

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) According to the opening case, what caused the economic turnaround in Ghana?
- A) the government adopting a socialist ideology
 - B) a liberalized economy
 - C) the domination of the economy by state-owned enterprises
 - D) the country's dependence on cash crops
 - E) military coups

Answer: B

- 2) Collectively, we refer to political, economic, and legal systems as constituting the _____ economy of a country.
- A) domestic
 - B) administrative
 - C) political
 - D) civic
 - E) governing

Answer: C

- 3) Political systems can be assessed according to two related dimensions:
- A) the degree to which they emphasize collectivism opposed to individualism and the degree to which they are democratic or totalitarian
 - B) the degree to which they emphasize social democracy opposed to communism and the degree to which they emphasize collectivism opposed to individualism
 - C) the degree to which they emphasize capitalism as opposed to communism and the degree to which they emphasize cultural freedom as opposed to cultural monitoring
 - D) the degree to which they emphasize individualism opposed to totalitarian and the degree to which they are individualistic versus democratic
 - E) the degree to which they are market orientated opposed to production orientated and the degree to which they are democratic versus individualistic

Answer: A

- 4) The two dimensions of political systems are interrelated; systems that emphasize _____ tend towards totalitarianism, while systems that place a high value on _____ tend to be democratic.
- A) theocracy; capitalism
 - B) socialism; individualism
 - C) individualism; socialism
 - D) collectivism; individualism
 - E) individualism; collectivism

Answer: D

- 5) _____ refers to a system that stresses the primacy of collective goals over individual goals.
- A) Individualism
 - B) Democracy
 - C) Totalitarian
 - D) Capitalism
 - E) Collectivism

Answer: E

- 6) When _____ is practiced, the needs of society as a whole are generally viewed as being more important than individual freedoms.
- A) totalitarianism
 - B) theocracy
 - C) collectivism
 - D) capitalism
 - E) individualism

Answer: C

- 7) _____ is consistent with the notion that an individual's right to do something may be restricted because it runs counter to "the good of society" or "the common good."
- A) Capitalism
 - B) Totalitarian
 - C) Platonism
 - D) Collectivism
 - E) Autocratic

Answer: D

- 8) Modern _____ trace their intellectual roots to Karl Marx.
- A) Federalists
 - B) Separatists
 - C) Capitalists
 - D) Socialists
 - E) Individualists

Answer: D

- 9) The group that believed that socialism could be achieved only through violent revolution and totalitarian dictatorship were referred to as:
- A) Political democrats
 - B) Fascists
 - C) Communists
 - D) Collectivists
 - E) Mensheviks

Answer: C

- 10) Followers of socialist ideology who commit themselves to achieving socialism through democratic reforms are called:
- A) New democrats
 - B) Political democrats
 - C) Social democrats
 - D) Individualists
 - E) Communists

Answer: C

- 11) The communist version of socialism reached its high point in the late _____.
- A) 1970s.
 - B) 1940s.
 - C) 1980s
 - D) 1950s.
 - E) 1960s.

Answer: A

- 12) What country is the last major Communist power left?
- A) Cuba
 - B) China
 - C) Russia
 - D) North Korea
 - E) Vietnam

Answer: B

- 13) Social democracy has had its greatest influence in the following group of countries:
- A) Australia, Britain, France, Germany, Norway, Spain, and Sweden
 - B) Australia, Columbia, Venezuela, Cambodia, Brazil
 - C) Brazil, Chile, Uruguay, Ecuador, Columbia, and French Guiana
 - D) Canada, United States, Mexico, and Spain
 - E) India, Pakistan, Burma, Nepal, Sri Lanka, and Bhutan

Answer: A

- 14) Experience has demonstrated that state ownership of the means of production:
- A) leads to increased inefficiency, higher prices and higher taxes
 - B) is the most efficient way to organize production
 - C) often runs in parallel with the public interest
 - D) is the most profitable way to organize production
 - E) often runs counter to the public interest

Answer: A

- 15) Which of the following definitions best describes the concept of individualism?
- A) Political system that stresses the primacy of collective goals over individual goals.
 - B) Form of government in which one person or political party exercises absolute control over all spheres of human life and in which opposing political parties are prohibited.
 - C) Political system in which an individual is governed by laws created to limit corruption and exploitation.
 - D) Political philosophy that an individual should have freedom over his or her economic and political pursuits.
 - E) Political system in which government is by the people, exercised either directly or through elected representatives.

Answer: D

- 16) Which of the following can be traced to an ancient Greek philosopher, Aristotle?
- A) totalitarianism
 - B) collectivism
 - C) socialism
 - D) individualism
 - E) theocracy

Answer: D

- 17) In contrast to collectivism, _____ stresses that the interests of the individual should take precedence over the interests of the state.
- A) individualism
 - B) collectivism
 - C) totalitarianism
 - D) socialism
 - E) tribalism

Answer: A

- 18) Individualism is built on two central themes:
- A) an emphasis on the importance of guaranteeing individual freedom and self expression and the belief that the welfare of society is best served by letting people pursue their own economic self-interest
 - B) socialism is the preferred political philosophy and an emphasis on the importance of collective interests over individual interests
 - C) the needs of society as a whole are more important than individual freedoms and the welfare of society is best served by letting a collective body determine what is in society's best interest rather than individuals
 - D) an emphasis on the importance of collective interests over individual interests and the belief that the welfare of society is best served by letting a collective body determine what is in society's best interest rather than individuals
 - E) the public good is more important than corporate profits and the people exist to serve the state

