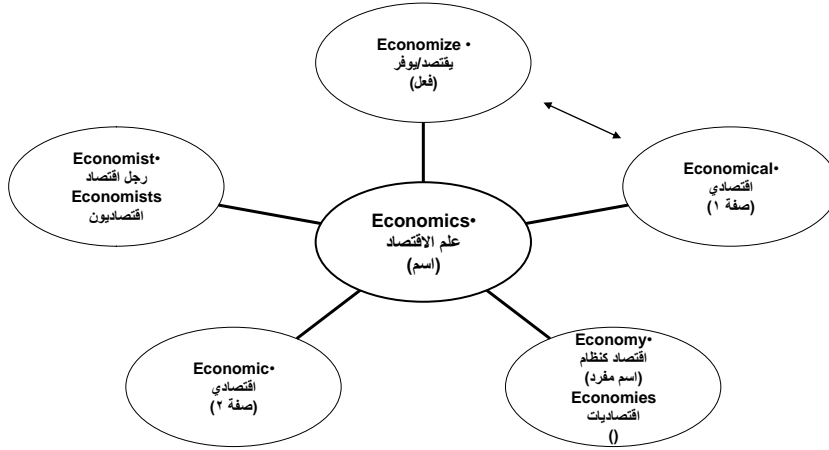


## Economic Terms مصطلحات اقتصادية



### • أمثلة:

(Economics) >> Islamic **economics** – Science of **Economics** .

(Economy) >> Saudi **economy** – American **economy**.

(Economic) >> **Economic** study – **Economic** problem.

(Economical) >> **Economical** budget – **Economical** car.

(Economist) >> Adam Smith is a well-known **economist**.

## Scarcity and the Factors of Production الندرة وعوامل الانتاج

- What is economics?
- ماهو الاقتصاد
- How do economists define scarcity?
- كيف يعرف الاقتصاديون الندرة
- What are the three factors of production?
- ماهي عوامل الانتاج الثلاثة

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د/عابد العبدلي

## What Is Economics? ماهو علم الاقتصاد

- Economics is the study of how people make choices to satisfy their wants

الاقتصاد هو دراسة كيف يتخذ الافراد الاختيارات التي تحقق رغباتهم

- For example:
  - You must choose how to spend your time
  - Businesses must choose how many people to hire

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## Scarcity and Shortages

- **Scarcity occurs when there are limited quantities of resources to meet unlimited needs or desires**
  - الندرة تظهر عندما تكون كميات الموارد محدودة لمواجهة الحاجات والرغبات غير المحدودة
- **Shortages occur when producers will not or cannot offer goods or services at current prices**
  - النقص/العجز يظهر عندما لا يرد او لا يرغب المنتجون عرض سلع وخدمات عند الاسعار السائدة

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## The Factors of Production عوامل الانتاج

- **Land** All natural resources that are used to produce goods and services.
  - الارض: (الطبيعة) كل الموارد الطبيعية المستخدمة لانتاج السلع والخدمات
- **Labor** Any effort a person devotes to a task for which that person is paid.
  - العمل: أي جهد انساني موجه لعمل بمقابل
- **Capital** Any human-made resource that is used to create other goods and services.
  - راس المال: أي مورد من صنع الانسانيستخدم لاجاد سلع وخدمات اخرى

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# The Factors of Popcorn Production

## عوامل انتاج الذرة الصفراء (الفشار)

Land ارض	Labor عمل	Capital راس مال
Popping Corn	The human effort needed to pop the corn	Corn-Popping Device
Vegetable Oil		

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## Section 1 Assessment

1. What is the difference between a shortage and scarcity?
  - (a) A shortage can be temporary or long-term, but scarcity always exists.
  - (b) A shortage results from rising prices; a scarcity results from falling prices.
  - (c) A shortage is a lack of all goods and services; a scarcity concerns a single item.
  - (d) There is no real difference between a shortage and a scarcity.
2. Which of the following is an example of using physical capital to save time and money?
  - (a) hiring more workers to do a job
  - (b) building extra space in a factory to simplify production
  - (c) switching from oil to coal to make production cheaper
  - (d) lowering workers' wages to increase profits

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د/عابد العبدلي

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  - (c) switching from oil to coal to make production cheaper
  - (d) lowering workers' wages to increase profits



## Opportunity Cost تكلفة الفرصة البديلة

- Does every decision you make involve trade-offs?  
هل كل قرار تتخذه ينطوي على مفاضلة؟
- How can a decision-making grid help you identify the opportunity cost of a decision?  
كيف لشبكة صنع القرار تساعد في تحديد تكلفة الفرصة للقرار؟
- How will thinking at the margin affect decisions you make?  
كيف يؤثر التفكير عند الهامش في القرارات التي تأخذها؟



## Trade-offs and Opportunity Cost

### المفاضلات وتكلفة الفرصة

- **Trade-offs** are all the alternatives that we give up whenever we choose one course of action over others.
- The most desirable alternative given up as a result of a decision is known as **opportunity cost**.

All individuals and groups of people make decisions that involve trade-offs.

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د/عابد العبدلي

## The Decision-Making Grid

### شبكة صنع القرار

- Economists encourage us to consider the benefits and costs of our decisions.

Karen's Decision-making Grid		
	Alternatives	
	Sleep late	Wake up early to study
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Enjoy more sleep</li> <li>• Have more energy during the day</li> </ul>	<ul style="list-style-type: none"> <li>• Better grade on test</li> <li>• Teacher and parental approval</li> <li>• Personal satisfaction</li> </ul>
<b>Decision</b>	<ul style="list-style-type: none"> <li>• Sleep late</li> </ul>	<ul style="list-style-type: none"> <li>• Wake up early to study for test</li> </ul>
<b>Opportunity cost</b>	<ul style="list-style-type: none"> <li>• Extra study time</li> </ul>	<ul style="list-style-type: none"> <li>• Extra sleep time</li> </ul>
<b>Benefits forgone</b>	<ul style="list-style-type: none"> <li>• Better grade on test</li> <li>• Teacher and parental approval</li> <li>• Personal satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Enjoy more sleep</li> <li>• Have more energy during the day</li> </ul>

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د/عابد العبدلي

## التفكير عند الهامش Thinking at the Margin

- When you decide how much more or less to do, you are **thinking at the margin**.

Options	Benefit	Opportunity Cost
1st hour of extra study time	Grade of C on test	1 hour of sleep
2nd hour of extra study time	Grade of B on test	2 hours of sleep
3rd hour of extra study time	Grade of B+ on test	3 hours of sleep

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د/عابد العبدلي

## Section 2 Assessment

1. Opportunity cost is
  - (a) any alternative we sacrifice when we make a decision.
  - (b) all of the alternatives we sacrifice when we make a decision.
  - (c) the most desirable alternative given up as a result of a decision.
  - (d) the least desirable alternative given up as a result of a decision.
2. Economists use the phrase “guns or butter” to describe the fact that
  - (a) a person can spend extra money either on sports equipment or food.
  - (b) a person must decide whether to manufacture guns or butter.
  - (c) a nation must decide whether to produce more or less military or consumer goods.
  - (d) a government can buy unlimited military and civilian goods if it is rich enough.

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د/عابد العبدلي

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## Production Possibilities Graphs

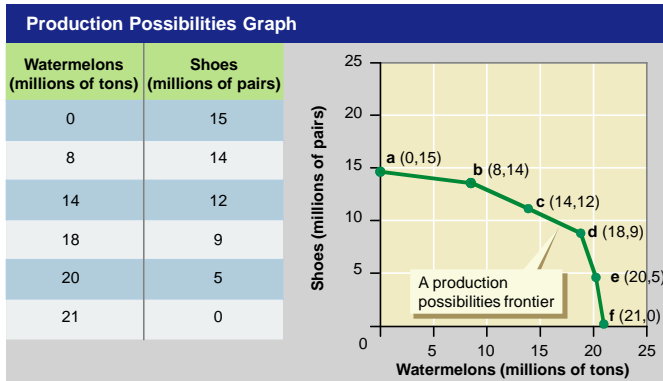
### الرسم البياني لامكانيات الانتاج

- What is a production possibilities graph?
- ما هو الرسم البياني لامكانيات الانتاج؟
- How do production possibilities graphs show efficiency, growth, and cost?
- كيف للرسم البياني لامكانية الانتاج ان يوضح الكفاءة والنمو والتكلفة؟
- Why are production possibilities frontiers curved lines?
- لماذا خطوط حدود امكانيات الانتاج منحنية؟



## امكانيات الانتاج Production Possibilities

- A production possibilities graph shows alternative ways that an economy can use its resources.
- The production possibilities frontier is the line that shows the maximum possible output for that economy.



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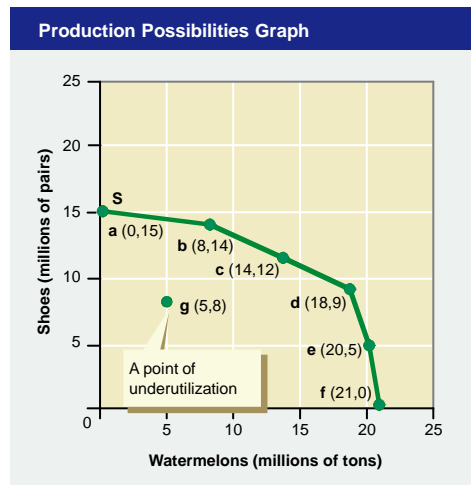
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## الكفاءة Efficiency

- **Efficiency** means using resources in such a way as to maximize the production of goods and services. An economy producing output levels on the production possibilities frontier is operating efficiently.



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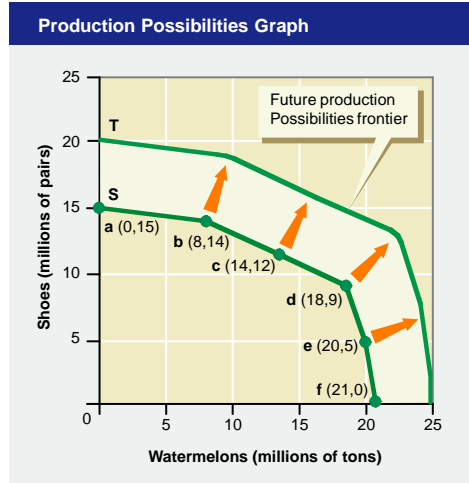
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## Growth النمو

- **Growth** If more resources become available, or if technology improves, an economy can increase its level of output and grow. When this happens, the entire production possibilities curve “shifts to the right.”



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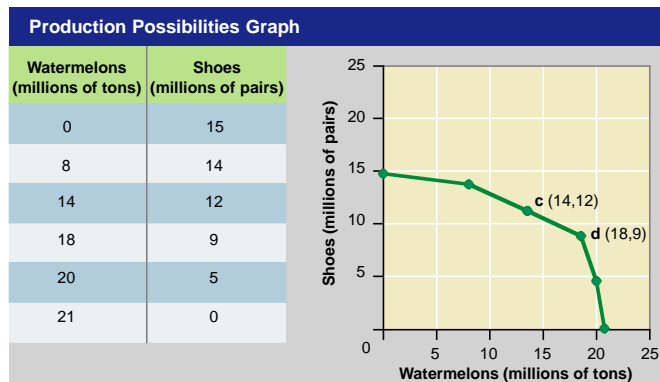
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## Cost التكلفة

- **Cost** A production possibilities graph shows the cost of producing more of one item. To move from point c to point d on this graph has a cost of 3 million pairs of shoes.



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## Section 3 Assessment

1. A production possibilities frontier shows
  - (a) farm goods and factory goods produced by an economy.
  - (b) the maximum possible output of an economy.
  - (c) the minimum possible output of an economy.
  - (d) underutilization of resources.
2. An economy that is using its resources to produce the maximum number of goods and services is described as
  - (a) efficient.
  - (b) underutilized.
  - (c) growing.
  - (d) trading off.



## Section 3 Assessment

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
حدود امكانية الانتاج	Production Possibilities frontier	الندرة	Scarcity
كفاءة	Efficiency	علم الاقتصاد	Economics
نمو	Growth	عوامل انتاج / عناصر انتاج	Factors of production
تكلفة	Cost	موارد	resources
خدمات	Services	حاجات	Needs
الارض	Land	منتجون	Producers
راس المال	Capital	سعر	Price
تكلفة الفرصة	Opportunity cost	سلع	goods
		مفاضلات/تبادلات	Trade-off

## Answering the Three Economic Questions اجابة الاسئلة الاقتصادية الثلاثة

- What key economic questions must every society answer?

ماهي الاسئلة الرئيسية التي يجب ان يجيب عليها أي مجتمع؟

- What basic economic goals do societies have?

ماهي الاهداف الاقتصادية لاي مجتمع؟

- What types of economic systems exist today?

ماهي انواع النظم الاقتصادية الموجودة الان؟

## The Three Economic Questions الأسئلة الاقتصادية الثلاثة

- Every society must answer three questions:
  - كل مجتمع لابد ان يجيب على ثلاثة اسئلة
- What goods and services should be produced?  
ماهي السلع والخدمات التي ينبغي انتاجها؟
- How should these goods and services be produced?  
كيف ينبغي انتاج هذ السلع والخدمات؟
- Who consumes these goods and services?  
من يستهلك هذه السلع والخدمات؟

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د/عابد العبدلي

## Economic Goals الأهداف الاقتصادية

- Societies answer the three economic questions based on their values. المجتمعات تجيب على هذه الاسئلة الثلاثة وفقا لقيمتها.

Economic Goals	
Economic efficiency	Making the most of resources
Economic freedom	Freedom from government intervention in the production and distribution of goods and services
Economic security and predictability	Assurance that goods and services will be available, payments will be made on time, and a safety net will protect individuals in times of economic disaster
Economic equity	Fair distribution of wealth
Economic growth and innovation	Innovation leads to economic growth, and economic growth leads to a higher standard of living.
Other goals	Societies pursue additional goals, such as environmental protection.

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## Four Economic Systems

### النظم الاقتصادية الأربعة

An economic system is the method used by a society to produce and distribute goods and services.

النظام الاقتصادي هو طريقة يتبعها المجتمع لإنتاج وتوزيع السلع والخدمات

**Islamic Economics** rely on Islamic Teachings to decide what to produce, how to produce it, and to whom to distribute it.

In a **market economy** economic decisions are made by individuals and are based on exchange, or trade.

In a **centrally planned economy** the central government makes all decisions about the production and consumption of goods and services.

