Global Business Today 11th edition Hill Test Bank

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Global Business Today, 11e **(Hill)**
Chapter 2 National Differences in Political, Economic, and Legal Systems

1) The term *political economy* is used to stress the fact that the political, economic, and legal systems of a country are independent of each other and do not influence one another.

Answer: FALSE
Explanation: We use the term *political economy* to stress that the political, economic, and legal systems of a country are interdependent; they interact and influence each other, and in doing so they affect the level of economic well-being.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) One way to assess a political system is by understanding the emphasis on individualism or collectivism.

Answer: TRUE
Explanation: By political system, we mean the system of government in a nation. Political systems can be assessed according to two dimensions. The first is the degree to which they emphasize collectivism as opposed to individualism. The second is the degree to which they are democratic or totalitarian.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

3) Plato did not equate collectivism with equality.

Answer: TRUE
Explanation: Plato did not equate collectivism with equality; he believed that society should be stratified into classes, with those best suited to rule administering society for the benefit of all.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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4) Karl Marx believed that in a capitalist society, the few benefit at the expense of the many.

Answer: TRUE
Explanation: Modern socialists trace their intellectual roots to Karl Marx (1818–1883), although socialist thought clearly predates Marx (elements of it can be traced to Plato). Marx argued that the few benefit at the expense of the many in a capitalist society where individual freedoms are not restricted.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) The social democrats believed that socialism could be achieved only through violent revolution and totalitarian dictatorship.

Answer: FALSE
Explanation: The social democrats committed themselves to achieving socialism by democratic means, turning their backs on violent revolution and dictatorship.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) By the mid-1990s, communism had reached its highest point in history.

Answer: FALSE
Explanation: The communist version of socialism reached its highest point in the late 1970s, when the majority of the world's population lived in communist states. By the mid-1990s, communism was in retreat worldwide.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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7) Under the tenets of individualism, citizens should have freedom to choose their own economic and political pursuits.

Answer: TRUE
Explanation: In collectivist societies, an individual's right to do something may be restricted on the grounds that it runs counter to "the good of society" or to "the common good." However, individualism holds that the welfare of society is best served by letting people pursue their own economic self-interest, as opposed to some collective body (such as government) dictating what is in society's best interest.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
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8) The Cold War can be thought of as a war between collectivism, championed by the former Soviet Union, and individualism, championed by the United States.

Answer: TRUE
Explanation: The Cold War was in many respects a war between collectivism, championed by the former Soviet Union, and individualism, championed by the United States.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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9) In a totalitarian country, all the constitutional guarantees on which representative democracies are built—an individual's right to freedom of expression and organization, a free media, and regular elections—are denied to the citizens.

Answer: TRUE
Explanation: In a totalitarian country, all the constitutional guarantees on which representative democracies are built—an individual's right to freedom of expression and organization, a free media, and regular elections—are denied to the citizens.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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10) One identifier of a democratic state is a free media.

Answer: TRUE
Explanation: To guarantee that elected representatives can be held accountable for their actions by the electorate, an ideal representative democracy has a number of safeguards that are typically enshrined in constitutional law. These include (1) an individual's right to freedom of expression, opinion, and organization; (2) a free media; (3) regular elections in which all eligible citizens are allowed to vote; (4) universal adult suffrage; (5) limited terms for elected representatives; (6) a fair court system that is independent from the political system; (7) a nonpolitical state bureaucracy; (8) a nonpolitical police force and armed service; and (9) relatively free access to state information.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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11) The governments of China, Vietnam, and Laos are communist nations, but they have adopted wide-ranging, market-based economic reforms.

Answer: TRUE
Explanation: In many respects, the governments of China, Vietnam, and Laos are communist in name only because those nations have adopted wide-ranging, market-based economic reforms.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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12) The most common form of theocratic totalitarianism is Christianity.

Answer: FALSE
Explanation: The most common form of theocratic totalitarianism is based on Islam and is exemplified by states such as Iran and Saudi Arabia. These states limit freedom of political and religious expression with laws based on Islamic principles.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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13) 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 dictated by the interaction of demand and supply.

Answer: FALSE
Explanation: 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. Prices would be dictated by the interaction of demand and supply in a market economy.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

14) Command economies provide a more favorable environment for innovation and entrepreneurs than market economies.

