

## Unit 7

# GOVERNMENT IN THE ECONOMY

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### Learning outcomes

After studying this unit you should be able to:

- 1) identify the role of the government in economy;
  - 2) distinguish between government intervention and support;
  - 3) explain the difference between different types of government structures;
  - 4) use the active vocabulary of the unit in speaking and writing;
  - 5) read for different purposes (skimming, scanning);
  - 6) use grammar effectively (tenses: Present Perfect, Present Perfect Continuous, Past Simple).
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### Lead-in

**1. Read the sentences (1–8) and decide which meaning (a–d) the word *government* has.**

1. The importance of good *government* in developing countries is obvious.

\_\_\_\_  
2. The protest march was really about *big government*. \_\_\_\_

3. *The Government* are planning further cuts in public spending. \_\_\_\_

4. Hong Kong has followed *small government*, laissez-faire policies for decades, limiting government intervention in business. \_\_\_\_

5. Most people in the country support the return to *democratic government*.

\_\_\_\_

a) the group of people who govern a country or state

b) a form or system of government

c) the process or way of governing

d) the degree to which the government controls economic and social activities

6. The US *government* has tightened restrictions on firearms. \_\_\_\_
7. Simply handing over powers to *local government* (or stopping the removal of them) is not enough. \_\_\_\_
8. What would the opposition do if they were *in government*? \_\_\_\_

## 2. How would you characterise the type of government in these countries?

- |                |   |            |
|----------------|---|------------|
| a) Russia      | b) China  | c) Germany |
| h) Iran        | <b>Types of government</b> <ul style="list-style-type: none"> <li>• Federal Republic</li> <li>• Socialistic Republic</li> <li>• Islamic Republic</li> </ul> |            |
| g) Switzerland | f) the USA  | e) Vietnam |

## TOPICS

### Text A

#### What do governments do?

1 Most resources in Western economies are allocated through markets in which individuals and privately owned firms trade with other individuals or firms. However, governments also play a major role. They set the legal rules; in the marketplace they buy goods and services, from paper clips to aircraft carriers; they produce some services, such as defence; and they make payments such as social security benefits. In financing themselves through taxation and borrowing, governments exert a major influence on prices, interest rates, and production.

2 Governments in modern industrial economies collect between one-quarter and one-half of GNP in taxes each year and typically spend a little more than they receive in taxes. Because governments play so large a part in economic life, to understand the operation of a modern economy we have to understand not only how markets work but also how government affects the operation of the economy.

### 3 What do governments actually do?

#### *Create laws, rules, and regulations*

Governments determine the legal framework that sets the basic rules for the ownership of property and the operation of markets. If the legal framework outlaws private ownership of businesses, the economy is socialist; if businesses are owned by individuals and operated for private profit, the economy is capitalist. Even in the most capitalist economies, there are limits to the rights of ownership. Not everyone can own a gun, for instance. Nor are people entirely free to use their property as they please; it is usually illegal to build a factory on land in a residential area.

4 In addition, governments at all levels regulate economic behaviour, setting detailed rules for the operation of businesses. Regulations include planning permission (how land can be used and where businesses can locate), health and safety regulations, and attempts to prevent some types of business, such as the sale of heroin. Some regulations apply to all businesses; examples include laws against fraud and laws that prohibit competitors from agreeing to fix prices. Some regulations apply only to certain industries, such as requirements that barbers and doctors have appropriate training.

#### *5 Make transfer payments*

Governments also make transfer payments, such as social security and unemployment benefits, to individuals. *Transfer payments* are payments for which no current direct economic service is provided in return. A fireman's salary is not a transfer payment; a social security cheque is, as are unemployment benefits and interest payments on government borrowing.

Government spending is the sum of government purchases of goods and services and transfer payments.

#### *6 Impose taxes*

Governments pay for the goods they buy and for the transfer payments they make by levying taxes or by borrowing. Taxes raised at national level, such as income tax or VAT, are usually supplemented by local taxes assessed on property values or household size.

### *7 Try to stabilize the economy*

Every market economy suffers from business cycles. The business cycle consists of fluctuations of total production, or GDP, accompanied by fluctuations in the level of unemployment and the rate of inflation. Governments, through their control of taxes and government spending and through their ability to control the quantity of money in the economy, often attempt to modify fluctuations in the business cycle. The national government may reduce taxes in a recession in the hope that people will increase spending and thus raise the GDP. The central bank (in the UK the Bank of England), which controls the quantity of money, may increase the quantity of money more rapidly in a recession to help bring the economy out of the recession. When inflation is high, the central bank may reduce the rate of money growth with the aim of reducing inflation.

