

Chapter 02 Ethics and Capitalism

True / False Questions

1. Canada's economy primarily operates in a private market system.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

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.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

5. Individuals and enterprises have been allowed to accumulate capital wealth, which has led to an even distribution of wealth among members of society.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-02 The Right to Private Property

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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-02 The Right to Private Property

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-02 The Right to Private Property

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-02 The Right to Private Property

9. One way to correct the uneven distribution of wealth among members of society is for the government to become involved or to abridge the right of private property.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-02 The Right to Private Property

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-02 The Right to Private Property

11. The 1999 *First Nations Land Management Act* is the most recent attempt to update the property regime contained within the *Indian Act*.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-02 The Right to Private Property

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-05 Individualism and Economic Freedom

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-05 Individualism and Economic Freedom

14. It is easier to achieve equity than equality.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-08 Equality of Opportunity

15. Equality is inevitable with a capitalistic system.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-08 Equality of Opportunity

16. Gender equality means that women and men have equal means and opportunities for realizing their full human rights and responsibilities.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-08 Equality of Opportunity

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-11 Competition

18. The ideal degree of competition is called perfect competition and only exists in the financial services sector.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-11 Competition

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-11 Competition

20. 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

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-14 Profits

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-14 Profits

22. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-14 Profits

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-17 The Work Ethic

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-17 The Work Ethic

25. 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

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-17 The Work Ethic

26. Managers view the Millennial generation as hard workers who exercise a high level of initiative.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-17 The Work Ethic

27. It is consumers' evaluation of a business that determines whether it will survive.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-20 Consumer Sovereignty

28. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-20 Consumer Sovereignty

30. In Canada, monopolistic institutions, such as agricultural marketing organizations or professional associations, are not tolerated by the government.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

31. The goal of a boycott is to damage the reputation of or place economic pressure on the business, organization, or country.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-20 Consumer Sovereignty

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-23 The Role of Government

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-23 The Role of Government

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-23 The Role of Government

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-23 The Role of Government

37. State capitalism involves market manipulation.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-26 Canadian and Other Forms of Capitalism

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

40. Frontier capitalism is practised in the United States.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

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

TRUE

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-26 Canadian and Other Forms of Capitalism

43. Canada practises consumer capitalism.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

44. Innovation is accelerated within a producer capitalism system.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-26 Canadian and Other Forms of Capitalism

45. Australia and Japan exemplify frontier capitalism.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

46. Another word for family capitalism is crony capitalism.

TRUE

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-26 Canadian and Other Forms of Capitalism

47. Income and wealth inequalities are not problematic in a capitalist economic system.

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

Learning Objective: 02-11 Recognize the challenges to presenting the case for the ethics of capitalism.

Topic: 02-27 The Ethics of Capitalism

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

FALSE

Accessibility: Keyboard Navigation

Difficulty: Medium

Learning Objective: 02-11 Recognize the challenges to presenting the case for the ethics of capitalism.

Topic: 02-27 The Ethics of Capitalism

Multiple Choice Questions

49. 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 these choices accurately describe a capitalist system.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

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

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

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

51. 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.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-01 Introduction to the Fundamentals of Capitalism

52. 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.
- E.** a burden of responsibility over one's destiny.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-02 The Right to Private Property

53. 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.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-02 The Right to Private Property

54. All of the following are true concerning the government of Canada, **EXCEPT**?

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

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-02 The Right to Private Property

55. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-05 Individualism and Economic Freedom

56. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-05 Individualism and Economic Freedom

57. 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

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-05 Individualism and Economic Freedom

58. "It's a level playing field," said the HR director to the group of employees. "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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-08 Equality of Opportunity

59. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-08 Equality of Opportunity

60. There are several initiatives that business can undertake to foster gender equality, **EXCEPT?**

- A. Increase access to education and training.
- B. Insure that hiring and recruitment practices are not discriminatory.
- C. Provide affordable child care.
- D. Eliminate job sharing.
- E. Develop policies relating to employment maternity and paternity leave.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-08 Equality of Opportunity

61. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-11 Competition

62. 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 these choices reflect an advantage of competition.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-11 Competition

63. 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.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-11 Competition

64. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-11 Competition

65. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-14 Profits

66. 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 these choices are true of profits.**

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-14 Profits

67. 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.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-17 The Work Ethic

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

- A. The Net Generation of workers is 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.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-17 The Work Ethic

69. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

70. 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.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-20 Consumer Sovereignty

71. 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

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

72. 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 these choices are reasonable challenges faced by individuals in exercising their sovereignty.**