Answer: FALSE
Explanation: In a command economy, state-owned enterprises have little incentive to control costs and be efficient, because they cannot go out of business. Also, the abolition of private ownership means there is no incentive for individuals to look for better ways to serve consumer needs; hence, dynamism and innovation are absent from command economies.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

15) A common law system is based on tradition and precedent.

Answer: TRUE
Explanation: The common law system evolved in England over hundreds of years. It is now found in most of Great Britain's former colonies, including the United States. Common law is based on tradition, precedent, and custom. *Tradition* refers to a country's legal history, *precedent* to cases that have come before the courts in the past, and *custom* to the ways in which laws are applied in specific situations.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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16) In a common law system, judges base decisions on detailed legal codes.

Answer: FALSE
Explanation: A civil law system is based on a detailed set of laws organized into codes. When law courts interpret civil law, they do so with regard to these codes.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
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17) Judges under a civil law system have less flexibility than those under a common law system.

Answer: TRUE
Explanation: Judges under a civil law system have less flexibility than those under a common law system.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
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Accessibility: Keyboard Navigation

18) Islamic law is primarily a moral rather than a commercial law and is intended to govern all aspects of life.

Answer: TRUE
Explanation: Islamic law is primarily a moral rather than a commercial law and is intended to govern all aspects of life.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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19) Contracts in a common law system tend to be shorter and less detailed than those created in a civil law system.

Answer: FALSE
Explanation: In civil law systems, however, contracts tend to be much shorter and less specific because many of the issues are already covered in a civil code.
Difficulty: 2 Medium
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
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20) By adopting the Contracts for the International Sale of Goods (CISG), a nation signals to other adopters that it will treat the convention's rules as part of its law.

Answer: TRUE
Explanation: By adopting the CISG, a nation signals to other adopters that it will treat the convention's rules as part of its law. The CISG applies automatically to all contracts for the sale of goods between different firms based in countries that have ratified the convention.
Difficulty: 1 Easy
Topic: Resolving International Business Disputes
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

21) When firms do not wish to accept the Contracts for the International Sale of Goods, they often opt for arbitration by a recognized arbitration court to settle contract disputes.

Answer: TRUE
Explanation: When firms do not wish to accept the Contracts for the International Sale of Goods, they often opt for arbitration by a recognized arbitration court to settle contract disputes.
Difficulty: 1 Easy
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
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22) A textbook author would apply for a patent to obtain the exclusive legal rights associated with their written piece.

Answer: FALSE
Explanation: Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

23) When considering the violation of property rights, blackmail is a form of public action.

Answer: FALSE
Explanation: In terms of violating property rights, private action refers to theft, piracy, blackmail, and the like by private individuals or groups. Although theft occurs in all countries, a weak legal system allows a much higher level of criminal action.
Difficulty: 1 Easy
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

24) In a criminal case involving product safety law, defendants who are found guilty are subject to fines or imprisonment.

Answer: TRUE
Explanation: Both civil and criminal product liability laws exist. Civil laws call for payment and monetary damages. Criminal liability laws result in fines or imprisonment.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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25) The benefits, costs, and risks associated with doing business in a country are independent of that country's political, economic, and legal systems.

Answer: FALSE
Explanation: The benefits, costs, and risks associated with doing business in a country are a function of that country's political, economic, and legal systems.
Difficulty: 2 Medium
Topic: Risks Associated with Global Capital Markets
Learning Objective: 02-04 Explain the implications for management practice of national differences in political economy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

26) A country's _____ system is a part of the political economy.
A) religious
B) value
C) demographic
D) legal
E) technological

Answer: D
Explanation: Collectively we refer to the political, economic, and legal systems as constituting the political economy of a country. This emphasizes the fact that the political, economic, and legal systems of a country are interdependent; they interact and influence each other, and in doing so they affect the level of economic well-being.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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27) A political system that promotes activity "for the good of society" is based on
A) democratic principles.
B) individualism.
C) public action.
D) collectivism.
E) private action.

Answer: D
Explanation: When collectivism is emphasized, the needs of society as a whole are generally viewed as being more important than individual freedoms. In such circumstances, an individual's right to do something may be restricted on the grounds that it runs counter to "the good of society" or to "the common good."
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
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28) The country of Maracon downplays individual goals and emphasizes the collective goals of the country. Maracon's political system stresses
A) democracy.
B) collectivism.
C) individualism.
D) capitalism.
E) privatization.