### *8 Affect the allocation of resources*

By spending and taxing, the government of course plays a major part in allocating resources in the economy. In terms of what, how, and for whom, government chooses much of what gets produced, from defence expenditures to education to its support for the arts. It affects how goods are produced through regulation and through the legal system. It affects for whom goods are produced through its taxes and transfers, which take income away from some people and give it to others.

9 Beyond these direct effects, the government also affects the allocation of resources indirectly through taxes (and subsidies, which are negative taxes) on the price and level of production in individual markets. When government taxes a good, such as cigarettes, it generally reduces the quantity of that good produced; when it subsidizes a good, such as milk, it generally increases the quantity of the good produced.

10 The power to tax is thus the power to affect the allocation of the economy's resources, or to change what gets produced. By taxing cigarettes, the government can reduce the amount of cigarettes smoked and thereby improve health. By taxing income earned from work, the government affects the amount of time people want to work. Because they affect the allocation of resources indirectly, through their effects on relative prices, as well as directly, taxes loom large in the workings of the market

system and have a profound effect on the way society allocates its scarce resources.

*Begg David. Economics. — McGraw-Hill Book Company, 1991. — 3<sup>rd</sup> ed. — P. 48.*

### Target vocabulary of text A

- borrowing (*n*) = when a person, government, company, etc. borrows money, or the money that they borrow  
*Public borrowing has increased.*
- business cycle = a period during which a country's economy goes from growth to recession and back to growth  
*The typical business cycle is three to five years.*
- inflation (*n*) = a general, continuous increase in prices  
*The annual rate of inflation fell.*
- GNP = (*abb.*) gross national product  
*GNP is the total value of all the goods and services produced in a country, usually in a single year.*
- prohibit (*v*) = to say that an action is illegal or not allowed  
*Smoking is strictly prohibited inside the factory.*
- property (*n*) = the thing or things that someone owns  
*The hotel is not responsible for any loss or damage to guests' personal property.*
- recession (*n*) = a period when the economy of a country is not successful and conditions for business are bad  
*The country is sliding into the depths of (a) recession.*
- regulations (*n*) = an official rule or the act of controlling  
*The correct procedure is laid down in the rules and regulations.*
- subsidy (*n*) = money given as part of the cost of smth, to help or encourage it to happen  
*The government is planning to abolish subsidies to farmers.*
- taxation (*n*) = the system of taxing people  
*The government's economic and taxation policy is tight.*
- VAT = (*abb.*) value added tax  
*VAT is a tax added to the price of goods and services in Britain and the EU.*

**1. a) Use your dictionary to check the correct pronunciation of the words below.**

exert, residential, requirements, transfer, social, cheque, to levy, cycle, major, thereby

**b) Read text A and answer the questions below.**

1. How do the governments regulate economic behaviour of market participants?
2. Given the legal frameworks set by the governments, which two types of the economy can be determined?
3. What is “transfer payments”?
4. What are the basic stages of the typical business cycle?
5. Explain the difference between taxes and subsidies.

**2. Decide whether the following statements are *True* or *False* according to text A.**

1. Governments of the capitalist economies don't create laws or set rules for the ownership of property. \_\_\_\_
2. Governments create rules and requirements that can be applied to every industry and company within the boundaries of the country. \_\_\_\_
3. Transfer payments are payments without provision of any service in return. \_\_\_\_
4. In order to reduce the rate of inflation the central bank should increase money supply. \_\_\_\_
5. A decrease in quantity of production is the result of taxation. \_\_\_\_

**3. Scan through text A and find the words corresponding to these definitions.**

*para 1 and 2*

- 1) very important, when compared to other things or people of a similar kind (*adj*) \_\_\_\_\_
- 2) allowed by the law (*adj*) \_\_\_\_\_
- 3) an amount of money that has been or must be paid (*n*) \_\_\_\_\_
- 4) to use your power, influence, etc. in order to make smth happen (*v*) \_\_\_\_\_
- 5) to do smth that produces an effect or change in smth or in someone's situation (*v*) \_\_\_\_\_

*para 3 and 4*

6) to officially decide smth (*v*) \_\_\_\_\_

7) a set of ideas, rules, or beliefs from which smth is developed, or on which decisions are based (*n*) \_\_\_\_\_

