------------|------------------|
| a. interpretation | i. public        |
| b. accounts       | j. institutions  |
| c. budget         | k. consideration |
| d. analyst        | l. concerns      |
| e. multinational  | m. firms         |
| f. advice         | n. organization  |
| g. decisions      | o. consequences  |
| h. long           |                  |

## The gerund

The gerund is formed by adding *-ing* at the end of a verb, just like the present participle.

e.g. *run - running, leave - leaving, speak - speaking*

## Form

Present Active:	taking
Present Passive:	being accused
Perfect or Past Active:	having taken
Perfect or Past Passive:	having been accused

## Uses

1. It is used as a subject or object of a sentence:  
e.g. *Playing tennis is my favourite sport* (subject: always at the beginning)  
*I find parking very difficult* (object: after the main verb).
2. After prepositions  
e.g. *After leaving school he found a job.*  
*She insisted on coming.*  
*They were accused of stealing.*

*I am fond of climbing mountains.*  
*He is good at writing letters.*  
*I'm sorry for keeping you waiting.*  
*She is interested in reading.*

Also after phrasal verbs (= verb + preposition or adverb)

e.g. be for/against                      keep on  
      care for                                look forward to  
      give up  
      put off

**Note:** When *to* is used as a preposition it is followed by a gerund,  
e.g. *look forward to, take to, be used to, be accustomed to, get used to,* but *used to + infinitive*

e.g. *I am used to waiting* (a present habit)  
*I used to sing as a child* (a past habit, not any more)

3. After certain verbs

e.g. *I enjoy meeting people.*  
*She avoids talking to him*

Some of these verbs which are followed by a gerund are:

admit	imagine
appreciate	keep
avoid	mind
consider	miss
deny	postpone
detest	propose
dislike	remember
enjoy	resent
escape	resist
excuse	risk
fancy (= imagine)	stop
finish	suggest
forgive	

4. After some idiomatic expressions.

e.g. *It's no use talking.*  
*I think it's worth buying.*

These expressions are:  
*can't stand or can't bear*  
*it's no use (good)*  
*can't help*  
*it's (not) worth*

5. We often use a phrase beginning with an -ing form instead of a clause. When the action of the phrase happened before the main action, we usually put the phrase in front of the subject of the sentence.

e.g. *Putting on his hat, he left the house.*

When we want to say that the two actions were happening at the same time, we usually put the phrase after the verb.

e.g. *They were sitting drinking coffee.*

## The infinitive

### Form:

Simple Present Active	to go
Present Progressive or Continuous	to be going
Perfect or Past Active	to have gone
Perfect or Past Progressive Active	to have been going
Simple Present Passive	to be promoted
Perfect or Past Passive	to have been promoted

### Uses:

1. After certain verbs.

e.g. *I can't afford to pay all my bills.*  
*I hope to see you soon.*

Such verbs followed by an infinitive are: agree, appear, seem, attempt, choose, dare, decide, expect, help, learn, manage, need, offer, promise, refuse.

2. After certain verbs followed by an object.

e.g. *He advised me to study hard.*  
*She invited me to have lunch with her.*

Some of the verbs that are followed by an object and an infinitive are: allow, force, persuade, teach, encourage, order, remind, tell, warn.

3. After certain verbs which sometimes take an object and sometimes don't.

e.g. *I want to find out the truth.*  
*I want you to find out the truth.*  
*She'd like to help me.*  
*She'd like him to help me.*

4. After certain adjectives.

e.g. *It's difficult to explain.*  
*It's possible to do it.*

5. After the verbs of perception, hear, see, watch and also help, make and let (infinitive without to).

e.g. *He made them finish the Activity.*  
*He didn't let them go out.*  
*They heard him come.*

**but Passive**

*I was made to do the Activity.*  
*He was heard to come.*

**exception** let: *The grass was let grow.*

6. To express purpose

e.g. *I came here to learn English.*  
*She needs money to buy things.*

7. After certain verbs followed by question words, e.g. what, where, who, how, when, etc.

e.g. *I don't know what to do.*  
*I'm not sure how to break the news to him.*  
*Please tell me where to put it.*

8. We can use the infinitive as the object of some verbs.

e.g. *Margaret began to sing a song.*

We also use the infinitive as the subject of a sentence, but if we do this, we generally do not put the infinitive in front of the verb. We begin the sentence with it, and put the infinitive later in the sentence.

e.g. *It is useful to know how to mend a puncture.*

9. As the gerund is a form of noun, it can follow a possessive adjective.  
*I don't mind **their** borrowing it.*  
*I dislike **his** answering so rudely.*  
*Do you remember **their** asking about this?*

But in conversation the object form of the pronoun is often used instead of a possessive adjective.

