

c2

Student: _____

1. Canada primarily operates in a private market system.

True False

2. It is argued that the private system is less cumbersome and less costly to run than a centralized, government-operated system, and that it is more responsive to society's needs because it allows individuals and business corporations to be more innovative.

True False

3. Much of the theory of the classical capitalist system is based on the philosophical underpinnings of the American system, but is equally applicable to the Canadian economy.

True False

4. Capitalism requires a strong ethical system, as without it, the justice system will intervene.

True False

5. A land developer has been receiving considerable negative publicity. He purchased the majority of residential properties in a district of the city and raised the rents. The lower income renters were unable to pay the demanded rent and had to relocate. The developer's right to private property does not allow him to essentially evict lower income renters as this may infringe upon their rights.

True False

6. "It's my land!" exclaimed the farmer, responding to the environmentalists. "If I want to cut down every single tree on it, this is my right." The farmer is claiming the fundamental right of capitalism—the right of private property.

True False

7. Fortunately in Canada there is an even distribution of wealth among members of society.

True False

8. Most of the natural resources in Canada are privately owned.

True False

9. Intellectual property, such as an artist's ownership of music, is becoming increasingly important in Canada.

True False

10. The individualism view of capitalism assumes that individuals are inherently self-serving, but neither decent nor rational.

True False

11. Economic freedom does not address the rights of individuals, only of business enterprises.

True False

12. The gap between executive compensation and worker compensation has declined.

True False

13. It is easier to achieve equity than equality.

True False

14. Equality is inevitable with a capitalistic system.

True False

15. Capitalism assumes that competition is both natural and desirable.

True False

16. A monopoly occurs when there are few sellers in an industry and these sellers behave similarly.

True False

17. The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits lower than normal under perfect competition.

True False

18. Competition ensures that if excessive profits are made, others will be attracted to the industry.

True False

19. The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits higher than normal under perfect competition.

True False

20. According to the work ethic, unemployment is a temporary, misfortunate event.

True False

21. The Protestant ethic claims, in part, that being thrift through saving is an element of God's will.

True False

22. In modern society, the desire to consume is a driving force which compels many individuals to work hard to acquire material possessions. The result is a consumption ethic in this generation of workers.

True False

23. It is consumers' evaluation of a business that determines whether or not it will survive.

True False

24. Those who question the degree of consumer sovereignty in Canada argue that governments influence or regulate in the "public interest," which frequently is more in the "producer interest."

True False

25. The more competitive a market, the lower the power of the consumer.

True False

26. Canada's economic system is capable of taking into consideration social and ethical concerns.

True False

27. In recent years, there has been less government involvement in the Canadian economy.

True False

28. The government's role in the Canadian economy is often described as laissez-faire.

True False

29. Government involvement in the market, for reasons other than laws relating to contractual arrangements is considered to weaken efficiency.

True False

30. Government involvement in the economy has always been greater in Canada than in the United States.

True False

31. Competition legislation makes some types of trade practices illegal and attempts to encourage monopolization.

True False

32. State capitalism involves market manipulation.

True False

33. The "patched up" system, or mixed economy that exists in Canada is the best that can be expected, given human limitations and a democratic government.

True False

34. Germany practises "stakeholder capitalism," a form of producer capitalism.

True False

35. Frontier capitalism is practised in the United States.

True False

36. The government has a stronger role in consumer capitalist systems than in frontier capitalist systems.

True False

37. Co-determination takes place in producer capitalist systems.

True False

38. Employees at ABC Corporation own shares in the company. This is referred to as "employee capitalism."

True False

39. Canada practises consumer capitalism.

True False

40. Innovation is accelerated within a producer capitalism system.

True False

41. The resolution of social needs is the primary goal of economic activity under creative capitalism.

True False

42. According to Bill Gates of Microsoft Corp., creative capitalism would discover new, innovative ways to solve the problems of the poorest by combining self-interest (or individualism) and caring for others.

True False

43. Self-interest can be a benefit of capitalism.

True False

44. As of 2009, a majority of Canadians trusted business less than the year before.

True False

45. Which of the following is true of the capitalist system?

- A. The market system coordinates economic activity.
- B. It is less cumbersome than a government-operated system.
- C. It is less costly than a government-operated system.
- D. It is more responsive to society's needs.
- E. All of the above are true of a capitalist system.

46. Much of the theory of the classical capitalist system is based on the philosophical underpinnings of:

- A. Marxist theory.
- B. the Communist Manifesto.
- C. the Wealth of Nations.
- D. the European market model.
- E. the American system.

47. A capitalist system requires a strong system of ethical behaviour, as without it:

- A. profits fail to exist
- B. competitive rivalry is limited
- C. monopolies control the market
- D. the government must intervene and regulate markets
- E. hoarding occurs

48. Marco is delighted to finally have purchased his own car. He washes it weekly and always ensures that it is well maintained. His father is shocked at how well Marco is looking after the car; whenever he used to borrow his father's car, Marco would neglect its care. Marco's care for his own car exemplifies that the right to private property, within a capitalist system, results in all of the following except:

- A. greater control over one's own destiny
- B. pride taken in ownership results in better care being taken of one's own property
- C. a sense of security
- D. respect for the property of others

49. The municipal government has determined that it wants to expand a popular walking trail system that runs through the city. This city issues a notice to the affected landowners stating that it is claiming this land and that the landowners will receive an assessment of the value of their land and payment. Can the government do this?