Answer: B
Explanation: Collectivism refers to a political system that stresses the primacy of collective goals over individual goals. When collectivism is emphasized, the needs of society as a whole are generally viewed as being more important than individual freedoms.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Apply
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29) The needs of society as a whole are generally viewed as being more important than individual freedoms when the emphasis is on
A) democracy.
B) collectivism.
C) individualism.
D) capitalism.
E) privatization.

Answer: B
Explanation: Collectivism refers to a political system that stresses the primacy of collective goals over individual goals. When collectivism is emphasized, the needs of society as a whole are generally viewed as being more important than individual freedoms.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
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30) On the Belif peninsula, citizens are restricted in how much land they can own if it creates opposition to the rule of the "common good." What is the political system of the Belif peninsula based on?
A) individualism
B) democracy
C) collectivism
D) capitalism
E) protectionism

Answer: C
Explanation: Collectivism refers to a political system that stresses the primacy of collective goals over individual goals. In such circumstances, an individual's right to do something may be restricted on the grounds that it runs counter to "the good of society" or to "the common good."
Difficulty: 3 Hard
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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31) Karl Marx promoted the idea of a(n) _____ society in which the state owned the means of production, distribution, and exchange.
A) socialist
B) capitalist
C) individualist
D) monarchist
E) feudalist

Answer: A
Explanation: A socialist society is one in which the state owns the means of production, distribution, and exchange.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

32) Modern socialism traces its intellectual roots to
A) Aristotle
B) David Hume
C) Karl Marx.
D) Adam Smith.
E) Milton Friedman.

Answer: C
Explanation: Modern socialism traces its intellectual roots to Karl Marx (1818–83), although socialist thought clearly predates Marx.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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33) Karl Marx believed that the way to correct the economic inequalities in a capitalist society was to
A) enforce high tariffs on imports.
B) promote exports but defer imports.
C) sell state-owned enterprises to private investor
D) have state ownership as the basic means of production.
E) expropriate funds from nation-states.

Answer: D
Explanation: According to Marx, the pay of workers does not reflect the full value of their labor. To correct this perceived wrong, Marx advocated state ownership of the basic means of production, distribution, and exchange (i.e., businesses). His logic was that if the state owned the means of production, the state could ensure that workers were fully compensated for their labor.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
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34) In the early twentieth century, the socialist ideology split into two broad camps and the people who believed that socialism could be achieved only through violent revolution and totalitarian dictatorship were referred to as
A) communists.
B) capitalists.
C) democrats.
D) individualists.
E) anarchists.

Answer: A
Explanation: In the early twentieth century, the socialist ideology split into two broad camps. The communists believed that socialism could be achieved only through violent revolution and totalitarian dictatorship.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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35) For centuries, Somariya was a capitalist country where the rich became richer and the poor became poorer. A group calling itself the "Change Brotherhood" sought to convert Somariya into a socialist country by democratic means. The "Change Brotherhood" is an example of
A) communists.
B) democrats.
C) republicans.
D) social democrats.
E) ideological democrats.

Answer: D
Explanation: In the early twentieth century, the socialist ideology split into two broad camps. The communists believed that socialism could be achieved only through violent revolution and totalitarian dictatorship. In contrast, social democrats committed themselves to achieving socialism by democratic means, turning their backs on violent revolution and dictatorship.
Difficulty: 3 Hard
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Apply
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36) Those who attempt to achieve the same ideologies as that of the communists without violent revolution and totalitarian dictatorship are called
A) pure capitalists.
B) social democrats.
C) individualists.
D) anarchists.
E) aristocrats.

Answer: B
Explanation: Social democrats committed themselves to achieving socialism by democratic means.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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37) Karl Marx would disagree with which of these ideas?
A) concern over public good rather than private profit
B) monopoly of state-owned companies in certain industries
C) opposing the ideologies of capitalist societies
D) substantial limits on individual political freedom
E) selling state-owned enterprises to private investors

Answer: E
Explanation: Karl Marx advocated state ownership of the basic means of production, distribution, and exchange (i.e., businesses). His logic was that if the state owned the means of production, the state could ensure that workers were fully compensated for their labor.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
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38) Today, communism, which includes state control over all economic activity, is the political norm mainly found in
A) countries throughout Europe and Asia.
B) small pockets of the United States and Japan.
C) small fringe nations.
D) eastern Europe.
E) large Westernized countries.

Answer: C
Explanation: Although China is still nominally a communist state with substantial limits to individual political freedom, in the economic sphere the country has moved sharply away from strict adherence to communist ideology. Old-style communism, with state control over all economic activity, hangs on in only a handful of small fringe states, most notably North Korea.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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39) The sale of state-owned enterprises to independent, nonpublic investors is referred to as
A) privatization.
B) nationalization.
C) collectivism.
D) communalism.
E) public action.

Answer: A
Explanation: Privatization involves the sale of state-owned enterprises to private investors.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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40) The Greek philosopher Aristotle argued for diversity and private ownership. This laid the groundwork for
A) collectivism.
B) individualism.
C) socialism.
D) totalitarianism.
E) communism.

Answer: B
Explanation: Individualism can be traced to the ancient Greek philosopher Aristotle.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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41) The government of Alfon believes that its citizens should have complete freedom in their economic and political pursuits, and the Alfon ideology is "private profit over public good." In this context, it can be said that Alfon follows the philosophy of
A) totalitarianism.
B) socialism.
C) individualism.
D) communism.
E) Marxism.

Answer: C
Explanation: Individualism stresses that the interests of the individual should take precedence over the interests of the state.
Difficulty: 3 Hard
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
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42) When the American colonists fought for independence from Great Britain, the concept of _____ influenced the decision.
A) private ownership
B) individualism
C) socialism
D) the greater good
E) collectivism

Answer: B
Explanation: Individualism exercised a profound influence on those in the American colonies that sought independence from Great Britain. Indeed, the concept underlies the ideas expressed in the Declaration of Independence.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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43) A nation based on individualism would agree that
A) communal property is more highly productive than private property.
B) public good should be preferred over private profit.
C) state-owned companies should monopolize certain industries.
D) the welfare of society is best served by some collective body such as government.
E) free market ideologies should be followed for achieving better standards of living.

Answer: E
Explanation: Individualism is built on two central tenets. The first is an emphasis on the importance of guaranteeing individual freedom and self-expression. The second tenet of individualism is that the welfare of society is best served by letting people pursue their own economic self-interest, as opposed to some collective body (such as government) dictating what is in society's best interest.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
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44) What is the central message of individualism?
A) State-owned entities are more profitable for the common good.
B) Individuals rely on government to organize society.
C) Individual economic and political freedoms are the rules on which a society should be based.
D) The few should benefit at the expense of the many.
E) Harmony can only be achieved by turning our backs on dictatorships.

Answer: C
Explanation: The central message of individualism, therefore, is that individual economic and political freedoms are the ground rules on which a society should be based. This puts individualism in conflict with collectivism.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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45) Democracy, in its purest form, is based on the belief that
A) citizens should be directly involved in decision making.
B) political freedom of the citizens should be limited.
C) citizens are responsible for their own economic health and thus need no government.
D) individual freedom in the economic sphere should be restricted.
E) one person should have an absolute control over all the citizens of a nation.

Answer: A
Explanation: The pure form of democracy, as originally practiced by several city-states in ancient Greece, is based on a belief that citizens should be directly involved in decision making, which is impractical in modern democratic states with populations in the tens or hundreds of millions.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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46) Which form of government involves one person or political party that exercises absolute control over all spheres of human life and prohibits opposing political parties?
A) capitalism
B) totalitarianism
C) pure democracy
D) republicanism
E) representative democracy

Answer: B
Explanation: Totalitarianism is a form of government in which one person or political party exercises absolute control over all spheres of human life and prohibits opposing political parties.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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47) What is one characteristic of a representative democracy?
A) all enterprises are state-owned
B) a single-house legislature
C) a lack of intellectual property laws
D) a court system that is linked to the political system
E) citizens periodically elect individuals to act on their behalf

Answer: E
Explanation: In a representative democracy, citizens periodically elect individuals to represent them. These elected representatives then form a government whose function is to make decisions on behalf of the electorate.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

48) Totalitarian states usually have
A) free and fair elections.
B) free access to state information.
C) all the basic civil liberties for citizens.
D) the right to freedom of expression and organization.
E) media that are heavily censored.

Answer: E
Explanation: In most totalitarian states, political repression is widespread, free and fair elections are lacking, media are heavily censored, and basic civil liberties are denied.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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49) What is a form of totalitarianism that advocates that socialism can be achieved only through a totalitarian dictatorship?
A) tribal totalitarianism
B) democratic totalitarianism
C) communist totalitarianism
D) theocratic totalitarianism
E) right-wing totalitarianism

Answer: C
Explanation: Communist totalitarianism is a form of totalitarianism that advocates achieving socialism through totalitarian dictatorship.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
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50) Nations that limit the freedom of religious expression with laws based on religious principles follow the political system of
A) theocratic totalitarianism.
B) communist totalitarianism.
C) right-wing totalitarianism.
D) pure democracy.
E) representative democracy.

Answer: A
Explanation: A political system in which political power is monopolized by a party, group, or individual that governs according to religious principles is referred to as theocratic totalitarianism.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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51) A totalitarian political system in which a party, group, or individual that represents the interests of a particular tribe monopolizes political power is referred to as
A) theocratic totalitarianism.
B) communist totalitarianism.
C) right-wing totalitarianism.
D) tribal totalitarianism.
E) democratic totalitarianism.

Answer: D
Explanation: Tribal totalitarianism refers to a political system in which a party, group, or individual that represents the interests of a particular tribe (ethnic group) monopolizes political power. Tribal totalitarianism has arisen from time to time in African countries such as Zimbabwe, Tanzania, Uganda, and Kenya.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

52) Right-wing totalitarianism restricts political freedom so as to inhibit the rise of
A) a pure democracy.
B) communism.
C) free market capitalism.
D) representative democracy.
E) tribal totalitarianism.

Answer: B
Explanation: Right-wing totalitarianism generally permits individual economic freedom but restricts individual political freedom on the grounds that it would lead to the rise of communism.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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53) The fascist regimes that ruled Germany and Italy in the 1930s and 1940s had adopted
A) right-wing totalitarianism.
B) theocratic totalitarianism.
C) representative democracy.
D) pure democracy.
E) totalitarian democracy.

Answer: A
Explanation: The fascist regimes that ruled Germany and Italy in the 1930s and 1940s were right-wing totalitarian states.
Difficulty: 1 Easy
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

54) A common feature of many right-wing dictatorships is
A) total restriction on individual economic freedom.
B) strong commitment to socialist or communist ideas.
C) governments that are made up of military officers.
D) politicians from a particular tribe dominating the political system.
E) the direct involvement of the citizens in decision making.

Answer: C
Explanation: A common feature of many right-wing dictatorships is an overt hostility to socialist or communist ideas. Many right-wing totalitarian governments are backed by the military, and in some cases the government may be made up of military officers.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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55) What are the three broad forms of economic systems?
A) laissez-faire, authoritarian, egalitarian
B) market, command, and mixed
C) local, state, federal
D) ethical, political, radical
E) individualist, collectivist, majoritarian

Answer: B
Explanation: We can identify three broad types of economic systems: a market economy, a command economy, and a mixed economy.
Difficulty: 1 Easy
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

56) An economic system in which the interaction of supply and demand determines the quantity in which goods and services are produced is called a _____ system.
A) barter
B) command
C) market
D) regulated
E) centrally planned

Answer: C
Explanation: A market economy is an economic system in which the interaction of supply and demand determines the quantity in which goods and services are produced.
Difficulty: 1 Easy
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
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57) In order for a market economy to work, it is important that supply of a product must not be restricted by a producer. In other words, _____ must be banned.
A) tariffs
B) start-ups
C) monopolies
D) globalization
E) nationalism

Answer: C
Explanation: For a market to work in this manner, supply must not be restricted. A supply restriction occurs when a single firm monopolizes a market. In such circumstances, rather than increase output in response to increased demand, a monopolist might restrict output and let prices rise. Given the dangers inherent in monopoly, one role of government in a market economy is to encourage vigorous free and fair competition between private producers. Governments do this by banning restrictive business practices designed to monopolize a market.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

58) Which type of economy was found in communist countries where the government determined what would be produced and the price it would be sold for?
A) mixed
B) market
C) egalitarian
D) command
E) majoritarian

Answer: D
Explanation: Historically, command economies were found in communist countries where collectivist goals were given priority over individual goals.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
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59) In what type of economy are all businesses state-owned, the rationale being that the government can then direct them to make investments that are in the best interests of the nation as a whole rather than in the interests of private individuals?
A) free market
B) deregulated
C) pure command
D) mixed
E) laissez-faire

Answer: C
Explanation: In a pure command economy, all businesses are state-owned, the rationale being that the government can then direct them to make investments that are in the best interests of the nation as a whole rather than in the interests of private individuals.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
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60) In comparison to market economies, command economies lack
A) government interference in allocation of resources.
B) dynamism and innovation.
C) concern for the interests of the nation.
D) commitment to communism.
E) any opposition to private ownership.

