

## 1 **After the storm**

2 *(original at [http://www.economist.com/opinion/displaystory.cfm?story\\_id=14548881](http://www.economist.com/opinion/displaystory.cfm?story_id=14548881))*

3 After the economic crisis, people expect stability and predictability to return. But how far  
4 off is it? And what will a "normal" world economy look like after the biggest financial bust  
5 since the Depression?

6 Share prices and short-term growth forecasts look comforting. Industrial output has  
7 stopped decreasing in all the world's big economies. In its latest forecasts the IMF says  
8 global GDP will grow by 3.1% next year. Global stock markets have risen by 64% since  
9 their deepest fall. Corporate finance, once frozen, is thawing fast.

10 However, a closer look suggests caution. Despite a welcome return to growth, the world  
11 economy is far from returning to "normal" activity. Unemployment is still rising and much  
12 manufacturing capacity remains idle. Many of the sources of today's growth are  
13 temporary. The rebuilding of inventories will not increase firms' output for long. All  
14 around the world it is government intervention, not natural consumption, that now drives  
15 spending. Massive fiscal and monetary stimulus is protecting households and banks from  
16 further damage, but the underlying problems remain. In America and other former  
17 bubble economies, household debts are worryingly high, and banks need to increase their  
18 capital. That suggests consumer spending will be lower and the cost of capital higher  
19 than before the crunch. The world economy may see a few quarters of respectable  
20 growth, but it will not return to where it would have been had the crisis never happened.

21 That alone should temper some of the optimism in financial markets. But the prospect of  
22 a "new normal" still offers at least two distinct possibilities. One is that the world  
23 economy returns roughly to its pre-crisis rate of growth. That, the IMF points out, is what  
24 happens after most financial crises. The second, more depressing possibility is that  
25 growth stays at a permanently lower rate.

## Questions:

- 1) What is the gist of the article? What does it suggest?
- 2) What are the main arguments and how are they structured? (List the pro and con arguments!)
- 3) What are the two outcome possibilities?
- 4) What is a 'financial bust' (4)? Are you familiar with some synonyms? Scan the text for these synonyms!
- 5) What is 'corporate finance' (9) and why was it once frozen?
- 6) What is (an) 'inventory'? (13)
- 7) 'Massive fiscal and monetary stimulus is protecting households and banks from further damage, but the underlying problems remain.' (16) – What is the reality described by this sentence in simple terms? Describe it using your own words!
- 8) What are 'bubble economies'? (17)
- 9) What is 'consumer spending' and what happens if it is 'low' (18)?
- 10) What are the practical consequences of a 'higher cost of capital' (18) for normal people?
- 11) Which of the two outcome possibilities of the financial bust suggested in the article do you think is more likely? Do you agree with the article at all? What do you think is going to happen in the future?

## Vocabulary:

Idle – remain idle etc. (12)

household (15), 'a household name'

rate (25) – growth rate/ unemployment rate etc.

debt (17)

Přejeme Vám mnoho studijních úspěchů.

Tým jazykové skupiny Spěváček: