

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

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

true false

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

true false

3) Many social democratic governments nationalize private companies.

true false

4) There is essentially no relationship between collectivism and socialism.

true false

5) 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

6) 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

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

true false

8) 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

9) The rise of totalitarianism is a notable development of the last 30 years.

- true false

10) 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 signaled to producers through the price system.

- true false

11) There must be no restrictions on supply for a pure market economy to work.

- true false

12) 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

13) 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

14) There has been a shift away from mixed economies as democracy spread since the 1980s.

- true false

15) Laws protecting private property rights and providing mechanisms for contract enforcement are not required for a well-functioning market economy.

- true false

16) Contract law, civil law, and theocratic law are the three main types of legal systems in use around the world.

- true false

17) Laws that protect property rights are important for a market economy to function.

- true false

18) 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

19) Public action of property rights refers to theft, piracy, and blackmail.

- true false

20) 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.

- true false

21) Bill S-21 entered into force in 1999 to prevent foreign companies from paying bribes to Canadian government officials for lucrative contracts.

- true false

22) 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

23) The extortion of income from property holders by public officials is called private action.

- true false

24) A copyright grants the inventor of a new product or process exclusive right to the manufacture, use, or sales of that invention.

- true false

25) A patent grants the investor of a new product or process exclusive rights to the manufacture, use, or sale of that invention.

- true false

26) 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

27) Historically, the enforcement of intellectual property rights has been fairly consistent across countries.

- true false

28) The Paris Convention for the Protection of Industrial Property is an international agreement signed by countries to protect intellectual property rights.

- true false

29) Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.

- true false

30) Three of the most important factors for global firms when deciding where to locate are political, economic, and legal systems of a country.

- true false

31) A purchasing power parity adjustment allows for a more direct comparison of living standards in different countries.

- true false

32) The Human Development Index is based on three measures: per capita income, life expectancy, and poverty rate.

- true false

33) There is a strong relationship between economic freedom and economic growth.

- true false

34) A growth factor that has received recent attention is geography.

- true false

35) Free market economics have been supported in part by the shift toward democracy in many countries.

- true false

36) The failure of totalitarian regimes to deliver economic progress helped democracy to spread.

- true false

37) Francis Fukuyama sees a world split into different civilizations, each with its own value system and ideology.

- true false

38) Since the 1980s there has been a widespread transformation from market-based economies to centrally planned economics.

- true false

39) Privatization transfers the ownership of private property into the hands of the state.

- true false

40) Deregulation is the transfer of ownership of state property to individuals

- true false

41) The ownership structure of newly privatized firms is important.

- true false

42) A problem with many former Communist states is the lack of a legal system that protects property rights

- true false

43) Most Eastern European countries began to liberalize their economies beginning in the 1970s.

- true false

44) An implication of the growth of market-based economies is the opening up of many new global markets.

- true false

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

45) According to the opening case, China is no longer dependent on Hong Kong for:

- A) supply chain management
- B) high tech goods
- C) the manufactured goods
- D) the service economy
- E) a links to international trade

46) 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

47) The economy and legal systems of a country are shaped by its what?

- A) civil system
- B) political economy
- C) political system
- D) judicial economy
- E) governance structure

48) 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

49) 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

50) _____ refers to a system that stresses the primacy of collective goals over individual goals.

- A) Collectivism
- B) Capitalism
- C) Individualism
- D) Totalitarian
- E) Democracy

51) 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

52) _____ 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

53) Modern _____ trace their intellectual roots to Karl Marx.

- A) Separatists
- B) Capitalists
- C) Individualists
- D) Socialists
- E) Federalists

54) 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

55) 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

56) The communist version of socialism reached its high point in the late _____.

- A) 1940s
- B) 1950s
- C) 1960s
- D) 1970s
- E) 1980s

57) What country is the last major Communist power left?

- A) Russia
- B) China
- C) Vietnam
- D) North Korea
- E) Cuba

58) 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

59) 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

60) 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.

61) Which of the following can be traced to an ancient Greek philosopher, Aristotle?