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-20 Consumer Sovereignty

73. 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

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-23 The Role of Government

74. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-23 The Role of Government

75. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-26 Canadian and Other Forms of Capitalism

76. Canada, the United States, Great Britain, and Australia practice which of the following forms of capitalism?

- A. Conventional
- B. Liberal market**
- C. Family
- D. Frontier
- E. Garrison

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-26 Canadian and Other Forms of Capitalism

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

- A. consumer
- B. producer**
- C. family
- D. frontier
- E. conventional

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-26 Canadian and Other Forms of Capitalism

78. "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. conventional

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-26 Canadian and Other Forms of Capitalism

79. 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

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-26 Canadian and Other Forms of Capitalism

80. 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 these choices are evidence of the corruption which is inherent in the capitalist system.

Accessibility: Keyboard Navigation

Difficulty: Hard

Learning Objective: 02-11 Recognize the challenges to presenting the case for the ethics of capitalism.

Topic: 02-27 The Ethics of Capitalism

81. 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

Accessibility: Keyboard Navigation

Difficulty: Easy

Learning Objective: 02-11 Recognize the challenges to presenting the case for the ethics of capitalism.

Topic: 02-27 The Ethics of Capitalism

Short Answer Questions

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

The right of private property is the legal right to own and use economic goods

Property is not owned by the state

Individuals may own property and use it as they see fit.

Individuals are allowed to accumulate property and other forms of capital and wealth without restriction.

Accumulation of privately owned property allows individuals to control their own destiny and not have decisions affecting them made by others.

Pride taken in ownership results in better care of property

The ownership of private property gives a sense of security and a feeling of satisfaction from participation in society

Private ownership develops respect for the property of others.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-02 The Right to Private Property

83. What is meant by the term "economic freedoms?" Provide examples in your answer.

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.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-05 Individualism and Economic Freedom

84. Describe organizational initiatives which would support gender equality in the workplace.

Answers will vary. Responsibility for Ethics 2.2 presents the following.

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-08 Equality of Opportunity

85. 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.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-08 Equality of Opportunity

86. Describe the term oligopoly and the role of the government in terms of price regulation in these industries.

An oligopoly exists where there are a few, large sellers in the industry whom behave similarly. Some have become very large and have an enormous ability to influence price. In oligopolies there is a tendency for price leadership by one of the larger enterprises.

Thus, government regulates prices in some of them, such as utilities.

Some industries, such as real estate and insurance, tend to charge identical commissions or establish premiums from rate books available to all enterprises in the industry.

The professions have suggested price ranges for their services. Governments control or influence prices through direct control over wages and profits (as during the Second World War, or the period from 1975 to 1978), taxation, direct regulation, provincial barriers to trade, and tariffs.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-11 Competition

87. Describe three advantages of competition.

The advantages of competition are that it ensures goods and services are provided at lowest costs; reduces waste and inefficiency and holds profits to a minimum; widens the choice of goods and services available to consumers; and regulates prices.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-11 Competition

88. Define profits and describe the role they place in a capitalist economic system.

Profits are the excess of revenues over expenses and are closely associated with competition. The pursuit of profits spurs people into action and provides the drive and desire to do things. Corporations compete for profits, yet competition ensures that if excessive profits are made, others will be attracted to the industry. Profits are not only a regulator of efficiency, but also a measure of effectiveness.

Accessibility: Keyboard Navigation

Difficulty: Easy

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

Topic: 02-14 Profits

89. Discuss how individuals' attitudes toward work have changed as a result of government programs and society's expectations.

Government programs now support the less fortunate, and the effects of unemployment have been reduced by Employment Insurance payments.

These programs may not have a socially desirable impact, as sometimes labour markets are distorted—actually causing unemployment.

Individuals now expect that more will be done for them, usually by governments but also by business enterprises by way of working conditions, fringe benefits, and salaries.

The tendency toward government handouts and a somewhat more paternal attitude by employers has resulted in less need to work hard—or, as some argue, to work at all.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-17 The Work Ethic

90. 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.

Answer will vary

Accessibility: Keyboard Navigation

Difficulty: Medium

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

Topic: 02-23 The Role of Government

91. 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.

Accessibility: Keyboard Navigation

Difficulty: Hard

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

Topic: 02-26 Canadian and Other Forms of Capitalism

92. 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.

Accessibility: Keyboard Navigation

Difficulty: Medium

Learning Objective: 02-11 Recognize the challenges to presenting the case for the ethics of capitalism.

Topic: 02-27 The Ethics of Capitalism