

## 1 **Marxism? Give me a break**

2 (original at  
3 [http://www.economist.com/blogs/buttonwood/2010/09/politics\\_regulation\\_financial\\_markets\\_and\\_inequality](http://www.economist.com/blogs/buttonwood/2010/09/politics_regulation_financial_markets_and_inequality))

4 The recent discussion on this blog of *The Spirit Level*, a book arguing that  
5 inequality hampers economic efficiency, provoked one inevitable comment  
6 about how those who worry about inequality should consider the Soviet  
7 Union or Cuba or North Korea. The comment is just an example of a  
8 distressing tendency in modern debate.

9 To equate any further regulation with Marxism, or to say that any  
10 consideration of inequality is misguided, seems wilfully blind. All western  
11 democracies are mixed economies, in which the state performs some  
12 functions and the private sector others. The argument is about where to  
13 draw the line, and it goes back and forth in a process of trial and error.

14 We are not talking about a choice between modern America and North  
15 Korea, but between 2010 America and 1950s America, which had a more  
16 equal income distribution, but was fiercely anti-communist.

17 The recent crisis ended up with a lot of costly government intervention.  
18 We are now arguing about how to avoid a repeat, and government  
19 intervention will surely play an important role in any proposed solution.  
20 Supporting it does not amount to betraying the idea of free markets.

21 *The Economist* is in favour of free markets, but both words are important.  
22 If banks are too big to fail, then their cost of capital is implicitly  
23 subsidised. This creates barriers to entry and encourages risk-taking at  
24 the taxpayers' expense; the market is thus not truly free. In an ideal  
25 world, we ought to be able to let banks fail in the same way that we let  
26 widget manufacturers fail. But since bank failures have a devastating  
27 economic impact, we need to have some approach to regulating them.  
28 Markets also have externalities, a concept long established in academia; a  
29 chemical company cannot be free to pollute a river, for example.

## Questions

- 1) Give the meaning of the word 'hampers' (line 5) in your own words.
- 2) What is a mixed economy?
- 3) Explain the idiom 'where to draw the line' (line 12-13). Before doing that, you might want to have a look at the explanation of 'trial and error' (same line) given below in the vocabulary section.
- 4) What is the difference between the USA of the 1950s and the USA today according to the article?
- 5) What tendency in the modern debate does the article criticize?
- 6) Why does the article stress the importance of both words in the term 'free market'?
- 7) In what way is the capital of banks that are too big to fail subsidized?
- 8) Give synonyms for 'since' (line 26).
- 9) Why can't the state let big banks fail according to the article?
- 10) What are externalities?
- 11) Do you agree with the article?

## Vocabulary

**trial and error** (line 13) – experimentation or investigation in which various methods or means are tried and faulty ones eliminated in order to find the correct solution or to achieve the desired result or effect

**barriers to entry** (line 23) – In economics and mostly especially in the theory of competition, barriers to entry are obstacles in the path of a firm that make it difficult to enter a given market.

**encourage risk taking** (line 23) – make people or companies take on more risk, promote risking

**in academia** (line 28) – at universities, colleges, or the like

You can find additional explanation and more examples to help you understand and use English words and phrases at <http://dictionary.reference.com>, <http://dictionary.cambridge.org/>, <http://www.merriam-webster.com/> or <http://www.ldoceonline.com/>

Přejeme Vám mnoho studijních úspěchů.

Tým jazykové skupiny Spěváček:

