

Reading Comprehension Based on Economic Theories

Passage 1

Food for Thought: What is Market Socialism? Discuss its pros and cons with the teacher?

Market socialism epitomizes a theoretical construct within economic discourse wherein the means of production are communally owned, yet resource allocation adheres to market tenets across product, labor, and capital domains. This conceptualization encompasses divergent socio-economic systems, encompassing Yugoslav models post the 1965 reform and Hungarian variants featuring regulated markets subsequent to the 1968 restructuring.

Read the following passage and answer the questions that follows.

In its early days, socialism was a revolutionary movement of which the object was the liberation of the wage-earning classes and the establishment of freedom and justice. The passage from capitalism to the new regime was to be sudden and violent: capitalists were to be expropriated without compensation, and their power was not to be replaced by any new authority. Gradually a change came over the spirit of socialism. In France, socialists became members of the government, and made and unmade parliamentary majorities. In Germany, social democracy grew so strong that it became impossible for it to resist the temptation to barter away some of its intransigence in return for government recognition of its claims. In England, the Fabians taught the advantage of reform as against revolution, and of conciliatory bargaining as against irreconcilable antagonism.

The method of gradual reform has many merits as compared to the method of revolution, and I have no wish to preach revolution. But gradual reform has certain dangers, to wit, the ownership or control of businesses hitherto in private hands, and by encouraging legislative interference for the benefit of various sections of the wage-earning classes. I think it is at least doubtful whether such measures do anything at all to contribute toward the ideals which inspired the early socialists and still inspire the great majority of those who advocate some form of socialism.

Let us take as an illustration such a measure as state purchase of railways. This is a typical object of state socialism, thoroughly practicable, already achieved in many countries, and clearly the sort of step that must be taken in any piecemeal approach to complete collectivism. Yet I see no reason to believe that any real advance toward democracy, freedom, or economic justice is achieved when a state takes over the railways after full compensation to the shareholders.

Economic justice demands a diminution, if not a total abolition, of the proportion of the national income which goes to the recipients of rent and interest. But when the holders of railway shares are given government stock to replace their shares, they are given the prospect of an income in perpetuity equal to what they might reasonably expect to have derived from their shares. Unless there is reason to expect a great increase in the earnings of railways, the whole operation does nothing to alter the distribution of wealth. This could only be effected if the present owners were expropriated, or paid less than the market value, or given a mere life-interest as compensation. When full value is given, economic justice is not advanced in any degree.

There is equally little advance toward freedom. The men employed on the railway have no more voice than they had before in the management of the railway, or in the wages and conditions of work. Instead of having to fight the directors, with the possibility of an appeal to the government, they now have to fight the government directly; and experience does not lead to the view that a government department has any special tenderness toward the claims of labor. If they strike, they have to contend against the whole organized power of the state, which they can only do successfully if they happen to have a strong public opinion on their side. In view of the influence which the state can always exercise on the press, public opinion is likely to be biased against them, particularly when a nominally progressive government is in power. There will no longer be the possibility of divergences between the policies of different railways. Railway men in England derived advantages for many years from the comparatively liberal policy of the North Eastern Railway, which they were able to use as an argument for a similar policy elsewhere. Such possibilities are excluded by the dead uniformity of state administration.

1. Which of the following is the best title for the passage?
 - A) Pitfalls of socialism
 - B) Pitfalls of Gradual Reform towards Socialism
 - C) Socialism and Economic Justice
 - D) Socialism and Democracy
2. It can be inferred from the passage that the Fabians, in order to achieve socialism....
 - A) preferred reform against revolution, and conciliatory bargaining against antagonism .
 - B) preferred reform against revolution, and expropriation of property as against conciliatory bargaining.
 - C) preferred revolution against reform, and conciliatory bargaining against expropriation
 - D) preferred revolution against reform, and a sudden and violent change to socialism

3. Which of the following reasons is/are advanced by the writer as the demerits of gradual reform?
 - (i) State ownership or control of business after full compensation to share holders
 - (ii) Expropriation of shares
 - (iii) The government machinery becomes a formidable adversary for the workers.
 - (iv) The uniformity of the state administration
 - A) (i), (ii) and (iii)
 - B) (i), (iii) and (iv)
 - C) Only (ii)
 - D) Only (iii)

4. It is the writers belief that a piecemeal approach to collectivism does not.....
 - A) ensure economic justice
 - B) further the cause of democracy
 - C) help realize the ideals of early socialists
 - D) All of the above

5. But gradual reform has certain dangers, to wit, the ownership or control... to wit in the context means which of the following?
 - A) to come to know
 - B) with humour
 - C) to reason
 - D) namely

Passage 2

Food for Thought: What is Marxism? Discuss it with the teacher.

Marxism delineates a socio-economic philosophy positing class conflict, notably between the bourgeoisie and proletariat, as the linchpin of capitalist economic relations. Karl Marx and Friedrich Engels pioneered this worldview, encapsulating Marxist class conflict theory and economics. The "Communist Manifesto" (1848) crystallized Marxist tenets, prognosticating revolutionary upheavals culminating in communist ascendancy via proletarian emancipation.

Read the passage and answer the questions that follow.

On or about February 24, 1848, a twenty-three-page pamphlet was published in London. Modern industry, it proclaimed, had revolutionized the world. It surpassed, in its accomplishments, all the great civilizations of the past—the Egyptian pyramids, the Roman aqueducts, the Gothic cathedrals. Its innovations—the railroad, the steamship, the telegraph—had unleashed fantastic productive forces. In the name of free trade, it had knocked down national boundaries, lowered prices, made the planet interdependent and cosmopolitan. Goods and ideas now circulated everywhere.

Just as important, it swept away all the old hierarchies and mystifications. People no longer believed that ancestry or religion determined their status in life. Everyone was the same as everyone else. For the first time in history, men and women could see, without illusions, where they stood in their relations with others.

The new modes of production, communication, and distribution had also created enormous wealth. But there was a problem. The wealth was not equally distributed. Ten per cent of the population possessed virtually all of the property; the other ninety per cent owned nothing. As cities and towns industrialized, as wealth became more concentrated, and as the rich got richer, the middle class began sinking to the level of the working class.

Soon, in fact, there would be just two types of people in the world: the people who owned property and the people who sold their labor to them. As ideologies disappeared which had once made inequality appear natural and ordained, it was inevitable that workers everywhere would see the system for what it was, and would rise up and overthrow it. The writer who made this prediction was, of course, Karl Marx, and the pamphlet was "The Communist Manifesto." He is not wrong yet.

Considering his rather glaring relevance to contemporary politics, it's striking that two important recent books about Marx are committed to returning him to his own century. "Marx was not our contemporary," Jonathan Sperber insists, in "Karl Marx: A Nineteenth-Century Life" (Liveright), which came out in 2013; he is "more a figure of the past than a prophet of the present." And Gareth Stedman Jones explains that the aim of his new book, "Karl Marx: Greatness and Illusion" (Harvard), is "to put Marx back in his nineteenth-century surroundings."

The mission is worthy. Historicizing—correcting for the tendency to presentize the past—is what scholars do. Sperber, who teaches at the University of Missouri, and Stedman Jones, who teaches at Queen Mary University of London and

co-directs the Centre for History and Economics at the University of Cambridge, both bring exceptional learning to the business of rooting Marx in the intellectual and political life of nineteenth-century Europe.

Marx was one of the great infighters of all time, and a lot of his writing was topical and ad hominem—no-holds-barred disputes with thinkers now obscure and intricate interpretations of events largely forgotten. Sperber and Stedman Jones both show that if you read Marx in that context, as a man engaged in endless internecine political and philosophical warfare, then the import of some familiar passages in his writings can shrink a little. The stakes seem more parochial. In the end, their Marx isn't radically different from the received Marx, but he is more Victorian. Interestingly, given the similarity of their approaches, there is not much overlap.