*I don't like **him** answering so rudely.*  
*I remember **them** asking about this.*

## Gerund or Infinitive?

1. Continue, start, begin, cease: Either the gerund or the infinitive can be used.  
e.g. *It started to snow.*  
*It started snowing.*  
*I began working.*  
*I began to work.*

The infinitive is more common.

2. Love, like, prefer, hate: When the gerund is used the statement is more general.  
e.g. *I love swimming.*  
*She hates going to parties.*  
*I don't like driving in the dark.*

When the infinitive is used the statement is more specific.

e.g. *I like reading books, but I don't like to read a book now.*  
*I hate to tell you, but I don't love you any more.*

3. Remember, forget, stop, try: Remember, forget + gerund = the action expressed is the earlier action.



- e.g. *I remember reading about it in the papers.* (the gerund 'reading' is the first action, 'remember' is the second action)  
*I remember being very unhappy as a teenager.* (the gerund 'being' = first action, 'remember' = second action)  
*I can't forget being very unhappy as a child.* (the gerund 'being' is the earlier action, 'forget' is the second action)

Remember, forget + infinitive = the action of the infinitive happens after remember, forget.

- e.g. *Remember to put some petrol in the car.* (first action = remember, second action = to put)  
*Don't forget to post this letter.* (first action = forget, second action = to post)

Stop + gerund = cease a previous activity

- e.g. *I stopped smoking years ago.*  
*Stop talking, please.*

Stop + infinitive = purpose, it tells us why

- e.g. *He stopped to ask the way.*  
*I stopped to pick up a hitchhiker.*

Try + gerund = make an experiment, the method you achieve a goal

- e.g. *Try smoking less every day.*  
*Try phoning Heinz.*

Try + infinitive = attempt – what you want to do – your goal

- e.g. *We tried to put out the fire, but it was impossible.*

**Activity 3: Use a gerund or an infinitive in the following sentences, indicating where both forms are possible:**

1. Boys enjoy . . . . . football.
2. The snow started . . . . .
3. A dog likes . . . . . rabbits.
4. Haven't you finished . . . . . your dinner yet?
5. Some doctors disapprove of . . . . . as they believe it is bad for the lungs.

6. I stopped . . . . . a sixpence lying in the gutter.
7. Most people dislike . . . . . up on cold mornings.
8. Before . . . . . to England, he was studying in Heidelberg.
9. Did you forget (telephone) . . . . . him?
10. No, I clearly remember (do) . . . . . it.

**Activity 4: Use either the infinitive (with or without 'to') or the gerund or both. Note the perfect forms in some cases. The actual verbs are given in brackets:**

1. We let him . . . . . (go).
2. I am tired of . . . . . letters. (dictate)
3. I can't help . . . . . I had more time. (wish)
4. Gregory enjoys . . . . . (cook).
5. I completely forgot . . . . . the letter. (answer)
6. I must remember . . . . . him at the station this evening. (meet)
7. Alistair remembers . . . . . her for the first time ten years ago.  
(meet)
8. It started . . . . . hard, so it wasn't worth . . . . . for a picnic.  
(1. rain, 2. go)
9. I hope . . . . . a holiday soon, but I must first finish . . . . . my  
book. (1. have, 2. write)
10. Angela stopped . . . . . a year ago. (smoke)
11. Would you mind . . . . . the window? (shut)
12. Anastasia has finished . . . . . a pullover for her husband. (knit)
13. Barbara hurt her right hand, so she tried . . . . . with her left.  
(write)
14. Alexandra gave up . . . . . a car after the accident. (drive)
15. When did you begin . . . . . English? (learn)