**Mixed economies** are systems that combine tradition and the free market with limited government intervention.

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د/عابد العبدلي

## Section 1 Assessment

1. Each society determines who will consume what is produced based on
  - (a) its unique combination of social values and goals.
  - (b) the amount of factor payments.
  - (c) its needs and wants.
  - (d) economic equity.
2. To improve its standard of living, a nation's economy must
  - (a) remain stable.
  - (b) grow through innovation.
  - (c) reach economic equity.
  - (d) allow the central government to make economic decisions.

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د/عابد العبدلي

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## The Free Market اقتصاد السوق الحر

- How do free markets operate?  
كيف يعمل الاقتصاد الحر؟
- How can markets regulate themselves?  
كيف تنظم الاسواق نفسها؟
- What are the advantages of a free market economy?  
ماهي ايجابيات اقتصاد السوق الحر؟

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د/عابد العبدلي

## Why Do Markets Exist? لماذا توجد الاسواق

**Markets exist because none of us produces all the goods and services we require to satisfy our needs and wants.**

توجد الاسواق لانه لا يوجد احد ينتج كل السلع والخدمات التي نحتاجها لتلبية احتياجاتنا ورغباتنا

A **market** is an arrangement that allows buyers and sellers to exchange goods and services.

السوق ترتيب او ظروف تسمح للبائعين والمشتريين بتبادل السلع والخدمات

**Specialization** is the concentration of the productive efforts of individuals and firms on a limited number of activities.

التخصص تركيز الجهود الانتاجية للافراد والمنشآت في عدد محدود من الأنشطة

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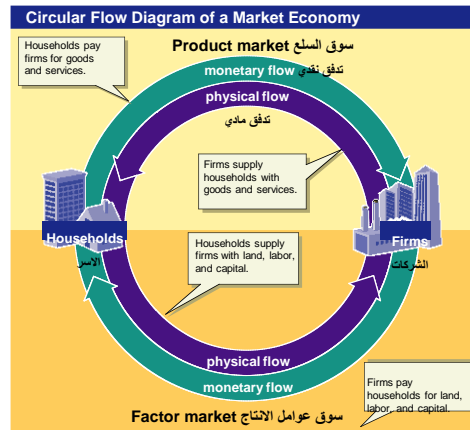


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## The Free Market Economy اقتصاد السوق الحر

- In a free market economy, households and business firms use markets to exchange money and products. Households own the factors of production and consume goods and services.

في الاقتصاد الحر الاسر (قطاع الاستهلاك) والشركات (قطاع الاعمال) يستخدموا السوق لمبادلة النقود والسلع. الاسر تمتلك عوامل الانتاج وتستهلك السلع والخدمات



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## The Market's Self-Regulating Nature

### طبيعة التنظيم الذاتي للسوق

- In every transaction, the buyer and seller consider only their **self-interest**, or their own personal gain. Self-interest is the motivating force in the free market.
- Producers in a free market struggle for the dollars of consumers. This is known as **competition**, and is the regulating force of the free market.
- The interaction of buyers and sellers, motivated by self-interest and regulated by competition, all happens without a central plan. This phenomenon is called “the **invisible hand** of the marketplace.”

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## Advantages of the Free Market

### مزايا السوق الحر

#### Economic Efficiency

الكفاءة الاقتصادية

- As a self-regulating system, a free market economy is efficient.

#### Economic Growth

النمو الاقتصادي

- Because competition encourages innovation, free markets encourage growth.

#### Economic Freedom

الحرية الاقتصادية

- Free market economies have the highest degree of economic freedom of any economic system.

#### Additional Goals

اهداف اضافية

- Free markets offer a wider variety of goods and services than any other economic system.

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## Section 2 Assessment

1. Why do people need to buy and sell goods or services?
  - (a) People need to buy and sell goods to make a profit.
  - (b) People buy and sell to maintain a competitive society.
  - (c) No one is self-sufficient.
  - (d) People need to provide the market with goods and services.
2. What factors create the phenomenon of the “invisible hand”?
  - (a) incentives and efficiency
  - (b) specialization and efficiency
  - (c) competition between firms
  - (d) competition and self-interest



## Section 2 Assessment

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## Centrally Planned Economies اقتصاديات التخطيط المركزي

- How are centrally planned economies organized?  
كيف تنظم اقتصاديات التخطيط المركزي؟
- How did the centrally planned economy of the former Soviet Union function?  
كيف عمل اقتصاد التخطيط المركزي للاتحاد السوفياتي السابق؟
- What problems exist within centrally planned economies?  
ماهي المشاكل الموجودة في اقتصاديات التخطيط المركزي؟

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## Organization of Centrally Planned Economies تنظيم اقتصاديات التخطيط المركزي

In a **centrally planned economy**, the government owns both land and capital. The government decides what to produce, how much to produce, and how much to charge.

### Socialism الاشتراكية

is a social and political philosophy based on the belief that democratic means should be used to distribute wealth evenly throughout a society.

### Communism الشيوعية

is a political system characterized by a centrally planned economy with all economic and political power resting in the hands of the government.

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## The Former Soviet Union الاتحاد السوفييتي السابق

- **Soviet Agriculture** الزراعة السوفييتي
  - In the Soviet Union, the government created large state-owned farms and collectives for most of the country's agricultural production.
- **Soviet Industry** الصناعة السوفييتية
  - Soviet planners favored heavy-industry production (such as steel and machinery), over the production of consumer goods.
- **Soviet Consumers** المستهلكين السوفييتيين
  - Consumer goods in the Soviet Union were scarce and usually of poor quality.

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د/عابد العبدلي

## Problems of a Centrally Planned Economy مشاكل اقتصاد التخطيط المركزي



Centrally planned economies face problems of poor-quality goods, shortages, and diminishing production.

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د/عابد العبدلي

## Section 3 Assessment

1. In a socialist country,
  - (a) central planning is unnecessary.
  - (b) the government often owns major industries, such as utilities.
  - (c) an authoritarian government controls the economy.
  - (d) economic equality is not important.
2. Which of the following is an advantage of a centrally planned economy?
  - (a) the system's bureaucracies are small and flexible
  - (b) the system can work quickly to accomplish specific goals
  - (c) innovation is well rewarded
  - (d) consumers' needs are well met



## Section 3 Assessment

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## Modern Economies الاقتصادية الحديثة

- Why are many modern economies mixed economies?  
لماذا العديد من الاقتصاديات الحديثة مختلطة؟
- What role does the government play in a mixed economy?  
ما هو الدور الذي تلعبه الحكومة في الاقتصاد المختلط؟
- How do mixed economies in different countries compare?  
كيف تقارن الاقتصاديات المختلطة في دول مختلفة؟

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د/عابد العبدلي

## The Rise of Mixed Economies بروز الاقتصاديات المختلطة

Market economies, with all their advantages, have certain drawbacks.

### Limits of Laissez Faire حدود حرية عدم التدخل

**Laissez faire** is the doctrine that government generally should not interfere in the marketplace.

Governments create laws protecting property rights and enforcing contracts. They also encourage innovation through patent laws.

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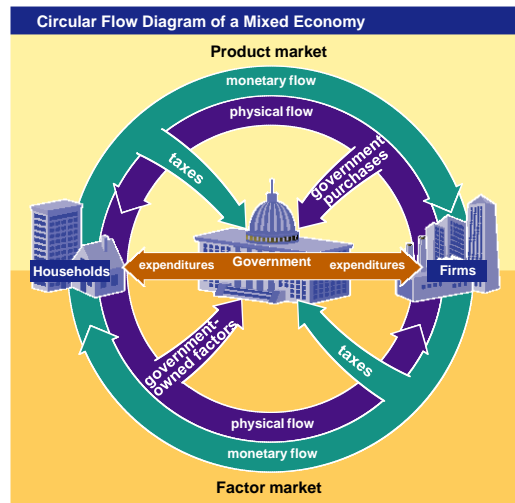
د/عابد العبدلي

# Government's Role in a Mixed Economy

## دور الحكومة في الاقتصاد المختلط

In a mixed economy,

- The government purchases land, labor, and capital from households in the factor market, and
- Purchases goods and services in the product market.



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د/عابد العبدلي

# Comparing Mixed Economies

## مقارنة الاقتصاديات المختلطة

- An economic system that permits the conduct of business with minimal government intervention is called **free enterprise**. The degree of government involvement in the economy varies among nations.

### Continuum of Mixed Economies

Centrally planned التخطيط المركزي

Free market الحر السوق



Source: 1999 Index of Economic Freedom, Bryan T. Johnson, Kim R. Holmes, and Melanie Kirkpatrick

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## Section 4 Assessment

1. The United States economy is a mixed economy
  - (a) based on the principle of a traditional economy, but allows some government intervention.
  - (b) based on the principles of a centrally planned economy, with limited government intervention.
  - (c) based on the principles of the free market, and allows no government intervention.
  - (d) based on the principles of the free market, but allows some government intervention.
2. Government intervention in a modern economy is useful because
  - (a) the needs and wants of modern society are always met by the marketplace.
  - (b) the marketplace has many incentives to create public goods such as parks and libraries.
  - (c) governments are able to provide some goods and services that the marketplace has no incentive to produce.
  - (d) the marketplace provides all of its own laws.

## Section 4 Assessment

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
اقتصاد التخطيط المركزي	centrally planned economy	الاهداف الاقتصادية	economic goals
التخصص	Specialization	النظم الاقتصادية	economic systems
سوق السلع	Product market	السلع والخدمات	goods and services
سوق عوامل الانتاج	Factor market	الحرية الاقتصادية	Economic freedom
الحرية الاقتصادية	Economic Freedom	العدالة الاقتصادية	Economic equity
النمو الاقتصادي	Economic Growth	الاقتصاد الحر / الراسمالي	market economy
مبدأ عدم تدخل الحكومة في الاقتصاد	Laissez Faire	الاقتصاد الإسلامي	Islamic Economics
		اقتصادات مختلطة	Mixed economies

## Understanding Demand فهم موضوع الطلب

- What is the law of demand?  
ماهو قانون الطلب؟
- How do the substitution effect and income effect influence decisions?  
كيف يؤثر اثر الاحلال والدخل في اتخاذ القرارات؟
- What is a demand schedule?  
ماهو جدول الطلب؟
- What is a demand curve?  
ماهو منحنى الطلب؟

## ما هو قانون الطلب? What Is the Law of Demand?

The **law of demand** states that consumers buy more of a good when its price decreases and less when its price increases.

**قانون الطلب** يقرر ان المستهلكين يشترون اكثر من السلع عندما تنخفض الاسعار ويشتررون اقل عندما ترتفع الاسعار

- The law of demand is the result of two separate behavior patterns that overlap, the substitution effect and the income effect.
- These two effects describe different ways that a consumer can change his or her spending patterns for other goods.

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## The Substitution Effect and Income Effect

### اثر الاحلال The Substitution Effect

- The substitution effect occurs when consumers react to an increase in a good's price by consuming less of that good and more of other goods.
- **اثر الاحلال:** عند ارتفاع سعر سلعة ما يخفض المستهلك استهلاكه من هذه السلعة ويستهلك اكثر من السلع الاخرى، أي يقوم باحلال السلعة نتيجة تغير سعرها

### اثر الدخل The Income Effect

- The income effect happens when a person changes his or her consumption of goods and services as a result of a change in real income.

**اثر الدخل:** يحدث عندما يتغير استهلاك الفرد نتيجة للتغير في دخله الحقيقي

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## The Demand Schedule جدول الطلب

- A **demand schedule** is a table that lists the quantity of a good a person will buy at each different price.
- A **market demand schedule** is a table that lists the quantity of a good all consumers in a market will buy at each different price.

Demand Schedules			
Individual Demand Schedule		Market Demand Schedule	
Price of a slice of pizza	Quantity demanded per day	Price of a slice of pizza	Quantity demanded per day
\$0.50	5	\$0.50	300
\$1.00	4	\$1.00	250
\$1.50	3	\$1.50	200
\$2.00	2	\$2.00	150
\$2.50	1	\$2.50	100
\$3.00	0	\$3.00	50

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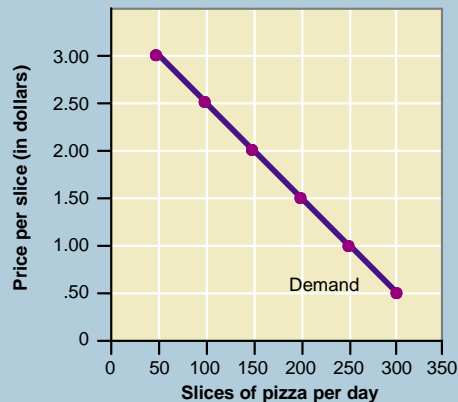


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## The Demand Curve منحنى الطلب

- A **demand curve** is a graphical representation of a demand schedule.
  - منحنى الطلب: تمثيل بياني لجدول الطلب
- When reading a **demand curve**, assume all outside factors, such as income, are held constant.

Market Demand Curve



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## Section 1 Assessment

1. The law of demand states that
  - (a) consumers will buy more when a price increases.
  - (b) price will not influence demand.
  - (c) consumers will buy less when a price decreases.
  - (d) consumers will buy more when a price decreases.
2. If the price of a good rises and income stays the same, what is the effect on demand?
  - (a) the prices of other goods drop
  - (b) fewer goods are bought
  - (c) more goods are bought
  - (d) demand stays the same



## Section 1 Assessment

1. The law of demand states that
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  - (d) demand stays the same



## Shifts of the Demand Curve انتقال منحنى الطلب

- What is the difference between a change in quantity demanded and a shift in the demand curve?
- What factors can cause shifts in the demand curve?
- How does the change in the price of one good affect the demand for a related good?

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## Shifts in Demand انتقال الطلب

- **Ceteris paribus** is a Latin phrase economists use meaning “all other things held constant.”
- A demand curve is accurate only as long as the ceteris paribus assumption is true.
- When the ceteris paribus assumption is dropped, movement no longer occurs along the demand curve. Rather, the entire demand curve shifts.

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## What Causes a Shift in Demand?

### مالذي يسبب انتقال منحنى الطلب

- **Several factors can lead to a change in demand:**
  1. **Income**

Changes in consumers incomes affect demand. A **normal good** is a good that consumers demand more of when their incomes increase. An **inferior good** is a good that consumers demand less of when their income increases.
  2. **Consumer Expectations**

Whether or not we expect a good to increase or decrease in price in the future greatly affects our demand for that good today.
  3. **Population**

Changes in the size of the population also affects the demand for most products.
  4. **Consumer Tastes and Advertising**

Advertising plays an important role in many trends and therefore influences demand.

