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Chapter 02
Country Differences in Political Economy

Multiple Choice Questions

1. According to the opening case, Russia's largest exports are in what?
A. cash crops
B. high tech goods
C. manufactured goods
D. the service economy
E. oil and gas

Accessibility: Keyboard Navigation
Difficulty: Hard

2. Collectively, we refer to political, economic, and legal systems as constituting the _____ economy of a country.
A. domestic
B. civic
C. administrative
D. political
E. governing

Accessibility: Keyboard Navigation
Difficulty: Easy
Topic: 02-01 Introduction

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3. The economy and legal systems of a country are shaped by its what?
A. civil system
B. political economy
C. political system
D. judicial economy
E. governance structure

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-02 Political Systems

4. Political systems can be assessed according to two related dimensions:
A. the degree to which they emphasize individualism opposed to totalitarian and the degree to which they are individualistic verses democratic
B. the degree to which they are market orientated opposed to production orientated and the degree to which they are democratic verses individualistic
C. the degree to which they emphasize social democracy opposed to communism and the degree to which they emphasize collectivism opposed to individualism
D. the degree to which they emphasize collectivism opposed to individualism and the degree to which they are democratic or totalitarian
E. the degree to which they emphasize capitalism as opposed to communism and the degree to which they emphasize cultural freedom as opposed to cultural monitoring

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-02 Political Systems

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5. The two dimensions of political systems are interrelated; systems that emphasize _____ tend towards totalitarianism, while systems that place a high value on _____ tend to be democratic.
A. individualism; collectivism
B. collectivism; individualism
C. socialism; individualism
D. individualism; socialism
E. theocracy; capitalism

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-02 Political Systems

6. _____ refers to a system that stresses the primacy of collective goals over individual goals.
A. Collectivism
B. Capitalism
C. Individualism
D. Totalitarian
E. Democracy

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Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

7. When _____ is practiced, the needs of society as a whole are generally viewed as being more important than individual freedoms.
A. totalitarianism
B. collectivism
C. individualism
D. capitalism
E. theocracy

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Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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8. _____ is consistent with the notion that an individual's right to do something may be restricted because it runs counter to "the good of society" or "the common good."
A. Totalitarian
B. Collectivism
C. Autocratic
D. Capitalism
E. Platonism

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

9. Modern _____ trace their intellectual roots to Karl Marx.
A. Separatists
B. Capitalists
C. Individualists
D. Socialists
E. Federalists

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

10. The group that believed that socialism could be achieved only through violent revolution and totalitarian dictatorship were referred to as:
A. Communists
B. Fascists
C. Political democrats
D. Collectivists
E. Mensheviks

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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11. Followers of socialist ideology who commit themselves to achieving socialism through democratic reforms are called:
A. Communists
B. Social democrats
C. Individualists
D. Political democrats
E. New democrats

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

12. The communist version of socialism reached its high point in the late _____.
A. 1940s
B. 1950s
C. 1960s
D. 1970s
E. 1980s

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

13. What country is the last major Communist power left?
A. Russia
B. China
C. Vietnam
D. North Korea
E. Cuba

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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14. Social democracy has had its greatest influence in the following group of countries:
A. Canada, United States, Mexico, and Spain
B. India, Pakistan, Burma, Nepal, Sri Lanka, and Bhutan
C. Brazil, Chile, Uruguay, Ecuador, Columbia, and French Guiana
D. Australia, Britain, France, Germany, Norway, Spain, and Sweden
E. Australia, Columbia, Venezuela, Cambodia, Brazil

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

15. Experience has demonstrated that state ownership of the means of production:
A. often runs in parallel with the public interest
B. is the most profitable way to organize production
C. is the most efficient way to organize production
D. often runs counter to the public interest
E. leads to increased inefficiency, higher prices and higher taxes

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

16. Which of the following definitions best describes the concept of individualism?
A. Political system in which an individual is governed by laws created to limit corruption and exploitation.
B. Political system in which government is by the people, exercised either directly or through elected representatives.
C. Political system that stresses the primacy of collective goals over individual goals.
D. Form of government in which one person or political party exercises absolute control over all spheres of human life and in which opposing political parties are prohibited.
E. Political philosophy that an individual should have freedom over his or her economic and political pursuits.

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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17. Which of the following can be traced to an ancient Greek philosopher, Aristotle?
A. collectivism
B. individualism
C. socialism
D. totalitarianism
E. theocracy

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

18. In contrast to collectivism, _____ stresses that the interests of the individual should take precedence over the interests of the state.
A. totalitarianism
B. socialism
C. individualism
D. collectivism
E. tribalism

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Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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19. Individualism is built on two central themes:
A. socialism is the preferred political philosophy and an emphasis on the importance of collective interests over individual interests
B. an emphasis on the importance of collective interests over individual interests and the belief that the welfare of society is best served by letting a collective body determine what is in society's best interest rather than individuals
C. the needs of society as a whole are more important than individual freedoms and the welfare of society is best served by letting a collective body determine what is in society's best interest rather than individuals
D. the public good is more important than corporate profits and the people exist to serve the state
E. an emphasis on the importance of guaranteeing individual freedom and self- expression and the belief that the welfare of society is best served by letting people pursue their own economic self-interest

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

20. The Cold War was essentially a war between _____, championed by the now-defunct Soviet Union, and _____, championed by the United States.
A. collectivism; individualism
B. democracy; socialism
C. socialism; totalitarianism
D. individualism; collectivism
E. Stalinism; Reaganism

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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21. Which of the following is the political system in which government is by the people, exercised either directly or through elected representatives?
A. despotism
B. democracy
C. totalitarianism
D. collectivism
E. tribalism

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Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

22. _____ is a form of government in which one person or political party exercises absolute control over all spheres of human life, and opposing political parties are prohibited.
A. Capitalism
B. Totalitarianism
C. Democracy
D. Collectivism
E. Theocracy

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

23. _____ go "hand in hand."
A. Anarchy and individualism
B. Collectivism and individualism
C. Totalitarianism and democracy
D. Democracy and collectivism
E. Democracy and individualism

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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24. A political system in which citizens periodically elect individuals to represent them is referred to as a _____.
A. participatory collective
B. totalitarianism democracy
C. representative democracy
D. socialistic democracy
E. parliamentary democracy

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

25. In a representative democracy, if elected representatives fail to perform their job adequately, what will happen?
A. a socialist democracy will take over
B. a federalist republic will take over
C. a collectivist federation will take over
D. they will be voted out of office in the next election
E. they will hold their offices for life

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Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

26. To guarantee that elected representatives can be held accountable for their actions by the electorate, an ideal representative democracy has a number of safeguards. Which of the following is not an example of a safeguard in an ideal representative democracy?
A. a fair court system that is independent from the political system
B. universal adult suffrage
C. an individual's right to freedom of expression, opinion, and organization
D. a political police force and armed services
E. regular elections

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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27. _____ is a form of totalitarianism that advocates achieving socialism through totalitarian dictatorship.
A. Tribal totalitarianism
B. Democratic totalitarianism
C. Communist totalitarianism
D. Collective totalitarianism
E. Theocratic totalitarianism

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

28. There are four major forms of totalitarianism in the world today. These are:
A. collective, Marxist, right-wing, and ancestral
B. theocratic, democratic, tribal, and communist
C. communist, theocratic, tribal, and right-wing
D. ancestral, Marxist, left-wing, and compiled
E. tribal, Maoist, right-wing, and dictatorial

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

29. All of the following are forms of totalitarianism except:
A. right-wing
B. ancestral
C. theocratic
D. tribal
E. communistic

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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30. A form of totalitarianism in which political power is monopolized by a party, group, or individual that governs according to religious principles is called _____.
A. right-wing totalitarianism
B. theocratic totalitarianism
C. ancestral totalitarianism
D. tribal totalitarianism
E. fundamental totalitarianism

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

31. In which region of the world is tribal totalitarianism found?
A. Africa
B. Australia
C. South America
D. Asia
E. Central America

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Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

32. Right-wing _____ generally permits individual economic freedom, but restricts individual political freedom on the grounds that it would lead to a rise of communism.
A. socialism
B. collectivism
C. capitalism
D. totalitarianism
E. tribalism

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Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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33. Which of the following are the three broad types of economic systems?
A. market economy, combined economy, production economy
B. market economy, post-industrial economy, industrial economy
C. combined economy, separate economy, mixed economy
D. ordinance economy, production economy, political economy
E. market economy, command economy, mixed economy

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Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-05 Economic Systems

34. All of the following are types of economic systems except:
A. market economy
B. command economy
C. mixed economy
D. progressive economy
E. none of the answers are an example of a type of economic system

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-05 Economic Systems

35. In a pure _____ economy the good and services that a country products, and the quantity in which they are produced, is not planned by anyone. Rather it is determined by the interaction of supply and demand and signaled to producers through the price system.
A. ordinance
B. market
C. command
D. combined
E. free

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Difficulty: Easy
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-06 Market Economy

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36. In a pure command economy, the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold are all planned by:
A. private industry
B. local trade associations
C. individual entrepreneurs
D. the government
E. citizen committees

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Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-07 Command Economy

37. A _____ is an economic system in which the goods and services produced, the quantity in which they are produced, and the prices at which they are sold are all planned by the government.
A. civic economy
B. administrative economy
C. command economy
D. market economy
E. post-industrial economy

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-07 Command Economy

38. In a pure _____ economy all businesses are state owned so the government can direct them to make investments that are in the best interests of the nation as a whole, rather than in the interest of private individuals.
A. command
B. mixed
C. market
D. state-directed
E. new

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Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-07 Command Economy

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39. In a _____ economy, certain sectors of the economy are left to private ownership and free market mechanisms, while in other sectors there is significant state ownership and government planning.
A. command
B. combined
C. mixed
D. political
E. socialist

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-08 Mixed Economy

40. What kind of economies were once very common throughout much of the world, although they are becoming less so?
A. mixed
B. state-directed
C. command
D. market
E. regulated

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Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-08 Mixed Economy

41. Canada could be described as having elements of both a _____ economy and a _____ economy.
A. command; mixed
B. mixed; regional
C. market; regional
D. command; regional
E. market; mixed

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Difficulty: Hard
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-08 Mixed Economy

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42. The _____ is influenced by the prevailing political system.
A. corporate system
B. economic system
C. technological system
D. market system
E. democratic

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Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-09 Legal Systems

43. The _____ of a country refers to the rules that regulate behaviour, along with the processes by which the laws of a country are enforced and through which redress for grievances is obtained.
A. political system
B. administrative system
C. economic structure
D. legal system
E. ethical system

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-09 Legal Systems

44. The _____ system evolved in England over hundreds of years and is based on tradition, precedent, and custom.
A. civil
B. theocratic
C. common law
D. economic law
E. contract law

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-10 Different Legal Systems

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45. A _____ law system is based on a very detailed set of laws organized into codes.
A. judicial
B. theocratic
C. common
D. traditional
E. civil

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-10 Different Legal Systems

46. A law system that is based primarily on religious teachings, refers to a
A. civil law system.
B. theocratic law system.
C. common law system.
D. traditional law system.
E. canon law system.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-10 Different Legal Systems

47. Quebec is the only province in Canada to use the _____ law system.
A. common
B. French
C. canon
D. civil
E. judicial

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-10 Different Legal Systems

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48. Phillip is in the process of writing up a document that states his company will provide consulting on network applications for the next two weeks, for a specified amount of money. Phillip is in the process of creating what?
A. a contract
B. a contract law
C. property law
D. private action suit
E. a memorandum of understanding

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Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-11 Differences in Contract Law

49. The parties to an agreement normally resort to _____ when one party feels the other has violated either the letter of the spirit of the agreement.
A. property law
B. arbitration
C. third-party mediator
D. contract law
E. the courts

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-11 Differences in Contract Law

50. The _____ establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers.
A. United Nations Convention on Contracts for the International Sale of Goods
B. The foreign practices act
C. State directed economy
D. The United Nations Human Development
E. The Canadian Government

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-11 Differences in Contract Law

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51. The bundle of legal rights over the use to which a resource is put; and over the use made of any income that may be derived form that resource are called _____ rights.
A. statutory
B. asset
C. taxable
D. property
E. users

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

52. The violation of _____ can be violated in two ways—through private action and through public action.
A. patents
B. copyrights
C. warrants
D. property rights
E. individual rights

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

53. The Canadian legislation that makes bribery of a foreign official by a Canadian business person a criminal offense is known as what?
A. Foreign Corrupt Practices Act
B. Copyright infringement
C. Corruption Perceptions Index
D. Law OECD 1998
E. Bill S-21

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

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54. Which of the following describes the concept of intellectual property?
A. Exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their work as they see fit.
B. Property, such as computer software, screenplays, musical scores, or chemical formulas for new drugs, that is the product of intellectual activity.
C. Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
D. Document giving the inventor of a new product or process exclusive rights to the manufacturer, use, or sales of that invention.
E. Property that can be digitized and copied

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

55. Suppose you invent a new product and want to obtain the exclusive rights to manufacture the product. To protect yourself, you should apply for a _____ on the product.
A. trust
B. patent
C. copyright
D. trademark
E. logo

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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56. Suppose Apple corporation develops a new type of phone. Apple can protect its invention through what kind of protection?
A. warrant
B. patent
C. copyright
D. trademark
E. contract

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

57. _____ are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and dispose of their work as they see fit.
A. Patents
B. Copyrights
C. Trusts
D. Licenses
E. Franchises

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

58. A composer is able to protect an original musical score from being copied and sold by someone else through _____ protection.
A. patent
B. warrant
C. trademark
D. copyright
E. logo

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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59. _____ are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
A. Copyrights
B. Patents
C. Warrants
D. Trademarks
E. Logos

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

60. As a result of _____ protection, the Nike "swoosh" logo is protected from being used by any other shoe manufacturer.
A. logo
B. copyright
C. patent
D. warrant
E. trademark

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

61. Patents, copyrights, and trademarks are examples of _____ property laws.
A. intellectual
B. administrative
C. official
D. central
E. individual

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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62. "Windows" is a computer operating system that is an exclusive _____ of the Microsoft corporation.
A. sticker
B. hallmark
C. registry
D. trademark
E. brand

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

63. Generally speaking, international laws about intellectual property rights are _____.
A. Not part of TRIPS
B. Not affected by the lobbying of specific firms
C. Roughly the same as they were two decades ago
D. Being weakened
E. Being strengthened

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

64. _____ set certain safety standards to which a product must adhere.
A. Turnout safety laws
B. Product liability laws
C. Product safety laws
D. Contract liability laws
E. Civil laws

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Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-14 Product Safety and Product Liability

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65. _____ liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
A. Turnout
B. Contract
C. Product
D. Outcome
E. Business

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-14 Product Safety and Product Liability

66. _____ allows for a more direct comparison of living standards in different countries.
A. PPP
B. UPN
C. EOC
D. IOF
E. GNI

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

67. GNP is increasingly being replaced by _____.
A. PPP
B. Atlas conversion
C. GNI
D. Atlas methodology
E. IOF

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

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68. What does the acronym GNP stand for?
A. gross national profile
B. gross national product
C. gradual notational profile
D. general natural productivity
E. government natural product

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

69. PPP is an acronym that stands for:
A. power purchasing procedures
B. procurement priority procedures
C. priority patent procedures
D. purchasing power parity
E. parallel parametric purchasing

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

70. In 2001, the World Bank has chosen to replace GNP with _____.
A. GDP
B. aggregate demand and aggregate supply
C. GRP
D. PPP
E. GNI

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

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71. The United Nations _____ index is based on life expectancy, literacy rates, and whether average incomes are sufficient to meet the basic needs of life in a country.
A. Human Development
B. Standard of Living
C. Quality of Life
D. Economic Development
E. UNICEF

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-17 Broader Conceptions of Development: Amartya Sen

72. Amartya Sen believed that development should be assessed less by measures such as _____.
A. Aggregate demand
B. Aggregate supply
C. PPP
D. HDI
E. GNP

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-17 Broader Conceptions of Development: Amartya Sen

73. Amartya Sen believed that development should be assessed more by measures such as _____.
A. Aggregate demand
B. Aggregate supply
C. PPP
D. HDI
E. GNP

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-17 Broader Conceptions of Development: Amartya Sen

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74. The Human Development Index is scaled from 0 to 1. Countries scoring less than _____ are classified as low human development (the quality of life is poor).
A. 25
B. 50
C. 75
D. 33
E. 65

