

Chapter 2

Student: _____

1. According to your text, which of the following is not a reason why developments in the health sectors were stunted in India?
 - A. Production quotas and high tariffs on imports.
 - B. Access to foreign exchange was unlimited.
 - C. Investment by foreign firms was severely restricted.
 - D. Government routinely managed prices.
 - E. Lack of health professionals
2. Collectively, we refer to political, economic, and legal systems as constituting the _____ economy of a country.
 - A. domestic
 - B. civic
 - C. administrative
 - D. political
 - E. governing
3. England, France, and Germany all have unique political, economic, and legal systems. A country's political, economic, and legal system is collectively referred to as its _____ economy.
 - A. political
 - B. formal
 - C. administrative
 - D. official
 - E. governing
4. Political systems can be assessed according to two related dimensions:
 - A the degree to which they emphasize individualism opposed to totalitarian and the degree to which they . are individualistic verses democratic
 - B the degree to which they are market orientated opposed to production orientated and the degree to . which they are democratic verses individualistic
 - C the degree to which they emphasize social democracy opposed to communism and the degree to which . they emphasize collectivism opposed to individualism
 - D the degree to which they emphasize collectivism opposed to individualism and the degree to which . they are democratic or totalitarian
 - E 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
5. 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. individualism; collectivism
 - B. collectivism; individualism
 - C. socialism; individualism
 - D. individualism; socialism
 - E. theocracy; capitalism
6. _____ refers to a system that stresses the primacy of collective goals over individual goals.
 - A. Collectivism
 - B. Capitalism
 - C. Individualism
 - D. Totalitarian
 - E. Democracy

7. When _____ is practiced, the needs of society as a whole are generally viewed as being more important than individual freedoms.
- A. totalitarianism
 - B. collectivism
 - C. individualism
 - D. capitalism
 - E. theocracy
8. _____ 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. Totalitarian
 - B. Collectivism
 - C. Autocratic
 - D. Capitalism
 - E. Platonism
9. Modern _____ trace their intellectual roots to Karl Marx.
- A. Separatists
 - B. Capitalists
 - C. Individualists
 - D. Socialists
 - E. Federalists
10. The group that believed that socialism could be achieved only through violent revolution and totalitarian dictatorship were referred to as:
- A. Communists
 - B. Fascists
 - C. Political democrats
 - D. Collectivists
 - E. Mensheviks
11. Followers of socialist ideology who commit themselves to achieving socialism through democratic reforms are called:
- A. Communists
 - B. Social democrats
 - C. Individualists
 - D. Political democrats
 - E. New democrats
12. The communist version of socialism reached its high point in the late _____.
- A. 1940s.
 - B. 1950s.
 - C. 1960s.
 - D. 1970s.
 - E. 1980s
13. What country is the last major Communist power left?
- A. Russia
 - B. China
 - C. Vietnam
 - D. North Korea
 - E. Cuba
14. Social democracy has had its greatest influence in the following group of countries:
- A. Canada, United States, Mexico, and Spain
 - B. India, Pakistan, Burma, Nepal, Sri Lanka, and Bhutan
 - C. Brazil, Chile, Uruguay, Ecuador, Columbia, and French Guiana
 - D. Australia, Britain, France, Germany, Norway, Spain, and Sweden
 - E. Australia, Columbia, Venezuela, Cambodia, Brazil

15. Experience has demonstrated that state ownership of the means of production:
 - A. often runs in parallel with the public interest
 - B. is the most profitable way to organize production
 - C. is the most efficient way to organize production
 - D. often runs counter to the public interest
 - E. leads to increased inefficiency, higher prices and higher taxes
16. Which of the following definitions best describes the concept of individualism?
 - A. Political system in which an individual is governed by laws created to limit corruption and exploitation
 - B. Political system in which government is by the people, exercised either directly or through elected representatives
 - C. Political system that stresses the primacy of collective goals over individual goals
 - D. 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
 - E. Political philosophy that an individual should have freedom over his or her economic and political pursuits
17. Which of the following can be traced to an ancient Greek philosopher, Aristotle?
 - A. Collectivism
 - B. Individualism
 - C. Socialism
 - D. Totalitarianism
 - E. Theocracy
18. In contrast to collectivism, _____ stresses that the interests of the individual should take precedence over the interests of the state.
 - A. totalitarianism
 - B. socialism
 - C. individualism
 - D. collectivism
 - E. tribalism
19. Individualism is built on two central themes:
 - A. socialism is the preferred political philosophy and an emphasis on the importance of collective interests over individual interests
 - B. 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
 - 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. the public good is more important than corporate profits and the people exist to serve the state
 - E. 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
20. The Cold War was essentially a war between _____, championed by the now-defunct Soviet Union, and _____, championed by the United States.
 - A. collectivism; individualism
 - B. democracy; socialism
 - C. socialism; totalitarianism
 - D. individualism; collectivism
 - E. Stalinism; Reaganism