Answer: A

- 19) The Cold War was essentially a war between _____, championed by the now-defunct Soviet Union, and _____, championed by the United States.
- A) Stalinism; Reaganism
 - B) collectivism; individualism
 - C) individualism; collectivism
 - D) socialism; totalitarianism
 - E) democracy; socialism

Answer: B

- 20) Which of the following is the political system in which government is by the people, exercised either directly or through elected representatives?
- A) democracy
 - B) totalitarianism
 - C) collectivism
 - D) tribalism
 - E) despotism

Answer: A

- 21) _____ is a form of government in which one person or political party exercises absolute control over all spheres of human life, and opposing political parties are prohibited.
- A) Collectivism
 - B) Totalitarianism
 - C) Capitalism
 - D) Theocracy
 - E) Democracy

Answer: B

- 22) _____ go "hand in hand."
- A) Anarchy and individualism
 - B) Democracy and collectivism
 - C) Democracy and individualism
 - D) Collectivism and individualism
 - E) Totalitarianism and democracy

Answer: C

- 23) A political system in which citizens periodically elect individuals to represent them is referred to as a _____.
- A) parliamentary democracy
 - B) participatory collective
 - C) representative democracy
 - D) totalitarianism democracy
 - E) socialistic democracy

Answer: C

- 24) In a representative democracy, if elected representatives fail to perform their job adequately, what will happen?
- A) they will hold their offices for life
 - B) a collectivist federation will take over
 - C) a federalist republic will take over
 - D) they will be voted out of office in the next election
 - E) a socialist democracy will take over

Answer: D

- 25) To guarantee that elected representatives can be held accountable for their actions by the electorate, an ideal representative democracy has a number of safeguards. Which of the following is NOT an example of a safeguard in an ideal representative democracy?
- A) a political police force and armed services
 - B) regular elections
 - C) universal adult suffrage
 - D) a fair court system that is independent from the political system
 - E) an individual's right to freedom of expression, opinion, and organization

Answer: A

- 26) _____ is a form of totalitarianism that advocates achieving socialism through totalitarian dictatorship.
- A) Communist totalitarianism
 - B) Tribal totalitarianism
 - C) Democratic totalitarianism
 - D) Theocratic totalitarianism
 - E) Collective totalitarianism

Answer: A

- 27) There are four major forms of totalitarianism in the world today. These are:
- A) tribal, Maoist, right-wing, and dictatorial
 - B) collective, Marxist, right-wing, and ancestral
 - C) communist, theocratic, tribal, and right-wing
 - D) ancestral, Marxist, left-wing, and compiled
 - E) theocratic, democratic, tribal, and communist

Answer: C

- 28) All of the following are forms of totalitarianism EXCEPT:
- A) tribal
 - B) theocratic
 - C) ancestral
 - D) communistic
 - E) right-wing

Answer: C

- 29) A form of totalitarianism in which political power is monopolized by a party, group, or individual that governs according to religious principles is called _____.
- A) right-wing totalitarianism
 - B) tribal totalitarianism
 - C) theocratic totalitarianism
 - D) ancestral totalitarianism
 - E) fundamental totalitarianism

Answer: C

- 30) In which region of the world is tribal totalitarianism found?
- A) Central America
 - B) Africa
 - C) Australia
 - D) South America
 - E) Asia

Answer: B

- 31) Right-wing _____ generally permits individual economic freedom, but restricts individual political freedom on the grounds that it would lead to a rise of communism.
- A) tribalism
 - B) capitalism
 - C) collectivism
 - D) socialism
 - E) totalitarianism

Answer: E

- 32) Which of the following are the three broad types of economic systems?
- A) market economy, post-industrial economy, industrial economy
 - B) market economy, command economy, mixed economy
 - C) market economy, combined economy, production economy
 - D) ordinance economy, production economy, political economy
 - E) combined economy, separate economy, mixed economy

Answer: B

- 33) All of the following are types of economic systems EXCEPT:
- A) market economy
 - B) mixed economy
 - C) command economy
 - D) progressive economy
 - E) none of the answers are an example of a type of economic system

Answer: D

- 34) In a pure _____ economy the goods and services that a country produces, and the quantity in which they are produced, is not planned by anyone. Rather it is determined by the interaction of supply and demand and signalled to producers through the price system.
- A) ordinance B) free C) market D) combined E) command

Answer: C

- 35) In a pure command economy the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold are all planned by:
- A) local trade associations
B) individual entrepreneurs
C) the government
D) private industry
E) citizen committees

Answer: C

- 36) A _____ is an economic system in which the goods and services produced, the quantity in which they are produced, and the prices at which they are sold are all planned by the government.
- A) administrative economy
B) civic economy
C) post-industrial economy
D) market economy
E) command economy

Answer: E

- 37) In a pure _____ economy all businesses are state owned so the government can direct them to make investments that are in the best interests of the nation as a whole, rather than in the interest of private individuals.
- A) market
B) state-directed
C) mixed
D) new
E) command

Answer: E

- 38) In a _____ economy, certain sectors of the economy are left to private ownership and free market mechanisms, while in other sectors there is significant state ownership and government planning.
- A) combined B) mixed C) command D) socialist E) political

Answer: B

- 39) What kind of economies were once very common throughout much of the world, although they are becoming less so?
- A) regulated
 - B) market
 - C) mixed
 - D) state-directed
 - E) command

Answer: C

- 40) Canada could be described as having elements of both a _____ economy and a _____ economy.
- A) command; mixed
 - B) command; regional
 - C) market; mixed
 - D) mixed; regional
 - E) market; regional

Answer: C

- 41) The _____ is influenced by the prevailing political system.
- A) market system
 - B) technological system
 - C) democratic
 - D) corporate system
 - E) economic system

Answer: E

- 42) The _____ system evolved in England over hundreds of years and is based on tradition, precedent, and custom.
- A) contract law
 - B) economic law
 - C) civil
 - D) theocratic
 - E) common law

Answer: E

- 43) A _____ law system is based on a very detailed set of laws organized into codes.
- A) judicial
 - B) traditional
 - C) civil
 - D) common
 - E) theocratic

Answer: C

- 44) A law system that is based primarily on religious teachings, refers to a
- A) theocratic law system.
 - B) civil law system.
 - C) common law system.
 - D) canon law system.
 - E) traditional law system.