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-17 Broader Conceptions of Development: Amartya Sen

75. There is fairly wide agreement that _____ and _____ are the engines of long-run economic growth.
A. small business; free markets
B. government; consumer demand
C. innovation; entrepreneurship
D. agriculture; manufacturing
E. exports; domestic sales

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-18 Political Economy and Economic Progress

76. What is the process through which people create new products, new processes, new organization, new management practices, and new strategies called?
A. bureaucracy
B. administration
C. development
D. innovation
E. invention

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-18 Political Economy and Economic Progress

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77. It has been argued that the economic freedom associated with a _____ economy creates greater incentives for innovation than either a planned or mixed economy.
A. production
B. market
C. commercial
D. manufacturing
E. consumer

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-18 Political Economy and Economic Progress

78. Besides a country's political and economic systems, another driver of economic development includes?
A. PPP
B. Geography
C. History
D. UN
E. ITB

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-19 Geography, Education, and Economic Development

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79. Since the late 1980s two major trends have emerged in the political economies of many of the world's national states. These are:
A. a wave of communist revolutions have swept the world and there has been a strong move away from free market economies toward more centrally planned economies.
B. a wave of socialistic revolutions have swept the world and there has been a strong move away from free market economies toward more centrally planned and mixed economies.
C. a wave of democratic revolutions have swept the world and there has been a strong move away from centrally planned and mixed economies toward more free market economies.
D. a wave of totalitarian revolutions have swept the world and there has been a strong move away from centrally planned and mixed economies toward more free market economies.
E. a wave of consumer empowerment and there has been a strong move away from common law and towards civil code.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-20 States in Transition

80. Which of the following is one of the three main reasons for the spread of democracy worldwide?
A. the spread of democracy has been unchallenged worldwide
B. in many countries the economic advances of the past 25 years have led to the emergence of increasingly prosperous middle and working classes, which have pushed for democratic reforms
C. geography
D. privatization
E. intellectual property rights

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-21 The Spread of Democracy

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81. Privatization refers to:
A. the selling of state-owned enterprises to private investors
B. the selling of public corporations to private investors
C. guarding company secrets from the general public
D. transferring political power from the government to private citizens
E. reducing regulation of private business

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-23 The Spread of Market-Based Systems

82. _____ is the process of selling state-owned enterprises to private investors.
A. Political-economic divestiture
B. Privatization
C. Downsizing
D. Ownership-transfer
E. Nationalization

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-23 The Spread of Market-Based Systems

83. Which of the following involves removing legal restrictions to the free play of markets, the establishment of private enterprises, and the manner in which private enterprises operate?
A. privatization
B. simplification
C. deregulation
D. socialism
E. competition

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-25 Deregulation

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84. The _____ movement started in Britain in the early 1980s when then-Prime Minister Margaret Thatcher started to sell state-owned assets.
A. modification
B. simplification
C. privatization
D. deregulation
E. anti-nationalization

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-25 Deregulation

85. _____ transfers the ownership of state property into the hands of private individuals.
A. Privatization
B. Simplification
C. Deregulation
D. Socialism
E. Nationalization

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-26 Privatization

86. Without a ____ the incentive to engage in economic activity can be reduced substantially by private and public entities.
A. Political system
B. Legal system
C. Freedom system
D. Accounting system
E. Property system

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-27 Legal Systems

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87. An example of an institutional weakness that undermines contract enforcement is what?
A. Monetary systems
B. Freedom indices
C. Entrepreneurship
D. Privatization
E. Court capacity

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-27 Legal Systems

88. A World Bank study suggests that post-Communist states that successfully transformed their economies followed what type of economic policy?
A. Monetary policy
B. Privatization
C. Changing political economy
D. Shock therapy
E. Socialism

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-07 Explain the implications of changes in political economies.
Topic: 02-28 Implications of Changing Political Economy

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89. Around the world, the tide has turned against command economies in favour of free markets and what?
A. Monetary policy
B. Socialism
C. Dictatorships
D. Fiscal policy
E. Democracy

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-07 Explain the implications of changes in political economies.
Topic: 02-29 Implications

