

UNIVERSITE PARIS 1 PANTHEON-SORBONNE

UFR 06 / SGEL

LICENCE DE GESTION ET ECONOMIE D'ENTREPRISE, Semestre 1

Partiel d'anglais appliqué à la gestion

Date: 10 janvier 2012

Durée: 2 heures

Enseignant responsable: Jean-Toussaint Pindi, Maître de conférences

Sujet rédigé en collaboration avec Jennifer Wallace, Lectrice

No documents allowed. Write your answers on the official answer sheets provided.

PART I: Reading

*A. Read the text below entitled **Saving and Growth** and address the ensuing vocabulary and comprehension exercises.*

SAVING AND GROWTH

Keynes challenged the classical conclusions about saving and growth. He argued that more thrift and saving lead to more rapid economic growth *only if full employment is assumed*. This means assuming the classical claim that demand is always enough for any supply of goods and that all saving is automatically invested. This assumption, however, is not true according to Keynes. During each depression it is painfully obvious to everyone that there is not full employment and that millions of workers are involuntarily unemployed. In each recession or depression, most saving is not being invested (except in the statistical sense of investment in unplanned and unwanted inventory pileups).

Keynes showed that, with unemployment and lack of investment opportunities, more saving may actually lead to less production rather than any economic growth. This finding constitutes the Alice-in-Wonderland theme of the *paradox of thrift*, which says that greater thrift and saving may sometimes lead to less output, not more. If the economy is faced with a lack of effective demand, then a higher propensity to save will simply lower consumer demand still further. The lower consumer demand may then lead to still less output and income, and therefore, to less aggregate saving and investment than there was before individuals tried to save more of their income. Thrift may always be an individual virtue, as Benjamin Franklin preached, but it is not always a social virtue when there is a lack of paying customers in a private enterprise economy.

More saving at a given income level is a benefit to the economy if, and only if, there is an equal increase in investment. Therefore, Keynesians see the potential growth rate as *only* a potential, a possibility that will be realized only if all saving is really invested and becomes an increase in capital. So all of the above model of growth should really be restated in terms of potential output at full use of capacity (Z), not in terms of actual output (Y), because there may be

insufficient effective demand. In other words, more saving, which could supply more capital to produce more output, is helpful only if business people expect demand to rise by an equal amount. If they do not expect an increase in demand, they will hoard the increased saving and precipitate a recession or depression.

Domar emphasized that new investment does eventually increase supply as well as demand. So the condition for steady growth is not merely no hoarding of present income, but also an increase of income and spending proportionate to growth of supply. If demand does not increase in the required amount, then the economy leaves the golden path of steady growth and may never return to it.

In the modern world, neither side of the problem can be ignored. Setting aside more saving to invest in more capital makes it *possible* to raise the rate of growth. But this happy possibility cannot become a reality as long as significant numbers of unemployed persons and unused capacity continue. More saving would only cause more unemployment in this case. First, one must guarantee a solution to the Keynesian problem of finding profitable investment outlets for all existing savings. Then one can worry about the classical problem of generating a higher rate of saving to allow the possibility of more investment.

Howard J. Sherman & Gary R. Evans, *Macroeconomics*, New York, Harper & Row, 1984

B. Vocabulary (5 points)

a) *Define or explain the following concepts in English. Do not translate them into French.*

1. Growth (paragraph 1, line 1)
2. Full employment (paragraph 1, line 2)
3. Depression (paragraph 1, line 7)
4. Investment (paragraph 2, line 1)
5. Hoard (paragraph 3, line 8)

b) *Find words in the text with equivalent meanings to the ones in italics in the following sentences. Give the paragraph and line references of the synonym you have selected.*

6. Wars are always followed by a period of economic slump.
7. People usually claim compensation for loss of earnings.
8. Carpet Land Company has a large stock of quality carpets on sale.
9. The new shop across the road has taken away some of our best clients.
10. Some companies enjoy a considerable advantage in terms of technology.

C. Comprehension (5 points)

Say whether the statements below are **True** or **False**. Justify your answer with a sentence from the text.

1. Keynes considered that further saving would increase growth if it were reinvested. (T / F)
2. The paradox of thrift consists in saying that supply will always match demand. (T / F)
3. According to Keynesians if all saving is invested growth is possible. (T / F)
4. The condition for regular growth is to spend as much money as possible. (T / F)
5. In a context of high unemployment more saving will increase the number of jobless people.
(T / F)
6. Keynes believed in classical economic theories about saving and growth. (T / F)
7. According to the text, thrift is both a social and individual virtue. (T / F)
8. Hoarding savings can precipitate a recession or depression. (T / F)
9. The Keynesian model of growth should be expressed as potential output at full use of capacity. (T / F)
10. During a depression people can generally find work easily. (T / F)

PART II. Grammar (5 points)

a) Complete the phrases below with **make** or **do**.

1. To _____ business
2. To _____ a profit
3. To _____ savings
4. To _____ urgent arrangements
5. To _____ your duty

b) The sentences below are in the *passive* form. Using the subject in brackets, make the sentences *active*.