Answer: A

- 45) Quebec is the only province in Canada to use the _____ law system.
- A) judicial B) common C) French D) civil E) canon

Answer: D

- 46) Phillip is in the process of writing up a document that states his company will provide consulting on network applications for the next two weeks, for a specified amount of money. Phillip is in the process of creating what?
- A) a memorandum of understanding
 - B) a contract
 - C) a contract law
 - D) property law
 - E) private action suit

Answer: B

- 47) The parties to an agreement normally resort to _____ when one party feels the other has violated either the letter of the spirit of the agreement.
- A) the courts
 - B) contract law
 - C) third-party mediator
 - D) arbitration
 - E) property law

Answer: B

- 48) The _____ establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers.
- A) United Nations Convention on Contracts for the International Sale of Goods
 - B) The Canadian Government
 - C) State directed economy
 - D) The United Nations Human Development
 - E) The foreign practices act

Answer: A

- 49) The _____ of a country refers to the rules that regulate behaviour, along with the processes by which the laws of a country are enforced and through which redress for grievances is obtained.
- A) legal system
 - B) political system
 - C) ethical system
 - D) economic structure
 - E) administrative system

Answer: A

- 50) The bundle of legal rights over the use to which a resource is put; and over the use made of any income that may be derived from that resource are called _____ rights.
- A) users
 - B) asset
 - C) taxable
 - D) property
 - E) statutory

Answer: D

- 51) The violation of _____ can be violated in two ways—through private action and through public action.
- A) patents
 - B) copyrights
 - C) individual rights
 - D) property rights
 - E) warrants

Answer: D

- 52) The Canadian legislation that makes bribery of a foreign official by a Canadian business person a criminal offense is known as what?
- A) Corruption Perceptions Index
 - B) Bill S-21
 - C) Foreign Corrupt Practices Act
 - D) Law OECD 1998
 - E) Copyright infringement

Answer: B

- 53) Which of the following describes the concept of intellectual property?
- A) Exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their work as they see fit.
 - B) Property that can be digitized and copied
 - C) Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
 - D) Property, such as computer software, screenplays, musical scores, or chemical formulas for new drugs, that is the product of intellectual activity.
 - E) Document giving the inventor of a new product or process exclusive rights to the manufacturer, use, or sales of that invention.

Answer: D

54) Suppose you invent a new product and want to obtain the exclusive rights to manufacture the product. To protect yourself, you should apply for a _____ on the product.
A) patent B) trademark C) trust D) logo E) copyright

Answer: A

55) Suppose Blackberry corporation develops a new type of phone. Blackberry can protect its invention through what kind of protection?
A) warrant B) contract C) trademark D) patent E) copyright

Answer: D

56) _____ are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their work as they see fit.
A) Franchises B) Trusts C) Licenses D) Copyrights E) Patents

Answer: D

57) A composer is able to protect an original musical score from being copied and sold by someone else through _____ protection.
A) copyright B) logo C) warrant D) trademark E) patent

Answer: A

58) _____ are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
A) Logos
B) Warrants
C) Copyrights
D) Trademarks
E) Patents

Answer: D

59) As a result of _____ protection, the Nike "swoosh" logo is protected from being used by any other shoe manufacturer.
A) patent B) warrant C) copyright D) logo E) trademark

Answer: D

60) Patents, copyrights, and trademarks are examples of _____ property laws.
A) intellectual
B) official
C) central
D) administrative
E) individual

Answer: A

61) "Windows" is a computer operating system that is an exclusive _____ of the Microsoft corporation.
A) registry B) brand C) trademark D) hallmark E) sticker
Answer: C

62) _____ to violate property rights refers to theft, piracy, and blackmail.
A) Patents
B) Warrants
C) Public Patents
D) Private action
E) Public action
Answer: D

63) When public officials such as politicians and government bureaucrats, extort income or resources from property holders, this can be described as a(n)
A) warrants.
B) public action.
C) private action.
D) patents.
E) nationalization
Answer: B

64) In the United States, the Foreign Corrupt Practices Act was passed during the _____ following revelations that U.S. companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
A) 1980s B) 1950s C) 1970s D) 1960s E) 1990s
Answer: C

65) In Canada, the Bill S-21 was passed during the _____ following a meeting with G7 leaders that endorsed the OECDs call to end bribery of foreign officials.
A) 1987 B) 1997 C) 1999 D) 1991 E) 1979
Answer: C

66) Bill S-21 does what?
A) Increases GNP
B) Protects copyrights
C) Increases PPP
D) Makes bribery a crime
E) Protects trademarks
Answer: D

- 67) An important international agreement signed by 187 countries to protect intellectual property, was called the
- A) Paris Convention for Related Aspects of Intellectual Rights.
 - B) Paris Convention for the Development of Intellectual Innovation.
 - C) Paris Convention for the Protection of Industrial Property.
 - D) Paris Convention for the Protection of Intellectual Property.
 - E) Paris Convention on Human Development.