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## Prices of Related Goods اسعار السلع الاخرى

The demand curve for one good can be affected by a change in the demand for another good.

- **Complements** are two goods that are bought and used together. Example: tapes and recorders boots
- **Substitutes** are goods used in place of one another. Example: meats of chicken and lamb

السلع المكملة: سلعتان يتم شرايهما واستخدامهما معا مثل الاشرطة واجهزة التسجيل

السلع البديلة: السلع يتم استخدامها محل بعض مثل لحوم الدجاج ولحوم الاغنام

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## Section 2 Assessment

1. Which of the following does not cause a shift of an entire demand curve?
  - (a) a change in price
  - (b) a change in income
  - (c) a change in consumer expectations
  - (d) a change in the size of the population
2. Which of the following statements is accurate?
  - (a) When two goods are complementary, increased demand for one will cause decreased demand for the other.
  - (b) When two goods are complementary, increased demand for one will cause increased demand for the other.
  - (c) If two goods are substitutes, increased demand for one will cause increased demand for the other.
  - (d) A drop in the price of one good will cause increased demand for its substitute.



## Section 2 Assessment

1. Which of the following does not cause a shift of an entire demand curve?
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## Elasticity of Demand مرونة الطلب

- What is elasticity of demand?

ماهي مرونة الطلب

- How can a demand schedule and demand curve be used to determine elasticity of demand?

كيف يستخدم جدول ومنحنى الطلب في تحديد مرونة الطلب؟

- What factors affect elasticity?

ما العوامل المؤثرة في المرونة؟

- How do firms use elasticity and revenue to make decisions?

كيف تستخدم المنشآت المرونة والعوائد لاتخاذ القرارات؟

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## What Is Elasticity of Demand?

ماهي مرونة الطلب

**Elasticity of demand** is a measure of how consumers react to a change in price.

مرونة الطلب: مقياس لردة فعل المستهلك عند تغير السعر

- Demand for a good that consumers will continue to buy despite a price increase is **inelastic**.
- Demand for a good that is very sensitive to changes in price is **elastic**.

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# Calculating Elasticity حساب المرونة

## Elasticity of Demand مرونة الطلب

Elasticity is determined using the following formula:

$$\text{Elasticity} = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

To find the percentage change in quantity demanded or price, use the following formula: subtract the new number from the original number, and divide the result by the original number. Ignore any negative signs, and multiply by 100 to convert this number to a percentage:

$$\text{Percentage change} = \frac{\text{Original number} - \text{New number}}{\text{Original number}} \times 100$$

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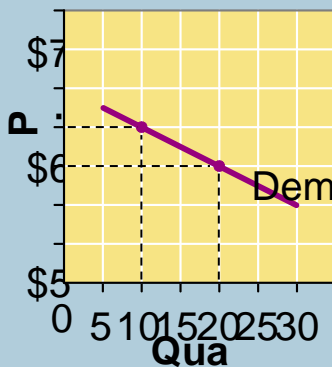
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## Elastic Demand طلب مرن

### Elastic Demand



If demand is elastic, a small change in price leads to a relatively large change in the quantity demanded. Follow this demand curve from left to right.

The price decreases from \$4 to \$3, a decrease of 25 percent.

$$\frac{\$4 - \$3}{\$4} \times 100 = 25$$

The quantity demanded increases from 10 to 20. This is an increase of 100 percent.

$$\frac{10 - 20}{10} \times 100 = 100$$

Elasticity of demand is equal to 4.0. Elasticity is greater than 1, so demand is elastic. In this example, a small decrease in price caused a large increase in the quantity demanded.

$$\frac{100\%}{25\%} = 4.0$$

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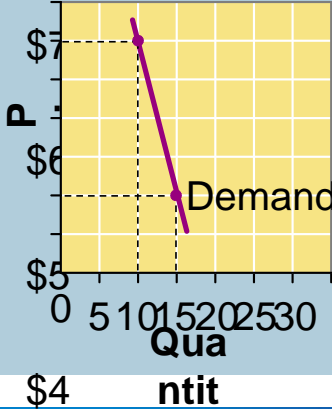
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## Inelastic Demand طلب غير مرن

### Inelastic Demand



If demand is inelastic, consumers are not very responsive to changes in price. A decrease in price will lead to only a small change in quantity demanded, or perhaps no change at all. Follow this demand curve from left to right as the price decreases sharply from \$6 to \$2.

The price decreases from \$6 to \$2, a decrease of about 67 percent.

$$\frac{\$6 - \$2}{\$6} \times 100 = 67$$

The quantity demanded increases from 10 to 15, an increase of 50 percent.

$$\frac{10 - 15}{10} \times 100 = 50$$

Elasticity of demand is about 0.75. The elasticity is less than 1, so demand for this good is inelastic. The increase in quantity demanded is small compared to the decrease in price.

$$\frac{50\%}{67\%} = 0.75$$

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## Factors Affecting Elasticity

### عوامل مؤثرة في المرونة

- **Several different factors can affect the elasticity of demand for a certain good.**

1. Availability of Substitutes توفر البدائل

If there are few substitutes for a good, then demand will not likely decrease as price increases. The opposite is also usually true.

2. Relative Importance الاهمية النسبية

Another factor determining elasticity of demand is how much of your budget you spend on the good.

3. Necessities versus Luxuries السلع الضرورية والكمالية

Whether a person considers a good to be a necessity or a luxury has a great impact on the good's elasticity of demand for that person.

4. Change over Time التغير في الزمن

Demand sometimes becomes more elastic over time because people can eventually find substitutes.

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## Elasticity and Revenue المرونة والعوائد

The elasticity of demand determines how a change in prices will affect a firm's total revenue or income.

- A company's total revenue is the total amount of money the company receives from selling its goods or services.
- Firms need to be aware of the elasticity of demand for the good or service they are providing.
- If a good has an elastic demand, raising prices may actually decrease the firm's total revenue.

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## Section 3 Assessment

1. What does elasticity of demand measure?
  - (a) an increase in the quantity available
  - (b) a decrease in the quantity demanded
  - (c) how much buyers will cut back or increase their demand when prices rise or fall
  - (d) the amount of time consumers need to change their demand for a good
2. What effect does the availability of many substitute goods have on the elasticity of demand for a good?
  - (a) demand is elastic
  - (b) demand is inelastic
  - (c) demand is unitary elastic
  - (d) the availability of substitutes does not have an effect

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
كماليات	Luxuries	الطلب	Demand
عائد	Revenue	اثر الاحلال	Substitution Effect
منشأة	Firm	اثر الدخل	Income Effect
نقود	Money	جدول الطلب	Demand Schedule
طلب مرن	Elastic Demand	منحنى الطلب	Demand Curve
طلب غير مرن	Inelastic Demand	قانون الطلب	Law Of Demand
عائد اجمالي	Total Revenue	مستهلك	Consumer
انتقال الطلب	Shift In Demand	استهلاك	Consumption
توقعات المستهلك	Consumer Expectations	ثبات العوامل الاخرى	Ceteris Paribus

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
غير مرن	Inelastic	سلع تكميلية	Complements
مرن	Elastic	سلع بديلة	Substitutes
الكمية المطلوبة	Quantity Demanded	مرونة الطلب	Elasticity Of Demand
ضروريات	Necessities		

## The Law of Supply قانون العرض

- According to the law of supply, suppliers will offer more of a good at a higher price.

وفقا لقانون العرض يعرض المنتجون مزيد من السلع عند الاسعار المرتفعة



## How Does the Law of Supply Work?

### كيف يعمل قانون العرض؟

- Economists use the term **quantity supplied** to describe how much of a good is offered for sale at a specific price.
- The promise of increased revenues when prices are high encourages firms to produce more.
- Rising prices draw new firms into a market and add to the quantity supplied of a good.

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## Supply Schedules جدول العرض

- A **market supply schedule** is a chart that lists how much of a good all suppliers will offer at different prices.

Market Supply Schedule	
Price per slice of pizza	Slices supplied per day
\$ .50	1,000
\$1.00	1,500
\$1.50	2,000
\$2.00	2,500
\$2.50	3,000
\$3.00	3,500

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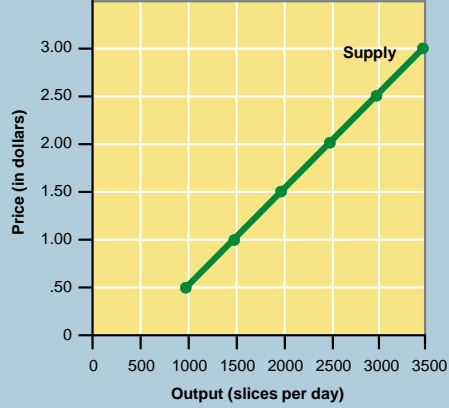


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## Supply Curves منحنى العرض

- A market supply curve is a graph of the quantity supplied of a good by all suppliers at different prices.

### Market Supply Curve



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## Elasticity of Supply مرونة العرض

**Elasticity of supply** is a measure of the way quantity supplied reacts to a change in price.

مرونة العرض هي مقياس لردة فعل الكمية المعروضة عند تغيير السعر

- If supply is not very responsive to changes in price, it is considered inelastic.
- An elastic supply is very sensitive to changes in price.

إذا كان العرض غير مستجيب للتغيير في السعر  
يعتبر غير مرن

العرض المرن يكون حساسا للتغيير في السعر

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## What Affects Elasticity of Supply?

ما العوامل المؤثرة في مرونة العرض

### Time الزمن

- In the short run, a firm cannot easily change its output level, so supply is inelastic.
- In the long run, firms are more flexible, so supply can become more elastic.

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## Section 1 Assessment

1. What is the law of supply?
  - (a) the lower the price, the larger the quantity supplied
  - (b) the higher the price, the larger the quantity supplied
  - (c) the higher the price, the smaller the quantity supplied
  - (d) the lower the price, the more manufacturers will produce the good
2. What happens when the price of a good with an elastic supply goes down?
  - (a) existing producers will expand and some new producers will enter the market
  - (b) some producers will produce less and others will drop out of the market
  - (c) existing firms will continue their usual output but will earn less
  - (d) new firms will enter the market as older ones drop out

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## Costs of Production تكاليف الإنتاج

- How do firms decide how much labor to hire?
  - كيف تقرر المنشأة حجم العمالة التي تستخدمها؟
- What are production costs?
  - ماهي تكاليف الإنتاج؟
- How do firms decide how much to produce?
  - كيف تقرر المنشأة حجم انتاجها؟



# A Firm's Labor Decisions

## قرار المنشأة في حجم العمالة

- Business owners have to consider how the number of workers they hire will affect their total production.
- The **marginal product of labor** is the change in output from hiring one additional unit of labor, or worker.

Marginal Product of Labor		
Labor (number of workers)	Output (beanbags per hour)	Marginal product of labor
0	0	—
1	4	4
2	10	6
3	17	7
4	23	6
5	28	5
6	31	3
7	32	1
8	31	-1

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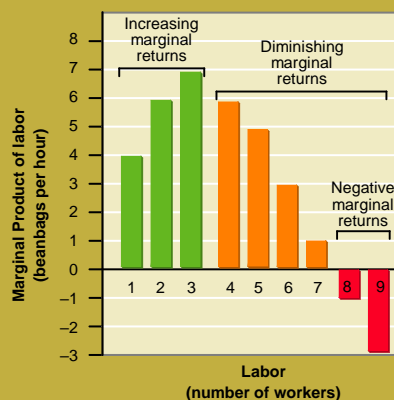
## Marginal Returns العوائد الحدية

**Increasing marginal returns** occur when marginal production levels increase with new investment.

**Diminishing marginal returns** occur when marginal production levels decrease with new investment.

**Negative marginal returns** occur when the marginal product of labor becomes negative.

Increasing, Diminishing, and Negative Marginal Returns



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## تكاليف الانتاج Production Costs

- A **fixed cost** is a cost that does not change, regardless of how much of a good is produced. Examples: rent and salaries
- **Variable costs** are costs that rise or fall depending on how much is produced. Examples: costs of raw materials, some labor costs.
- The **total cost** equals fixed costs plus variable costs.
- The **marginal cost** is the cost of producing one more unit of a good.

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## تحديد الناتج المثالي Setting Output

- Marginal revenue is the additional income from selling one more unit of a good. It is usually equal to price.
- To determine the best level of output, firms determine the output level at which marginal revenue is equal to marginal cost.

Production Costs							
Beanbags (per hour)	Fixed cost	Variable cost	Total cost (fixed cost + variable cost)	Marginal cost	Marginal revenue (market price)	Total revenue	Profit (total revenue – total cost)
0	\$36	\$0	\$36	—	\$24	\$0	\$ -36
1	36	8	44	\$8	24	24	-20
2	36	12	48	4	24	48	0
3	36	15	51	3	24	72	21
4	36	20	56	5	24	96	40
5	36	27	63	7	24	120	57
6	36	36	72	9	24	144	72
7	36	48	84	12	24	168	84
8	36	63	99	15	24	192	93
9	36	82	118	19	24	216	98
10	36	106	142	24	24	240	98
11	36	136	172	30	24	264	92
12	36	173	209	37	24	288	79

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## Section 2 Assessment

1. What are diminishing marginal returns of labor?
  - (a) some workers increase output but others have the opposite effect
  - (b) additional workers increase total output but at a decreasing rate
  - (c) only a few workers will have to wait their turn to be productive
  - (d) additional workers will be more productive
2. How does a firm set its total output to maximize profit?
  - (a) set production so that total revenue plus costs is greatest
  - (b) set production at the point where marginal revenue is smallest
  - (c) determine the largest gap between total revenue and total cost
  - (d) determine where marginal revenue and profit are the same



## Section 2 Assessment

1. What are diminishing marginal returns of labor?
  - (a) some workers increase output but others have the opposite effect
  - (b) additional workers increase total output but at a decreasing rate**
  - (c) only a few workers will have to wait their turn to be productive
  - (d) additional workers will be more productive
2. How does a firm set its total output to maximize profit?
  - (a) set production so that total revenue plus costs is greatest
  - (b) set production at the point where marginal revenue is smallest
  - (c) determine the largest gap between total revenue and total cost**
  - (d) determine where marginal revenue and profit are the same



## التغير في العرض Changes in Supply

- How do input costs affect supply?
  - كيف تؤثر تكاليف مدخلات الانتاج في العرض؟
- How can the government affect the supply of a good?
  - كيف تؤثر الحكومة في عرض السلعة؟
- What other factors can influence supply?
  - ما العوامل الاخرى المؤثرة في العرض؟

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د/عابد العبدلي

## تكاليف مدخلات الانتاج Input Costs and Supply

- Any change in the cost of an input such as the raw materials, machinery, or labor used to produce a good, will affect supply.
- As input costs increase, the firm's marginal costs also increase, decreasing profitability and supply.
- Input costs can also decrease. New technology can greatly decrease costs and increase supply.