- A. Yes, the government has eminent domain over the property and fair price is offered.
- B. Yes, the government ultimately owns all property in Canada.
- C. No, the government cannot do this as it violates the fundamental right to ownership of private property.
- D. No, the government cannot do this, unless the owner voluntarily relinquishes the land.
- E. It depends on the municipality.

50. All of the following are true concerning the government of Canada, except:

- A. owns most natural resources, even if they are on private property.
- B. controls property through regulations and restrictions.
- C. redistributes wealth through taxation.
- D. can expropriate private property.
- E. cannot expropriate any property.

51. JKM Corporation has decided to relocate its factory to a remote, rural location. The current employees are dismayed and are asking their employer to reconsider. JKM states that they can and will relocate their business wherever they choose. JKM Corporation is asserting which fundamental element of capitalism?

- A. Right to personal property
- B. Competition
- C. Individualism and Economic freedom
- D. Equality of opportunity
- E. Profit maximization

52. Frank, the owner of a manufacturing company, is explaining to the employees that the relocation of the factory to a small, rural community will be beneficial to the company. He believes that each employee can decide for him or herself whether to relocate, as it was his own right to choose to relocate his business. Frank is asserting the principle of _____.

- A. Individualism
- B. Equality of opportunity
- C. Intellectual property
- D. Right to personal property
- E. Profit maximization

53. Denise, the owner of an Internet company, is relocating the business to Toronto. Her employees all believe that she should have considered their needs in this decision as they are part of the team that has made the business successful and that customers in the community will be hurt by this move. The employees are applying the principle of _____ in asking her to consider their request.

- A. individualism
- B. communitarianism
- C. consumer sovereignty
- D. team building
- E. collectivism

54. "It's a level playing field," said the executive to the new hires. "No matter where you went to school, you will succeed here based on what you do starting today. It is all up to you." This sentiment expresses the _____ assumption of capitalism.

- A. individualism
- B. intellectual property
- C. equality of opportunity
- D. right to personal property
- E. profit maximization

55. The taxation system in Canada is considered progressive. This means that those who earn higher income are taxed at a higher rate than are those with lower income. This approach reflects a movement towards _____ as a priority in Canada.

- A. equality of opportunity
- B. equality of results
- C. individualism
- D. oligopoly
- E. regression

56. Which of the following statements regarding competition, as a fundamental element of capitalism, is **not** true?

- A. Competition is responsible for the orderly operation of the market.
- B. The fittest firms tend to survive.
- C. Competition ensures that goods and services are provided at the lowest price.
- D. Competition holds profits to a minimum.
- E. Capitalism guarantees a profit is made.

57. Which of the following are advantages of competition?

- A. Competition lowers costs.
- B. Competition reduces waste and inefficiency.
- C. Competition widens the choice of goods and services provided to consumers.
- D. Competition holds profits to a minimum.
- E. All of the above are advantages of competition.

58. Driving to university on Monday morning, Mary noticed that all the gasoline retail stations she passed were selling gasoline at exactly the same price, right down to the decimal point. There are very few sellers of gasoline in her city and they set the price at comparable levels. This is an example of _____.

- A. competition
- B. monopoly
- C. oligopoly
- D. profit
- E. price-fixing

59. Marketing boards in Canada have effectively done all of the following, *except*:

- A. restrict competition
- B. use tariffs to restrict entry
- C. lower prices
- D. increased prices in the face of declining demand
- E. reduced consumer choice

60. Canadian governmental regulation on telecommunications, transportation, and banking industries does all of the following, *except*:

- A. restrict competition
- B. restricts foreign ownership
- C. increases competition
- D. restricts entry to the industry
- E. reduced consumer choice

61. Francois is determined to start an Internet development company. A family friend had entered the business many years ago and has become quite wealthy. His income, however, levelled off after the first few years because excessive _____ attracted others to the industry, increasing _____.

- A. competition, profits
- B. profits, competition
- C. work ethic, profits
- D. profits, work ethic
- E. profits, costs

62. Profits:

- A. are closely associated with competition
- B. spurs people into action
- C. act as a signal to other entrants
- D. can be retained in a business as a source of funds
- E. all of the above

63. Tammy is a very dedicated employee. She is considered to have a strong work ethic. Which of the following statements regarding Tammy would NOT be correct if her behaviour is consistent with a work ethic?

- A. Tammy sees that work is the purpose of one's life.
- B. Tammy sees work as socially valuable.
- C. Unemployment, to Tammy, would be a temporary misfortune.
- D. Tammy has a consumption ethic as well.
- E. All of the statements are consistent with the body of moral principles considered as work ethic.

64. Which of the following statements accurately reflects one view of the work ethic of the Millennials?

- A. The Net Generation of workers are spoiled and lazy.
- B. The Millennials spend too much time social networking.
- C. They are difficult to manage.
- D. They have a tendency to plagiarize.
- E. All of the statements accurately reflect one view of today's Millennials' workforce.

65. The assumption that consumers have power over producers through the decisions they make in purchasing goods and services is known as:

- A. work ethic
- B. consumer sovereignty
- C. consumption ethic
- D. economic freedom
- E. equality of opportunity

66. Consumer sovereignty is the assumption that:

- A. the consumer is servant to the producer.
- B. the producer is servant to the consumer.
- C. consumers are guaranteed to experience equality of opportunity in the product market.
- D. the work ethic of individuals is extremely diligent in all instances.
- E. economic freedom exists for consumers in an oligopolistic market.

67. A recent trip to the grocery store was disappointing for Robert. He discovered that his favourite brand of canned salmon was no longer being carried. When he asked the store manager, he was told that customers were not buying the product in sufficient quantities to allow them to continue to stock it. This is an example of _____, which is a fundamental part of capitalism.

- A. consumer sovereignty
- B. competition
- C. equality of opportunity
- D. work ethic
- E. economic freedom

68. Sometimes consumers face challenges in exercising their sovereignty because:

- A. some product classes have few choices.
- B. they are not capable of understanding the technical complexities of some products.
- C. they lack information about available alternatives.
- D. large corporations influence consumers' preferences through advertising.
- E. All of the above are reasonable challenges face by individuals in exercising their sovereignty.

69. All of the following are examples of government involvement in the Canadian economy, *except*:

- A. national security
- B. price determination of consumer electronics
- C. currency system
- D. measures
- E. taxation

70. Which of the following is true when comparing government involvement in the U.S. economy to that of Canada?

- A. Government involvement in the economy is greater in the U.S. than it has ever been in Canada.
- B. You cannot compare the level of involvement of the governments of these two countries as Canada has a socialist system and the U.S. has a capitalist system.
- C. Government involvement in the economy has always been about the same for these two countries.
- D. Government involvement in the economy has always been greater in Canada than in the U.S.
- E. The U.S. government does not regulate any markets in that country; they are the best example of pure capitalism in the world.

71. Which of the following statements regarding capitalism is *false*?

- A. Capitalism is considered a controversial economic system.
- B. Economic decision-making is in the hands of individuals or enterprises, which make decisions with the goal of maximizing social welfare.
- C. Private ownership is fundamental to capitalism.
- D. Profit is a key motivator of corporate behaviour.
- E. Profit maximization is an important goal.

72. Canada, the United States, Great Britain, and Australia practice this form of capitalism:

- A. conventional
- B. liberal market
- C. family
- D. frontier
- E. garrison

73. The form of capitalism that emphasizes production, employment, and statist policies is:

- A. consumer
- B. producer
- C. family
- D. frontier
- E. None of the answers.

74. "*Wa*," or harmony, is an essential element of Japanese culture and is reflected in the importance of relationship and teamwork in business operations. Canadian businesspersons must understand that they are outsiders within this system. The Japanese operate under _____ capitalism.

- A. consumer
- B. producer
- C. family
- D. frontier
- E. None of the answers.

75. The exchange student's presentation to the Canadian university class is certainly increasing the students' knowledge of other capitalist systems. "The government of our country," the student begins, "has been dismantling protectionist policies that created trade barriers with other nations. But we still need them to help limit the criminal activity of crime families that is often confused with the entrepreneurialism spirit, which is becoming increasingly valued in our country." The exchange student is from _____ where the _____ model of capitalism is currently exercised.

- A. Taiwan, frontier
- B. China, family
- C. Japan, family
- D. China, frontier
- E. Taiwan, family

76. Which form of capitalism is relatively new and places the resolution of social needs as the primary goal?

- A. Consumer
- B. Producer
- C. Family
- D. Frontier
- E. Creative

77. Some critics are skeptical about the merits of the capitalist economic system. They point to which of the following as evidence of corruption resulting from the capitalist system?

- A. The financial crisis of 2008-2009
- B. Economic recessions
- C. Corporate crime
- D. Ethical scandals
- E. All of the above are evidence of corruption inherent in the capitalist system.

78. In order for resources to be efficiently transferred from less productive to more productive uses when weak corporations fail in a capitalist system, it is necessary that:

- A. Governments intervene in these markets.
- B. Bankruptcy laws work well.
- C. Bail out programs are in place.
- D. Governments make the difficult decisions about which industries to support.
- E. All of the above are true.

79. All of the following stakeholders were blamed for the 2008 financial crisis, *except*:

- A. Financial institutions
- B. Investment dealers
- C. Regulators
- D. Government
- E. Lobbyists

80. If capitalism is to be accepted as the economic system in society:

- A. financial institutions have to be more heavily regulated.
- B. businesspersons and management must somehow take into account the ethical implications resulting from the workings of the fundamentals.
- C. regulators must demand increased corporation participation.
- D. government must be more laissez-faire.
- E. government officials must enforce ethical behaviour with stronger criminal and civil penalties.