Answer: C

- 68) When businesses feel that their intellectual property has been violated, they can lobby governments or they can do what?
- A) apply Bill S-21
 - B) ask for a WTO ruling
 - C) look at IPRs
 - D) file lawsuits on their own behalf
 - E) apply to TRIPS

Answer: D

- 69) Generally speaking, international laws about intellectual property rights are _____.
- A) Being weakened
 - B) Not affected by the lobbying of specific firms
 - C) Roughly the same as they were two decades ago
 - D) Being strengthened
 - E) Not part of TRIPS

Answer: D

- 70) _____ set certain safety standards to which a product must adhere.
- A) Contract liability laws
 - B) Turnout safety laws
 - C) Product liability laws
 - D) Product safety laws
 - E) Civil laws

Answer: D

- 71) _____ liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
- A) Contract
 - B) Turnout
 - C) Outcome
 - D) Business
 - E) Product

Answer: E

- 72) _____ allows for a more direct comparison of living standards in different countries.
- A) IOF
 - B) EOC
 - C) UPN
 - D) GNI
 - E) PPP

Answer: E

- 73) GNP is increasingly being replaced by _____.
- A) PPP
 - B) Atlas methodology
 - C) IOF
 - D) GNI
 - E) Atlas conversion

Answer: D

- 74) What does the acronym GNP stand for?
- A) government natural product
 - B) general natural productivity
 - C) gross national profile
 - D) gradual notational profile
 - E) gross national product

Answer: E

- 75) PPP is an acronym that stands for:
- A) procurement priority procedures
 - B) parallel parametric purchasing
 - C) priority patent procedures
 - D) purchasing power parity
 - E) power purchasing procedures

Answer: D

- 76) In 2001, the World Bank has chosen to replace GNP with _____.
- A) PPP
 - B) aggregate demand and aggregate supply
 - C) GRP
 - D) GNI
 - E) GDP

Answer: D

- 77) The United Nations _____ index is based on life expectancy, literacy rates, and whether average incomes are sufficient to meet the basic needs of life in a country.
- A) Human Development
 - B) Economic Development
 - C) Quality of Life
 - D) UNICEF
 - E) Standard of Living

Answer: A

- 78) Amartya Sen believed that development should be assessed less by measures such as _____.
- A) Aggregate demand
 - B) GNP
 - C) HDI
 - D) PPP
 - E) Aggregate supply

Answer: B

- 79) Amartya Sen believed that development should be assessed more by measures such as _____.
- A) Aggregate demand
 - B) PPP
 - C) Aggregate supply
 - D) HDI
 - E) GNP

Answer: D

- 80) The Human Development Index is scaled from 0 to 1. Countries scoring less than _____ are classified as low human development (the quality of life is poor).
- A) .65 B) .33 C) .50 D) .75 E) .25

Answer: C

- 81) There is fairly wide agreement that _____ and _____ are the engines of long-run economic growth.
- A) government; consumer demand
 - B) innovation; entrepreneurship
 - C) small business; free markets
 - D) exports; domestic sales
 - E) agriculture; manufacturing

Answer: B

- 82) What is the process through which people create new products, new processes, new organization, new management practices, and new strategies called?
- A) innovation
 - B) administration
 - C) development
 - D) invention
 - E) bureaucracy

Answer: A

- 83) It has been argued that the economic freedom associated with a _____ economy creates greater incentives for innovation than either a planned or mixed economy.
- A) production
 - B) manufacturing
 - C) consumer
 - D) market
 - E) commercial

Answer: D

- 84) _____ is the process of selling state-owned enterprises to private investors.
- A) Nationalization
 - B) Ownership-transfer
 - C) Privatization
 - D) Political-economic divestiture
 - E) Downsizing

Answer: C

- 85) Besides a country's political and economic systems, another driver of economic development includes?
- A) UN
 - B) PPP
 - C) Geography
 - D) ITB
 - E) History

Answer: C

- 86) Privatization refers to:
- A) the selling of public corporations to private investors
 - B) transferring political power from the government to private citizens
 - C) guarding company secrets from the general public
 - D) the selling of state-owned enterprises to private investors
 - E) reducing regulation of private business

Answer: D

- 87) Since the late 1980s two major trends have emerged in the political economies of many of the world's national states. These are:
- A) a wave of democratic revolutions have swept the world and there has been a strong move away from centrally planned and mixed economies toward more free market economies.
 - B) a wave of socialistic revolutions have swept the world and there has been a strong move away from free market economies toward more centrally planned and mixed economies.
 - C) a wave of totalitarian revolutions have swept the world and there has been a strong move away from centrally planned and mixed economies toward more free market economies.
 - D) a wave of communist revolutions have swept the world and there has been a strong move away from free market economies toward more centrally planned economies.
 - E) a wave of consumer empowerment and there has been a strong move away from common law and towards civil code.

