

Student name: _____

1) Why did Karl Marx criticize capitalism? Describe how he planned to correct those shortcomings.

2) Discuss collectivism. What ideals does the philosophy support? Where did the philosophy start? How does collectivism exist in the modern world?

3) What are state-owned companies? Why do they usually perform poorly?

4) Discuss individualism. Explain the key positions of the philosophy, its roots, and its role in the modern economy.

5) Compare and contrast a pure democracy and a representative democracy. Which type of democracy is more common today? Why?

6) Compare and contrast the four forms of totalitarianism.

7) Identify the three types of economic systems. How do these three types of economic systems differ from each other? How are they the same?

8) Discuss why there is inefficiency in a monopoly situation. What is the role of the government in such a situation?

9) Discuss the effects of private ownership of production in a market economy.

10) What is a country's legal system? Why is it important to international businesses?

11) Explain the differences between common law and civil law systems by the approach of each to contract law.

12) Discuss the ways in which public action to violate property rights can occur.

13) What factors contribute to the attractiveness of a country as a market or investment site?

14) Discuss the key factors that companies must be aware of before deciding to do business in other countries.

15) _____ occurs when a political party that represents the interests of a particular tribe (and not always the majority tribe) monopolizes power.

A) Tribal monopoly

B) Communist totalitarianism

C) Tribal
totalitarianism

D) Privatization

16) Who was the author of *The Wealth of Nations* in which he stated that "an individual who intends his own gain is led by an invisible hand to promote an end that was no part of his intention..."?

A) David Hume

B) Adam Smith

C) Karl Marx
D) John Stuart

Mill

17) The term _____ stresses that the political, economic, and legal systems of a country are interdependent.

- A) political economy
- B) common law

- C) socialism
- D) collectivism

18) Modern socialists trace their intellectual roots to _____, although socialist thought clearly predates this individual.

- A) David Hume
- B) Karl Marx

- C) Adam Smith
- D) John Stuart Mill

19) Manchu believed that socialism could be achieved only through violent revolution and totalitarian

dictatorship. Manchu was likely a

- A) libertarian.
- B) communist.

- C) collectivist.
- D) social democrat.

20) Plato _____; he believed that society should be stratified into classes, with those best suited to rule

administering society for the benefit of all.

- A) equated individualism with equality
- B) equated collectivism with equality
- C) promoted representative democracy

- D) did not equate collectivism with equality

21) When _____ is emphasized, an individual's right to do something may be restricted on the grounds that it runs

counter to "the good of society."

- A) individualism

B) totalitarianism

C) collectivism

D) theocracy

22) What term is used to describe a state in which authoritarian elements have captured some or much of the machinery of state and use this in an attempt to deny basic political and civil liberties?

A) authoritarian dictatorship

B) right-wing democracies

C) representative totalitarianism

D) pseudo-democracies

23) _____ argued that individual diversity and private ownership are desirable.

A) Karl Marx

B) Plato

C) John Stuart Smith

D) Aristotle

24) In a(n) _____ society, the welfare of society is best served by letting people pursue their own economic self-

interest.

A) individualist

B) collectivist

C) communist

D) totalitarian

25) Systems that emphasize collectivism tend toward

A) totalitarianism.

B) capitalism.

C) democracy.

D) privatization.

26) Interdependent political, economic, and legal systems of a country make up its

- A) administrative agenda.
- B) socioeconomic fabric.
- C) cultural environment.
- D) political economy.

27) A political system that prioritizes the needs of the society over individual freedoms is called

- A) totalitarianism.
- B) collectivism.

- C) capitalism.
- D) egalitarianism.

28) Modern socialism has been popularized largely through the work of

- A) Adam Smith.
- B) Karl Marx.

- C) David Hume.
- D) Thomas Hobbes.

29) In several Western democracies, the poor performance of state-owned enterprises, because of protection from competition and guaranteed government financial support, led to

- A) privatization.
- B) nationalization.

- C) liberalization.
- D) socialization of production.

30) Which of the following philosophies can be traced back to the ancient Greek philosopher Aristotle?