- A) collectivism
- B) individualism
- C) socialism
- D) totalitarianism
- E) theocracy

62) 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

63) 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

64) 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

65) 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

66) _____ 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

67) _____ go "hand in hand."

- A) Anarchy and individualism
- B) Collectivism and individualism
- C) Totalitarianism and democracy
- D) Democracy and collectivism
- E) Democracy and individualism

68) 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

69) 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

70) 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 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

71) _____ 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

72) 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

73) All of the following are forms of totalitarianism except:

- A) right-wing
- B) ancestral
- C) theocratic
- D) tribal
- E) communistic

74) 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

75) In which region of the world is tribal totalitarianism found?

- A) Africa
- B) Australia
- C) South America
- D) Asia
- E) Central America

76) 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

77) 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

78) 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

79) 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 signaled to producers through the price system.

- A) ordinance
- B) market
- C) command
- D) combined
- E) free

80) 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

81) 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

82) 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

83) 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

84) 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

85) 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

86) The _____ is influenced by the prevailing political system.

- A) corporate system
- B) economic system
- C) technological system
- D) market system
- E) democratic

87) 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

88) 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

89) 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

90) 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.

91) Quebec is the only province in Canada to use the _____ law system.

- A) common
- B) French
- C) canon
- D) civil
- E) judicial

92) 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 contract
- B) a contract law
- C) property law
- D) private action suit
- E) a memorandum of understanding

93) 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

94) 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

95) 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

96) 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

97) The Canadian legislation that makes bribery of a foreign official by a Canadian business person a criminal offense is known as what?

- A) Foreign Corrupt Practices Act
- B) Copyright infringement
- C) Corruption Perceptions Index
- D) Law OECD 1998
- E) Bill S-21

98) 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

99) 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

100) Suppose Apple corporation develops a new type of phone. Apple can protect its invention through what kind of protection?

- A) warrant
- B) patent
- C) copyright
- D) trademark
- E) contract

101) _____ 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

102) 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

103) _____ 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

104) 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

105) Patents, copyrights, and trademarks are examples of _____ property laws.

- A) intellectual
- B) administrative
- C) official
- D) central
- E) individual

106) "Windows" is a computer operating system that is an exclusive _____ of the Microsoft corporation.

- A) sticker
- B) hallmark
- C) registry
- D) trademark
- E) brand

107) 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

108) _____ 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

109) _____ 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

110) According to the textbook, the shadow economy includes the following unofficial transactions

- A) Unrecorded cash
- B) Barter agreements
- C) Unreported assets
- D) A and B
- E) All of these options

111) _____ allows for a more direct comparison of living standards in different countries.

- A) PPP
- B) UPN
- C) EOC
- D) IOF
- E) GNI

112) GNP is increasingly being replaced by _____.

- A) PPP
- B) Atlas conversion
- C) GNI
- D) Atlas methodology
- E) IOF

113) 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

114) 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

115) 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

116) 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

117) 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

118) 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

119) 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

120) 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

121) 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

122) Besides a country's political and economic systems, another driver of economic development includes?

- A) PPP
- B) Geography
- C) History
- D) UN
- E) ITB

123) 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 communist revolutions have swept the world and there has been a strong move away from free market economies toward more centrally planned 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 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.
- D) 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.
- E) a wave of consumer empowerment and there has been a strong move away from common law and towards civil code.

124) 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
- 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) geography
- D) privatization
- E) intellectual property rights

125) Political scientist _____ believes there is no universal civilization based on widespread acceptance of Western liberal democratic ideals.

- A) Samuel Huntington
- B) Francis Fukuyama
- C) Michael Porter
- D) Paul Krugman
- E) John Maynard Keynes

126) 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

127) _____ is the process of selling state-owned enterprises to private investors.

- A) Political-economic divestiture
- B) Privatization
- C) Downsizing
- D) Ownership-transfer
- E) Nationalization

128) The shift to _____ system typically involves deregulation, privatization and a legal system that protects property rights.

- A) a democratic
- B) a market-based economic
- C) privatized
- D) a state-ownership
- E) Communist

129) 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

130) 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

131) _____ transfers the ownership of state property into the hands of private individuals.