Answer: A

- 88) Which of the following is one of the three main reasons for the spread of democracy worldwide?
- A) privatization
 - B) in many countries the economic advances of the past 25 years have led to the emergence of increasingly prosperous middle and working classes, which have pushed for democratic reforms
 - C) the spread of democracy has been unchallenged worldwide
 - D) geography
 - E) intellectual property rights

Answer: B

- 89) Which of the following involves removing legal restrictions to the free play of markets, the establishment of private enterprises, and the manner in which private enterprises operate?
- A) privatization
 - B) socialism
 - C) simplification
 - D) competition
 - E) deregulation

Answer: E

- 90) The _____ movement started in Britain in the early 1980s when then-Prime Minister Margaret Thatcher started to sell state-owned assets.
- A) simplification
 - B) modification
 - C) deregulation
 - D) privatization
 - E) anti-nationalization

Answer: D

- 91) _____ transfers the ownership of state property into the hands of private individuals.
- A) Privatization
 - B) Nationalization
 - C) Simplification
 - D) Deregulation
 - E) Socialism

Answer: A

- 92) What are advantages that accrue to early entrants into a business market referred to as?
- A) prime-mover advantages
 - B) standard-class advantages
 - C) first-mover advantages
 - D) early adopter advantages
 - E) first-stage advantages

Answer: C

- 93) Firms that identify and invest in a potentially growing economic country gain what benefits?
- A) Can gain experience in local business practices
 - B) Can build brand loyalty
 - C) Can increase PPP.
 - D) Both A and B are correct
 - E) A, B, and C are correct

Answer: D

- 94) Handicaps suffered by late entrants into a business market are referred to as:
- A) late-mover stumbling blocks
 - B) switching costs
 - C) late-mover difficulties
 - D) late-mover disadvantages
 - E) last-class disadvantages

Answer: D

- 95) In the language of business strategy, early entrants into potential future economic profitable markets may be able to reap substantial _____ advantages, while late entrants may fall victim to _____ disadvantages.
- A) initial-mover; last-mover
 - B) first-mover; late-mover
 - C) systemic; monopolistic
 - D) first-class; final-class
 - E) economic; financial

Answer: B

- 96) The likelihood that political forces will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a particular business enterprise is referred to as:
- A) business risk
 - B) political risk
 - C) democratic risk
 - D) administrative risk
 - E) governmental risk

Answer: B

- 97) _____ is the likelihood that economic mismanagement will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a business enterprise.
- A) Legal risk
 - B) Industrial risk
 - C) Economic risk
 - D) Incompetence risk
 - E) Commercial risk

Answer: C

- 98) The likelihood that a trading partner will opportunistically break a contract or expropriate property rights is called:
- A) constitutional risk
 - B) legal risk
 - C) legitimate risk
 - D) permissible risk
 - E) business risk

Answer: B

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 99) The political, economic, and legal systems of a country are called the political economy.

Answer: True False

- 100) A system that stresses the primacy of collective goals over individual goals is called collectivism.

Answer: True False

- 101) Many social democratic governments nationalize private companies.

Answer: True False

- 102) There is essentially no relationship between collectivism and socialism.

Answer: True False

- 103) Individualism is opposite to collectivism. In a political sense, individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits.

Answer: True False

- 104) A form of government in which one person or political party exercises absolute control over all spheres of human life, and opposing political parties are prohibited is referred to as totalitarianism.

Answer: True False

- 105) The four major forms of totalitarianism are: communist totalitarianism, theocratic totalitarianism, tribal totalitarianism, and right-wing totalitarianism.

Answer: True False

- 106) Tribal totalitarianism is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles.

Answer: True False

- 107) In a market economy the goods and services that a country produces, and the quantity in which they are produced, is not planned by anyone. Rather, it is determined by the interaction of supply and demand and signalled to producers through the price system.

Answer: True False

- 108) There must be no restrictions on supply for a market economy to work.

Answer: True False

- 109) In a pure command economy, the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold are all planned by the government.
Answer: True False
- 110) Command economies are relatively common among the states of Western Europe, although they are becoming less so. France, Italy, and Canada can all be classified as command economies.
Answer: True False
- 111) Contract law, civil law, and theocratic law are the three main types of legal systems in use around the world.
Answer: True False
- 112) Property rights refer to the bundle of legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource.
Answer: True False
- 113) Public action of property rights refers to theft, piracy, and blackmail.
Answer: True False
- 114) In Canada, the Foreign Corrupt Practices Act was passed during the 1960s following revelations that Canadian companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
Answer: True False
- 115) Bill S-21 entered into force in 1999 to prevent foreign companies from paying bribes to Canadian government officials for lucrative contracts.
Answer: True False
- 116) The U.S. law enacted in 1977 that prohibits U.S. companies from making "corrupt" payments to foreign officials for the purpose of obtaining or retaining business is the Foreign Corrupt Practices Act.
Answer: True False
- 117) The extortion of income from property holders by public officials is called private action.
Answer: True False
- 118) A copyright grants the inventor of a new product or process exclusive right to the manufacture, use, or sales of that invention.
Answer: True False
- 119) A patent grants the investor of a new product or process exclusive rights to the manufacture, use, or sale of that invention.
Answer: True False

- 120) Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products (e.g., Christian Dior clothes) are called patents.
Answer: True False
- 121) Historically, the enforcement of intellectual property rights has been fairly consistent across countries.
Answer: True False
- 122) Some of the worst countries for pirating software are China, Brazil, and India.
Answer: True False
- 123) The Paris Convention for the Protection of Industrial Property is an international agreement signed by 187 countries to protect intellectual property rights.
Answer: True False
- 124) Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
Answer: True False
- 125) A purchasing power parity adjustment allows for a more direct comparison of living standards in different countries.
Answer: True False
- 126) The Human Development Index is based on three measures: per capita income, life expectancy, and poverty rate.
Answer: True False
- 127) The selling of state-owned enterprises to private investors is called privatization.
Answer: True False
- 128) There is a strong relationship between economic freedom and economic growth.
Answer: True False
- 129) A growth factor that has received recent attention is geography.
Answer: True False
- 130) Francis Fukuyama sees a world split into different civilizations, each with its own value system and ideology.
Answer: True False
- 131) The closing case shows that Poland has totally completed its transition from a socialist economy to a market-based system.
Answer: True False

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

132) What is meant by the term "political system"? What are the two related dimensions by which a political system can be assessed?