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د/عابد العبدلي

## Government Influences on Supply

### تأثير الحكومة في العرض

- By raising or lowering the cost of producing goods, the government can encourage or discourage an entrepreneur or industry.

#### Subsidies الدعم

A **subsidy** is a government payment that supports a business or market. Subsidies cause the supply of a good to increase.

#### Taxes الضرائب

The government can reduce the supply of some goods by placing an **excise tax** on them. An excise tax is a tax on the production or sale of a good.

#### Regulation التنظيم

**Regulation** occurs when the government steps into a market to affect the price, quantity, or quality of a good. Regulation usually raises costs.

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د/عابد العبدلي

## Other Factors Influencing Supply

### العوامل الاخرى المؤثرة في العرض

- The Global Economy الاقتصاد العالمي
  - The supply of imported goods and services has an impact on the supply of the same goods and services here.
  - Government import restrictions will cause a decrease in the supply of restricted goods.
- Future Expectations of Prices التوقعات المستقبلية للاسعار
  - Expectations of higher prices will reduce supply now and increase supply later. Expectations of lower prices will have the opposite effect.
- Number of Suppliers عدد العارضين
  - If more firms enter a market, the market supply of the good will rise. If firms leave the market, supply will decrease.

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## Section 3 Assessment

1. What affect does a rise in the cost of raw materials have on the cost of a good?
  - (a) A rise in the cost of raw materials lowers the overall cost of production.
  - (b) The good becomes cheaper to produce.
  - (c) The good becomes more expensive to produce.
  - (d) This does not have any affect on the eventual price of a good.
2. When government actions cause the supply of a good to increase, what happens to the supply curve for that good?
  - (a) It shifts to the left.
  - (b) It shifts to the right.
  - (c) It reverses direction.
  - (d) The supply curve is unaffected.



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## مصطلحات رئيسية Key Terms

عربي	انجليزي	عربي	انجليزي
مصانع	manufacturers	قانون العرض	law of supply
تكاليف الانتاج	Costs of Production	منحنى العرض	supply curve
اصحاب الاعمال	Business owners	مرونة العرض	elasticity of supply
الانتاج الاجمالي	total production	الكمية المعروضة	quantity supplied
الناتج الحدي للعمل	marginal product of labor	العوائد	revenues
العوائد الحدية	Marginal Returns	جدول العرض	supply schedule
العوائد الحدية المتزايدة	Increasing marginal returns	عرض مرن	elastic supply
العوائد الحدية المتناقصة	Diminishing marginal returns	عرض غير مرن	inelastic supply
العوائد الحدية السالبة	Negative marginal returns	مستوى الناتج	output level

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## مصطلحات رئيسية Key Terms

عربي	انجليزي	عربي	انجليزي
الات	machinery	تكاليف ثابتة	fixed costs
ربحية	profitability	ايجار	rent
تقنية جديدة	New technology	راتب	salary
مبادر / منظم	entrepreneur	تكاليف متغيرة	Variable costs
اعانات	Subsidies	مواد خام	raw materials
ضريبة غير مباشرة	excise tax	تكلفة كلية	total cost
تنظيم / قانون	Regulation	تكلفة حدية	marginal cost
اقتصاد عالمي	Global Economy	تعظيم الربح	To maximize profit
التوقعات المستقبلية للاسعار	Future Expectations of Prices	تكاليف مدخلات	input costs

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د/عابد العبدلي



## Combining Supply and Demand دمج العرض والطلب

- How do supply and demand create balance in the marketplace?
  - كيف يحدث العرض والطلب التوازن في السوق؟
- What are differences between a market in equilibrium and a market in disequilibrium?
  - ما الفرق بين سوق في حالة توازن وسوق في حالة اختلال توازن؟
- What are the effects of price ceilings and price floors?
  - ماهي الآثار المترتبة على تحديد سقوف وارضيات للاسعار؟

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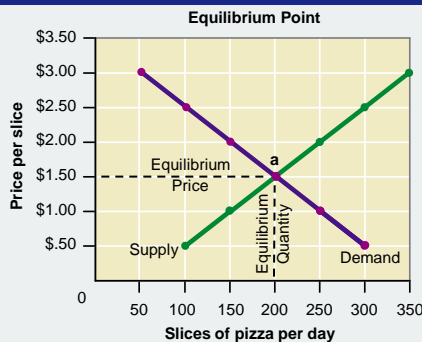


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## Balancing the Market توازن السوق

The point at which quantity demanded and quantity supplied come together is known as **equilibrium**.

### Finding Equilibrium



Combined Supply and Demand Schedule

Price of a slice of pizza	Quantity demanded	Quantity supplied	Result
\$.50	300	100	Shortage from excess demand
\$1.00	250	150	
\$1.50	200	200	Equilibrium
\$2.00	150	250	Surplus from excess supply
\$2.50	100	300	
\$3.00	50	350	

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## Market Disequilibrium اختلال توازن السوق

If the market price or quantity supplied is anywhere but at the equilibrium price, the market is in a state called disequilibrium. There are two causes for **disequilibrium**:

### Excess Demand فائض طلب

- Excess demand occurs when quantity demanded is more than quantity supplied.

### Excess Supply فائض عرض

- Excess supply occurs when quantity supplied exceeds quantity demanded.

Interactions between buyers and sellers will always push the market back towards equilibrium.

التفاعل بين المشترين والبائعين يدفع دائما السوق الى حالة التوازن

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## Price Ceilings سقوف الاسعار

In some cases the government steps in to control prices. These interventions appear as price ceilings and price floors.

- A **price ceiling** is a maximum price that can be legally charged for a good.
- An example of a price ceiling is rent control, a situation where a government sets a maximum amount that can be charged for rent in an area.

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## Price Floors ارضيات الاسعار

- A **price floor** is a minimum price, set by the government, that must be paid for a good or service.
- One well-known price floor is the **minimum wage**, which sets a minimum price that an employer can pay a worker for an hour of labor.

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## Section 1 Assessment

1. Equilibrium in a market means which of the following?
  - (a) the point at which quantity supplied and quantity demanded are the same
  - (b) the point at which unsold goods begin to pile up
  - (c) the point at which suppliers begin to reduce prices
  - (d) the point at which prices fall below the cost of production
2. The government's price floor on low wages is called the
  - (a) market equilibrium
  - (b) base wage rate
  - (c) minimum wage
  - (d) employment guarantee

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## Changes in Market Equilibrium

### التغيرات في توازن السوق

- How do shifts in supply affect market equilibrium?
  - كيف يؤثر انتقال منحنى العرض على توازن السوق
- How do shifts in demand affect market equilibrium?
  - كيف يؤثر الانتقال في منحنى الطلب على توازن السوق
- How can we use supply and demand curves to analyze changes in market equilibrium?
  - كيف نستخدم منحنيات العرض والطلب في تحليل التغيرات في توازن السوق؟



## Shifts in Supply **انتقال العرض**

- **Understanding a Shift** فهم الانتقال
  - Since markets tend toward equilibrium, a change in supply will set market forces in motion that lead the market to a new equilibrium price and quantity sold.
- **Excess Supply** فائض العرض
  - A surplus is a situation in which quantity supplied is greater than quantity demanded. If a surplus occurs, producers reduce prices to sell their products. This creates a new market equilibrium.
- **A Fall in Supply** انخفاض العرض
  - The exact opposite will occur when supply is decreased. As supply decreases, producers will raise prices and demand will decrease.

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## Shifts in Demand **الانتقال في الطلب**

- **Excess Demand** فائض الطلب
  - A shortage is a situation in which quantity demanded is greater than quantity supplied.
- **Search Costs** تكاليف البحث
  - Search costs are the financial and opportunity costs consumers pay when searching for a good or service.
- **A Fall in Demand** الانخفاض في الطلب
  - When demand falls, suppliers respond by cutting prices, and a new market equilibrium is found.

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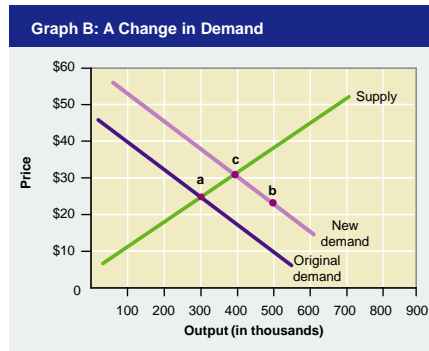
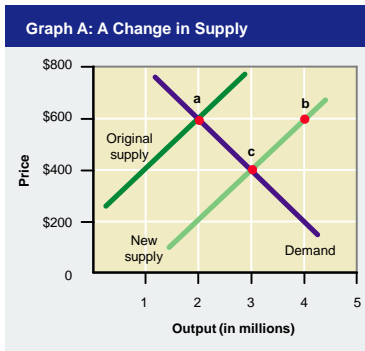
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# Analyzing Shifts in Supply and Demand

## تحليل الانتقالات في الطلب والعرض



- Graph A shows how the market finds a new equilibrium when there is an increase in supply.
- Graph B shows how the market finds a new equilibrium when there is an increase in demand.

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## Section 2 Assessment

1. When a new equilibrium is reached after a fall in demand, the new equilibrium has a
  - (a) lower market price and a higher quantity sold.
  - (b) higher market price and a higher quantity sold.
  - (c) lower market price and a lower quantity sold.
  - (d) higher market price and a lower quantity sold.
2. What happens when any market is in disequilibrium and prices are flexible?
  - (a) market forces push toward equilibrium
  - (b) sellers waste their resources
  - (c) excess demand is created
  - (d) unsold perishable goods are thrown out

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## The Role of Prices دور الاسعار

- What role do prices play in a free market system?
  - ماهو الدور الذي تلعبه الاسعار في نظام السوق الحر
- What advantages do prices offer?
  - ماهي ايجابيات عروض الاسعار
- How do prices allow for efficient resource allocation?
  - كيف تتيح تسمح الاسعار للتخصيص الكفاء للموارد

## The Role of Prices in a Free Market

### دور الاسعار في السوق الحر

- Prices serve a vital role in a free market economy.
- Prices help move land, labor, and capital into the hands of producers, and finished goods in to the hands of buyers.
- Prices create efficient resource allocation for producers and a language that both consumers and producers can use.

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## Advantages of Prices

### مزايا الاسعار

**Prices provide a language for buyers and sellers.**

الاسعار تقدم لغة للبايعين والمشتريين

1. Prices as an Incentive

Prices communicate to both buyers and sellers whether goods or services are scarce or easily available. Prices can encourage or discourage production.

2. Signals

Think of prices as a traffic light. A relatively high price is a green light telling producers to make more. A relatively low price is a red light telling producers to make less.

3. Flexibility

In many markets, prices are much more flexible than production levels. They can be easily increased or decreased to solve problems of excess supply or excess demand.

4. Price System is "Free"

Unlike central planning, a distribution system based on prices costs nothing to administer.

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د/عابد العبدلي



# Efficient Resource Allocation

## تخصيص الموارد الكفاء

- Resource Allocation تخصيص الموارد
  - A market system, with its fully changing prices, ensures that resources go to the uses that consumers value most highly.
- Market Problems مشاكل السوق
  - Imperfect competition between firms in a market can affect prices and consumer decisions.
  - **Spillover costs**, التكاليف غير المباشرة, or externalities, are costs of production, such as air and water pollution, that “spill over” onto people who have no control over how much of a good is produced.
  - If buyers and sellers have imperfect information on a product, they may not make the best purchasing or selling decision.

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## Section 3 Assessment

1. What prompts efficient resource allocation in a well-functioning market system?
  - (a) businesses working to earn a profit
  - (b) government regulation
  - (c) the need for fair allocation of resources
  - (d) the need to buy goods regardless of price
2. How do price changes affect equilibrium?
  - (a) Price changes assist the centrally planned economy.
  - (b) Price changes serve as a tool for distributing goods and services.
  - (c) Price changes limit all markets to people who have the most money.
  - (d) Price changes prevent inflation or deflation from affecting the supply of goods.

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
صاحب توظيف	employer	توازن	equilibrium
انخفاض في العرض	A Fall in Supply	اختلال	disequilibrium
انخفاض في الطلب	A Fall in Demand	فائض طلب	Excess Demand
تخصيص الموارد	resource allocation	فائض عرض	Excess Supply
مشاكل السوق	Market Problems	مشترون	buyers
تكاليف غير مباشر	Spillover costs	بائعون	sellers
الاثار الخارجية	externalities	ضبط الاسعار	control prices
		السعر الاقصى	maximum price
		الاجر الادنى	minimum wage

## النقود Money

- What is money?
- ما هي النقود؟
- What are the three uses of money?
- ماهي الاستخدامات الثلاث للنقود؟
- What are the six characteristics of money?
- ماهي الخصائص الست للنقود
- What are the sources of money's value?
- ماهي مصادر قيمة النقود؟

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## ما هي النقود? What Is Money?

**Money** is anything that serves as a medium of exchange, a unit of account, and a store of value.

النقود هي أي شيء يستخدم كوسيط للتبادل أو كوحدة حساب أو مخزن للقيمة

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## The Three Uses of Money

### الاستخدامات الثلاثة للنقود

- **Money as Medium of Exchange** النقود كوسيط للتبادل
  - A medium of exchange is anything that is used to determine value during the exchange of goods and services.
- **Money as a Unit of Account** النقود كوحدة حساب
  - A unit of account is a means for comparing the values of goods and services.
- **Money as a Store of Value** النقود كمخزن للقيمة
  - A store of value is something that keeps its value if it is stored rather than used.

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## The Six Characteristics of Money

### الخصائص الست للنقود

The coins and paper bills used as money in a society are called **currency**. A currency must meet the following characteristics:

#### **Durability** قوة التحمل

Objects used as money must withstand physical wear and tear.

#### **Portability** قابلية النقل

People need to be able to take money with them as they go about their business.

#### **Divisibility** قابلية القسمة او التجزئة

To be useful, money must be easily divided into smaller denominations, or units of value.

#### **Uniformity** التماثل

Any two units of money must be uniform, that is, the same, in terms of what they will buy.

#### **Limited Supply** محدودة العرض

Money must be available only in limited quantities.