Answer: B
Explanation: In a command economy, state-owned enterprises have little incentive to control costs and be efficient because they cannot go out of business. Also, the abolition of private ownership means there is no incentive for individuals to look for better ways to serve consumer needs; hence, dynamism and innovation are absent from command economies.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
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61) In a _____ economy, certain sectors of the economy are left to private ownership and free market mechanisms, while other sectors have significant state ownership and government planning.
A) command
B) pure market
C) mixed
D) centrally planned
E) laissez-faire

Answer: C
Explanation: In a mixed economy, certain sectors of the economy are left to private ownership and free market mechanisms while other sectors have significant state ownership and government planning.
Difficulty: 1 Easy
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

62) In 2008, the U.S. government stepped in to help some failing financial institutions as a way to prevent further collapse of the economy. Typically, the U.S. government does not interfere in these situations. What type of economy does this exemplify?
A) command
B) centrally planned
C) pure market
D) mixed
E) laissez-faire

Answer: D
Explanation: In mixed economies, governments sometimes tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests. 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. The U.S. government usually prefers market-oriented solutions to economic problems, and in the AIG case, the intention was to sell the institution back to private investors as soon as possible.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Apply
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63) When comparing the three broad types of economic systems, it can be said that
A) for a pure market economy to function efficiently, product supply must be restricted.
B) in a command economy, state-owned enterprises have little incentive to control costs and be efficient.
C) the sole role of government in a command economy is to encourage vigorous free and fair competition between private producers.
D) mixed economies were once uncommon throughout much of the world, although they are becoming more popular now.
E) production in command economies is determined by the interaction of supply and demand and signaled to producers through the price system.

Answer: B
Explanation: In a command economy, state-owned enterprises have little incentive to control costs and be efficient, because they cannot go out of business.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

64) The government of Junta took Fuel Safe Corp., a domestic energy firm, into state ownership to save the company from bankruptcy. However, the other private competitors in the energy industry were enraged by this decision. As a result, the government had to reduce the tax burden on all private energy firms so that both the state-owned enterprise and private firms could coexist. What type of economy does this portray?
A) mixed
B) market-based
C) command
D) laissez-faire
E) communist

Answer: A
Explanation: In a mixed economy, certain sectors of the economy are left to private ownership and free market mechanisms while other sectors have significant state ownership and government planning. In mixed economies, governments also tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests.
Difficulty: 3 Hard
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Apply
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65) Collectivist-inclined totalitarian states tend to enact laws that severely restrict private enterprises, while laws enacted by governments in democratic states, where individualism is the dominant political philosophy, tend to be pro-private enterprise and pro-consumer. This indicates that
A) the economic system of a country is independent of its legal system.
B) the legal system of a country is not influenced by the prevailing political system.
C) the legal system does not affect the attractiveness of a country as an investment site or market.
D) all countries have the same legal environments.
E) the legal framework of a country reflects the rulers' dominant political ideology.

Answer: E
Explanation: The government of a country defines the legal framework within which firms do business, and often the laws that regulate business reflect the rulers' dominant political ideology. For example, collectivist-inclined totalitarian states tend to enact laws that severely restrict private enterprise, whereas the laws enacted by governments in democratic states where individualism is the dominant political philosophy tend to be pro-private enterprise and pro-consumer.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

66) The _____ system of a country encompasses the rules that regulate behavior.
A) economic
B) theocratic
C) legal
D) demographic
E) political

Answer: C
Explanation: The legal system of a country refers to the rules, or laws, that regulate behavior along with the processes by which the laws are enforced and through which redress for grievances is obtained.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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67) Which legal system is based on tradition, precedent, and custom?
A) common law
B) civil law
C) autocracy law
D) monarchy law
E) universal law

Answer: A
Explanation: Common law is based on tradition (a country's legal history), precedent (cases that have come before the courts in the past), and custom (the ways in which laws are applied in specific situations).
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
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68) Jonah is a lawyer representing a company in a lawsuit. During the trial, Jonah referred to a court case from ten years ago and asked the witness if she felt her company had acted in a similar manner as the company in the previous case. When Jonah referred to the previous court case, he was relying on _____ to make his case.
A) tradition
B) precedent
C) custom
D) interpretation
E) culture

Answer: B
Explanation: Common law is based on tradition, precedent, and custom. *Tradition* refers to a country's legal history, *precedent* to cases that have come before the courts in the past, and *custom* to the ways in which laws are applied in specific situations.
Difficulty: 3 Hard
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
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69) The common law system enjoys a degree of flexibility not found in other systems because
A) it is usually found in democratic republics.
B) it originated from Great Britain and can be found in almost all of its former colonies.
C) it is interpreted by the law courts with regard to tradition, precedent, and custom.
D) it is based on a detailed set of laws organized into codes.
E) it has originated recently—just a decade ago.