21. Which of the following is the political system in which government is by the people, exercised either directly or through elected representatives?
- A. despotism
 - B. democracy
 - C. totalitarianism
 - D. collectivism
 - E. tribalism
22. _____ 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. Capitalism
 - B. Totalitarianism
 - C. Democracy
 - D. Collectivism
 - E. Theocracy
23. _____ go "hand-in-hand."
- A. Anarchy and individualism
 - B. Collectivism and individualism
 - C. Totalitarianism and democracy
 - D. Democracy and collectivism
 - E. Democracy and individualism
24. A political system in which citizens periodically elect individuals to represent them is referred to as a _____.
- A. participatory collective
 - B. totalitarianism democracy
 - C. representative democracy
 - D. socialistic democracy
 - E. parliamentary democracy
25. In a representative democracy, if elected representatives fail to perform their job adequately, what will happen?
- A. a socialist democracy will take over
 - B. a federalist republic will take over
 - C. a collectivist federation will take over
 - D. they will be voted out of office in the next election
 - E. they will hold their offices for life
26. 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 a ideal representative democracy?
- A. a fair court system that is independent from the political system
 - B. universal adult suffrage
 - C. an individual's right to freedom of expression, opinion, and organization
 - D. a political police force and armed services
 - E. regular elections
27. _____ is a form of totalitarianism that advocates achieving socialism through totalitarian dictatorship.
- A. Tribal totalitarianism
 - B. Democratic totalitarianism
 - C. Communist totalitarianism
 - D. Collective totalitarianism
 - E. Theocratic totalitarianism

28. There are four major forms of totalitarianism in the world today. These are:
- A. collective, Marxist, right-wing, and ancestral
 - B. theocratic, democratic, tribal, and communist
 - C. communist, theocratic, tribal, and right-wing
 - D. ancestral, Marxist, left-wing, and compiled
 - E. tribal, Maoist, right-wing, and dictatorial
29. All of the following are forms of totalitarianism except:
- A. right-wing
 - B. ancestral
 - C. theocratic
 - D. tribal
 - E. communistic
30. 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. theocratic totalitarianism
 - C. ancestral totalitarianism
 - D. tribal totalitarianism
 - E. fundamental totalitarianism
31. In which region of the world is tribal totalitarianism found?
- A. Africa
 - B. Australia
 - C. South America
 - D. Asia
 - E. Central America
32. 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. socialism
 - B. collectivism
 - C. capitalism
 - D. totalitarianism
 - E. tribalism
33. Which of the following are the three broad types of economic systems?
- A. market economy, combined economy, production economy
 - B. market economy, post-industrial economy, industrial economy
 - C. combined economy, separate economy, mixed economy
 - D. ordinance economy, production economy, political economy
 - E. market economy, command economy, mixed economy
34. All of the following are types of economic systems except:
- A. market economy
 - B. command economy
 - C. mixed economy
 - D. progressive economy
 - E. none of the answers are an example of a type of economic system
35. In a pure _____ economy the good 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. market
 - C. command
 - D. combined
 - E. free

36. 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. private industry
 - B. local trade associations
 - C. individual entrepreneurs
 - D. the government
 - E. citizen committees
37. 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. civic economy
 - B. administrative economy
 - C. command economy
 - D. market economy
 - E. post-industrial economy
38. 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. command
 - B. mixed
 - C. market
 - D. state-directed
 - E. new
39. 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. command
 - B. combined
 - C. mixed
 - D. political
 - E. socialist
40. What kind of economies were once very common throughout much of the world, although they are becoming less so?
- A. mixed
 - B. state-directed
 - C. command
 - D. market
 - E. regulated
41. Canada could be described as having elements of both a _____ economy and a _____ economy.
- A. command; mixed
 - B. mixed; regional
 - C. market; regional
 - D. command; regional
 - E. market; mixed
42. The _____ is influenced by the prevailing political system.
- A. corporate system
 - B. economic system
 - C. technological system
 - D. market system
 - E. democratic

43. The _____ system evolved in England over hundreds of years and is based on tradition, precedent, and custom.
- A. civil
 - B. theocratic
 - C. common law
 - D. economic law
 - E. contract law
44. A _____ law system is based on a very detailed set of laws organized into codes.
- A. judicial
 - B. theocratic
 - C. common
 - D. traditional
 - E. civil
45. A law system that is based primarily on religious teachings, refers to a
- A. civil law system.
 - B. theocratic law system.
 - C. common law system.
 - D. traditional law system
 - E. canon law system.
46. Quebec is the only province in Canada to use the _____ law system.
- A. common
 - B. French
 - C. canon
 - D. civil
 - E. judicial
47. Phillip Garbrose 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
- A. a contract.
 - B. a contract law.
 - C. property law.
 - D. private action suit.
 - E. a memorandum of understanding
48. 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. property law
 - B. arbitration
 - C. third-party mediator
 - D. contract law
 - E. the courts
49. 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 foreign practices act
 - C. State directed economy
 - D. The United Nations Human Development
 - E. The Canadian Government

50. 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. political system
 - B. administrative system
 - C. economic structure
 - D. legal system
 - E. ethical system
51. 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. statutory
 - B. asset
 - C. taxable
 - D. property
 - E. users
52. The violation of _____ can be violated in two ways—through private action and through public action.
- A. patents
 - B. copyrights
 - C. warrants
 - D. property rights
 - E. individual rights
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, such as computer software, screenplays, musical scores, or chemical formulas for new drugs, that is the product of intellectual activity.
 - C. Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
 - D. Document giving the inventor of a new product or process exclusive rights to the manufacturer, use, or sales of that invention.
 - E. Property that can be digitized and copied
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. trust
 - B. patent
 - C. copyright
 - D. trademark
 - E. logo
55. Suppose 3M corporation develops a new type of adhesive tape. 3M can protect its invention through what kind of protection?
- A. warrant
 - B. patent
 - C. copyright
 - D. trademark
 - E. contract
56. What grants the inventor of a new product or process exclusive rights to the manufacture, use, or sale of that invention?
- A. trademark
 - B. warrant
 - C. patent
 - D. copyright
 - E. logo

57. _____ are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their work as they see fit.
- A. Patents
 - B. Copyrights
 - C. Trusts
 - D. Licenses
 - E. Franchises
58. A composer is able to protect an original musical score from being copied and sold by someone else through _____ protection.
- A. patent
 - B. warrant
 - C. trademark
 - D. copyright
 - E. logo
59. _____ are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
- A. Copyrights
 - B. Patents
 - C. Warrants
 - D. Trademarks
 - E. Logos
60. As a result of _____ protection, the Nike "swoosh" logo is protected from being used by any other shoe manufacturer.
- A. logo
 - B. copyright
 - C. patent
 - D. warrant
 - E. trademark
61. Patents, copyrights, and trademarks are examples of _____ property laws.
- A. intellectual
 - B. administrative
 - C. official
 - D. central
 - E. individual
62. "Windows" is a computer operating system that is an exclusive _____ of the Microsoft corporation.
- A. sticker
 - B. hallmark
 - C. registry
 - D. trademark
 - E. brand
63. _____ to violate property rights refers to theft, piracy, and blackmail.
- A. Patents
 - B. Public action
 - C. Warrants
 - D. Private action
 - E. Public Patents

64. When public officials such as politicians and government bureaucrats, extort income or resources from property holders, this can be described as a(n)
- A. patents.
 - B. public action.
 - C. warrants.
 - D. private action.
 - E. nationalization
65. 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. 1990s
 - B. 1980s
 - C. 1970s
 - D. 1960s
 - E. 1950s
66. 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. 1997
 - B. 1987
 - C. 1999
 - D. 1979
 - E. 1991
67. Bill S-21 does what?
- A. Increases GNP
 - B. Protects copyrights
 - C. Protects trademarks
 - D. Makes bribery a crime
 - E. Increases PPP
68. An important international agreement signed by 96 countries to protect intellectual property, was called the
- A. Paris Convention for the Protection of Industrial Property.
 - B. Paris Convention on Human Development.
 - C. Paris Convention for the Protection of Intellectual Property.
 - D. Paris Convention for the Development of Intellectual Innovation.
 - E. Paris Convention for Related Aspects of Intellectual Rights
69. The _____ industry, according to our textbook, suffers the most from lax enforcement of intellectual property rights.
- A. book
 - B. consumer electronics
 - C. computer software
 - D. prescription drug
 - E. music
70. Generally speaking, international laws about intellectual property rights are _____.
- A. Not part of TRIPS
 - B. Not affected by the lobbying of specific firms
 - C. Roughly the same as they were two decades ago
 - D. Being weakened
 - E. Being strengthened

71. _____ set certain safety standards to which a product must adhere.
- A. Turnout safety laws
 - B. Product liability laws
 - C. Product safety laws
 - D. Contract liability laws
 - E. Civil laws
72. _____ liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
- A. Turnout
 - B. Contract
 - C. Product
 - D. Outcome
 - E. Business
73. _____ allows for a more direct comparison of living standards in different countries.
- A. PPP
 - B. UPN
 - C. EOC
 - D. IOF
74. GNP is increasingly being replaced by _____.
- A. PPP
 - B. Atlas conversion
 - C. GNI
 - D. Atlas methodology
 - E. IOF
75. What does the acronym GNP stand for?
- A. gross national profile
 - B. gross national product
 - C. gradual notational profile
 - D. general natural productivity
 - E. government natural product
76. PPP is an acronym that stands for:
- A. power purchasing procedures
 - B. procurement priority procedures
 - C. priority patent procedures
 - D. purchasing power parity
 - E. parallel parametric purchasing
77. In 2001, the World Bank has chosen to replace GNP with _____.
- A. GDP
 - B. aggregate demand and aggregate supply
 - C. GRP
 - D. PPP
 - E. GNI
78. 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. Standard of Living
 - C. Quality of Life
 - D. Economic Development
 - E. UNICEF

79. Amartya Sen believed that development should be assessed less by measures such as _____.
- A. Aggregate demand
 - B. Aggregate supply
 - C. PPP
 - D. HDI
 - E. GNP
80. Amartya Sen believed that development should be assessed more by measures such as _____.
- A. Aggregate demand
 - B. Aggregate supply
 - C. PPP
 - D. HDI
 - E. GNP
81. 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. .25
 - B. .50
 - C. .75
 - D. .33
 - E. .65
82. There is fairly wide agreement that _____ and _____ are the engines of long-run economic growth.
- A. small business; free markets
 - B. government; consumer demand
 - C. innovation; entrepreneurship
 - D. agriculture; manufacturing
 - E. exports; domestic sales
83. What is the process through which people create new products, new processes, new organization, new management practices, and new strategies called?
- A. bureaucracy
 - B. administration
 - C. development
 - D. innovation
 - E. invention
84. 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. market
 - C. commercial
 - D. manufacturing
 - E. consumer
85. _____ is the process of selling state-owned enterprises to private investors.
- A. Political-economic divestiture
 - B. Privatization
 - C. Downsizing
 - D. Ownership-transfer
 - E. Nationalization

86. Besides a country's political and economic systems, another driver of economic development includes?
- A. PPP
 - B. Geography
 - C. History
 - D. UN
 - E. ITB
87. Privatization refers to:
- A. the selling of state-owned enterprises to private investors
 - B. the selling of public corporations to private investors
 - C. guarding company secrets from the general public
 - D. transferring political power from the government to private citizens
 - E. reducing regulation of private business
88. Since the late 1980s two major trends have emerged in the political economies of many of the world's national states. These are:
- Aa 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.
 - Ba 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.
 - Ca 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.
 - Da 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.
 - E. a wave of consumer empowerment and there has been a strong move away from common law and towards civil code.
89. Which of the following is one of the three main reasons for the spread of democracy worldwide?
- A. the spread of democracy has been unchallenged worldwide
 - Bin 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. geography
 - D. privatization
 - E. intellectual property rights
90. 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. simplification
 - C. deregulation
 - D. socialism
 - E. competition
91. The _____ movement started in Britain in the early 1980s when then-Prime Minister Margaret Thatcher started to sell state-owned assets.
- A. modification
 - B. simplification
 - C. privatization
 - D. deregulation
 - E. anti-nationalization
92. _____ transfers the ownership of state property into the hands of private individuals.
- A. Privatization
 - B. Simplification
 - C. Deregulation
 - D. Socialism
 - E. Nationalization