- A) Privatization
- B) Simplification
- C) Deregulation
- D) Socialism
- E) Nationalization

132) Without a _____ the incentive to engage in economic activity can be reduced substantially by private and public entities.

- A) Political system
- B) Legal system
- C) Freedom system
- D) Accounting system
- E) Property system

133) An example of an institutional weakness that undermines contract enforcement is what?

- A) Monetary systems
- B) Freedom indices
- C) Entrepreneurship
- D) Privatization
- E) Court capacity

134) A World Bank study suggests that post-Communist states that successfully transformed their economies followed what type of economic policy?

- A) Monetary policy
- B) Privatization
- C) Changing political economy
- D) Shock therapy
- E) Socialism

135) Around the world, the tide has turned against command economies in favour of free markets and what?

- A) Monetary policy
- B) Socialism
- C) Dictatorships
- D) Fiscal policy
- E) Democracy

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

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

137) 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.

138) 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?

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

140) 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?

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?

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

143) The closing case on Tunisia's legacy of corruption describes how it led to continued restrictions on domestic and foreign investment. What are the costs to the country of restricting FDI and of corruption? What changes would be needed to address the costs?

Answer Key

Test name: Chapter_02 Test Bank

- 1) TRUE
- 2) TRUE
- 3) TRUE
- 4) FALSE
- 5) TRUE
- 6) TRUE
- 7) TRUE
- 8) FALSE
- 9) FALSE
- 10) TRUE
- 11) TRUE
- 12) TRUE
- 13) FALSE
- 14) TRUE
- 15) FALSE
- 16) FALSE
- 17) TRUE
- 18) TRUE
- 19) FALSE
- 20) FALSE
- 21) FALSE
- 22) TRUE
- 23) FALSE
- 24) FALSE
- 25) TRUE
- 26) FALSE

- 27) FALSE
- 28) TRUE
- 29) TRUE
- 30) TRUE
- 31) TRUE
- 32) FALSE
- 33) TRUE
- 34) TRUE
- 35) TRUE
- 36) TRUE
- 37) FALSE
- 38) FALSE
- 39) FALSE
- 40) FALSE
- 41) TRUE
- 42) TRUE
- 43) FALSE
- 44) TRUE
- 45) E
- 46) D
- 47) C
- 48) D
- 49) B
- 50) A
- 51) B
- 52) B
- 53) D
- 54) A
- 55) B
- 56) D

- 57) B
- 58) D
- 59) E
- 60) E
- 61) B
- 62) C
- 63) E
- 64) A
- 65) B
- 66) B
- 67) E
- 68) C
- 69) D
- 70) D
- 71) C
- 72) C
- 73) B
- 74) B
- 75) A
- 76) D
- 77) E
- 78) D
- 79) B
- 80) D
- 81) C
- 82) A
- 83) C
- 84) A
- 85) E
- 86) B

- 87) D
- 88) C
- 89) E
- 90) B
- 91) D
- 92) A
- 93) D
- 94) A
- 95) D
- 96) D
- 97) E
- 98) B
- 99) B
- 100) B
- 101) B
- 102) D
- 103) D
- 104) A
- 105) A
- 106) D
- 107) E
- 108) C
- 109) C
- 110) D
- 111) A
- 112) C
- 113) B
- 114) D
- 115) E
- 116) A

117) D

118) B

119) C

120) D

121) B

122) B

123) C

124) B

125) A

126) A

127) B

128) B

129) C

130) C

131) A

132) B

133) E

134) D

135) E

136) 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.

137) 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 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.

138) The student could argue that Canada is both collectivist and individualistic, because we will take actions such as the shutting down of coal fired plants in Ontario that 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.

139) 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.

140) 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 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.

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.

142) 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.

143) Restrictions on FDI are limiting economic growth; a lack of modernized infrastructure; a lowered quality of life, and ongoing corruption.

Students should be able to refer to back to earlier chapters that discussed states in transition, referring to the potential of a democratization, reformed institutions, and a move toward a greater commitment to a free market economic model.