- A) socialism
- B) individualism

- C) collectivism
- D) anarchism

31) The tenet of _____ is that the welfare of society is best served by letting people pursue their own economic self-interest.

- A) socialism
- B) communism

- C) anarchism
- D) individualism

32) Which of the following statements about individualism is true?

- A) Individualism promotes state ownership of the basic means of production, distribution, and exchange.
- B) Individualism promotes globalization.
- C) Individualism creates an antibusiness

environment.

- D) Individualism and democracy go hand in hand.

33) Which of the following is a safeguard that representative democracies use to ensure that their elected officials are held responsible for their actions?

- A) unlimited terms for elected representatives
- B) a court system that is integrated with the political system
- C) an individual's right to freedom of expression,

opinion, and organization

- D) a political police force and armed service

34) Which of the following is a feature of a democracy?

- A) exercise of absolute control by one person or political party
- B) governance by people or elected representatives
- C) prohibition of entry to opposing political parties

- D) complete restriction of individual political freedom

35) Totalitarianism

- A) refers to a political system in which government is by the people, exercised either directly or through elected representatives.

- B) is based on a belief that citizens should be directly involved in decision making.

C) is a form of government in which one person or political party exercises absolute control over all spheres of human life.

D) is based on the idea that the welfare of society is

best served by letting people pursue their own economic self-interests.

36) People's right to protest on issues of accountability in public expenditure would be possible in a _____ political setup.

A) dictatorial

B) democratic

C) totalitarian

D) fascist

37) _____ refers to a state where political power is monopolized by a party, group, or individual that governs

A) Representative democracy

B) Theocratic totalitarianism

C) Tribal anarchism

according to religious principles.

D) Monotheistic communism

38) Which system of government generally permits some individual economic freedom but restricts individual political freedom, frequently on the grounds that it would lead to the rise of communism?

A) tribal totalitarianism

B) right-wing totalitarianism

C) democratic totalitarianism

D) theocratic totalitarianism

39) In a pure market economy,

A) all productive activities are owned by the state.

B) production is determined by the interaction of market forces of supply and demand.

C) collectivist

goals are given priority over individual goals.

D) the prices at which goods are sold are determined by the government.

40) The abolition of _____ in a command economy distorts incentive and competition.

- A) private ownership
- B) public ownership

- C) government-owned businesses
- D) co-operatives

41) The local grocery in a small southern city is the only option for the residents, so it has a monopoly on the grocery business there. When the population of the city grows and demand for groceries increases, what is the grocery store most likely to do?

- A) Restrict output to drive prices down.
- B) Increase output to drive prices down.
- C) Restrict output and let prices rise.

- D) Increase output and keep prices constant.

42) In a _____, if demand for a product exceeds supply, prices will rise, signaling to producers to produce more.

- A) mixed economy
- B) market economy
- C) collectivist economy

- D) command economy

43) In 2008, the U.S. government took an 80 percent stake in AIG to stop that financial institution from collapsing, the theory being that if AIG did collapse, it would have very serious consequences for the entire financial system. What

type of economy is this an example of?

- A) command
- B) mixed

- C) capitalistic
- D) market

44) An economy in which the interaction of supply and demand determines the quantity in which goods and services are produced is called a

- A) planned economy.
- B) command economy.
- C) closed economy.

D) market economy.

45) Which of the following is a reason that command economies tend to stagnate?

- A) Costs are tightly controlled and business are forced to be efficient rather than dynamic and innovative.
- B) The abolition of private ownership means there is no incentive for individuals and no competition.
- C) All economic resources are mobilized for the

public good.

D) Individuals in command economy countries lack the skills to be innovative.

46) Antitrust laws in the United States are designed to

- A) restrict agricultural subsidies.
- B) increase trade barriers.
- C) outlaw monopolies.

D) restrict privatization.

47) In a(n) _____ economy, the government plans the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold.

- A) market
- B) command

C) open
D) laissez-faire

48) In a _____ economy, certain sectors of the economy are left to private ownership and free market mechanisms

- A) market
- B) private

while other sectors have significant state ownership and government planning.