81. Of what is the definition, "Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates?"

- A. Sustained Value
- B. Sustainable Capitalism
- C. Competitive Capitalism
- D. Reinvented Capitalism
- E. Shared value

82. Define the "right to private property" and provide four rationales for this right.

83. Government involvement in business, according to the fundamental principles of capitalism, should be minimal. Describe the government's role as advocated by capitalism, including the exceptions or the types of programs expected by governments even within capitalist systems.

84. Compare and contrast family capitalism with frontier capitalism.

85. Discuss some of the challenges of capitalist systems.

86. What is meant by the term "economic freedoms" and provide examples?

87. What was the role of equality of opportunity in the early development of Canada as a nation?

c2 Key

1. (p. 25) Canada primarily operates in a private market system.

TRUE

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #1

2. (p. 25-26) It is argued that the private system is less cumbersome and less costly to run than a centralized, government-operated system, and that it is more responsive to society's needs because it allows individuals and business corporations to be more innovative.

TRUE

Difficulty: Moderate

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #2

3. (p. 26) Much of the theory of the classical capitalist system is based on the philosophical underpinnings of the American system, but is equally applicable to the Canadian economy.

FALSE

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #3

4. (p. 26) Capitalism requires a strong ethical system, as without it, the justice system will intervene.

TRUE

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #4

5. (p. 26) A land developer has been receiving considerable negative publicity. He purchased the majority of residential properties in a district of the city and raised the rents. The lower income renters were unable to pay the demanded rent and had to relocate. The developer's right to private property does not allow him to essentially evict lower income renters as this may infringe upon their rights.

FALSE

Difficulty: Moderate

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #5

6. (p. 26) "It's my land!" exclaimed the farmer, responding to the environmentalists. "If I want to cut down every single tree on it, this is my right." The farmer is claiming the fundamental right of capitalism—the right of private property.

TRUE

Difficulty: Moderate

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #6

7. (p. 27) Fortunately in Canada there is an even distribution of wealth among members of society.

FALSE

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #7

8. (p. 27) Most of the natural resources in Canada are privately owned.

FALSE

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #8

9. (p. 27) Intellectual property, such as an artist's ownership of music, is becoming increasingly important in Canada.

TRUE

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #9

10. (p. 27) The individualism view of capitalism assumes that individuals are inherently self-serving, but neither decent nor rational.

FALSE

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #10

11. (p. 27) Economic freedom does not address the rights of individuals, only of business enterprises.

FALSE

Difficulty: Easy

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #11

12. (p. 31) The gap between executive compensation and worker compensation has declined.

FALSE

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #12

13. (p. 32) It is easier to achieve equity than equality.

TRUE

Difficulty: Moderate

Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.

Sexty - Chapter 02 #13

14. (p. 31) Equality is inevitable with a capitalistic system.

FALSE

Difficulty: Easy

Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.

Sexty - Chapter 02 #14

15. (p. 32) Capitalism assumes that competition is both natural and desirable.

TRUE

Difficulty: Easy

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #15

16. (p. 32) A monopoly occurs when there are few sellers in an industry and these sellers behave similarly.

FALSE

Difficulty: Easy

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #16

17. (p. 34) The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits lower than normal under perfect competition.

FALSE

Difficulty: Easy

Learning Objective: 02-06 Understand profits and the associated ethical implications.

Sexty - Chapter 02 #17

18. (p. 33) Competition ensures that if excessive profits are made, others will be attracted to the industry.

TRUE

Difficulty: Easy

Learning Objective: 02-06 Understand profits and the associated ethical implications.

Sexty - Chapter 02 #18

19. (p. 34) The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits higher than normal under perfect competition.

TRUE

Difficulty: Easy

Learning Objective: 02-06 Understand profits and the associated ethical implications.

Sexty - Chapter 02 #19

20. (p. 34) According to the work ethic, unemployment is a temporary, misfortunate event.

TRUE

Difficulty: Easy

Learning Objective: 02-07 Link the work ethic to ethical implications.

Sexty - Chapter 02 #20

21. (p. 34) The Protestant ethic claims, in part, that being thrift through saving is an element of God's will.

TRUE

Difficulty: Easy

Learning Objective: 02-07 Link the work ethic to ethical implications.

Sexty - Chapter 02 #21

22. (p. 35) In modern society, the desire to consume is a driving force which compels many individuals to work hard to acquire material possessions. The result is a consumption ethic in this generation of workers.

TRUE

Difficulty: Easy

Learning Objective: 02-07 Link the work ethic to ethical implications.

Sexty - Chapter 02 #22

23. (p. 35) It is consumers' evaluation of a business that determines whether or not it will survive.

TRUE

Difficulty: Easy

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #23

24. (p. 36) Those who question the degree of consumer sovereignty in Canada argue that governments influence or regulate in the "public interest," which frequently is more in the "producer interest."

TRUE

Difficulty: Moderate

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #24

25. (p. 35) The more competitive a market, the lower the power of the consumer.

FALSE

Difficulty: Easy

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #25

26. (p. 36) Canada's economic system is capable of taking into consideration social and ethical concerns.

TRUE

Difficulty: Easy

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #26

27. (p. 37) In recent years, there has been less government involvement in the Canadian economy.

FALSE

Difficulty: Easy

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #27

28. (p. 37) The government's role in the Canadian economy is often described as laissez-faire.

TRUE

Difficulty: Easy

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #28

29. (p. 37) Government involvement in the market, for reasons other than laws relating to contractual arrangements is considered to weaken efficiency.

TRUE

Difficulty: Moderate

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #29

30. (p. 37) Government involvement in the economy has always been greater in Canada than in the United States.

TRUE

Difficulty: Moderate

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #30

31. (p. 37) Competition legislation makes some types of trade practices illegal and attempts to encourage monopolization.

FALSE

Difficulty: Easy

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #31

32. (p. 39) State capitalism involves market manipulation.

FALSE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #32

33. (p. 38) The "patched up" system, or mixed economy that exists in Canada is the best that can be expected, given human limitations and a democratic government.

TRUE

Difficulty: Moderate

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #33

34. (p. 39) Germany practises "stakeholder capitalism," a form of producer capitalism.

TRUE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #34

35. (p. 39) Frontier capitalism is practised in the United States.

FALSE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #35

36. (p. 38) The government has a stronger role in consumer capitalist systems than in frontier capitalist systems.

FALSE

Difficulty: Difficult

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #36

37. (p. 38) Co-determination takes place in producer capitalist systems.

TRUE

Difficulty: Moderate

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #37

38. (p. 39) Employees at ABC Corporation own shares in the company. This is referred to as "employee capitalism."

TRUE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #38

39. (p. 38) Canada practises consumer capitalism.

TRUE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #39

40. (p. 38) Innovation is accelerated within a producer capitalism system.

FALSE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #40

41. (p. 39) The resolution of social needs is the primary goal of economic activity under creative capitalism.

TRUE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #41

42. (p. 39) According to Bill Gates of Microsoft Corp., creative capitalism would discover new, innovative ways to solve the problems of the poorest by combining self-interest (or individualism) and caring for others.

TRUE

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #42

43. (p. 40) Self-interest can be a benefit of capitalism.

FALSE

Difficulty: Moderate

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #43

44. (p. 40) As of 2009, a majority of Canadians trusted business less than the year before.

TRUE

Difficulty: Easy

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #44

45. (p. 25-26) Which of the following is true of the capitalist system?

- A. The market system coordinates economic activity.
- B. It is less cumbersome than a government-operated system.
- C. It is less costly than a government-operated system.
- D. It is more responsive to society's needs.
- E.** All of the above are true of a capitalist system.

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #45

46. (p. 26) Much of the theory of the classical capitalist system is based on the philosophical underpinnings of:

- A. Marxist theory.
- B. the Communist Manifesto.
- C. the Wealth of Nations.
- D. the European market model.
- E.** the American system.

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #46

47. (p. 26) A capitalist system requires a strong system of ethical behaviour, as without it:

- A. profits fail to exist
- B. competitive rivalry is limited
- C. monopolies control the market
- D.** the government must intervene and regulate markets
- E. hoarding occurs

Difficulty: Easy

Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.

Sexty - Chapter 02 #47

48. (p. 26) Marco is delighted to finally have purchased his own car. He washes it weekly and always ensures that it is well maintained. His father is shocked at how well Marco is looking after the car; whenever he used to borrow his father's car, Marco would neglect its care. Marco's care for his own car exemplifies that the right to private property, within a capitalist system, results in all of the following except:

- A. greater control over one's own destiny
- B. pride taken in ownership results in better care being taken of one's own property
- C. a sense of security
- D.** respect for the property of others

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #48

49. (p. 26) The municipal government has determined that it wants to expand a popular walking trail system that runs through the city. This city issues a notice to the effected landowners stating that it is claiming this land and that the landowners will receive an assessment of the value of their land and payment. Can the government do this?

- A. Yes, the government has eminent domain over the property and fair price is offered.
- B. Yes, the government ultimately owns all property in Canada.
- C.** No, the government cannot do this as it violates the fundamental right to ownership of private property.
- D. No, the government cannot do this, unless the owner voluntarily relinquishes the land.
- E. It depends on the municipality.

Difficulty: Moderate

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #49

50. (p. 27) All of the following are true concerning the government of Canada, except:

- A. owns most natural resources, even if they are on private property.
- B. controls property through regulations and restrictions.
- C. redistributes wealth through taxation.
- D. can expropriate private property.
- E.** cannot expropriate any property.

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.

Sexty - Chapter 02 #50

51. (p. 27) JKM Corporation has decided to relocate its factory to a remote, rural location. The current employees are dismayed and are asking their employee to reconsider. JKM states that they can and will relocate their business wherever they choose. JKM Corporation is asserting which fundamental element of capitalism?

- A. Right to personal property
- B. Competition
- C.** Individualism and Economic freedom
- D. Equality of opportunity
- E. Profit maximization

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #51

52. (p. 27) Frank, the owner of a manufacturing company, is explaining to the employees that the relocation of the factory to a small, rural community will be beneficial to the company. He believes that each employee can decide for him or herself whether to relocate, as it was his own right to choose to relocate his business. Frank is asserting the principle of _____.