True / False Questions

90. The political, economic, and legal systems of a country are called the political economy.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Topic: 02-01 Introduction

91. A system that stresses the primacy of collective goals over individual goals is called collectivism.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

92. Many social democratic governments nationalize private companies.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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93. There is essentially no relationship between collectivism and socialism.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

94. Individualism is opposite to collectivism. In a political sense, individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

95. A form of government in which one person or political party exercises absolute control over all spheres of human life, and opposing political parties are prohibited is referred to as totalitarianism.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

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97. Tribal totalitarianism is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

98. In a market economy the goods and services that a country produces, and the quantity in which they are produced, is not planned by anyone. Rather, it is determined by the interaction of supply and demand and signalled to producers through the price system.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-06 Market Economy

99. There must be no restrictions on supply for a pure market economy to work.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-06 Market Economy

100. In a pure command economy, the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold are all planned by the government.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-07 Command Economy

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101. Command economies are relatively common among the states of Western Europe, although they are becoming less so. France, Italy, and Canada can all be classified as command economies.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Distinguish how the economic systems of countries differ.
Topic: 02-07 Command Economy

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-10 Different Legal Systems

103. Property rights refer to the bundle of legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

104. Public action of property rights refers to theft, piracy, and blackmail.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

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105. In Canada, the Foreign Corrupt Practices Act was passed during the 1960s following revelations that Canadian companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

107. The U.S. law enacted in 1977 that prohibits U.S. companies from making "corrupt" payments to foreign officials for the purpose of obtaining or retaining business is the Foreign Corrupt Practices Act.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

108. The extortion of income from property holders by public officials is called private action.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-12 Property Rights

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

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

111. Designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products (e.g., Christian Dior clothes) are called patents.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

112. Historically, the enforcement of intellectual property rights has been fairly consistent across countries.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-14 Product Safety and Product Liability

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

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

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-17 Broader Conceptions of Development: Amartya Sen

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117. There is a strong relationship between economic freedom and economic growth.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-18 Political Economy and Economic Progress

118. A growth factor that has received recent attention is geography.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-19 Geography, Education, and Economic Development

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

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-22 The New World Order?

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

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-05 Summarize the main changes that are currently reshaping the political; economic; and legal systems worldwide.
Topic: 02-23 The Spread of Market-Based Systems

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121. Deregulation is the transfer of ownership of state property to individuals
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-25 Deregulation

122. The ownership structure of newly privatized firms is important.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-26 Privatization

123. A problem with many former Communist states is the lack of a legal system that protects property rights
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-06 Describe how transition economies are moving toward market-based systems.
Topic: 02-27 Legal Systems

124. Most Eastern European countries began to liberalize their economies beginning in the 1970s
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-07 Explain the implications of changes in political economies.
Topic: 02-28 Implications of Changing Political Economy

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

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-07 Explain the implications of changes in political economies.
Topic: 02-29 Implications

Short Answer Questions

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

A country's "political system" is its system of government. Political systems can be assessed according to two related dimensions. The first is the degree to which they emphasize collectivism as opposed to individualism. The second dimension is the degree to which they are democratic or totalitarian.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-02 Political Systems

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127. Describe the difference between collectivism and individualism. Are these two ideologies compatible or in direct conflict? Which ideology seems to be gaining ground and which ideology is waning? Is this good news or bad news for international commerce? Explain your answer.

The term collectivism refers to a political system that stresses the primacy of collective goals over individual goals. The general ideal is that the needs of society as a whole are more important than individual freedoms. As a result, in a collectivist society, an individual's right to do something may be restricted because it runs counter to "the good of the society" or the "common good."
Individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits. Moreover, individualism stresses that the interests of the individual should take precedence over the interests of the state.
The ideals exposed by individualism and collectivism are in direct conflict with one another. Over the past two decades, collectivism has been waning and individualism has been gaining steam. A wave of democratic ideals and free market economics is currently sweeping away socialism and communism worldwide. Evidence of this can be seen in Eastern Europe and the republics of the former Soviet Union. According to the author of the textbook, this represent good news for international business, since the pro-business and pro-free trade values of individualism create a favourable environment within which international business can thrive.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

128. A political system can be described in terms of whether it is more oriented towards collectivism or individualism. Is Canada oriented more towards collectivism or individualism?