#### **Acceptability** القبول

Everyone must be able to exchange the money for goods and services.

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# The Sources of Money's Value

## مصادر قوة النقود

### Commodity Money

النقود السلعية

- Commodity money consists of objects that have value in themselves.

### Representative Money

النقود النانبة

- Representative money has value because the holder can exchange it for something else of value.

### Fiat Money

النقود الورقية

- Fiat money, also called "legal tender," has value because the government decreed that is an acceptable means to pay debts.

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## Section 1 Assessment

1. Two units of the same type of money must be the same in terms of what they will buy, that is, they must be
  - (a) divisible.
  - (b) portable.
  - (c) acceptable.
  - (d) uniform.
2. What is the source of fiat money's value?
  - (a) it represents the value of another item
  - (b) government decree
  - (c) presidential pardon
  - (d) it is equal to the value of the stock market

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## Section 2 Assessment

1. During the Free Banking Era between 1837 and 1863, banking in the United States was dominated by which of the following?
  - (a) small, independent banks with no charters
  - (b) The Bank of the United States**
  - (c) state-chartered banks
  - (d) savings and loans banks
2. After the Civil War, the National Banking Acts gave the federal government the power to do all of the following EXCEPT:
  - (a) insure banks against failure
  - (b) charter banks**
  - (c) require banks to hold adequate gold and silver reserves
  - (d) issue a single national currency



## Section 2 Assessment

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## Banking Today البنوك اليوم

- How do economists measure money supply?  
كيف يقيس الاقتصاديون العرض النقدي؟
- What services do banks provide?  
ما الخدمات التي يقدمها البنك؟
- How do banks make a profit?  
كيف تحصل البنوك على الربح؟
- What are the different types of financial institutions?  
ماهي انواع المؤسسات المالية المختلفة؟
- How has electronic banking affected the banking world?  
كيف تؤثر المصرفية الالكترونية في الصيرفة العالمية؟



## Measuring the Money Supply

### قياس عرض النقود

#### M1

- M1 consists of assets that have liquidity, or the ability to be used as, or easily converted into, cash.
- Components of M1 include all currency, traveler's checks, and demand deposits.
- Demand deposits are the money in checking accounts.

#### M2

- M2 consists of all of the assets in M1, plus deposits in savings accounts and money market mutual funds.
- A money market mutual fund is a fund that pools money from small investors to purchase government or corporate bonds.

The **money supply** is all the money available in the economy.

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د/عابد العبدلي

## Banking Services الخدمات البنكية

- Banks perform many functions and offer a wide range of services to consumers.

### Storing Money تخزين النقود

Banks provide a safe, convenient place for people to store their money.

### Credit Cards بطاقات ائتمان

Banks issue **credit cards** — cards entitling their holder to buy goods and services based on each holder's promise to pay.

### Saving Money ادخار النقود

Four of the most common options banks offer for saving money are:

1. Savings Accounts
2. Checking Accounts
3. Money Market Accounts
4. Certificates of Deposit (CDs)

### Loans القروض

By making loans, banks help new businesses get started, and they help established businesses grow.

### Mortgages الرهن العقاري

A **mortgage** is a specific type of loan that is used to purchase real estate.

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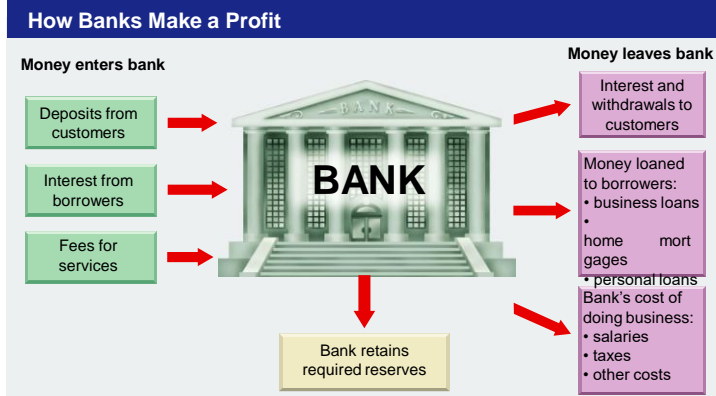
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## How Banks Make a Profit

### كيف يحقق البنك (الربوي) ارباحا؟

- The largest source of income for banks is the interest they receive from customers who have taken loans.
- Interest is the price paid for the use of borrowed money.



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## Types of Financial Institutions

### انواع المؤسسات التمويلية

- **Commercial Banks** البنوك التجارية
  - Commercial banks offer checking services, accept deposits, and make loans.
- **Savings and Loan Associations** جمعيات الادخار والاقرض
  - Savings and Loan Associations were originally chartered to lend money for home-building in the mid-1800s.
- **Savings Banks** بنوك التوفير
  - Savings banks traditionally served people who made smaller deposits and transactions than commercial banks wished to handle.
- **Credit Unions** الاتحادات الائتمانية
  - Credit unions are cooperative lending associations for particular groups, usually employees of a specific firm or government agency.
- **Finance Companies** شركات التمويل
  - Finance companies make installment loans to consumers.

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د/عابد العبدلي

## Electronic Banking المصرفية الإلكترونية

The role of computers in banking has increased dramatically.

### Automated Teller Machines (ATMs) ماكنات الصرف الآلي

Customers can use ATMs to deposit money, withdraw cash, and obtain account information.

### Debit Cards بطاقات الخصم

Debit cards are used to withdraw money directly from a checking account.

### Automatic Clearing Houses (ACH) غرف المقاصة الآلية

An ACH transfers funds automatically from customers' accounts to creditors' accounts.

### Home Banking الصيرفة من المنزل

Many banks allow customers to check account balances and make transfers and payments via computer.

### Stored Value Cards بطاقات القيمة المخزنة

Stored value cards are embedded with magnetic strips or computer chips with account balance information.

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د/عابد العبدلي

## Section 3 Assessment

1. The money supply of the United States is made up of which of the following?
  - (a) M1
  - (b) M1 and parts of M2
  - (c) all the money available in the economy
  - (d) all the money available in the economy plus money that the country could borrow
2. Why are funds in checking accounts called demand deposits?
  - (a) they are available whenever the depositor demands them by writing a check
  - (b) they are not liquid
  - (c) they are usually in great demand
  - (d) they are held without interest by the bank

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د/عابد العبدلي

## Section 3 Assessment

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
شيكات سياحية	, traveler's checks	نقود	money
ودائع تحت الطلب	demand deposits	عملة	currency
ايداعات	deposits	عملة نقدية	coins
حسابات توفير	savings accounts	عملة ورقية	paper bills
سوق النقد	money market	ديون	debts
سندات الشركات	corporate bonds	مرسوم حكومي	government decree
عقار	real estate	احتياطات	reserves
ايداع نقود	deposit money	مؤسسات مالية	financial institutions
سحب نقود كاش	withdraw cash	سيولة	liquidity

## Gross Domestic Product

### الناتج المحلي الاجمالي

- What is gross domestic product (GDP)?  
ما هو الناتج المحلي الاجمالي؟
- How is GDP calculated?  
كيف يحسب الناتج المحلي الاجمالي
- What is the difference between nominal and real GDP?  
ما الفرق بين الناتج المحلي الاجمالي الحقيقي والاسمي؟
- What are the limitations of GDP measurements?  
ماهي حدود قياسات الناتج المحلي الاجمالي
- What are other measures of income and output?  
ماهي القياسات الاخرى للدخل والناتج؟
- What factors influence GDP?  
ماهي العوامل المؤثرة في الناتج المحلي الاجمالي؟

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د/عابد العبدلي

## What Is Gross Domestic Product?

### ما هو الناتج المحلي الاجمالي؟

- Economists monitor the macroeconomy using **national income accounting**, a system that collects statistics on production, income, investment, and savings.
- **Gross domestic product (GDP)** is the Riyal value of all final goods and services produced within a country's borders in a given year.
- GDP does not include the value of **intermediate goods**. Intermediate goods are goods used in the production of final goods and services.

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## حساب الناتج المحلي الاجمالي Calculating GDP

### The Expenditure Approach

طريقة الانفاق

- The expenditure approach totals annual expenditures on four categories of final goods or services.

1. Consumer goods and services
2. Business goods and services
3. Government goods and services
4. Net exports or imports of goods or services.

### The Income Approach

طريقة الدخل

- The income approach calculates GDP by adding up all the incomes in the economy.

Consumer goods include **durable goods**, goods that last for a relatively long time like refrigerators, and **nondurable goods**, or goods that last a short period of time, like food and light bulbs.

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## Real and Nominal GDP

### الناتج المحلي الاجمالي الحقيقي والاسمي

- Nominal GDP** is GDP measured in current prices. It does not account for price level increases from year to year.
- Real GDP** is GDP expressed in constant, or unchanging, dollars.

Nominal and Real GDP		
Year 1 Nominal GDP	Year 2 Nominal GDP	Year 3 Real GDP
<p>1 Suppose an economy's entire output is cars and trucks.</p> <p>2 This year the economy produces:</p> <p>10 cars at \$15,000 each = \$150,000 + 10 trucks at \$20,000 each = \$200,000 Total = \$350,000</p> <p>3 Since we have used the current year's prices to express the current year's output, the result is a nominal GDP of \$350,000.</p>	<p>1 In the second year, the economy's output does not increase, but the prices of the cars and trucks do:</p> <p>10 cars at \$16,000 each = \$160,000 + 10 trucks at \$21,000 each = \$210,000 Total = \$370,000</p> <p>2 This new GDP figure of \$370,000 is misleading. GDP rises because of an increase in prices. Economists prefer to have a measure of GDP that is not affected by changes in prices. So they calculate real GDP.</p>	<p>1 To correct for an increase in prices, economists establish a set of constant prices by choosing one year as a base year. When they calculate real GDP for other years, they use the prices from the base year. So we calculate the real GDP for Year 2 using the prices from Year 1:</p> <p>10 cars at \$15,000 each = \$150,000 + 10 trucks at \$20,000 each = \$200,000 Total = \$350,000</p> <p>2 Real GDP for Year 2, therefore, is \$350,000</p>

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## Limitations of GDP

### حدود وقيود حسابات الناتج المحلي الإجمالي

- **GDP does not take into account certain economic activities, such as:**

#### **Nonmarket Activities** الأنشطة غير السوقية

GDP does not measure goods and services that people make or do themselves, such as caring for children, or cooking dinner.

#### **Negative Externalities** الآثار الخارجية السلبية

Unintended economic side effects, such as pollution, have a monetary value that is often not reflected in GDP.

#### **The Underground Economy** الاقتصاد الخفي

There is much economic activity which, although income is generated, never reported to the government. Examples include black market transactions and "under the table" wages.

#### **Quality of Life** نوعية الحياة

Although GDP is often used as a quality of life measurement, there are factors not covered by it. These include leisure time, pleasant surroundings, and personal safety.

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## Other Income and Output Measures

### حسابات اخرى للدخل والناتج

#### **Gross National Product (GNP)** الناتج القومي الاجمالي

- **GNP is a measure of the market value of all goods and services produced by Americans in one year.**

#### **Net National Product (NNP)** الناتج القومي الصافي

- **NNP is a measure of the output made by Saudi in one year minus adjustments for depreciation. Depreciation is the loss of value of capital equipment that results from normal wear and tear.**

#### **National Income (NI)** الدخل القومي

- **NI is equal to NNP minus sales and excise taxes.**

#### **Personal Income (PI)** الدخل الشخصي

- **PI is the total pre-tax income paid to Saudi households.**

#### **Disposable Personal Income (DPI)** الدخل الشخصي القابل للتصرف

- **DPI is equal to personal income minus individual income taxes.**

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# Key Macroeconomic Measurements

## حسابات الاقتصاد الكلي الرئيسية

### Measurements of the Macroeconomy

Gross Domestic Product	+	income earned outside S.A. by S.A. firms and citizens	-	income earned by foreign firms and foreign citizens located in the S.A.	=	Gross National Product
Gross National Product	-	depreciation of capital equipment	=	Net National Product		
Net National Product	-	sales and excise taxes	=	National Income		
National Income	-	• firms' reinvested profits • firms' income taxes • social security	+	other household income	=	Personal Income
Personal Income	-	individual income taxes	=	Disposable Personal Income		

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د/عابد العبدلي

# Factors Influencing GDP

## العوامل المؤثرة في الناتج المحلي الإجمالي

### Aggregate Supply

العرض الكلي

- Aggregate supply is the total amount of goods and services in the economy available at all possible price levels.
- As price levels rise, aggregate supply rises and real GDP increases.

### Aggregate Demand

الطلب الكلي

- Aggregate demand is the amount of goods and services that will be purchased at all possible price levels.
- Lower price levels will increase aggregate demand as consumers' purchasing power increases.

### Aggregate Supply/Aggregate Demand Equilibrium

توازن العرض الكلي والطلب الكلي

- By combining aggregate supply curves and aggregate demand curves, equilibrium for the macroeconomy can be determined.

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## Section 1 Assessment

1. Real GDP takes which of the following into account?
  - (a) changes in supply
  - (b) changes in prices
  - (c) changes in demand
  - (d) changes in aggregate demand
2. Which of the following is an example of a durable good?
  - (a) a refrigerator
  - (b) a hair cut
  - (c) a pair of jeans
  - (d) a pizza



## Section 1 Assessment

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## Business Cycles الدورات التجارية

- What is a business cycle?
- ماهي الدورة التجارية؟
- What keeps the business cycle going?
- مالذي يجعل الدورة التجارية تستمر؟
- How do economists forecast business cycles?
- كيف يتنبأ الاقتصاديون بالدورات التجارية؟
- How have business cycles fluctuated in the United States?
- كيف تتذبذب الدورات التجارية في الاقتصاد الأمريكي؟

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د/عابد العبدلي

## What Is a Business Cycle?

### ماهي الدورة التجارية؟

- A modern industrial economy experiences cycles of goods times, then bad times, then good times again.
- Business cycles are of major interest to macroeconomists, who study their causes and effects.
- There are four main phases of the business cycle: expansion, peak, contraction, and trough.

A **business cycle** is a macroeconomic period of expansion followed by a period of contraction.

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## Phases of the Business Cycle

### مراحل الدورة التجارية

#### Expansion التوسع

- An **expansion** is a period of economic growth as measured by a rise in real GDP. **Economic growth** is a steady, long-term rise in real GDP.

#### Peak الذروة

- When real GDP stops rising, the economy has reached its **peak**, the height of its economic expansion.