8) to completely stop smth by making it illegal (*v*) \_\_\_\_\_

9) to control an activity or process, especially by rules (*v*) \_\_\_\_\_

10) the crime of deceiving people in order to gain smth such as money or goods (*n*) \_\_\_\_\_

*para 5 and 6*

11) protection from bad things that could happen to you (*n*) \_\_\_\_\_

12) happening or existing now (*adj*) \_\_\_\_\_

13) money that you receive as payment from the organisation you work for, usually paid to you every month (*n*) \_\_\_\_\_

14) to force people to accept smth (*v*) \_\_\_\_\_

15) to add smth, especially to what you earn, in order to increase it to an acceptable level (*v*) \_\_\_\_\_

*para 7 and 8*

16) a change in a price, amount, level, etc. (*n*) \_\_\_\_\_

17) to make small changes to smth in order to improve it and make it more suitable or effective (*v*) \_\_\_\_\_

18) a charge or payment that is set according to a standard scale (*n*) \_\_\_\_\_

19) the total amount of money that a government, organisation, or person spends during a particular period of time (*n*) \_\_\_\_\_

*para 9 and 10*

20) done without any other people, actions, processes, etc. coming between (*adv*) \_\_\_\_\_

21) considering or relating to the whole of a thing or group, rather than to details or specific cases or parts (*adv*) \_\_\_\_\_

22) with the result that smth else happens (*adv*) \_\_\_\_\_

23) to seem important, worrying and difficult to avoid (*v*) \_\_\_\_\_

24) having a strong influence or effect (*adj*) \_\_\_\_\_

#### 4. Use the words from exercise 3 to fill in the gaps.

##### *para 1 and 2*

1. The country cannot meet the \_\_\_\_\_ on its £80 billion foreign debt.
2. Trading has been adversely \_\_\_\_\_ by the downturn in consumer spending.
3. The government's \_\_\_\_\_ concern is with preventing road accidents.
4. Environmental groups are \_\_\_\_\_ pressure on the government to tighten pollution laws.
5. There are no firm \_\_\_\_\_ rules about the proper approach that a company should adopt.

##### *para 3 and 4*

1. The bill would have \_\_\_\_\_ several types of guns.
2. It is for government \_\_\_\_\_ on behalf of the community, to set the standards and the environmental goals.
3. It may, however, be difficult \_\_\_\_\_ what the basic imbalance is.
4. We have to act within the existing legal \_\_\_\_\_.
5. Yet every year, some £50 million is lost through cheque \_\_\_\_\_.

##### *para 5 and 6*

1. The government \_\_\_\_\_ a ban on the sale of ivory.
2. In its \_\_\_\_\_ state, the car is worth £1000.
3. Kia \_\_\_\_\_ her regular salary by tutoring in the evenings.
4. This insurance plan offers your family financial \_\_\_\_\_ in the event of your death.
5. Parker's annual \_\_\_\_\_ is just under \$48 000.

##### *para 7 and 8*

1. Presumably such marked \_\_\_\_\_ are connected with the prevailing weather conditions.
2. Thus, if interest \_\_\_\_\_ are expected to fall, market participants will be unwilling to sell bills outright to the Bank.
3. The significant changes initiated in 1976 have led to a reduction in government \_\_\_\_\_.
4. The regulations can only be \_\_\_\_\_ by a special committee.



*para 9 and 10*

1. In studying housing issues, questions of tenure \_\_\_\_\_ large.
2. Educational level has a sizeable \_\_\_\_\_ effect on income.
3. \_\_\_\_\_, part-timers work in low-status, low-wage occupations.
4. The politicians and bureaucrats at this level can have a \_\_\_\_\_ effect upon the local people, and can obstruct, alter or intensify central government actions.
5. He became a citizen in 1978, \_\_\_\_\_ gaining the right to vote.