Answer: A country's "political system" is its system of government. Political systems can be assessed according to two related dimensions. The first is the degree to which they emphasize collectivism as opposed to individualism. The second dimension is the degree to which they are democratic or totalitarian.

133) Describe the difference between collectivism and individualism. Are these two ideologies compatible or in direct conflict? Which ideology seems to be gaining ground and which ideology is waning? Is this good news or bad news for international commerce? Explain your answer.

Answer: The term "collectivism" refers to a political system that stresses the primacy of collective goals over individual goals. The general ideal is that the needs of society as a whole are more important than individual freedoms. As a result, in a collectivist society, an individual's right to do something may be restricted because it runs counter to "the good of the society" or the "common good."

Individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits. Moreover, individualism stresses that the interests of the individual should take precedence over the interests of the state.

The ideals exposed by individualism and collectivism are in direct conflict with one another. Over the past two decades, collectivism has been waning and individualism has been gaining steam. A wave of democratic ideals and free market economics is currently sweeping away socialism and communism worldwide. Evidence of this can be seen in Eastern Europe and the republics of the former Soviet Union. According to the author of the textbook, this represents good news for international business, since the pro-business and pro-free trade values of individualism create a favourable environment within which international business can thrive.

134) Draw a distinction between democracy and totalitarianism. Which political system facilitates the development of a free market economic system? Why?

Answer: Democracy and totalitarianism are at different ends of the political spectrum. Democracy refers to a political system in which government is by the people, exercised either directly or through elected representatives. Totalitarianism is a form of government in which one person or political parties exercise absolute control over all spheres of human life, and opposing political parties are prohibited. Most modern democratic states practice what is commonly referred to as representative democracy. In a representative democracy, citizens periodically elect individuals to represent them. There are four major forms of totalitarianism, including communist totalitarianism, theocratic totalitarianism, tribal totalitarianism, and right-wing totalitarianism.

135) What is intellectual property? What is the philosophy behind intellectual property law? Why is it so important to protect intellectual property rights? Are the laws that protect intellectual property rights fairly consistent across nations, or do they vary widely? Is this a problem?

Answer: Intellectual property refers to property, such as computer software, a screenplay, a music score, or the chemical formula for a new drug, which is the product of intellectual activity. The philosophy behind intellectual property law is to reward the originator of a new invention, book, musical record, clothes design, and the like for his or her new idea. Without strict intellectual property laws, there would be very little incentive for an individual to work hard to create these types of items. For instance, a person could work very hard and spend huge amounts of money to create a new animated film, and have someone else duplicate the film for the cost of a film duplicating machine and a blank tape. Unfortunately, the protection of intellectual property rights varies greatly from country to country and is a problem. Weak laws or the weak enforcement of intellectual property laws in foreign countries encourages the piracy of intellectual property. The world community is addressing this problem; a satisfactory solution to this problem has yet to be found.

136) How important is innovation? Does innovation have a better chance of catching hold in a market economy or a planned economy? Explain your answer.

Answer: There is general agreement that innovation is the engine of long-run economic growth in virtually any country. Innovation has a much better chance of catching hold in a market economy opposed to a planned economy. The individual freedom (and opportunity for personal gain) associated with a market economy (like the economy in the U.S.) creates greater incentives for innovation than either a planned or mixed economy. In a market economy, anyone who has an innovative idea is free to try to develop the idea, and has the potential to reap substantial personal gain. This feature of a market economy provides a powerful incentive for people to work on innovative ideas. In contrast, in a planned economy the state owns all means of production. Consequently there is no incentive or opportunity for entrepreneurial individuals to try to develop valuable new innovations, since it is the state, rather than the individual, that captures all of the gains.

137) What is the difference between political risk, economic risk, and legal risk?

Answer: Political risk is the likelihood that political forces will cause drastic changes in a country's business environment that adversely affects the profit and other goals of a business enterprise. In contrast, economic risk is the likelihood that economic mismanagement will cause drastic changes in a country's business environment that adversely affects the profit and other goals of a business enterprise. Finally, legal risk is the likelihood that a trading partner will opportunistically break a contract or expropriate property rights.

138) One major ethical dilemma facing firms from Western democracies is whether they should do business in totalitarian countries that routinely violate the human rights of their citizens. What is the principle argument on both sides of this issue? What is your opinion?

Answer: This question is designed to stimulate classroom discussion and/or encourage your students to think about a difficult ethical issue. The two sides to the debate alluded to above are as follows:

Arguments against Western democracies doing business in totalitarian countries: Some people argue that investing in totalitarian countries provides comfort to dictators and can help prop up repressive regimes that abuse basic human rights. Moreover, these critics argue that without the participation of Western investors in their economies, many repressive regimes would collapse and be replaced by more democratically inclined governments.

Arguments in favour of Western democracies doing business in totalitarian countries: In contrast, there are those who argue that investment by a Western firm, by raising the level of economic development of a totalitarian country, can help change it from within. They note that economic wellbeing and political wellbeing often go hand-in-hand.

139) A political system can be described in terms of whether it is more oriented towards collectivism or individualism. Is Canada oriented more towards collectivism or individualism?

Answer: The student could argue that Canada is both collectivist and individualistic, because we will take actions such as the proposed shutting down of coal fired plants in Ontario that will hurt individual interests (the power plant workers, coal supply companies) to protect collective rights (a clean environment and reduced pollution). However, the principle orientation in Canada is towards individualism, because your ultimate success depends on your individual efforts and the Charter of Rights and Freedoms is a Charter of individual freedoms.

140) Purchasing Power Parity (PPP) is described in the text as allowing a more direct comparison of living standards in different countries. What are the implications for business if PPP is used to assess the standard of living?

Answer: PPP is a relative measure of economic wealth. It adjusts the GNI to reflect the purchasing power of a country's currency within its own borders. In most cases the selling price of imported goods will not be adjusted to reflect this difference. As an example the price of a Mercedes is around \$80,000 Canadian. The same price will be charged in other countries after adjustments for taxes and transportation costs. If we take the example of China - PPP is \$4990, whereas GNI is \$1100. In other words the dollar will buy four times as much or everything is four times cheaper than in the US. This does not mean that Mercedes will reduce their price by a factor of four.

141) A Canadian developer of software for automated coal mining equipment has been approached by a Russian mining conglomerate with an offer to cooperate on adapting the software to the Russian market. If the Canadian company agreed to work with the Russian company, they would have to reveal the software's source code (the source code is the key to software and is used to protect proprietary technology).

What are the "pros" of entering such an agreement?

Answer: Though Russia's record of protecting intellectual property is not particularly good, a student focused on sales could argue that the market is so large that they should take the risk. They could recommend using a contract to protect the source code.

142) A Canadian developer of software for automated coal mining equipment has been approached by a Russian mining conglomerate with an offer to cooperate on adapting the software to the Russian market. If the Canadian company agreed to work with the Russian company, they would have to reveal the software's source code (the source code is the key to software and is used to protect proprietary technology).

What are the "cons" of entering such an agreement?

Answer: The student could respond that Russia's record of protecting intellectual property is not particularly good, because of private action. If the company reveals the source code, there is a strong probability that the software will be copied and pirated. This will mean that the company could lose control of its most important technical advantage.

143) A Canadian developer of software for automated coal mining equipment has been approached by a Russian mining conglomerate with an offer to cooperate on adapting the software to the Russian market. If the Canadian company agreed to work with the Russian company, they would have to reveal the software's source code (the source code is the key to software and is used to protect proprietary technology).

Identify and describe any risk factor(s) that would be key to this business.

Answer: One key risk factor would be political risk in Russia. The takeover by the government of large private corporations (Yukos) because of "unpaid taxes" suggests that nationalization is still thought to be a preferred strategy in Russia. There is also the re-emergence of authoritarian acts such as the shutting down of private Russian media and the control of the rest of the media in Russia.

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If the Russian government does interfere with this business, identify and describe some of the future consequences of the Russian actions.

Answer: Reluctance by companies to invest in either country because of the possibility of public action.

If coal prices fall then the potential of an economic crisis in both countries increases because of a lack of revenue and funds for investment. A restriction on private enterprise may also reduce entrepreneurial activity, which in the long term could cut the countries' growth rates. Deteriorating relations with their neighbouring countries is also a possibility.

Answer Key

Testname: UNTITLED27

- 1) B
- 2) C
- 3) A
- 4) D
- 5) E
- 6) C
- 7) D
- 8) D
- 9) C
- 10) C
- 11) A
- 12) B
- 13) A
- 14) A
- 15) D
- 16) D
- 17) A
- 18) A
- 19) B
- 20) A
- 21) B
- 22) C
- 23) C
- 24) D
- 25) A
- 26) A
- 27) C
- 28) C
- 29) C
- 30) B
- 31) E
- 32) B
- 33) D
- 34) C
- 35) C
- 36) E
- 37) E
- 38) B
- 39) C
- 40) C
- 41) E
- 42) E
- 43) C
- 44) A
- 45) D
- 46) B
- 47) B
- 48) A
- 49) A
- 50) D

Answer Key

Testname: UNTITLED27

- 51) D
- 52) B
- 53) D
- 54) A
- 55) D
- 56) D
- 57) A
- 58) D
- 59) D
- 60) A
- 61) C
- 62) D
- 63) B
- 64) C
- 65) C
- 66) D
- 67) C
- 68) D
- 69) D
- 70) D
- 71) E
- 72) E
- 73) D
- 74) E
- 75) D
- 76) D
- 77) A
- 78) B
- 79) D
- 80) C
- 81) B
- 82) A
- 83) D
- 84) C
- 85) C
- 86) D
- 87) A
- 88) B
- 89) E
- 90) D
- 91) A
- 92) C
- 93) D
- 94) D
- 95) B
- 96) B
- 97) C
- 98) B
- 99) TRUE
- 100) TRUE

Answer Key

Testname: UNTITLED27

- 101) TRUE
- 102) FALSE
- 103) TRUE
- 104) TRUE
- 105) TRUE
- 106) FALSE
- 107) TRUE
- 108) TRUE
- 109) TRUE
- 110) FALSE
- 111) FALSE
- 112) TRUE
- 113) FALSE
- 114) FALSE
- 115) FALSE
- 116) TRUE
- 117) FALSE
- 118) FALSE
- 119) TRUE
- 120) FALSE
- 121) FALSE
- 122) TRUE
- 123) TRUE
- 124) TRUE
- 125) TRUE
- 126) FALSE
- 127) TRUE
- 128) TRUE
- 129) TRUE
- 130) FALSE
- 131) FALSE
- 132) A country's "political system" is its system of government. Political systems can be assessed according to two related dimensions. The first is the degree to which they emphasize collectivism as opposed to individualism. The second dimension is the degree to which they are democratic or totalitarian.