- C) command
- D) mixed

49) In which of the following economies would the government be most likely to take into state ownership troubled firms whose continued operation is thought to be vital to national interests?

- A) market economies
- B) laissez-faire economies
- C) liberal economies

D) mixed economies

50) Which of the following statements about the legal systems of countries is true?

- A) They can affect the attractiveness of a country as an investment site or market.
- B) They are not influenced by the prevailing political system of the country.
- C) They are almost the same for all countries.

D) They are of little importance to international business.

51) One key component of a country's legal system is

- A) establishing a mixed economy.
- B) taking a hands-off approach to business practices.
- C) defining the rights and obligations of those involved in business transactions.

D) leaving the monitoring of the way business transactions are executed to the United Nations.

52) Under the _____, cases are judged with reference to three characteristics: tradition, precedent, and custom.

- A) theocratic law system
- B) civil law system
- C) contract law system

D) common law system

53) A civil law system tends to be less adversarial than a common law system because the

- A) judges' decisions are based on detailed legal codes.
- B) judges have the freedom to interpret laws based on the situation.
- C) judges' decisions are based on religious teachings.

D) judges are guided by interpretations made in prior legal cases.

54) A common law system is different from a civil law system because

- A) a common law system is based on religious teachings, while a civil law system is based on cultural traditions.
- B) a common law system is very rigid, while a civil law system tends to be more flexible.
- C) in a common law system a judge relies on legal codes to make rulings, while in a civil law system a judge relies on his intuition and moral reasoning to make judgments.

D) in a common law system a judge has the power to interpret the law, while in a civil law system a judge has the power only to apply the law.

55) A _____ law system is based on a very detailed set of laws organized into codes.

- A) traditional

- B) theocratic
- C) civil

D) common

56) A theocratic law system is one in which the law is based on

- A) religious teachings.
- B) tradition, precedent, and custom.
- C) a detailed set of laws organized into codes.

D) cultural and social norms.

57) Which of the following is the most widely practiced theocratic legal system in the world today?

- A) Hindu law
- B) Sikh law

- C) Islamic law
- D) Jewish law

58) _____ rights refer to the legal rights over the use to which a resource is put and over the use made of any income

- A) Trade
- B) Property

that may be derived from that resource.

- C) Positive
- D) Common

59) In Russia, in the chaotic period following the collapse of communism, an outdated legal system, coupled with a weak police force and judicial system, allowed the Russian Mafia to demand “protection money” from business owners. Any business owner who rebelled had to face violent

- A) private action.
- B) copyright violation.

retribution. This violation of property rights exemplifies

- C) infrastructural failure.
- D) public liability.

60) Violation of property rights done

through legal mechanisms such as levying excessive taxation and requiring expensive licenses or permits from property holders is called

- A) private action.
- B) collective action.

- C) public action.
- D) copyright violation.

61) Which of the following areas of international trade is regulated by the Foreign Corrupt Practices Act?

- A) making and performance of commercial contracts in international trade
- B) preventing bribery and unethical acts in the conduct of international business
- C) establishing a set of safety standards to which a

new product must adhere
D) controlling the mafia activity that hinders trade in Russia, Japan, and the United States

62) Which of the following is an example of intellectual property?

- A) a music score
- B) a laser-tag game

- C) a software business
- D) a theater

63) A _____ grants the inventor of a new product or process exclusive rights for a defined period of time to the manufacture, use, or sale of that invention for 20 years.

- A) copyright
- B) trademark

- C) contract
- D) patent

64) Designs and names by which merchants or manufacturers designate and differentiate their products are known as

- A) trademarks.
- B) copyrights.

- C) patents.
- D) licenses.

65) The research and development division of a company has recently designed a new coffee vending machine that is likely to sell very well in the market. It is compact, user-friendly, and provides unprecedented efficiency in terms of cost per cup. Consequently, the company fears that its

competitors would soon mimic the design of its product. To protect its product, the company is now seeking a

- A) copyright.
- B) patent.

- C) trademark.
- D) certification.

66) Which of the following provides exclusive legal rights to authors, composers, playwrights, artists, and publishers to

publish and disperse their work as they see fit?

- A) patent
- B) copyright

- C) trademark
- D) license

67) The TRIPS agreement was designed to

- A) exclude China from all intellectual property agreements.
- B) oversee a much stricter enforcement of intellectual property regulations.
- C) hold a firm and its officers responsible when a

product causes injury, death, or damage.

- D) support traded software and recorded property among developed markets.

68) Which of the following statements about the Trade-Related Aspects of Intellectual Property Rights (or TRIPS) agreement is true?

- A) It was

designed to oversee the loosening of intellectual property regulations, beginning in 1995.

B) It obliged WTO members to grant and enforce patents lasting at least 20 years and copyrights lasting 50 years.

C) It directed rich countries to comply with its rules of intellectual property protection within five years.

D) It provided the very poorest countries amnesty from complying with its rules of intellectual property protection.

69) Safety standards to which a product must adhere are set by

A) safety certifications.

B) contract laws.

C) product safety laws.

D) product liability laws.

70) Private action refers to

A) public officials extorting income, resources, or the property itself from property holders.

B) bribing government officials in foreign countries in an attempt to win lucrative contracts.

C) theft, piracy, blackmail, and the like by private

individuals or groups.

D) violations of intellectual property rights.

71) The _____ establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers that have

A) Trade-Related Aspects of Intellectual Property Rights (TRIPS)

B) Paris Convention for the Protection of Industrial Property

C) United Nations Convention on Contracts for the

their places of business in different nations.

International Sale of Goods (CISG)

D) World Trade Organization (WTO)

72) The _____ makes it

illegal for American companies to bribe a foreign government official in order to obtain or maintain business over which that foreign official has authority, and requires all publicly traded companies to keep detailed records that would reveal whether

- A) Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- B) Foreign Corrupt Practices Act (FCPA)
- C) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

73) Company Zee has been found guilty of manufacturing a product that caused harm to its users, violating criminal liability laws. Which of the following is the most likely

- A) payment and monetary damages
- B) more severe punishment if Company Zee is outside the United States
- C) fines or imprisonment

74) _____ are established through patents, copyrights, and trademarks.

- A) Digital signatures
- B) Ownership rights over private property
- C) Origination fees and tributes

75) In common law, _____ refers to cases that have come before the courts in the past.

- A) custom
- B) precedent

a violation of the act has occurred.

- D) Organisation for Economic Co-operation and Development (OECD)

outcome for Company Zee?

- D) nothing if it was Company Zee's first offense

- D) Ownership rights over intellectual property

- C) codification
- D) tradition

- 76) The most widely practiced theocratic legal system in the modern world is
- A) Christian.
 - B) Hindu.
 - C) Jewish.
 - D) Islamic.
- 77) In the 1970s, the United States _____, which requires all publicly traded companies, whether or not they are involved in international trade, to keep detailed records that would reveal whether a violation of the act has occurred.
- A) adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions policy
 - B) passed the Foreign Corrupt Practices Act
 - C) joined Transparency International
 - D) joined the Organisation for Economic Co-operation and Development (OECD)
- 78) A law system that is based on a detailed set of laws organized into codes is
- A) municipal.
 - B) contract.
 - C) civil.
 - D) common
- 79) Although many countries have stringent intellectual property regulations on their books, the enforcement of these regulations has often been lax. This has been the case even among many of the 185 countries that are now members of the _____, all of which have signed international treaties designed to protect intellectual property.
- A) World Intellectual Property Organization
 - B) General Agreement on Tariffs and Trade
 - C) Business Software Alliance
 - D) Trade-Related Aspects of Intellectual Property Rights (TRIPS)

⊙ true

81) The communists believed that socialism could be achieved by democratic means and turned their backs on violent revolution and dictatorship.

- ☐ true
- ☐ false

82) Some believe the Cold War was simply about nuclear proliferation, but in many respects, it was a war between ideas of economic and political governance.