**5. Match the term with its definition.**

- |                          |   |
|--------------------------|---|
| 1) social benefits       | a) a noncompensatory government payment to individuals, as for welfare or social security benefits  |
| 2) residential areas     | b) cash transfers to those who lose their jobs and actively seek employment   |
| 3) safety regulations    | c) a part of a town or city where people live, but there are no shops or offices  |
| 4) transfer payments     | d) the price of one unit of good $x$ measured not in currency, but in the number of units of good $y$ that must be sacrificed to acquire good $x$ |
| 5) unemployment benefits | e) a set of rules which prevent employees from being injured at their working places  |
| 6) interest payments     | f) benefits under social security intended to provide basic, minimum support to families faced with the loss of a principal wage earner           |
| 7) government borrowing  | g) an institution that oversees the banking system and regulates the money supply   |
| 8) business cycle        | h) the amount of funds borrowed by the government in the financial markets  |
| 9) the central bank      | i) recurring fluctuations in economic activity consisting of recession and recovery and growth and decline  |
| 10) relative prices      | j) income received from lending money   |

**6. Fill in the gaps with the prepositions (where necessary).**

<i>between</i>	•	<i>on</i>	•	<i>in</i>	•	<i>from</i>
<i>against</i>	•	<i>with</i>	•	<i>for</i>	•	<i>by</i>

1. Locus believes Microsoft has underestimated the importance of open networking \_\_\_ the marketplace.
2. Another set of official statistics showed the price of industrial products was slightly higher \_\_\_ last month, although not high enough to affect \_\_\_ forecasts of a continuing decline \_\_\_ consumer inflation.
3. The administration has expressed satisfaction \_\_\_ the package which includes real cuts of \$4.6 billion and \$6 billion \_\_\_ taxes.
4. The government's annual report \_\_\_ the production costs of electricity in France has confirmed that nuclear-powered stations are the most cost-effective means of producing electricity provided they operate \_\_\_ at least 6000 hours per year.
5. They are prohibited \_\_\_ revealing details about the candidates.
6. A council has been asked to give permission \_\_\_ the development \_\_\_ return for money for recreational facilities.
7. We lease rather than buy \_\_\_ hire purchase so we can match the payments \_\_\_ equipment to its lifetime and its earnings.
8. Her rapid rise to the top is well deserved and she does not suffer \_\_\_ having political labels stuck \_\_\_ her.
9. Nigel Lawson, \_\_\_ contrast, saw the EMS as a potential brake \_\_\_ violent fluctuations \_\_\_ the rate of exchange.
10. The considerable price inflation \_\_\_ these two dates, for example, had an effect \_\_\_ the figures.

**7. Choose the correct letter (a, b or c).**

1. For example, the long-term programme of economic stabilization recommended that there should be a shift away from \_\_\_ direct taxation towards direct taxation.  
a) un                      b) in                      c) dis
2. Although this does not actually prohibit the possession of weapons whose use is \_\_\_ legal, it is clearly moving in that direction.  
a) in                      b) un                      c) il

3. Some are rushed in as emergency cases leaving bills \_\_\_paid, rent in arrears and families in financial hardship.  
a) in                      b) un                      c) dis
4. This method of solving the model is therefore called the method of \_\_\_determined coefficients.  
a) in                      b) un                      c) non
5. As the British moved to create a new regime for their air-lines after the war, the outstanding \_\_\_resolved issue from the Chicago conference remained: the need for an Anglo-American air transport agreement.  
a) in                      b) non                      c) un
6. While profit is the dominant goal for profit-orientated organisations the dominant goal of \_\_\_profit organisations is to render services to society.  
a) in                      b) dis                      c) non
7. These were overtaken by the Government's plans to \_\_\_regulate the British securities market, announced in 1983, which were to lead to Big Bang.  
a) de                      b) non                      c) dis
8. This would be an \_\_\_appropriate measure for most purposes as most of the effects of a 10 per cent inflation rate would still apply.  
a) in                      b) un                      c) ab
9. The two most basic benefits are income support and \_\_\_employment benefit.  
a) in                      b) un                      c) dis
10. The current scenario of an ageing population suggests that we can expect an increase in \_\_\_ability prevalence as the elderly population itself ages.  
a) un                      b) dis                      c) under

## Text B

### What should governments do?

Why should governments intervene in a market economy? Adam Smith, the father of economics, argued in his 1776 classic, *The Wealth of Nations*, that people pursuing their own interests are led as if by "an invisible hand" to promote the interests of society. If there is an invisible hand, if markets allocate resources efficiently so that consumers' wants are satisfied at minimum cost, why should governments intervene in the economy at all?

The general argument for government intervention is market failure. Sometimes markets do not allocate resources efficiently, and government intervention may improve economic performance. Economic theory identifies six broad types of market failure, which we describe below.

### 1. *Public Goods*

Most of the goods supplied by businesses and demanded by consumers are private goods.

A *private good* is a good that, if consumed by one person, cannot be consumed by another.