- 133) The term "collectivism" refers to a political system that stresses the primacy of collective goals over individual goals. The general ideal is that the needs of society as a whole are more important than individual freedoms. As a result, in a collectivist society, an individual's right to do something may be restricted because it runs counter to "the good of the society" or the "common good."
- Individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits. Moreover, individualism stresses that the interests of the individual should take precedence over the interests of the state.
- The ideals espoused by individualism and collectivism are in direct conflict with one another. Over the past decades, collectivism has been waning and individualism has been gaining steam. A wave of democratic ideals and free market economics is currently sweeping away socialism and communism worldwide. Evidence of this can be seen in Eastern Europe and the republics of the former Soviet Union. According to the author of the textbook, this represents good news for international business, since the pro-business and pro-free trade values of individualism create a favourable environment within which international business can thrive.
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- 135) Intellectual property refers to property, such as computer software, a screenplay, a music score, or the chemical formula for a new drug, which is the product of intellectual activity. The philosophy behind intellectual property law is to reward the originator of a new invention, book, musical record, clothes design, and the like for his or her new idea. Without strict intellectual property laws, there would be very little incentive for an individual to work hard to create these types of items. For instance, a person could work very hard and spend huge amounts of money to create a new animated film, and have someone else duplicate the film for the cost of a film duplicating machine and a blank tape.
- Unfortunately, the protection of intellectual property rights varies greatly from country to country. This is a Weak laws or the weak enforcement of intellectual property laws in foreign countries encourages the piracy intellectual property. The world community is addressing this problem, but a satisfactory solution to this problem has yet to be found.

Answer Key

Testname: UNTITLED27

- 136) There is general agreement that innovation is the engine of long-run economic growth in virtually any country. Innovation has a much better chance of catching hold in a market economy opposed to a planned economy. The individual freedom (and opportunity for personal gain) associated with a market economy (like the economy in the U.S.) creates greater incentives for innovation than either a planned or mixed economy. In a market economy, anyone who has an innovative idea is free to try to develop the idea, and has the potential to reap substantial personal gain. This feature of a market economy provides a powerful incentive for people to work on innovative ideas. In contrast, in a planned economy the state owns all means of production. Consequently there is no incentive or opportunity for entrepreneurial individuals to try to develop valuable new innovations, since it is the state, rather than the individual, that captures all of the gains.
- 137) Political risk is the likelihood that political forces will cause drastic changes in a country's business environment that adversely affects the profit and other goals of a business enterprise. In contrast, economic risk is the likelihood that economic mismanagement will cause drastic changes in a country's business environment that adversely affects the profit and other goals of a business enterprise. Finally, legal risk is the likelihood that a trading partner will opportunistically break a contract or expropriate property rights.
- 138) This question is designed to stimulate classroom discussion and/or encourage your students to think about an ethical issue. The two sides to the debate alluded to above are as follows:
- Arguments against Western democracies doing business in totalitarian countries:* Some people argue that investing in totalitarian countries provides comfort to dictators and can help prop up repressive regimes that abuse basic human rights. Moreover, these critics argue that without the participation of Western investors in their economies, many repressive regimes would collapse and be replaced by more democratically inclined governments.
- Arguments in favour of Western democracies doing business in totalitarian countries:* In contrast, there are those who argue that investment by a Western firm, by raising the level of economic development of a totalitarian country, can help change it from within. They note that economic wellbeing and political wellbeing often go hand-in-hand.
- 139) The student could argue that Canada is both collectivist and individualistic, because we will take actions such as the proposed shutting down of coal fired plants in Ontario that will hurt individual interests (the power plant workers, coal supply companies) to protect collective rights (a clean environment and reduced pollution). However, the principle orientation in Canada is towards individualism, because your ultimate success depends on your individual efforts and the Charter of Rights and Freedoms is a Charter of individual freedoms.
- 140) PPP is a relative measure of economic wealth. It adjusts the GNI to reflect the purchasing power of a country's currency within its own borders. In most cases the selling price of imported goods will not be adjusted to reflect this difference. As an example the price of a Mercedes is around \$80,000 Canadian. The same price will be charged in other countries after adjustments for taxes and transportation costs. If we take the example of China - PPP is \$4990, whereas GNI is \$1100. In other words the dollar will buy four times as much or everything is four times cheaper than in the US. This does not mean that Mercedes will reduce their price by a factor of four.
- 141) Though Russia's record of protecting intellectual property is not particularly good, a student focused on sales could argue that the market is so large that they should take the risk. They could recommend using a contract to protect the source code.

Answer Key

Testname: UNTITLED27

- 142) The student could respond that Russia's record of protecting intellectual property is not particularly good, because of private action. If the company reveals the source code, there is a strong probability that the software will be copied and pirated. This will mean that the company could lose control of its most important technical advantage.
- 143) One key risk factor would be political risk in Russia. The takeover by the government of large private corporations (Yukos) because of "unpaid taxes" suggests that nationalization is still thought to be a preferred strategy in Russia. There is also the re-emergence of authoritarian acts such as the shutting down of private Russian media and the control of the rest of the media in Russia.
- 144) Reluctance by companies to invest in either country because of the possibility of public action. If coal prices fall then the potential of an economic crisis in both countries increases because of a lack of revenue and funds for investment. A restriction on private enterprise may also reduce entrepreneurial activity, which in the long term could cut the countries' growth rates. Deteriorating relations with their neighbouring countries is also a possibility.