The student could argue that Canada is both collectivist and individualistic, because we will take actions such as the proposed shutting down of coal fired plants in Ontario that will hurt individual interests (the power plant workers, coal supply companies) to protect collective rights (a clean environment and reduced pollution). However, the principle orientation in Canada is towards individualism, because your ultimate success depends on your individual efforts and the Charter of Rights and Freedoms is a Charter of individual freedoms.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-03 Collectivism and Individualism

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

Democracy and totalitarianism are at different ends of the political spectrum. Democracy refers to a political system in which government is by the people, exercised either directly or through elected representatives. Totalitarianism is a form of government in which one person or political parties exercise absolute control over all spheres of human life, and opposing political parties are prohibited. Most modern democratic states practice what is commonly referred to as representative democracy. In a representative democracy, citizens periodically elect individuals to represent them. There are four major forms of totalitarianism, including communist totalitarianism, theocratic totalitarianism, tribal totalitarianism, and right-wing totalitarianism.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Give examples of how the political systems of countries differ.
Topic: 02-04 Democracy and Totalitarianism

130. What is intellectual property? What is the philosophy behind intellectual property law? Why is it so important to protect intellectual property rights? Are the laws that protect intellectual property rights fairly consistent across nations, or do they vary widely? Is this a problem?

Intellectual property refers to property, such as computer software, a screenplay, a music score, or the chemical formula for a new drug, which is the product of intellectual activity. The philosophy behind intellectual property law is to reward the originator of a new invention, book, musical record, clothes design, and the like for his or her new idea. Without strict intellectual property laws, there would be very little incentive for an individual to work hard to create these types of items. For instance, a person could work very hard and spend huge amounts of money to create a new animated film, and have someone else duplicate the film for the cost of a film duplicating machine and a blank tape.
Unfortunately, the protection of intellectual property rights varies greatly from country to country. This is a problem. Weak laws or the weak enforcement of intellectual property laws in foreign countries encourages the piracy of intellectual property. The world community is addressing this problem, but a satisfactory solution to this problem has yet to be found.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

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131. A Canadian developer of software for automated coal mining equipment has been approached by a Russian mining conglomerate with an offer to cooperate on adapting the software to the Russian market. If the Canadian company agreed to work with the Russian company, they would have to reveal the software's source code (the source code is the key to software and is used to protect proprietary technology).
What are the "pros" of entering such an agreement?

Though Russia's record of protecting intellectual property is not particularly good, a student focused on sales could argue that the market is so large that they should take the risk. They could recommend using a contract to protect the source code.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how the legal systems of countries differ.
Topic: 02-13 The Protection of Intellectual Property

132. Purchasing Power Parity (PPP) is described in the text as allowing a more direct comparison of living standards in different countries. What are the implications for business if PPP is used to assess the standard of living?

PPP is a relative measure of economic wealth. It adjusts the GNI to reflect the purchasing power of a country's currency within its own borders. In most cases the selling price of imported goods will not be adjusted to reflect this difference. As an example the price of a Mercedes is around $80,000 Canadian. The same price will be charged in other countries after adjustments for taxes and transportation costs. If we take the example of China - PPP is $4990, whereas GNI is $1100. In other words the dollar will buy four times as much or everything is four times cheaper than in the US. This does not mean that Mercedes will reduce their price by a factor of four.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-16 Differences in Economic Development

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

There is general agreement that innovation is the engine of long-run economic growth in virtually any country. Innovation has a much better chance of catching hold in a market economy opposed to a planned economy. The individual freedom (and opportunity for personal gain) associated with a market economy (like the economy in the U.S.) creates greater incentives for innovation than either a planned or mixed economy. In a market economy, anyone who has an innovative idea is free to try to develop the idea, and has the potential to reap substantial personal gain. This feature of a market economy provides a powerful incentive for people to work on innovative ideas. In contrast, in a planned economy the state owns all means of production. Consequently, there is no incentive or opportunity for entrepreneurial individuals to try to develop valuable new innovations, since it is the state, rather than the individual, that captures all of the gains.

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-04 Explain what determines the level of economic development of a nation.
Topic: 02-18 Political Economy and Economic Progress

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