Industries: from manufacturing to service

VOCABULARY PRACTICE
ADVANCED | C1

Name: _____ Date: _____

1 Match each advanced term with its definition.

1 comparative advantage ____	**a** a country's ability to produce a good at a lower relative opportunity cost than another country
2 industrial policy ____	**b** deliberate government strategy to develop or support specific industries
3 factor endowment ____	**c** the natural resources, labour and capital a country possesses
4 reshoring ____	**d** bringing previously offshored production back to the country of origin
5 productivity paradox ____	**e** the observation that heavy technology investment does not always translate into measurable productivity gains
6 creative destruction ____	**f** the continuous process by which innovation displaces older industries and jobs
7 rent extraction ____	**g** extracting value from an existing position rather than creating new value
8 knowledge economy ____	**h** an economy centred on the production and exchange of information and expertise
9 structural unemployment ____	**i** unemployment resulting from a structural mismatch between workers' skills and available jobs
10 path dependency ____	**j** the tendency for early decisions to constrain and shape an industry's later development

2 Choose the most precise term for each context.

1 Producing a good at lower relative opportunity cost is comparative advantage / absolute superiority.

2 Deliberate government support for specific industries is industrial policy / pure laissez-faire.

3 A country's natural resources, labour and capital is factor endowment / market demand alone.

4 Bringing offshored production back home is reshoring / continued offshoring.

5 Heavy tech investment not translating into productivity is the productivity paradox / guaranteed efficiency.

6 Innovation displacing older industries is creative destruction / static preservation.

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7 Extracting value without creating new value is rent extraction / genuine innovation.

8 An economy centred on information and expertise is the knowledge economy / a purely agrarian economy.

3 Match the verbs with the noun phrases to form academic collocations.

1 exploit ____	**a** comparative advantage
2 subsidise ____	**b** structural unemployment
3 displace ____	**c** an emerging industry
4 mitigate ____	**d** legacy workforce
5 leverage ____	**e** factor endowment
6 reverse ____	**f** offshoring trends
7 entrench ____	**g** path dependency
8 quantify ____	**h** the productivity paradox

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4 Complete the analysis with terms from the box.

comparative advantage | creative destruction | factor endowment | industrial policy | knowledge economy | path dependency | productivity paradox | rent extraction | reshoring | structural unemployment

Trade economists studying industrial specialisation continue to apply the theory of 1 _____, arguing that countries benefit from focusing on sectors where their relative opportunity cost is lowest, shaped substantially by underlying 2 _____ including labour, resources and capital. Governments increasingly pursue active 3 _____, deliberately supporting strategic industries rather than relying purely on market forces, particularly to strengthen domestic capacity within the emerging 4 _____. This shift partly reflects growing interest in 5 _____, as rising costs abroad and supply chain vulnerability prompt some firms to bring production closer to home. Economists continue to investigate the 6 _____, the puzzling observation that substantial technology investment has not always produced the productivity gains theory would predict. Innovation inevitably displaces existing industries through 7 _____, a process that generates long-term economic benefit while imposing genuine short-term costs, including 8 _____ among workers whose skills no longer match available employment. Critics warn that some industrial policy interventions risk becoming vehicles for 9 _____ rather than genuine value creation, benefiting connected firms rather than the broader economy, while early policy choices can create lasting 10 _____ that constrains future flexibility.

5 Read the text and answer the questions briefly.

Rethinking comparative advantage

Classical trade theory holds that countries benefit from specialising according to comparative advantage, producing goods where their relative opportunity cost is lowest and trading for everything else. This framework has faced growing scrutiny as global supply chains revealed significant vulnerability during recent disruptions, prompting some economists to argue that pure efficiency-based specialisation systematically undervalues resilience, since concentrating critical production in a small number of locations creates fragility that classical models fail to price adequately. Proponents of continued specialisation counter that abandoning comparative advantage broadly in favour of resilience would impose substantial and ongoing efficiency costs, arguing that targeted diversification for genuinely critical goods offers a more proportionate response than wholesale reshoring across entire industries.

1 What does classical trade theory hold? _____

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2 What has this framework faced growing scrutiny for? _____

3 What do some economists argue pure efficiency-based specialisation systematically undervalues? ___

4 Why does concentrating critical production create fragility, according to critics? _____

5 What do proponents of continued specialisation counter? _____

6 What do they argue offers a more proportionate response than wholesale reshoring? _____

6 Replace the words in bold with a precise term or collocation.

1 The country specialised in goods where its relative opportunity cost was lowest. _____

2 The government deliberately supported the strategic industry. _____

3 The company brought its offshored production back home. _____

4 Innovation displaced the older industry through a natural competitive process. _____

OVER TO YOU

Write a 160-190 word critical commentary on how resilience concerns are reshaping traditional trade theory, distinguishing observation from argument.

[ ] Use at least twelve target expressions. [ ] Include four academic collocations. [ ] Maintain a precise, balanced register.

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ANSWER KEY

1 Advanced terms

1 a 2 b 3 c 4 d 5 e 6 f 7 g 8 h 9 i 10 j

2 Precise terms

1 comparative advantage 2 industrial policy 3 factor endowment 4 reshoring 5 the productivity paradox 6 creative destruction 7 rent extraction 8 the knowledge economy

3 Academic collocations

1 a exploit comparative advantage 2 c subsidise an emerging industry 3 d displace legacy workforce... note adjust 4 b mitigate structural unemployment
5 e leverage factor endowment 6 f reverse offshoring trends 7 g entrench path dependency 8 h quantify the productivity paradox

4 Analysis

1 comparative advantage 2 factor endowment 3 industrial policy 4 knowledge economy
5 reshoring 6 productivity paradox 7 creative destruction 8 structural unemployment
9 rent extraction 10 path dependency

5 Reading - suggested answers

1 That countries benefit from specialising according to comparative advantage.
2 As global supply chains revealed significant vulnerability during recent disruptions.
3 Resilience.
4 Because concentrating critical production in a small number of locations creates fragility that classical models fail to price adequately.
5 That abandoning comparative advantage broadly would impose substantial and ongoing efficiency costs.
6 Targeted diversification for genuinely critical goods.

6 Precise terms and collocations

1 comparative advantage 2 industrial policy 3 reshoring 4 creative destruction

Over to you

Answers will vary. Look for conceptual precision, evidence-aware reasoning and balanced evaluation.