GMAT-Reading-Test 45

### Passage 45

While there is no blueprint for transforming a largely

government-controlled economy into a free one, the

experience of the United Kingdom since 1979 clearly

shows one approach that works: privatization, in which

**(5)**state-owned industries are sold to private companies. By

1979, the total borrowings and losses of state-owned

industries were running at about t3 billion a year. By

selling many of these industries, the government has

decreased these borrowings and losses, gained over t34

**(10)** billion from the sales, and now receives tax revenues from

the newly privatized companies. Along with a dramatically

improved overall economy, the government has been able

to repay 12.5 percent of the net national debt over a

two-year period.

**(15)** In fact, privatization has not only rescued individual

industries and a whole economy headed for disaster, but

has also raised the level of performance in every area. At

British Airways and British Gas, for example, productivity

per employee has risen by 20 percent. At associated

**(20)** British Ports, labor disruptions common in the 1970’s and

early 1980’s have now virtually disappeared. At British

Telecom, there is no longer a waiting list—as there always

was before privatization—to have a telephone installed.

Part of this improved productivity has come about

**(25)** because the employees of privatized industries were given

the opportunity to buy shares in their own companies. They

responded enthusiastically to the offer of shares; at British

Aerospace, 89 percent of the eligible work force bought

shares; at Associated British Ports, 90 percent; and at

**(30)** British Telecom, 92 percent. When people have a personal

stake in something, they think about it, care about it, work

to make it prosper. At the National Freight Consortium,

the new employee-owners grew so concerned about their

company’s profits that during wage negotiations they

**(35)** actually pressed their union to lower its wage demands.

Some economists have suggested that giving away free

shares would provide a needed acceleration of the privati-

zation process. Yet they miss Thomas Paine’s point that

“what we obtain too cheap we esteem too lightly.” In

**(40)**order for the far-ranging benefits of individual ownership

to be achieved by owners, companies, and countries,

employees and other individuals must make their own

decisions to buy, and they must commit some of their own

resources to the choice.

1. According to the passage, all of the following were

benefits of privatizing state-owned industries in the

United Kingdom EXCEPT:

(A) Privatized industries paid taxes to the government.

(B) The government gained revenue from selling state-

owned industries.

(C) The government repaid some of its national debt.

(D) Profits from industries that were still state-owned

increased.

(E) Total borrowings and losses of state-owned

industries decreased.

2. According to the passage, which of the following

resulted in increased productivity in companies that

have been privatized?

(A) A large number of employees chose to purchase

shares in their companies.

(B) Free shares were widely distributed to individual

shareholders.

(C) The government ceased to regulate major industries.

(D) Unions conducted wage negotiations for employees.

(E) Employee-owners agreed to have their wages

lowered.

3. It can be inferred from the passage that the author

considers labor disruptions to be

(A) an inevitable problem in a weak national economy

(B) a positive sign of employee concern about a

company

(C) a predictor of employee reactions to a company’s

offer to sell shares to them

(D) a phenomenon found more often in state-owned

industries than in private companies

(E) a deterrence to high performance levels in an

industry

4. The passage supports which of the following statements

about employees buying shares in their own companies?

(A) At three different companies, approximately nine

out of ten of the workers were eligible to buy

shares in their companies.

(B) Approximately 90% of the ellgible workers at three

different companies chose o buy shares in their

companies.

(C) The opportunity to buy shares was discouraged by at

least some labor unions.

(D) Companies that demonstrated the highest

productivity were the first to allow their employees

the opportunity to buy shares.

(E) Eligibility to buy shares was contingent on

employees’ agreeing to increased work loads.

5. Which of the following statements is most consistent

with the principle described in lines 30-32?

(A) A democratic government that decides it is

inappropriate to own a particular industry has in no

way abdicated its responsibilities as guardian of the

public interest.

(B) The ideal way for a government to protect employee

interests is to force companies to maintain their

share of a competitive market without government

subsidies.

(C) The failure to harness the power of self-interest is an

important reason that state-owned industries perform

poorly.

(D) Governments that want to implement privatization

programs must try to eliminate all resistance to the

free-market system.

(E) The individual shareholder will reap only a minute

share of the gains from whatever sacrifices he or she

makes to achieve these gains.

6. Which of the following can be inferred from the passage

about the privatization process in the United Kingdom?

(A) It depends to a potentially dangerous degree on

individual ownership of shares.

(B) It conforms in its most general outlines to Thomas

Palne’s prescription for business ownership.

(C) It was originally conceived to include some giving

away of free shares.

(D) It has been successful, even though privatization has

failed in other countries.

(E) It is taking place more slowly than some economists

suggest is necessary.

7. The quotation in line 39 is most probably used to

(A) counter a position that the author of the passage

believes is incorrect

(B) state a solution to a problem described in the

previous sentence

(C) show how opponents of the viewpoint of the author

of the passage have supported their arguments

(D) point out a paradox contained in a controversial

viewpoint

(E) present a historical maxim to challenge the principle

introduced in the third paragraph

**ANSWERS**

D

A

E

B

C

E

A