93. What are advantages that accrue to early entrants into a business market referred to as?
- A. standard-class advantages
 - B. first-mover advantages
 - C. prime-mover advantages
 - D. first-stage advantages
 - E. early adopter advantages
94. Firms that identify and invest in a potentially growing economic country gain what benefits?
- A. Can build brand loyalty
 - B. Can gain experience in local business practices
 - C. Can increase PPP.
 - D. Both A and B are correct
 - E. A, B, and C are correct
95. Handicaps suffered by late entrants into a business market are referred to as:
- A. late-mover disadvantages
 - B. last-class disadvantages
 - C. late-mover stumbling blocks
 - D. late-mover difficulties
 - E. switching costs
96. 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. first-mover; late-mover
 - B. initial-mover; last-mover
 - C. first-class; final-class
 - D. economic; financial
 - E. systemic; monopolistic
97. 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. political risk
 - B. democratic risk
 - C. administrative risk
 - D. governmental risk
 - E. business risk
98. _____ 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. Industrial risk
 - B. Commercial risk
 - C. Legal risk
 - D. Economic risk
 - E. Incompetence risk
99. The likelihood that a trading partner will opportunistically break a contract or expropriate property rights is called:
- A. legitimate risk
 - B. permissible risk
 - C. constitutional risk
 - D. legal risk
 - E. business risk
100. In the opening case titled "The Changing Political Economy of India" it was determined that production quotas and high tariffs on imports stunted the development of a healthy private sector.
True False

101. A system that stresses the primacy of collective goals over individual goals is called collectivism.
True False
102. Many social democratic governments nationalize private companies.
True False
103. There is essentially no relationship between collectivism and socialism.
True False
104. 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.
True False
105. 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.
True False
106. The four major forms of totalitarianism are: communist totalitarianism, theocratic totalitarianism, tribal totalitarianism, and right-wing totalitarianism.
True False
107. Tribal totalitarianism is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles.
True False
108. 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.
True False
109. There must be no restrictions on supply for a market economy to work.
True False
110. 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.
True False
111. 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.
True False
112. Contract law, civil law, and theocratic law are the three main types of legal systems in use around the world.
True False
113. 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.
True False
114. Public action of property rights refers to theft, piracy, and blackmail.
True False
115. In the United States, the Foreign Corrupt Practices Act was passed during the 1960s following revelations that U.S. companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
True False
116. Bill S-21 entered into force in 1999 to prevent foreign companies from paying bribes to Canadian government officials for lucrative contracts.
True False

117. 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.
True False
118. The Canadian law that prohibits Canadian companies from making "corrupt" payments to foreign officials for the purpose of obtaining or retaining business is the Corruption of Foreign Public Officials and the Implementation of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
True False
119. A copyright grants the inventor of a new product or process exclusive right to the manufacture, use, or sales of that invention.
True False
120. A patent grants the investor of a new product or process exclusive rights to the manufacture, use, or sale of that invention.
True False
121. Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products (e.g., Christian Dior clothes) are called patents.
True False
122. Historically, the enforcement of intellectual property rights has been fairly consistent across countries.
True False
123. Canada is not a part of the World Intellectual Property Organization (WIPO).
True False
124. The Paris Convention for the Protection of Industrial Property is an international agreement signed by 96 countries to protect intellectual property rights.
True False
125. Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
True False
126. A purchasing power parity adjustment allows for a more direct comparison of living standards in different countries.
True False
127. The Human Development Index is based on three measures: per capita income, life expectancy, and poverty rate.
True False
128. The selling of state-owned enterprises to private investors is called privatization.
True False
129. What is meant by the term "political system?" What are the two related dimensions by which a political system can be assessed?

130. 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.
131. Draw a distinction between democracy and totalitarianism. Which political system facilitates the development of a free market economic system? Why?
132. 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?
133. How important is innovation? Does innovation have a better chance of catching hold in a market economy or a planned economy? Explain your answer.
134. What is the difference between political risk, economic risk, and legal risk?

135. 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?
136. A Canadian developer of software for automated coal mining equipment has been approached by a Chinese mining conglomerate with an offer to cooperate on adapting the software to the Chinese market. If the Canadian company agreed to work with the Chinese 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). The sales department is strongly in favour of entering into an agreement, but the CEO is afraid that the company will lose control of its technology. Prepare a recommendation for the CEO with the pros and cons of the joint venture.
137. A Canadian manufacturer of high end snowboard equipment has asked you to assess the relative risks in establishing a manufacturing subsidiary in one of two countries - Britain and Russia. Both markets are similar in terms of size, demand and consumer behaviour. Identify and describe any risk factor(s) that would be key to determining which country would be the more attractive target. Explain why these factor(s) would be crucial.
138. In 2006 President Chavez of Venezuela and President Morales of Columbia both of whom declare themselves to be socialists expropriated without compensation (claiming that foreign companies had cheated the people and not paid taxes) foreign company assets in the their oil and gas industries. Identify and describe some of the future consequences of their actions.