Ice cream is a private good. When you eat your ice cream cone, your friend doesn't get to consume it. Your clothes are also private goods. When you wear them, everyone else is precluded from wearing them at the same time.

But there are goods we can all consume simultaneously, without anyone's consumption reducing anyone else's. These are called public goods.

A *public good* is a good that, even if it is consumed by one person, is still available for consumption by others.

Clean air is a public good. So is national defence, or public safety. If the armed forces are protecting the country from danger, your being safe in no way prevents anyone else from being safe.

It is no coincidence that most public goods are not provided in private markets. Because of the free-rider problem, private markets have trouble ensuring that the right amount of a public good will be produced. A free-rider is someone who gets to consume a good that is costly to produce without paying for it. The free-rider problem applies particularly to public goods because, if anyone were to buy the good, it would then be available for everyone else to consume.

To get around the free-rider problem, the country has to find some way of deciding together how much to spend on defence. Governments are set up to make such collective decisions. Many of the goods provided by the government are in fact public goods. National defence and police services are certainly public goods. National parks are a mixed case, since the views in the parks are a public good, at least until congestion sets in, but use of the eating facilities is not.

It may seem from this discussion that the government should produce public goods and should not produce any other goods. Neither conclusion is correct. The government does not have to produce public goods; it only has to specify how much of each should be produced. It may rely on private contractors to do the actual production, as it does, say, with regard to defence equipment. Indeed, it used to be common for countries to have private contractors provide armies on a commercial basis. It is increasingly common for municipalities to hire private contractors to remove the rubbish.

On the other hand, there is no general economic reason why governments should not produce private goods. There are government-owned firms or nationalized industries in most countries. Some government enterprises appear to be commercially successful and efficient. None the less, experience suggests that in many circumstances the government is less likely to produce efficiently than is the private sector.

## 2. Externalities

Markets work well when the price of a good equals society's cost of producing that good and when the value of the good to the buyer is equal to the benefit of the good to society. However, the costs and benefits of production are sometimes not fully reflected in market prices.

Consider the problem of pollution. A firm produces chemicals and discharges the waste into a lake. The discharge pollutes the local water supply, kills fish and birds, and creates an offensive smell. These adverse side-effects represent costs to society of producing the chemical, and they should accordingly be reflected in its market price – but they may not be. Unless the chemical company is charged for the damages caused by its pollution, the market price of its output will understate the true cost of production to society. In this case chemical.

An *externality* exists when the production or consumption of a good directly affects businesses or consumers not involved in buying and selling it and when those spillover effects are not fully reflected in market prices.

Externalities are not all negative. The homeowner who repaints her house provides spillover benefits for the neighbours; they no longer have to look at a peeling or dilapidated house. In

all externalities, there exists something that affects firms' costs or consumers' welfare (such as pollution or views of newly painted houses) but is not traded in a market. Economists often speak of externalities as caused by "missing markets".

When externalities are present, market prices do not reflect all the social costs and benefits of the production of a good. Government intervention may improve the functioning of the economy, for example by requiring firms to treat their waste products in certain ways before dumping them. Since externalities involve missing markets, they can also be handled in principle by market-type solutions. The government might charge firms (an estimate of) the damages their pollution causes, or might permit a certain amount of total pollution and allow firms to buy and sell rights to pollute.

The presence of externalities can provide the justification for a number of government activities besides pollution control. Examples range from control of broadcasting (interference is an externality) to various restrictions on land use.

*David Begg. Economics. — 3rd ed. — McGraw-Hill Book Company, 1991. — P. 50.*

### Target vocabulary of text B

- adverse (*adj*) = not good or favourable  
*They fear it could have an adverse effect on global financial markets.*
- coincidence (*n*) = when two things happen at the same time, in the same place, or to the same people in a way that seems surprising or unusual  
*Is it just a coincidence that the wife of the man who ran the competition won the first prize?*
- consume (*v*) = to use time, energy, goods, etc.  
*A smaller vehicle will consume less fuel.*
- contractor (*n*) = a person or company that agrees to do work or provide goods for another company  
*But the actual letter appointing the consultant and the actual payment of the fee will be just like any other contractor.*
- dilapidated (*adj*) = a dilapidated building, vehicle, etc. is old and in very bad condition  
*The hotel we stayed in was really dilapidated.*