- A.** Individualism
- B. Equality of opportunity
- C. Intellectual property
- D. Right to personal property
- E. Profit maximization

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #52

53. (p. 28) Denise, the owner of an Internet company, is relocating the business to Toronto. Her employees all believe that she should have considered their needs in this decision as they are part of the team that has made the business successful and that customers in the community will be hurt by this move. The employees are applying the principle of _____ in asking her to consider their request.

- A. individualism
- B.** communitarianism
- C. consumer sovereignty
- D. team building
- E. collectivism

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.

Sexty - Chapter 02 #53

54. (p. 30) "It's a level playing field," said the executive to the new hires. "No matter where you went to school, you will succeed here based on what you do starting today. It is all up to you." This sentiment expresses the _____ assumption of capitalism.

- A. individualism
- B. intellectual property
- C.** equality of opportunity
- D. right to personal property
- E. profit maximization

Difficulty: Moderate

Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.

Sexty - Chapter 02 #54

55. (p. 30) The taxation system in Canada is considered progressive. This means that those who earn higher income are taxed at a higher rate than are those with lower income. This approach reflects a movement towards _____ as a priority in Canada.

- A.** equality of opportunity
- B. equality of results
- C. individualism
- D. oligopoly
- E. regression

Difficulty: Moderate

Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.

Sexty - Chapter 02 #55

56. (p. 32) Which of the following statements regarding competition, as a fundamental element of capitalism, is **not** true?

- A. Competition is responsible for the orderly operation of the market.
- B. The fittest firms tend to survive.
- C. Competition ensures that goods and services are provided at the lowest price.
- D. Competition holds profits to a minimum.
- E.** Capitalism guarantees a profit is made.

Difficulty: Moderate

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #56

57. (p. 32) Which of the following are advantages of competition?

- A. Competition lowers costs.
- B. Competition reduces waste and inefficiency.
- C. Competition widens the choice of goods and services provided to consumers.
- D. Competition holds profits to a minimum.
- E.** All of the above are advantages of competition.

Difficulty: Moderate

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #57

58. (p. 32) Driving to university on Monday morning, Mary noticed that all the gasoline retail stations she passed were selling gasoline at exactly the same price, right down to the decimal point. There are very few sellers of gasoline in her city and they set the price at comparable levels. This is an example of _____.
- A. competition
 - B. monopoly
 - C. oligopoly**
 - D. profit
 - E. price-fixing

Difficulty: Difficult

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #58

59. (p. 33) Marketing boards in Canada have effectively done all of the following, *except*:
- A. restrict competition
 - B. use tariffs to restrict entry
 - C. lower prices**
 - D. increased prices in the face of declining demand
 - E. reduced consumer choice

Difficulty: Difficult

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #59

60. (p. 33) Canadian governmental regulation on telecommunications, transportation, and banking industries does all of the following, *except*:
- A. restrict competition
 - B. restricts foreign ownership
 - C. increases competition**
 - D. restricts entry to the industry
 - E. reduced consumer choice

Difficulty: Moderate

Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.

Sexty - Chapter 02 #60

61. (p. 33) Francois is determined to start an Internet development company. A family friend had entered the business many years ago and has become quite wealthy. His income, however, levelled off after the first few years because excessive _____ attracted others to the industry, increasing _____.
- A. competition, profits
 - B. profits, competition**
 - C. work ethic, profits
 - D. profits, work ethic
 - E. profits, costs

Difficulty: Moderate

Learning Objective: 02-06 Understand profits and the associated ethical implications.

Sexty - Chapter 02 #61

62. (p. 33-34) Profits:
- A. are closely associated with competition
 - B. spurs people into action
 - C. act as a signal to other entrants
 - D. can be retained in a business as a source of funds
 - E. all of the above**

Difficulty: Easy

Learning Objective: 02-06 Understand profits and the associated ethical implications.

Sexty - Chapter 02 #62

63. (p. 34) Tammy is a very dedicated employee. She is considered to have a strong work ethic. Which of the following statements regarding Tammy would NOT be correct if her behaviour is consistent with a work ethic?
- A. Tammy sees that work is the purpose of one's life.
 - B. Tammy sees work as socially valuable.
 - C. Unemployment, to Tammy, would be a temporary misfortune.
 - D. Tammy has a consumption ethic as well.**
 - E. All of the statements are consistent with the body of moral principles considered as work ethic.

Difficulty: Difficult

Learning Objective: 02-07 Link the work ethic to ethical implications.

Sexty - Chapter 02 #63

64. (p. 35) Which of the following statements accurately reflects one view of the work ethic of the Millennials?
- A. The Net Generation of workers are spoiled and lazy.
 - B. The Millennials spend too much time social networking.
 - C. They are difficult to manage.
 - D. They have a tendency to plagiarize.
 - E. All of the statements accurately reflect one view of today's Millennials' workforce.**

Difficulty: Moderate

Learning Objective: 02-07 Link the work ethic to ethical implications.