139. Canadian Law allows individuals to copy music, however it is illegal to allow your music library to be copied. This means that copying of music is allowed in Canada (at least until the law is changed). What are the issues associated with music piracy?
140. 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?
141. 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?

Chapter 2 Key

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

37. (p. 49) C
38. (p. 49) A
39. (p. 49, 50) C
40. (p. 50) A
41. (p. 49, 50) E
42. (p. 48) B
43. (p. 50) C
44. (p. 51) E
45. (p. 51) B
46. (p. 51) D
47. (p. 52) A
48. (p. 52) D
49. (p. 52) A
50. (p. 50) D
51. (p. 52) D
52. (p. 53) D
53. (p. 57) B
54. (p. 57) B
55. (p. 57) B
56. (p. 57) C
57. (p. 57) B
58. (p. 57) D
59. (p. 57) D
60. (p. 57) A
61. (p. 57) A
62. (p. 57) D
63. (p. 53) D
64. (p. 53, 54) B
65. (p. 54) C
66. (p. 55) C
67. (p. 55) D
68. (p. 58) A
69. (p. 58) E
70. (p. 58, 60) E
71. (p. 60) C
72. (p. 60) C
73. (p. 62) A
74. (p. 62) C

75. (p. 62) B
76. (p. 62) D
77. (p. 62) E
78. (p. 64) A
79. (p. 63) E
80. (p. 63, 64) D
81. (p. 64) B
82. (p. 64) C
83. (p. 64) D
84. (p. 66) B
85. (p. 74) B
86. (p. 68) B
87. (p. 74) A
88. (p. 69) C
89. (p. 70) B
90. (p. 74) C
91. (p. 76) C
92. (p. 74) A
93. (p. 79) B
94. (p. 78, 79) D
95. (p. 79) A
96. (p. 79) A
97. (p. 79) A
98. (p. 80) D
99. (p. 81) D
100. (p. 40) TRUE
101. (p. 44) TRUE
102. (p. 45) TRUE
103. (p. 45) FALSE
104. (p. 45) TRUE
105. (p. 46) TRUE
106. (p. 47, 48) TRUE
107. (p. 48) FALSE
108. (p. 48) TRUE
109. (p. 49) TRUE
110. (p. 49) TRUE
111. (p. 49) FALSE
112. (p. 50) FALSE

113. (p. 52) TRUE

114. (p. 53) FALSE

115. (p. 54) FALSE

116. (p. 55) FALSE

117. (p. 54) TRUE

118. (p. 55) TRUE

119. (p. 57) FALSE

120. (p. 57) TRUE

121. (p. 57) FALSE

122. (p. 57) FALSE

123. (p. 58) FALSE

124. (p. 58) TRUE

125. (p. 60) TRUE

126. (p. 62) TRUE

127. (p. 64) FALSE

128. (p. 74) TRUE

129. (p. 44) 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.

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 represent 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.

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.

130. (p. 44, 45, 46) 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."

131. (p. 46, 47, 48) 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.

Unfortunately, the protection of intellectual property rights varies greatly from country to country. This 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, but a satisfactory solution to this problem has yet to be found.

132. (p. 57-60) 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.

133. (p. 64-67) 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.

134. (p. 79-81) 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.

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 well being and political well being often go hand-in-hand.

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.

135. (p. 81-83) 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:

136. (p. 57-60) The student could respond that China'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. On the other hand a student focused on sales could argue that the market is so large that they should take the risk. Recommendations that the students could make are using a contract to protect the source code.

137. (p. 79) One key risk factor would be political risk in Russia. The takeovers 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.

138. (p. 53, 54, 79) Reluctance by companies to invest in either country because of the possibility of public action. If oil 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 neighbours (one of the companies' assets that were nationalized was a large Brazilian company).

139. (p. 57-60) Musical piracy is still the stealing of another person's property. Intellectual property theft reduces the incentive for individuals to innovate, if they believe that they will not get any benefits from their innovation.

140. (p. 44-48) 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.

141. (p. 62) 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.

Chapter 2 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Easy	42
Difficulty: Hard	32
Difficulty: Medium	67
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