- enterprise (*n*) = an organisation, especially a business, or a difficult and important plan, especially one that will earn money  
*Don't forget this is a commercial enterprise – we're here to make money.*
- facilities (*n*) = the buildings, equipment and services provided for a particular purpose  
*The hotel has its own pool and leisure facilities.*
- specify (*v*) = to state smth in an exact and detailed way  
*Payments will be made for a specified number of months.*
- spillover (*n*) = the effect that one situation or problem has on another situation  
*The weak European economy will have a spillover effect on the US dollar.*

**1. Read text B and do the tasks/answer the questions below.**

1. What is the distinction between a private good and a public good? Give the examples of the goods of these types.
2. Explain the essence of the free-rider problem.
3. Should the government produce only public goods? Why?
4. What are the two types of externalities? Give some examples.
5. Do firms and consumers make fully informed decisions in the free market economy?

**2. Decide whether the following statements are *True* or *False* according to text B.**

1. Thanks to “an invisible hand”, markets always allocate resources efficiently. \_\_\_\_
2. There are no public goods in modern market economies. \_\_\_\_
3. A free-rider is someone who consumes a good after paying for it. \_\_\_\_
4. There are two types of externalities: positive and negative. \_\_\_\_
5. Since modern economies are so complex, firms are fully informed about the consequences of their decisions. \_\_\_\_

### 3. Match the word with its definition.

- 1) discharge (*v*) a) to deal with a situation or problem by behaving in a particular way and making particular decisions
- 2) ensure (*v*) b) to need smth
- 3) handle (*v*) c) to send out gas, liquid, smoke, etc., or to allow it to escape
- 4) identify (*v*) d) to continue doing an activity or trying to achieve smth over a long period of time
- 5) preclude (*v*) e) to recognise a problem, need, fact, etc. and to show that it exists
- 6) promote (*v*) f) to help smth to develop or increase
- 7) pursue (*v*) g) to make certain that smth will happen properly
- 8) require (*v*) h) to prevent smth or make smth impossible

### 4. Fill in the gaps using the words from exercise 3.

1. A meeting \_\_\_\_\_ trade between Taiwan and the UK takes place this Sunday.
2. Most customers were satisfied with the way their complaints were \_\_\_\_\_.
3. The research will be used \_\_\_\_\_ training needs.
4. She plans \_\_\_\_\_ a career in politics.
5. Rainwater collects here and then \_\_\_\_\_ into the river Kennett.
6. Schools should recognise their responsibility \_\_\_\_\_ that young people understand how and why trade unions work.
7. What's \_\_\_\_\_ is a complete reorganisation of the system.
8. Age alone will not \_\_\_\_\_ him from standing as a candidate.

### 5. Fill in the gaps using the prepositions/particles from the box below if necessary.

*on • for • at • in • of • up*

1. Knowing the problems and the opportunities that your tools offer, you design maximum effect \_\_\_ minimum effort.



2. The effects \_\_\_ the comprehensive policies of the 1960s, reforms of the 1970s and practices of the 1970s and 1980s are available \_\_\_ serious discussion only \_\_\_ the 1990s.
3. For what reasons has the price \_\_\_ fish from South West England risen sharply?
4. The decline \_\_\_ the price of oil \_\_\_ nominal as well as real terms made this clearly less of a problem.
5. The British government has set \_\_\_ an inter-departmental committee to review the future of forestry in the country.
6. But \_\_\_ the next three to four years at least managers will have to rely more \_\_\_ their judgment than \_\_\_ hard data in deciding what to charge \_\_\_ their services.
7. There was clearly a rising consumption \_\_\_ gin which was equally clearly a capitalist product.
8. American politicians were turning to the academic community to provide the intellectual justification \_\_\_ confronting Soviet power.
9. Population growth and restrictions \_\_\_ settling forest land were other causes \_\_\_ this fragmentation.

**6. Use the following terms and expressions to complete the sentences.**

*public interest* • *market failure* • *public good*  
*private good* • *commercial basis* • *side-effect*  
*water supply*

1. In business life, we are suspicious of monopoly, and competition in an open market place is believed to best serve \_\_\_\_\_.
2. \_\_\_\_\_ is a good that, if consumed by one person, cannot be consumed by another person.
3. In general, public law should ensure that the legal framework within which government operated provided an effective and equitable structure for the implementation of \_\_\_\_\_, as expressed in the positive functions of the state.
4. An unexpected \_\_\_\_\_ of Cromer's reform of the prison system was to make conditions inside prison better for the poor than they often were outside.