Sexty - Chapter 02 #64

65. (p. 35) The assumption that consumers have power over producers through the decisions they make in purchasing goods and services is known as:

- A. work ethic
- B. consumer sovereignty**
- C. consumption ethic
- D. economic freedom
- E. equality of opportunity

Difficulty: Moderate

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #65

66. (p. 35) Consumer sovereignty is the assumption that:

- A. the consumer is servant to the producer.
- B. the producer is servant to the consumer.**
- C. consumers are guaranteed to experience equality of opportunity in the product market.
- D. the work ethic of individuals is extremely diligent in all instances.
- E. economic freedom exists for consumers in an oligopolistic market.

Difficulty: Easy

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #66

67. (p. 35) A recent trip to the grocery store was disappointing for Robert. He discovered that his favourite brand of canned salmon was no longer being carried. When he asked the store manager, he was told that customers were not buying the product in sufficient quantities to allow them to continue to stock it. This is an example of _____, which is a fundamental part of capitalism.

- A. consumer sovereignty**
- B. competition
- C. equality of opportunity
- D. work ethic
- E. economic freedom

Difficulty: Moderate

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #67

68. (p. 36) Sometimes consumers face challenges in exercising their sovereignty because:
- A. some product classes have few choices.
 - B. they are not capable of understanding the technical complexities of some products.
 - C. they lack information about available alternatives.
 - D. large corporations influence consumers' preferences through advertising.
 - E.** All of the above are reasonable challenges face by individuals in exercising their sovereignty.

Difficulty: Easy

Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.

Sexty - Chapter 02 #68

69. (p. 37) All of the following are examples of government involvement in the Canadian economy, *except*:
- A. national security
 - B.** price determination of consumer electronics
 - C. currency system
 - D. measures
 - E. taxation

Difficulty: Easy

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #69

70. (p. 37) Which of the following is true when comparing government involvement in the U.S. economy to that of Canada?
- A. Government involvement in the economy is greater in the U.S. than it has ever been in Canada.
 - B. You cannot compare the level of involvement of the governments of these two countries as Canada has a socialist system and the U.S. has a capitalist system.
 - C. Government involvement in the economy has always been about the same for these two countries.
 - D.** Government involvement in the economy has always been greater in Canada than in the U.S.
 - E. The U.S. government does not regulate any markets in that country; they are the best example of pure capitalism in the world.

Difficulty: Moderate

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.

Sexty - Chapter 02 #70

71. (p. 37) Which of the following statements regarding capitalism is *false*?

- A. Capitalism is considered a controversial economic system.
- B.** Economic decision-making is in the hands of individuals or enterprises, which make decisions with the goal of maximizing social welfare.
- C. Private ownership is fundamental to capitalism.
- D. Profit is a key motivator of corporate behaviour.
- E. Profit maximization is an important goal.

Difficulty: Moderate

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #71

72. (p. 38) Canada, the United States, Great Britain, and Australia practice this form of capitalism:

- A. conventional
- B.** liberal market
- C. family
- D. frontier
- E. garrison

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #72

73. (p. 38) The form of capitalism that emphasizes production, employment, and statist policies is:

- A. consumer
- B.** producer
- C. family
- D. frontier
- E. None of the answers.

Difficulty: Moderate

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #73

74. (p. 39) "*Wa*," or harmony, is an essential element of Japanese culture and is reflected in the importance of relationship and teamwork in business operations. Canadian businesspersons must understand that they are outsiders within this system. The Japanese operate under _____ capitalism.

- A. consumer
- B. producer
- C.** family
- D. frontier
- E. None of the answers.

Difficulty: Difficult

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #74

75. (p. 39) The exchange student's presentation to the Canadian university class is certainly increasing the students' knowledge of other capitalist systems. "The government of our country," the student begins, "has been dismantling protectionist policies that created trade barriers with other nations. But we still need them to help limit the criminal activity of crime families that is often confused with the entrepreneurialism spirit, which is becoming increasingly valued in our country." The exchange student is from _____ where the _____ model of capitalism is currently exercised.

- A. Taiwan, frontier
- B. China, family
- C. Japan, family
- D. China, frontier**
- E. Taiwan, family

Difficulty: Difficult

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #75

76. (p. 39) Which form of capitalism is relatively new and places the resolution of social needs as the primary goal?

- A. Consumer
- B. Producer
- C. Family
- D. Frontier
- E. Creative**

Difficulty: Easy

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.

Sexty - Chapter 02 #76

77. (p. 40-41) Some critics are skeptical about the merits of the capitalist economic system. They point to which of the following as evidence of corruption resulting from the capitalist system?

- A. The financial crisis of 2008-2009
- B. Economic recessions
- C. Corporate crime
- D. Ethical scandals
- E. All of the above are evidence of corruption inherent in the capitalist system.**

Difficulty: Moderate

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #77

78. (p. 41) In order for resources to be efficiently transferred from less productive to more productive uses when weak corporations fail in a capitalist system, it is necessary that:

- A. Governments intervene in these markets.
- B. Bankruptcy laws work well.
- C. Bail out programs are in place.
- D. Governments make the difficult decisions about which industries to support.
- E.** All of the above are true.