- ☐ true
- ☐ false

83) Most modern democratic states practice representative democracy.

- ☐ true
- ☐ false

84) Democracy is a form of government that prohibits opposing political parties.

- ☐ true
- ☐ false

85) In a totalitarian country, there are safeguards to protect an individual's right to freedom of expression, opinion, and organization.

- ☐ true
- ☐ false

86) The number of

command economies has fallen dramatically since the demise of communism in the late 1980s.

- ☐ true
- ☐ false

87) The Republic of Elbow has a command economy, and as such, its objective is to encourage free and fair competition between private producers.

- ☐ true
- ☐ false

88) In mixed economies, governments tend to take into state ownership troubled firms whose continued operation is

thought to be vital to national interests.

- ☐ true
- ☐ false

89) A nation's legal system is usually of very little interest to international business managers.

- ☐ true
- ☐ false

90) Judge Michaels operates in a country with a civil law system. This system has more flexibility than a common law system.

- ☐ true
- ☐ false

91) A theocratic law system is one in which the law is based on religious teachings.

- ☐ true
- ☐ false

92) The parties to an agreement normally resort to contract law when one party feels the other has violated either the letter or the spirit of an agreement.

- ☐ true
- ☐ false

93) Contracts under a civil law system tend to be very detailed with all contingencies spelled out.

- ☐ true
- ☐ false

94) Many of the world's larger trading nations, including India and the United Kingdom, have not ratified the United Nations Convention on Contracts for the International Sale of Goods (CISG).

- ☐ true
- ☐ false

95) To facilitate international business, property rights are defined in a consistent way across countries.

- ☐ true
- ☐ false

96) Property rights can be violated in two ways—through private action and through public action.

- ☐ true
- ☐ false

97) The Foreign Corrupt Practices Act does not allow for grease payments.

- ☐ true
- ☐ false

98) Fred wanted to protect his novel from piracy, so he copyrighted it. Patents, copyrights, and trademarks establish

ownership rights over intellectual property.

- ☐ true
- ☐ false

99) Patents discourage companies from committing themselves to extensive basic research.

- ☐ true
- ☐ false

100) The Trade-Related Aspects of Intellectual Property Rights agreement attempts to reduce intellectual property

protections to enhance trade.

- ☐ true
- ☐ false

101) Product liability sets certain safety standards to which a product must adhere.

☐ true

☐ false

102) Product liability can be much lower if a product does not conform to required safety standards.

☐ true

☐ false

103) The political systems of a country raise ethical issues that have implications for the practice of international business.

☐ true

☐ false

104) When Penelope returned home from vacation, she found her store had been robbed and her most valuable merchandise was gone. This violation of property rights is considered private action.

☐ true

☐ false

Answer Key

Test Bank

Test name: International Business Chapter 02

15) C

16) B

17) A

18) B

19) B

20) D

21) C

22) D

23) D

24) A

25) A

26) D

27) B

28) B

29) A

30) B

31) D

32) D

33) C

34) B

35) C

36) B

37) B

38) B

39) B

40) A

41) C

42) B

43) B

44) D

45) B

46) C

47) B

48) D

49) D

50) A

51) C

52) D

53) A

54) D

55) C

56) A

57) C

58) B

59) A

60) C

61) B

62) A

63) D

64) A

65) B

66) B

67) B

68) B

69) C

70) C

71) C

72) B

73) C

74) D

75) B

- 76) D
- 77) B
- 78) C
- 79) A
- 80) FALSE
- 81) FALSE
- 82) TRUE
- 83) TRUE
- 84) FALSE
- 85) FALSE
- 86) TRUE
- 87) FALSE
- 88) TRUE
- 89) FALSE
- 90) FALSE
- 91) TRUE
- 92) TRUE
- 93) FALSE
- 94) TRUE
- 95) FALSE
- 96) TRUE

97) FALSE

98) TRUE

99) FALSE

100) FALSE

101) FALSE

102) FALSE

103) TRUE

104) TRUE