#### Contraction الانكماش

- Following its peak, the economy enters a period of **contraction**, an economic decline marked by a fall in real GDP. A **recession** is a prolonged economic contraction. An especially long or severe recession may be called a **depression**.

#### Trough الفاع

- The **trough** is the lowest point of economic decline, when real GDP stops falling.

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د/عابد العبدلي

## What Keeps the Business Cycle Going?

### مالذي يجعل الدورة التجارية تستمر؟

- Business cycles are affected by four main economic variables:

#### Business Investment الاستثمار التجاري

When an economy is expanding, firms expect sales and profits to keep rising, and therefore they invest in new plants and equipment. This investment creates new jobs and furthers expansion. In a recession, the opposite occurs.

#### Interest Rates and Credit الفوائد والائتمان

When interest rates are low, companies make new investments, often adding jobs to the economy. When interest rates climb, investment dries up, as does job growth.

#### Consumer Expectations توقعات المستهلك

Forecasts of an expanding economy often fuel more spending, while fears of recession tighten consumers' spending.

#### External Shocks الصدمات الخارجية

External shocks, such as disruptions of the oil supply, wars, or natural disasters, greatly influence the output of an economy.

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## Forecasting Business Cycles التنبؤ بالدورات التجارية

- Economists try to forecast, or predict, changes in the business cycle.
- يحاول الاقتصاديون التوقع والتنبؤ بالتغيرات في الدورة التجارية
- **Leading indicators** are key economic variables economists use to predict a new phase of a business cycle.
  - المؤشرات الرئيسية هي متغيرات اقتصادية يستخدمها الاقتصاديون في التنبؤ بمرحلة الدورة التجارية
- Examples of leading indicators are stock market performance, interest rates, and new home sales.
- امثلة على المؤشرات الرئيسية: اداء سوق الاوراق المالية، الفوائد مبيعات المنازل

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## Business Cycle Fluctuations تذبذبات الدورة التجارية

### The Great Depression الكساد العظيم

- The Great Depression was the most severe downturn in the nation's history.
- Between 1929 and 1933, GDP fell by almost one third, and unemployment rose to about 25 percent.

### Later Recessions حالات الركود المتأخرة

- In the 1970s, an OPEC embargo caused oil prices to quadruple. This led to a recession that lasted through the 1970s into the early 1980s.

### U.S. Business Cycles in the 1990s الدورات التجارية في أمريكا في التسعينيات

- Following a brief recession in 1991, the U.S. economy grew steadily during the 1990s, with real GDP rising each year.

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## Section 2 Assessment

1. A business cycle is
  - (a) a period of economic expansion followed by a period of contraction.
  - (b) a period of great economic expansion.
  - (c) the length of time needed to produce a product.
  - (d) a period of recession followed by depression and expansion.
2. A recession is
  - (a) a period of steady economic growth.
  - (b) a prolonged economic expansion.
  - (c) an especially long or severe economic contraction.
  - (d) a prolonged economic contraction.



## Section 2 Assessment

1. A business cycle is
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## Economic Growth

### النمو الاقتصادي

- How do economists measure economic growth?
- What is capital deepening?
- كيف يقيس الاقتصاديون النمو الاقتصادي؟
- How are saving and investing related to economic growth?
- كيف يرتبط الادخار والاستثمار بالنمو الاقتصادي
- How does technological progress affect economic growth?
- كيف يؤثر التقدم التكنولوجي في النمو الاقتصادي؟
- What other factors can affect economic growth?
- ماهي العوامل الاخرى المؤثرة في النمو الاقتصادي؟

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## Measuring Economic Growth

### قياس النمو الاقتصادي

GDP and Population Growth نمو الناتج المحلي الاجمالي والسكان

- In order to account for population increases in an economy, economists use a measurement of **real GDP per capita**. It is a measure of real GDP divided by the total population.
- Real GDP per capita is considered the best measure of a nation's standard of living.

GDP and Quality of Life نوعية الحياة والناتج المحلي الاجمالي

- Like measurements of GDP itself, the measurement of real GDP per capita excludes many factors that affect the quality of life.

The basic measure of a nation's economic growth rate is the percentage change of real GDP over a given period of time.

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## Capital Deepening تعميق راس المال

- The process of increasing the amount of capital per worker is called **capital deepening**. Capital deepening is one of the most important sources of growth in modern economies.
- Firms increase physical capital by purchasing more equipment. Firms and employees increase human capital through additional training and education.

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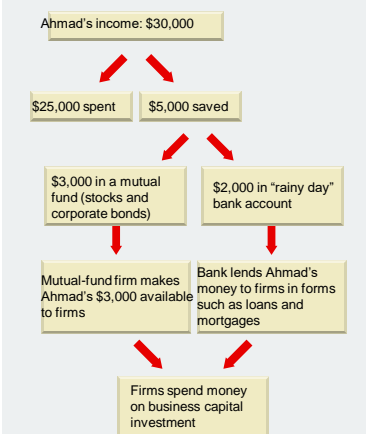
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## The Effects of Savings and Investing

### اثر الادخار والاستثمار

- The proportion of disposable income spent to income saved is called the **savings rate**.
- When consumers save or invest, money in banks, their money becomes available for firms to borrow or use. This allows firms to deepen capital.
- In the long run, more savings will lead to higher output and income for the population, raising GDP and living standards.

#### How Saving Leads to Capital Deepening



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# The Effects of Technological Progress

## اثر التقدم التكنولوجي

- Besides capital deepening, the other key source of economic growth is technological progress.
- Technological progress is an increase in efficiency gained by producing more output without using more inputs.
- A variety of factors contribute to technological progress:
  - **Innovation** When new products and ideas are successfully brought to market, output goes up, boosting GDP and business profits.
  - **Scale of the Market** Larger markets provide more incentives for innovation since the potential profits are greater.
  - **Education and Experience** Increased human capital makes workers more productive. Educated workers may also have the necessary skills needed to use new technology.

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# Other Factors Affecting Growth

## عوامل اخرى تؤثر في النمو

### Population Growth نمو السكان

- If population grows while the supply of capital remains constant, the amount of capital per worker will actually shrink.

### Government الحكومة

- Government can affect the process of economic growth by raising or lowering taxes. Government use of tax revenues also affects growth: funds spent on public goods increase investment, while funds spent on consumption decrease net investment.

### Foreign Trade التجارة الخارجية

- Trade deficits, the result of importing more goods than exporting goods, can sometimes increase investment and capital deepening if the imports consist of investment goods rather than consumer goods.

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## Section 3 Assessment

1. Capital deepening is the process of
  - (a) increasing consumer spending.
  - (b) selling off obsolete equipment.
  - (c) decreasing the amount of capital per worker.
  - (d) increasing the amount of capital per worker.
2. Taxes and trade deficits can contribute to economic growth if the money involved is spent on
  - (a) consumer goods.
  - (b) investment goods.
  - (c) additional services.
  - (d) farming.



## Section 3 Assessment

1. Capital deepening is the process of
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## مصطلحات رئيسية Key Terms

عربي	انجليزي	عربي	انجليزي
قيمة سوقية	market value	حسابات الدخل القومي	national income accounting
اهتلاك راس المال	depreciation	سلع وسيطة	intermediate goods
القوة الشرائية	purchasing power	سلع نهائية	final goods
محتص في الاقتصاد الكلي	macroeconomists	سلع معمرة	durable goods
الاسباب والاثار	causes and effects	سلع غير معمرة	nondurable goods
نمو اقتصادي	Economic growth	الاسعار الحالية	current prices
ركود اقتصادي	recession	انشطة اقتصادية	economic activities
كساد اقتصادي	depression	تلوث بيئي	pollution
انفاق	spending	وقت الفراغ	leisure time

## مصطلحات رئيسية Key Terms

عربي	انجليزي	عربي	انجليزي
التقدم التكنولوجي	technological progress	المستوى المعيشي	standard of living
ابتكار/ ابداع	Innovation	معدل النمو الاقتصادي	economic growth rate
نطاق السوق	Scale of the Market	نصيب العامل من راس المال	capital per worker
عوائد الضرائب	tax revenues	راس مال مادي	physical capital
موارد مالية	funds	موظفين	employees
عجز تجاري	Trade deficits	مؤسسات	Firms
		تدريب	training
		تعليم	education
		معدل ادخار	savings rate.

## Unemployment البطالة

- What are the different types of unemployment?
- ما هي انواع البطالة؟
- How are unemployment rates determined?
- كيف يتحدد معدل البطالة؟
- What is full employment?
- ماذا يعني التشغيل الكامل؟

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د/عابد العبدلي

## Types of Unemployment انواع البطالة

### Frictional Unemployment بطالة احتكاكية

- Occurs when people change jobs, get laid off from their current jobs, take some time to find the right job after they finish their schooling, or take time off from working for a variety of other reasons

### Structural Unemployment بطالة هيكلية

- Occurs when workers' skills do not match the jobs that are available. Technological advances are one cause of structural unemployment

### Seasonal Unemployment بطالة موسمية

- Occurs when industries slow or shut down for a season or make seasonal shifts in their production schedules

### Cyclical Unemployment بطالة دورية

- Unemployment that rises during economic downturns and falls when the economy improves

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## Determining the Unemployment Rate

### تحديد معدل البطالة

- A nation's unemployment rate is an important indicator of the health of the economy.
- The Bureau of Labor Statistics polls a sample of the population to determine how many people are employed and unemployed.
- The **unemployment rate** is the percentage of the nation's labor force that is unemployed.
- The unemployment rate is only a national average. It does not reflect regional economic trends.

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## Full Employment

### التشغيل الكامل

- Economists generally agree that in an economy that is working properly, an unemployment rate of around 4 to 6 percent is normal.
- Sometimes people are **underemployed**, that is working a job for which they are over-qualified, or working part-time when they desire full-time work.
- **Discouraged workers** are people who want a job, but have given up looking for one.

**Full employment** is the level of employment reached when there is no cyclical unemployment.

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## Section 1 Assessment

1. Unemployment that occurs when workers' skills do not match the jobs that are available is known as
  - (a) frictional unemployment.
  - (b) structural unemployment.
  - (c) seasonal unemployment.
  - (d) cyclical unemployment.
2. The unemployment rate
  - (a) is the percentage of the labor force that is unemployed.
  - (b) is the number of people who are unemployed.
  - (c) includes only discouraged workers.
  - (d) is the percentage of the labor force that is underemployed.

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د/عابد العبدلي

## Inflation التضخم

- What are the effects of rising prices?
- ما اثار ارتفاع الاسعار؟
- How do economists use price indexes?
- كيف يستخدم الاقتصاديون مؤشرات الاسعار
- How is the inflation rate calculated?
- كيف يحسب معدل التضخم؟
- What are the causes and effects of inflation?
- ماهي اسباب واثار التضخم؟

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د/عابد العبدلي

## The Effects of Rising Prices

### اثر ارتفاع الاسعار

- **Inflation** is a general increase in prices.
- التضخم هو ارتفاع عام في الاسعار
- **Purchasing power**, the ability to purchase goods and services, is decreased by rising prices.
- القدرة الشرائية: القدرة على شراء السلع والخدمات تنخفض عند ارتفاع الاسعار
- **Price level** is the relative cost of goods and services in the entire economy at a given point in time.
- مستوى الاسعار هو التكلفة النسبية للسلع والخدمات في الاقتصاد عند نقطة زمنية معينة

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د/عابد العبدلي

## Price Indexes مؤشرات السعر

A **price index** is a measurement that shows how the average price of a standard group of goods changes over time.

- The **consumer price index (CPI)** is computed each month by the Bureau of Labor Statistics.
- The CPI is determined by measuring the price of a standard group of goods meant to represent the typical “**market basket**” of an urban consumer.
- Changes in the CPI from month to month help economists measure the economy’s **inflation rate**.
- The inflation rate is the percentage change in price level over time.

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د/عابد العبدلي

## Calculating Inflation حساب التضخم

- To determine the inflation rate from one year to the next, use the following steps.
  - لتحديد معدل التضخم من سنة الاخرى اتبع الخطوات التالية

### Calculating the Inflation Rate

To calculate the inflation rate, use the following formula:

CPI for Year A **minus** CPI for Year B  
**divided by** CPI for Year B  
**multiplied by** 100

**For example,**

if the CPI for 1999 (Year A) = 166.6  
and the CPI for 1998 (Year B) = 163

**then,**

$$166.6 - 163 = 3.6$$

$$3.6 / 163 = .022$$

$$.022 \times 100 = 2.2$$

**Therefore,**

the inflation rate for 1999 was 2.2%.

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د/عابد العبدلي

## Causes of Inflation اسباب التضخم

### The Quantity Theory

#### النظرية الكمية

- The **quantity theory** of inflation states that too much money in the economy leads to inflation.
- Adherents to this theory maintain that inflation can be tamed by increasing the money supply at the same rate that the economy is growing.

### The Cost-Push Theory

#### نظرية دفع التكاليف

- According to the **cost-push theory**, inflation occurs when producers raise prices in order to meet increased costs.
- Cost-push inflation can lead to a **wage-price spiral** — the process by which rising wages cause higher prices, and higher prices cause higher wages.

### The Demand-Pull Theory

#### نظرية جذب الطلب

- The **demand-pull theory** states that inflation occurs when demand for goods and services exceeds existing supplies.

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د/عابد العبدلي

## Effects of Inflation اثار التضخم

- **High inflation is a major economic problem, especially when inflation rates change greatly from year to year.**

#### Purchasing Power القدرة الشرائية

- In an inflationary economy, a dollar loses value. It will not buy the same amount of goods that it did in years past.

#### Interest Rates معدلات الفائدة

- When a bank's interest rate matches the inflation rate, savers break even. When a bank's interest rate is lower than the inflation rate, savers lose money.

#### Income الدخل

- If wage increases match the inflation rate, a worker's real income stays the same. If income is **fixed income**, or income that does not increase even when prices go up, the economic effects of inflation can be harmful.

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د/عابد العبدلي

## Section 2 Assessment

### 1. Inflation is

- (a) the process by which rising wages cause higher prices.
- (b) the price increase of a typical group of goods.
- (c) a general increase in prices.
- (d) the ability to purchase goods and services.

### 2. Too much money in the economy is the cause of inflation according to

- (a) the quantity theory.
- (b) the demand-pull theory.
- (c) the quantum theory.
- (d) the cost-push theory.

## Section 2 Assessment

### 1. Inflation is

- (a) the process by which rising wages cause higher prices.
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## Poverty الفقر

- Who is poor, according to government standards?
- من هو الفقير وفقا لمعايير الحكومة؟
- What causes poverty?
- مالذي يسبب الفقر
- How is income distributed in the United States?
- كيف يوزع الدخل في الولايات المتحدة؟
- What government programs are intended to combat poverty?
- ما هي البرامج الحكومية لمكافحة الفقر؟

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د/عابد العبدلي

## Who Is Poor? من هو الفقير

### The Poverty Threshold

عتبة الفقر

- The poverty threshold is an income level below which income is insufficient to support a family or household.

### The Poverty Rate

معدل الفقر

- The poverty rate is the percentage of people in a particular group who live in households below the official poverty line.

The Census Bureau collects data about how many families and households live in poverty.

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د/عابد العبدلي

## Causes of Poverty اسباب الفقر

### Lack of Education نقص التعليم

- The median income of high-school dropouts in 1997 was \$16,818, which was just above the poverty line for a family of four.

### Location الموقع

- On average, people who live in the inner city earn less than people living outside the inner city.

### Shifts in Family Structure التحولات في هيكل الاسرة

- Increased divorce rates result in more single-parent families and more children living in poverty.

### Economic Shifts التحولات الاقتصادية

- Workers without college-level skills have suffered from the ongoing decline of manufacturing, and the rise of service and high technology jobs.

### Racial and Gender Discrimination التمييز الجنسي والعرقى

- Some inequality exists in wages between whites and minorities, and men and women.

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د/عابد العبدلي

## Income Distribution in the United States

### توزيع الدخل في امريكا

### Income Inequality عدم مساواة الدخل

- The **Lorenz Curve** illustrates income distribution.

### Income Gap فجوة الدخل

- A 1999 study showed that the richest 2.7 million Americans receive as much income after taxes as the poorest 100 million Americans.
- Differences in skills, effort, and inheritances are key factors in understanding the income gap.

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د/عابد العبدلي

# Government Policies Combating Poverty

## سياسات الدولة لمكافحة الفقر

- **Employment Assistance** مساعدة التوظيف
  - The minimum wage and federal and state job-training programs aim to provide people with more job options.
- **Welfare Reform** اصلاح نظام الرعاية الاجتماعية
  - Temporary Assistance for Needy Families (TANF) is a program which gives **block grants** to the states, allowing them to implement their own assistance programs.
  - Workfare programs require work in exchange for temporary assistance.

The government spends billions of dollars on programs designed to reduce poverty.

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د/عابد العبدلي

## Section 3 Assessment

1. An income level below which income is insufficient to support a family or household is known as the
  - (a) income gap.
  - (b) poverty rate.
  - (c) poverty threshold.
  - (d) income inequality.
2. The Personal Responsibility and Work Opportunity Act of 1996
  - (a) provides lump sums of money to poor families.
  - (b) provides federal payments to poor families to supplement state payments.
  - (c) set a 5-year limit on receipt of benefits.
  - (d) provides direct cash payments to poor families.

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د/عابد العبدلي

## Section 3 Assessment

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د/عابد العبدلي

## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
حلزون الاسعار والاجور	wage-price spiral	مهارات العمال	workers' skills
اقتصاد متضخم	inflationary economy	قوة العمل	labor force
مكتب التعداد	Census Bureau	اتجاهات اقتصادية	economic trends
منحنى لورنز	Lorenz Curve	موظف باقل من كفاءته	underemployed
الارث	inheritance	عمل دوام كامل	full-time work
فجوة الدخل	income gap	عمال مثبطين	Discouraged workers
الاجر الادني	minimum wage	مؤشر سعر الاستهلاك	consumer price index (CPI)
		سلة سوقية	market basket
		معدل التضخم	inflation rate

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د/عابد العبدلي

## Why Nations Trade لماذا تجارة الامم

- How does resource distribution affect trade?  
كيف يؤثر توزيع الموارد في التجارة؟
- What are the differences between absolute and comparative advantage?  
ما الفرق بين المزايا المطلقة والنسبية؟
- How does trade affect employment?  
كيف تؤثر التجارة في التوظيف؟

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د/عابد العبدلي

## Resource Distribution and Trade توزيع الموارد والتجارة

- Each country of the world possesses different types and quantities of land, labor, and capital resources.  
كل دولة تمتلك انواع من كميات الموارد: الارض والعمل ورأس المال
- By specializing in the production of certain goods and services, nations can use their resources more efficiently.  
من خلال التخصص في انتاج سلع او خدمات معينة يمكن للامم ان يستخدموا  
مواردهم بكفاءة اكثر
- Specialization and trade can benefit all nations.  
التخصص والتجارة ممكن تنفيذ الامم

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د/عابد العبدلي

# Absolute and Comparative Advantage

## المزايا المطلقة والنسبية

- A person or nation has an **absolute advantage** when it can produce a particular good at a lower cost than another person or nation.
- **Comparative advantage** is the ability of one person or nation to produce a good at a lower opportunity cost than that of another person or nation.

The **law of comparative advantage** states that nations are better off when they produce goods and services for which they have a comparative advantage in supplying.

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د/عابد العبدلي

## Benefits of Trade

In this example, both Kate and Carlos benefit from specialization.

Benefits from Specialization and Trade for Carl and Kate					
Carl			Kate		
Specialization	Trade	Net Effect	Specialization	Trade	Net Effect
Carl specializes, switching 2 hours from T-shirt production to birdhouse production.	Carl trades 1 birdhouse for 2 T-shirts.	Net effect is same number of T-shirts and 1 more birdhouse.	Kate specializes, switching 1 half-hour from birdhouse production to T-shirt production.	Carl trades 2 T-shirts for 1 birdhouse.	Net effect is same number of birdhouses and 1 more T-shirt.

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د/عابد العبدلي

## Trade and Employment التجارة والتوظيف

- Workers who lose their jobs due to specialization face three options:
  - **Unemployment:** Inability to adapt and find a new job
  - **Relocation:** Moving to where current skills meet current jobs
  - **Retraining:** Gaining new human capital to meet the demands of specialized labor markets

As nations begin to specialize in certain goods, dramatic changes in the nation's employment patterns also occur.

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د/عابد العبدلي

## Section 1 Assessment

1. Trade benefits both wealthy and poor countries because
  - (a) self-sufficiency is too costly.
  - (b) both wealthy and poor countries increase their wealth if they specialize.
  - (c) both wealthy and poor countries lack human resources.
  - (d) without trade neither wealthy nor poor countries could increase their wealth.
2. What is the law of comparative advantage?
  - (a) a country is better off producing goods for which they have a comparative advantage in supplying
  - (b) a country that supplies things for others has a comparative advantage in trade
  - (c) a country has a comparative advantage if it produces goods for export
  - (d) a country's greatest advantage is in the import of goods that it cannot produce

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د/عابد العبدلي

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## Trade Barriers and Agreements

### القيود والاتفاقات

- What are trade barriers?  
ماهي قيود التجارة؟
- What are the effects of trade barriers?  
ماهي اثار قيود التجارة؟
- What is protectionism?  
ماهي السياسة الحمائية؟
- What organizations promote international cooperation on matters of trade?  
ماهي المنظمات التي تعزز التعاون الدولي في مسائل التجارة؟





## What Are Trade Barriers?

### ماهي قيود التجارة

A **trade barrier** is a means of preventing a foreign product or service from freely entering a nation's territory.

- **Import Quotas** حصص الاستيراد
  - An **import quota** is a limit on the amount of a good that can be imported.
- **Voluntary Export Restraints** قيود التصدير الاختيارية
  - A **voluntary export restraint (VER)** is a self-imposed limitation on the number of products shipped to a certain country.
- **Tariffs** التعريفات
  - A **tariff** is a tax on imported goods, such as a customs duty.
- **Other Barriers to Trade** قيود التجارة الاخرى
  - Other barriers to trade include high government licensing fees and costly product standards.

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د/عابد العبدلي

## The Effects of Trade Restrictions

### اثر القيود التجارية

#### ارتفاع اسعار السلع الاجنبية Increased Prices for Foreign Goods

- Tariffs and other trade barriers increase the cost of imported products, making domestic products more competitive.
- Although manufacturers of many products may benefit from trade barriers, consumers can lose out.

#### حروب تجارية Trade Wars

- When one country restricts imports, its trading partner may impose its own retaliatory restrictions.

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د/عابد العبدلي

## Arguments for Protectionism الحجج السياسية الحمائية

**Protectionism** is the use of trade barriers to protect a nation's industries from foreign competition.

- **Protecting Jobs** حماية الوظائف
  - Protectionism shelters workers in industries that would be hurt by specialization and trade.
- **Protecting Infant Industries** حماية الصناعات الناشئة
  - Protectionist policies protect new industries in the early stages of development.
- **Safeguarding National Security** حماية الامن القومي
  - Certain industries may require protection from foreign competition because their products are essential to the defense of the United States.

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د/عابد العبدلي

## International Cooperation التعاون الدولي

- Recent trends have been toward lowering trade barriers and increasing trade through international trade agreements.
- In 1948, the General Agreement on Tariffs and Trade (GATT) was established to reduce tariffs and expand world trade.
- In 1995, the **World Trade Organization (WTO)** was founded to ensure compliance with GATT, to negotiate new trade agreements, and to resolve trade disputes.

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د/عابد العبدلي

# Global Trade Agreements

## اتفاقات التجارة العالمية

Many nations have formed regional trade organizations. These trade organizations establish **free-trade zones**, or regions where a group of countries has agreed to reduce trade barriers among themselves.



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د/عابد العبدلي

## Section 2 Assessment

1. Protectionism does not
  - (a) protect immigrant labor.
  - (b) protect domestic jobs.
  - (c) protect infant industries.
  - (d) safeguard national security.
2. Members of regional trade organizations generally work together to
  - (a) abolish free-trade zones.
  - (b) limit commerce between member states.
  - (c) establish centrally planned economies.
  - (d) eliminate trade barriers.

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## Section 2 Assessment

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## Measuring Trade قياس التجارة

- How do exchange rates affect international markets?
- كيف يؤثر سعر الصرف في الاسواق الدولية؟
- How do exchange rate systems vary?
- كيف تتفاوت نظم سعر الصرف؟
- What is a balance of trade?
- ما هو الميزان التجاري؟



## Exchange Rates and International Markets

### معدلات سعر الصرف والأسواق الدولية

- An increase in the value of a currency is called **appreciation**.
- A decrease in the value of a currency is called **depreciation**.
- Multinational firms convert currencies on the foreign exchange market, a network of about 2,000 banks and other financial institutions.

The value of a foreign nation's currency in relation to your own currency is called the **exchange rate**.

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د/عابد العبدلي

## Reading an Exchange Rate Table

### قراءة جدول معدل سعر الصرف

The following table shows an example of exchange rates.

Foreign Exchange Rates								
	U.S. \$	Aust \$	U.K. £	Canadian \$	¥en	Euro	Mexican NP	Chinese renminbi
U.S. \$	1	0.6489	1.599	0.6764	0.01	1.051	0.11	0.12
Australian \$	1.541	1	2.465	1.042	0.01	1.62	0.17	0.19
U.K. £	0.6252	0.4057	1	0.4229	0.01	0.657	0.07	0.08
Canadian \$	1.478	0.9593	2.365	1	0.01293	1.554	0.16	0.18
¥en	114.3	74.19	182.9	77.34	1	120.2	12.24	13.81
Euro	0.9516	0.6175	1.522	0.6436	0.01	1	0.1	0.11
Mexican nuevo peso	9.33	6.06	6.3	6.3	0.08	9.81	1	1.13
Chinese renminbi	8.28	5.37	13.25	5.6	0.07	8.7	9.8	1

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د/عابد العبدلي

## Types of Exchange Rate Systems

### Fixed Exchange-Rate Systems

نظم سعر الصرف الثابتة

- A currency system in which governments try to keep the values of their currencies constant against one another is called a fixed exchange-rate system.

### Flexible Exchange-Rate Systems

نظم سعر الصرف المرنة

- Flexible exchange-rate systems allow the exchange rate to be determined by supply and demand.

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د/عابد العبدلي

## Balance of Trade الميزان التجاري

- When a nation exports more than it imports, it has a **trade surplus**.
- عندما تصدر الامة اكثر مما تستورد يكون لديها فائض تجاري
- When a nation imports more than it exports, it creates a **trade deficit**.
- عندما تستورد الامة اكثر مما تصدر يكون لديها عجز تجاري

The relationship between a nation's imports and its exports is called its **balance of trade**.

العلاقة بين واردات الامة وصادراتها يسمى ميزانها التجاري

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د/عابد العبدلي

## Section 3 Assessment

1. When a nation imports more than it exports, economists say it has a
  - (a) trade insufficiency.
  - (b) trade deficit.
  - (c) balance of payments.
  - (d) trade surplus.
2. When an economist says that a currency has become stronger, he or she means that
  - (a) it will buy less foreign goods.
  - (b) it can be exchanged for more of a foreign currency.
  - (c) services, unlike goods, can be exported freely.
  - (d) there are very few things that the currency cannot buy in a foreign market.



## Section 3 Assessment

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
مصنعون	Manufacturers	التخصص	Specializing
قيود انتقامية	Retaliatory Restrictions	الميزة المطلقة	Absolute Advantage
سياسة حمائية	Protectionism	الميزة النسبية	Comparative Advantage
منافسة اجنبية	Foreign Competition	اعادة التوطين	Relocation
اتفاقيات الجات	GATT	اعادة التاهيل	Retraining
منظمة التجارة العالمية	World Trade Organization	منتج اجنبي	Foreign Product
معدلات سعر الصرف	Exchange Rates	رسوم جمركية	Customs Duty
رفع قيمة العملة	Appreciation	رسوم ترخيص حكومي	Government Licensing Fees
خفض قيمة العملة	Depreciation	تعريفات جمركية	Tariffs

## Levels of Development مستويات التنمية

- What are developed nations and less developed countries?
  - ماهي الامم المتقدمة والدول الاقل نموا؟
- How can we measure development?
  - كيف نقيس التنمية؟
- What are the characteristics of developed and less developed countries?
  - ماهي خصائص الدول المتقدمة والدول الاقل نموا؟
- How do we rank levels of development?
  - كيف نرتب مستويات التنمية؟



## Developed Nations and Less Developed Countries

### الامم المتقدمة والدول الاقل نموا

#### Developed Nations الامم المتقدمة

- **Developed nations** are nations with higher average levels of material well-being.

#### Less Developed Countries

الدول الاقل نموا

- **Less developed countries (LDCs)** are countries with low levels of material well-being.

**Development** is the process by which a nation improves the economic, political, and social well-being of its people.

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د/عابد العبدلي

## Measuring Development

### قياس التنمية

**Per Capita GDP** نصيب الفرد من الناتج المحلي الاجمالي

- Per capita GDP is a measurement of a nation's GDP divided by its total population.

**Energy Consumption** استهلاك الطاقة

- How much energy a nation consumes depends on its level of industrialization, or the extensive organization of the economy for the purpose of manufacture.

**Labor Force** r,m hgulg

- If a nation's labor force is mostly devoted to subsistence agriculture, or raising enough food to feed only their families, there are fewer workers available for industry.

**Consumer Goods** السلع الاستهلاكية

- The quantity of consumer goods a nation produces per capita can also indicate its level of development.

**Literacy** التعليم/ معرفة القراءة والكتابة

- A country's literacy rate is the proportion of the population over age 15 that can read and write.

**Life Expectancy** متوسط العمر المتوقع

- Life expectancy is the average expected life span of an individual. It indicates how well an economic system supports life.

**Infant Mortality Rate** معدل وفيات الرضع

- A country's infant mortality rate indicates the number of deaths that occur in the first year of life per 1,000 live births.

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د/عابد العبدلي

## Characteristics of Developed Nations

### خصائص الأمم المتقدمة

- Developed nations have high per capita GDPs, and a majority of their populations are neither very rich nor very poor.
- Developed nations have high levels of agricultural output, but relatively few people work on farms. Most of the labor force work in industry and services.
- Developed nations have solid **infrastructure**. Infrastructure is the services and facilities necessary for an economy to function.

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## Characteristics of Less Developed Countries

### خصائص الدول الأقل نموا

- Less developed countries have low per capita GDPs, and their low energy consumption levels signal lower levels of industrialization.
- Unemployment rates are high in LDCs, often as high as 20 percent. Most people in the labor force are subsistence farmers.
- Literacy rates in LDCs are low due to limited resources for education.
- Housing and food are often of poor quality in LDCs, leading to high infant mortality rates and lower life expectancies.

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# Ranking Development تصنيف التنمية

Levels of development vary greatly among nations.



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## Section 1 Assessment

1. Which of the following is a characteristic of a developing country?
  - (a) a high per capita GDP
  - (b) a high number of people employed in industry
  - (c) a low literacy rate
  - (d) low levels of disease
2. Less developed countries have higher infant mortality rates because
  - (a) adult literacy rates are high.
  - (b) their infrastructure is strong.
  - (c) life expectancies are high.
  - (d) nutrition and health care are poor.

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## قضايا في التنمية Issues in Development

- What are the causes and effects of rapid population growth?  
ماهي اسباب واثار النمو السكاني السريع؟
- How do supplies of resources and physical capital influence development?  
كيف يؤثر عرض الموارد وراس المال المادي في التنمية؟
- How important is human capital to development?  
ما اهمية راس المال البشري في التنمية؟
- Why are political factors and debt obstacles to development?  
لماذا العوامل السياسية والديون تمثل عقبة للتنمية؟

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## Rapid Population Growth

### النمو السكاني السريع

- The **population growth rate** is the increase in a country's population in a given year expressed as a percentage of the population figure at the start of the year.
- Economists often focus on the **natural rate of population increase**, or the difference between the birth rate and the death rate.
- If a country's population doubles, it must also double the following if it is to maintain its current level of development:
  - Employment opportunities فرص التوظيف
  - Health facilities المرافق الصحية
  - Teachers and schoolrooms المدرسون والفصول الدراسية
  - Industrial output الناتج الصناعي
  - Agricultural production الانتاج الزراعي
  - Exports and imports الصادرات والواردات

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## Resource Distribution and Physical Capital

### توزيع الموارد ورأس المال المادي

#### Resource Distribution

##### توزيع الموارد

- In parts of Africa, Asia, and Latin America, physical geography makes development more difficult.
- Only about 10 percent of the world's land is arable, or suitable for producing crops.

#### Physical Capital

##### رأس المال المادي

- The lack of economic activity typical of LDCs is due in part to a lack of physical capital.
- Subsistence agriculture provides little opportunity for individuals or families to save.

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## Human Capital راس المال البشري

When a country fails to invest in human capital, the supplies of skilled workers, industry leaders, entrepreneurs, government leaders, doctors, and other professionals is limited.

- **Health and Nutrition** الصحة والتغذية
  - Proper food and nutrition are necessary for physical and mental growth and development. Inadequate nutrition is called **malnutrition**.
- **Education and Training** التعليم والتدريب
  - To be able to use technology and move beyond mere subsistence, a nation must have an educated work force.
- **“Brain Drain”** هجرة العقول/ الادمغة
  - The scientists, engineers, teachers, and entrepreneurs of LDCs are often enticed to the benefits of living in a developed nation. The loss of educated citizens to the developed world is called “brain drain.”

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## Political Factors and Debt العوامل السياسية والديون

- **From Colonial Dependency to Central Planning**
  - من التبعية الاستعمارية الى التخطيط المركزي
- Many LDCs are former colonies of European powers. Their dependency on their colonizers for manufactured goods hindered their own development. Several LDCs turned to central planning after gaining their independence in an effort to modernize quickly.
- **Government Corruption** فساد الاجهزة الرسمية
  - Corruption in the governments of many LDCs holds back development.
- **Political Instability** عدم الاستقرار السياسي
  - Civil wars and social unrest prevent the necessary social stability required for sustained development.
- **Debt** الديون
  - Rising oil prices in the 1970s and a strong U.S. dollar have made it hard for many LDCs to repay loans.

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## Section 2 Assessment

1. How does human capital contribute to development?
  - (a) financiers lend money to developing countries
  - (b) foreigners make investments in another country
  - (c) a skilled work force encourages foreign investment
  - (d) people invest their money in local resources for growth
2. How do factors like climate, mineral resources, and rainfall have an impact on development?
  - (a) Technology can be used to allocate resources differently.
  - (b) Poor climate and rainfall and lack of mineral resources can make development difficult.
  - (c) A country with good climate and resources has no trouble becoming fully developed.
  - (d) These factors seldom have any positive or negative affect on development.

## Section 2 Assessment

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## Financing Development تمويل التنمية

- What role does investment play in development?
- ما الدور الذي يلعبه الاستثمار في التنمية؟
- What are the purposes of foreign aid?
- ما اغراض من المساعدات الخارجية؟
- What role do international economic institutions play in development?
- ما الدور الذي تلعبه المؤسسات الاقتصادية الدولية في التنمية؟

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## The Role of Investment دور الاستثمار

Building an infrastructure, providing education and health care, and creating technology and industry, all require large sums of money.

### Internal Financing التمويل الداخلي

- **Internal financing** is derived from the savings of a country's citizens.
- In many LDCs, there is little internal financing.

### Foreign Investment الاستثمار الاجنبي

- **Foreign investment** is investment which originates from other countries.
- There are two types of foreign investment, **foreign direct investment**, and **foreign portfolio investment**.

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## Two Types of Foreign Investment

### نوعان من الاستثمارات الأجنبية

#### Foreign Direct Investment

الاستثمار الاجنبي المباشر

- **Foreign direct investment** is the establishment of an enterprise by a foreigner.
- Many multinational corporations are attracted to foreign direct investment because of the possibilities for increased profits.

#### Foreign Portfolio Investment

محاظف الاستثمار الاجنبي

- **Foreign portfolio investment** is the entry of funds into a country when foreigners make purchases in the country's stock and bond markets.
- Foreign portfolio investment creates funds which indirectly increase production.

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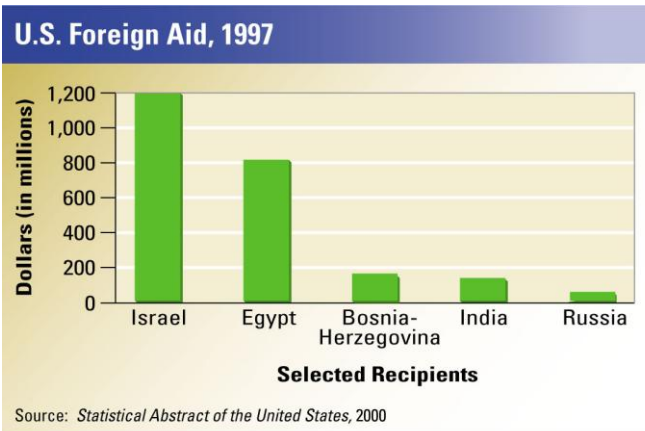
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## Foreign Aid المساعدات الأجنبية

Many developed nations provide aid to less developed nations for building schools, sanitation systems, roads, and other infrastructure.



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# International Economic Institutions

## المؤسسات الاقتصادية الأجنبية

- **World Bank** البنك الدولي
  - The largest provider of development assistance is the **World Bank**. The World Bank offers loans, advice, and other resources to many less developed countries.
- **United Nations Development Program (UNDP)** برنامج الامم المتحدة الانمائي
  - The **United Nations Development Program** is dedicated to the elimination of poverty through development.
- **International Monetary Fund** صندوق النقد الدولي
  - The **International Monetary Fund (IMF)** primarily offers policy advice and technical assistance to LDCs. The IMF is also viewed as a lender of last resort.

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## Section 3 Assessment

1. Why does the money that is invested in many less developed countries have to come from outside the country?
  - (a) The amounts of money needed are large.
  - (b) Entrepreneurs from developed countries do not want to invest in these countries.
  - (c) Most residents do not have enough money to save and invest.
  - (d) Multinational corporations want to invest in these countries.
2. The establishment of a business enterprise by someone who lives outside a country is called
  - (a) a foreign publication group.
  - (b) a multinational corporation.
  - (c) a foreign direct investment.
  - (d) an outside capitalization.

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## Section 3 Assessment

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## Transitions to Free Enterprise

### التحول الى المشروعات الحرة

- What steps are taken when moving from a centrally planned economy to a free market economy?
  - ما الخطوات المتخذة عند الانتقال من اقتصاد مخطط مركزيا الى اقتصاد السوق الحر؟
- What changes have taken place in Russia in recent decades?
  - ما التغييرات التي حدثت في روسيا في العقود الماضية؟
- How has China's communist government introduced free market reforms in China?
  - كيف قدمت حكومة الصين الشيوعية اصلاحات السوق الحر في الصين؟

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# Moving Toward a Market Economy

## الانتقال نحو اقتصاد السوق

- **Privatization** الخصخصة
  - **Privatization** is the sale or transfer of state-owned businesses to individuals. Private ownership gives individuals, rather than the government, the right to make decisions about what to produce and how much to produce.
- **Protecting Property Rights** حماية حقوق الملكية
  - A government must create whole new sets of laws that ensure a person's right to own land and transfer property.
- **Other New Roles for Government** ادوار اخرى جديدة للحكومة
  - A government must also be able to deal with possible unrest caused by the transition to a market economy. A government may also play a role in establishing a new work ethic, or a system of values that gives central importance to work.

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## Transition in Russia التحول في روسيا

### 1. Communism in Russia الشيوعية في روسيا

The Soviet government reorganized farmland into state farms and collective farms. Much of the economy was focused on the growth of heavy industry.

### 2. Glasnost and Perestroika

In the late 1980s, Soviet Premier Mikhail Gorbachev introduced new reforms. **Glasnost** was a policy of "openness" encouraging open speech. **Perestroika** called for a gradual change from a centrally planned economy to free enterprise.

### 3. Collapse of Communism انهيار الشيوعية

In 1991, Russians voted in their first democratic election. Soon after, the Soviet republics declared themselves independent nations. By the end of 1991, the Soviet Union ceased to exist.

### 4. Transition to a Free Market التحول الى السوق الحر

Since 1991, the Russian government has moved Russia towards free enterprise. However, extensive corruption and government mismanagement have hindered Russia's progress.

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## Transition in China التحول في الصين

Since the end of China's civil war in 1949, China has developed its own unique version of communism.

- **The Great Leap Forward** القفزة اكبيرة نحو الامام
  - In 1958, Mao Zedong introduced the Great Leap Forward. The program's intent was to turn China into a great economic power, but instead resulted in famine and about 20 million deaths.
- **Transition to the Free Market** التحول الى السوق الحر
  - Mao died in 1976. His successor, Deng Xiaoping, introduced new approaches to government and the economy. Deng shifted industrial and agricultural production decision-making back to individual farmers and factory owners.
- **Economic Zones** المناطق الاقتصادية
  - Deng also set up four **special economic zones** along China's east coast. In these zones, local governments are allowed to offer tax incentives to foreign investors and local businesses can make their own production decisions. China now has hundreds of special economic zones.

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## Section 4 Assessment

1. Why must private ownership of property be legally guaranteed before a free market economy will work?
  - (a) Unemployment will be too high for the private ownership to work without the guarantee.
  - (b) Foreign investors will take over the ownership of all property if it is not guaranteed.
  - (c) People will not invest in businesses unless their legal rights are protected, and they know contracts will be legal and enforced.
  - (d) Foreign investors will try to impose their own system of property rights on the country.
2. China's special economic zones
  - (a) represent China's commitment to communist principles.
  - (b) represent China's shift toward a free market economy.
  - (c) provide fewer incentives for foreign investors.
  - (d) are an attempt to limit the growth of the free market in China.

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## Section 4 Assessment

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
اقتصاديات الدخل العالي	High-income Economies	الامم المتقدمة	Developed Nations
اقتصاديات الدخل المتوسط	Middle-income Economies	الدول الاقل نموا	Less Developed Countries (Ldcs)
اقتصاديات الدخل المنخفض	Low-income Economies	التنمية	Development
معدل الزيادة الطبيعي للسكان	Natural Rate Of Population Increase	خصائص	Characteristics
زراعة الكفاف	Subsistence Agriculture	نصيب الفرد من الناتج	Per Capita GDP
عمال ماهرون	Skilled Workers	مستوى التصنيع	Level Of Industrialization
قوة عمل متعلمة	Educated Work Force	الناتج الزراعي	Agricultural Output
اسكان	Housing	البنية التحتية	Infrastructure

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## Key Terms مصطلحات رئيسية

عربي	انجليزي	عربي	انجليزي
ملكية خاصة	Ownership Of Property	سلع مصنعة	Manufactured Goods
شركات مملوكة للدولة	State-owned Businesses	فساد	Corruption
قوة اقتصادية	Economic Power	تنمية مستدامة	Sustained Development
مناطق اقتصادية خاصة	Special Economic Zones	شركات متعددة الجنسيات	Multinational Corporations