Difficulty: Easy

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #78

79. (p. 41) All of the following stakeholders were blamed for the 2008 financial crisis, *except*:

- A. Financial institutions
- B. Investment dealers
- C. Regulators
- D. Government
- E.** Lobbyists

Difficulty: Easy

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #79

80. (p. 42) If capitalism is to be accepted as the economic system in society:

- A. financial institutions have to be more heavily regulated.
- B.** businesspersons and management must somehow take into account the ethical implications resulting from the workings of the fundamentals.
- C. regulators must demand increased corporation participation.
- D. government must be more laissez-faire.
- E. government officials must enforce ethical behaviour with stronger criminal and civil penalties.

Difficulty: Moderate

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.

Sexty - Chapter 02 #80

81. (p. 42) Of what is the definition, "Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates?"

- A. Sustained Value
- B. Sustainable Capitalism
- C. Competitive Capitalism
- D. Reinvented Capitalism
- E. Shared value**

Difficulty: Easy

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.
Sexty - Chapter 02 #81

82. (p. 26) Define the "right to private property" and provide four rationales for this right.

Answers will vary

Difficulty: Easy

Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.
Sexty - Chapter 02 #82

83. (p. 37) Government involvement in business, according to the fundamental principles of capitalism, should be minimal. Describe the government's role as advocated by capitalism, including the exceptions or the types of programs expected by governments even within capitalist systems.

Answers will vary

Difficulty: Moderate

Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.
Sexty - Chapter 02 #83

84. (p. 39) Compare and contrast family capitalism with frontier capitalism.

Family capitalism is also referred to as crony and Confucian capitalism, this form is found in eastern Asian countries such as Taiwan, Malaysia, Thailand, and Indonesia. In some economies, extended clans dominate business activities and control capital flows. In many countries, the clans or families are created by Chinese descendants scattered throughout the region. Russia and China are examples of frontier capitalism, suggesting that capitalism is in its beginning stages. The fundamentals of business are being introduced as the government pursues for-profit business activities and an entrepreneurial class sprouts. The fundamentals are in various stages of being made operational. The role of government changes with the need to develop commercial law and regulation.

Difficulty: Difficult

Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.
Sexty - Chapter 02 #84

85. (p. 40-41) Discuss some of the challenges of capitalist systems.

Among the many challenges faced by a capitalist system are greed, mistrust, economic fluctuations, and business failures. *Greed* is an excessive and selfish form of self-interest where individuals desire more of something than is needed or fair. *Trust* is a challenge for many businesses operating in a capitalist system. After corporate failures when people have lost jobs and investments, there is likely to be less trust of business. *Economic cycles* are a feature of capitalism. As capitalism is based on a market system, there will be swings between prosperous times and recessions or even depressions. Another aspect of capitalism is *failure* that disposes of weak corporations and shifts resources to new or stronger ones.

Difficulty: Moderate

Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.
Sexty - Chapter 02 #85

86. (p. 27) What is meant by the term "economic freedoms" and provide examples?

Economic freedoms exist when the business system operates with few restrictions on its activities. Examples of economic freedom include the freedom of individuals to enter business; to locate anywhere; to enter contracts; to choose among competing goods and services; to choose an occupation; to access consumer and output markets; and to develop their own economic ends and the means to attain these ends by choosing and utilizing resources as they see fit. This approach encourages entrepreneurial talent and innovation.

Difficulty: Moderate

Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.
Sexty - Chapter 02 #86

87. (p. 30) What was the role of equality of opportunity in the early development of Canada as a nation?

Many of those involved in Canadian business in the 19th and 20th centuries were attracted to Canada because there was less influence exerted by nobility, landed gentry, and a rigid class system in North America than in Europe. There was less established wealth, and the "frontier" environment allowed individuals the opportunity to create their own wealth no matter what their background. This type of environment was appropriate for business: everyone was more likely to start the economic challenge of establishing and operating a corporation on about the same terms, and to have about an equal chance of succeeding. The opportunity existed to make one's own way by establishing a new business with minimum government intervention, and it was possible to pull up stakes and move to another part of the frontier.

Difficulty: Moderate

Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.
Sexty - Chapter 02 #87

c2 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Difficult	7
Difficulty: Easy	46
Difficulty: Moderate	34
Learning Objective: 02-01 Enumerate and discuss the eight fundamentals of a capitalist business system.	7
Learning Objective: 02-02 Define the right of private property and identify ethical implications associated with it.	9
Learning Objective: 02-03 Explain individualism and economic freedom and the related ethical implications for business.	7
Learning Objective: 02-04 Define equality of opportunity and elaborate upon the ethical implications for business.	5
Learning Objective: 02-05 Describe the competition fundamental and link ethical implications to it.	7
Learning Objective: 02-06 Understand profits and the associated ethical implications.	5
Learning Objective: 02-07 Link the work ethic to ethical implications.	5
Learning Objective: 02-08 Define consumer sovereignty and understand related ethical implications.	8
Learning Objective: 02-09 Explain the role of government in a capitalist business system and what the ethical implications are.	8
Learning Objective: 02-10 Define Canadian capitalism; and recognize that capitalism exists in different forms around the world.	18
Learning Objective: 02-11 Link the fundamentals of a capitalist business system to social and ethical challenges in society; and describe a new view of capitalism.	8
Sexty - Chapter 02	87