1. How does the passage characterize the impact of modern industry on society, and what key innovations are highlighted?
 - a) It portrays modern industry as detrimental, causing societal upheaval.
 - b) It praises modern industry for its ability to elevate society and surpass past civilizations.
 - c) It suggests modern industry has had minimal impact on societal structures.
 - d) It emphasizes modern industry's focus on luxury goods rather than practical innovations.
2. What societal changes did modern industry bring about according to the passage, particularly regarding hierarchies and wealth distribution?
 - a) It suggests modern industry reinforced traditional hierarchies and wealth distribution.
 - b) It indicates modern industry led to the disappearance of hierarchies and equal wealth distribution.
 - c) It proposes modern industry resulted in concentrated wealth and class divisions.
 - d) It argues modern industry promoted communal ownership and wealth sharing.
3. In what ways does the passage discuss Karl Marx's predictions about the consequences of industrialization and wealth inequality?
 - a) It dismisses Marx's predictions as irrelevant to contemporary politics.
 - b) It highlights Marx's accuracy in predicting the rise of industrial capitalism and its consequences.
 - c) It portrays Marx's predictions as overly optimistic and disconnected from reality.
 - d) It suggests Marx's predictions focused solely on technological advancements rather than social implications.
4. How do Jonathan Sperber and Gareth Stedman Jones aim to contextualize Karl Marx within his own time period, according to the passage?
 - a) They aim to portray Marx as a timeless figure, relevant to all epochs.
 - b) They attempt to emphasize Marx's contemporary relevance rather than his historical context.
 - c) They strive to situate Marx within the intellectual and political landscape of nineteenth-century Europe.
 - d) They seek to reinterpret Marx's writings solely through a modern lens, ignoring historical context.
5. What insights do scholars Jonathan Sperber and Gareth Stedman Jones offer about Karl Marx's intellectual and political engagements within nineteenth-century Europe, and how does this contextualization influence our understanding of Marx's writings?
 - a) They suggest Marx was primarily focused on personal fame rather than genuine political engagement.
 - b) They provide little insight into Marx's intellectual and political activities during his time.
 - c) They offer detailed analyses of Marx's involvement in the intellectual and political debates of his era.
 - d) They argue that Marx's ideas were detached from the societal context of nineteenth-century Europe.

Passage 3

Food for thought: What is Laissez-Faire Capitalism ? Discuss with the teacher.

Laissez-faire capitalism, epitomizing the antithesis to Marxist ideology, underscores individual entitlement to the fruits of labor, contesting capitalist systems partitioning society into nonworking employees and owners. Marx inveighed against this stratification as engendering alienation, prophesying its resolution through collective ownership and the annihilation of class distinctions.

Read the passage and answer the questions.

For many years, historians thought that the development of capitalism had not faced serious challenges in the United States. Writing in the early twentieth century, **Progressive historians** sympathized with the battles waged by farmers and small producers against large capitalists in the late nineteenth century, but they did not question the widespread acceptance of laissez-faire (unregulated) capitalism throughout American history. Similarly, Louis Hartz, who sometimes disagreed with the Progressives, argued that Americans accepted laissez-faire capitalism without challenge because they lacked a feudal, precapitalist past. Recently, however, some **scholars** have argued that even though laissez-faire became the prevailing ethos in nineteenth-century America, it was not accepted without struggle. Laissez-faire capitalism, they suggest, clashed with existing religious and communitarian **norms** that imposed moral constraints on acquisitiveness to protect the weak from the predatory, the strong from corruption, and the entire culture from materialist excess. Buttressed by mercantilist notions that government should be both regulator and promoter of economic activity, these norms persisted long after the American Revolution helped unleash the economic

forces that produced capitalism. These scholars argue that even in the late nineteenth century, with the government's role in the economy considerably diminished, laissez-faire had not triumphed completely. Hard times continued to revive popular demands for regulating business and softening the harsh edges of laissez-faire capitalism.

1. The primary purpose of the passage is to
 - (A) reveal the underlying similarities of certain arguments regarding the development of capitalism in the United States
 - (B) synthesize two competing arguments regarding the development of capitalism in the United States
 - (C) defend an established argument regarding the development of capitalism in the United States
 - (D) summarize a scholarly refutation of an argument regarding the development of capitalism in the United States
 - (E) discuss a new methodology for the study of the development of capitalism in the United States

2. According to the passage, the "Progressive historians" and the "scholars" disagree with regard to which of the following?
 - (A) Whether laissez-faire became the predominant ethos in the nineteenth-century United States
 - (B) Whether moral restraints on acquisitiveness were necessary in the nineteenth-century United States
 - (C) The economic utility of mercantilist notions of government
 - (D) The nature of the historical conditions necessary for the development of laissez-faire capitalism in the nineteenth-century United States
 - (E) The existence of significant opposition to the development of laissez-faire capitalism in the nineteenth-century United States

3. The passage suggests that the "scholars" would agree with which of the following statements regarding the "norms"
 - (A) They provided a primary source of opposition to the development of laissez-faire capitalism in the United States in the nineteenth century.
 - (B) Their appeal was undermined by difficult economic times in the United States at the end of the nineteenth century.
 - (C) They disappeared in the United States in the late nineteenth century because of the triumph of laissez-faire capitalism.
 - (D) They facilitated the successful implementation of mercantilist notions of government in the United States in the nineteenth-century.
 - (E) They are now recognized by historians as having been an important part of the ideology of the American Revolution.

Answers:

Passage 1: 1A 2A 3C 4D 5D
 Passage 2: 1B 2C 3B 4C 5C
 Passage 3: 1D 2E 3A