6. Many people were forced to leave the countryside to find work in the city. (**The Industrial Revolution**)
7. Principles of Keynesians' economics can be understood by reading the textbook. (**Students**)
8. A seat on the NYSE is estimated to cost more than \$1.2 million. (**Journalists**)
9. Examples of cooperatives can be traced back to our predecessors. (**Historians and economists**)
10. Large numbers of farmers were driven from their land in the late 15th century. (**The enclosure movement**)

PART III. Writing (5 points)

Answer the following questions in a minimum of 200 words or a maximum of 300. Please show your word count at the end of your essay. You will be marked on both your knowledge of the subject, and your English writing skills.

What do you understand by the Paradox of Thrift in relation to Keynesian economics? Do you agree or disagree with the idea?

Note: In your answer you will need to define or explain the following concepts: paradox, thrift, paradox of thrift, Keynes' theory before saying whether you agree or disagree with the idea, and why.

Key to answers and guidelines for marking

Vocabulary (5 points)

a) *Define or explain the following concepts in English. Do not translate them into French.*

Answers

1. *Growth*: an increase in a nation's output of goods and services over time.
2. *Full employment*: situation in which all persons willing and able to work can find a job at current rates of pay.
3. *Depression*: a large and persistent fall in the level of output and unemployment.
4. *Investment*: expenditure on assets with the purpose of obtaining a return.
5. *Hoard*: accumulate deliberately beyond normal needs.

Marking

Half a mark for a correctly written definition or explanation. Quarter of a mark for anything intelligible. Nothing to be awarded for a blank or a wrong answer.

b) *Find words in the text with equivalent meanings to the ones in italics in the following sentences. Give the line reference of the synonym you have selected.*

Answers

6. *Recession* (paragraph 1, line 6 or paragraph 3, line 9) but *depression* (paragraph 1, line 7 or paragraph 3, line 9) is also acceptable.
7. *Income* (paragraph 2, line 6; paragraph 3, line 1 or paragraph 5, line 2)
8. *Inventory* (paragraph 1, last line)
9. *Customers* (paragraph 2, last line)
10. *Benefit* (paragraph 3, line 1)

Marking

Half a mark for a correct answer coupled with the correct paragraph and line references. Quarter of a mark for a correct answer without any paragraph and line references provided. Nothing to be awarded, if otherwise.

Comprehension (5 points).

Answers

1. **False:** only if full employment is assumed. (Paragraph 1, line 2)
2. **False:** greater thrift and saving may sometimes lead to less output, not more. (Paragraph 2, lines 3 & 4)
3. **True:** a possibility that will be realized only if all saving is really invested. (Paragraph 3, line 3)
4. **False:** spending proportionate to growth of supply. (Paragraph 4, line 3)
5. **True:** More saving would only cause more unemployment in this case. (Paragraph 5, line 4)
6. **False:** Keynes challenged the classical conclusions about saving and growth. (Paragraph 1, line 1)
7. **False:** It is not always a social virtue. (Paragraph 2, last line)
8. **True:** They will hoard the increased saving and precipitate a recession or depression. (Paragraph 3, last line)
9. **True:** The above model of growth should really be restated in terms of potential output at full use of capacity. (Paragraph 3, lines 4 & 5)
10. **False:** millions of workers are involuntarily unemployed. (Paragraph 1, line 7)

Marking

Half a mark if both the answer (**T** or **F**) and the justification are correct. Nothing to be awarded if the answer is correct and the justification wrong. Nothing to be awarded either if there is a blank or if both the answer and the justification are wrong.

Grammar (5 points)

Answers

1. do
2. make
3. make
4. make
5. do

6. The Industrial Revolution forced many people to leave the countryside to find work in the city.
7. Students can understand the principles of Keynesian economics by reading the textbook.
8. Journalists estimate that a seat on the NYSE costs more than \$1.2 million.
9. Historians and economists can trace examples of cooperatives back to our predecessors.
10. The enclosure movement drove large numbers of farmers from their land in the late 15th century.

Marking

Half a mark for a correct answer. Nothing to be awarded if otherwise.

Writing (1+4= 5 points)

Marking

- First, please award **1 point** as a bonus for requisite length. Nothing to be awarded, nor any penalty point to be deducted for inadequate or excess length.

- Then, please read, correct and comment the whole essay and score as follows:

0.5 point = Very little substance. Poor knowledge of the concepts and poor English. Constant mistakes.

1 point = Attempt to answer both questions, and/or parts of the questions. Frequent spelling, vocabulary and grammar mistakes. No fluency of expression.

2 points = Good attempt to answer both questions. All main points covered. Some regular spelling, vocabulary or grammar mistakes. Problems with the writing style.

3 points = Good substance or knowledge of the concepts, all points covered. Very few spelling, vocabulary or grammar mistakes and a good writing style.

4 points = Perfect answer to questions. High level English including fluency of expression and a very good writing style. Perfect spelling and good lexical and grammatical choices. No mistakes at all.

- Finally, please add the score to the bonus point, if any, and award the overall mark of the section.