Answer: C
Explanation: Common law is based on tradition, precedent, and custom. Judges in a common law system have the power to interpret the law so that it applies to the unique circumstances of an individual case. In turn, each new interpretation sets a precedent that may be followed in future cases. As new precedents arise, laws may be altered, clarified, or amended to deal with new situations.
Difficulty: 2 Medium
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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

Answer: A
Explanation: A civil law system is based on a detailed set of laws organized into codes.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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71) Under a civil law system, it is the responsibility of a judge only to _____ the law.
A) create
B) apply
C) assess
D) interpret
E) change

Answer: B
Explanation: Judges in a common law system have the power to interpret the law, whereas judges in a civil law system have the power only to apply the law.
Difficulty: 2 Medium
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

72) What is the most widely practiced theocratic legal system in the modern world?
A) Christian law
B) Islamic law
C) Jewish law
D) Hindu law
E) Buddhist law

Answer: B
Explanation: Islamic law is the most widely practiced theocratic legal system in the modern world.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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73) Theocratic law systems are based on
A) legal precedent.
B) a detailed set of codes and laws.
C) religious teachings.
D) beliefs of a tribe .
E) beliefs of the ruling class.

Answer: C
Explanation: A theocratic law system is one in which the law is based on religious teachings.
Difficulty: 2 Medium
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

74) Jewish law is an example of what type of law system?
A) autocratic
B) civil
C) common
D) theocratic
E) universal

Answer: D
Explanation: Jewish law is an example of a theocratic law system. Islamic law is the most widely practiced theocratic legal system in the modern world, although usage of both Hindu and Jewish law persisted into the twentieth century.
Difficulty: 1 Easy
Topic: Civil Law, Common Law, and Theocratic Law
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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75) In order to purchase the parts from the supplier, Torc Tools Corp. had to agree with all of the terms set forth in the document the supplier provided which detailed the rights and obligations of the supplier and Torc Tools Corp. This document is a type of
A) memoranda.
B) manifesto.
C) contract.
D) white paper.
E) precedent.

Answer: C
Explanation: A contract is a document that specifies the conditions under which an exchange is to occur and details the rights and obligations of the parties involved. Many business transactions are regulated by some form of contract.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

76) When comparing contracts in common law and civil law systems, it can be said that
A) contracts drafted under a common law system tend to be longer than those drafted under a civil law system.
B) contracts drafted under a civil law system tend to be more specific than those drafted under a civil law system.
C) it is more expensive to draw up contracts in a civil law system than in a common law system.
D) resolving contract disputes tends to be less adversarial in common law systems than in civil law systems.
E) civil law systems allow for judges to interpret a contract dispute, but this feature is absent in common law systems.

Answer: A
Explanation: Because common law tends to be relatively ill specified, contracts drafted under a common law framework tend to be very detailed with all contingencies spelled out.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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77) The United Nations created CISG in response to _____ that occur in international trade.
A) contract disputes
B) environmental concerns
C) political uprisings
D) tariff differences
E) foreign exchange rates

Answer: A
Explanation: When contract disputes arise in international trade, there is always the question of which country's laws to apply. To resolve this issue, a number of countries have ratified the United Nations Convention on Contracts for the International Sale of Goods (CISG) which establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers who have their places of business in different nations.
Difficulty: 2 Medium
Topic: Resolving International Business Disputes
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

78) When firms do not wish to accept the rules of the CISG, what do they often opt for to settle contract disputes?
A) UN involvement
B) arbitration
C) collective bargaining
D) common law system of the United States
E) Islamic law

Answer: B
Explanation: When firms do not wish to accept the CISG, they often opt for arbitration by a recognized arbitration court, like the International Court of Arbitration of the International Chamber of Commerce in Paris, to settle disputes.
Difficulty: 1 Easy
Topic: Resolving International Business Disputes
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
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79) When considering the legal use of the word, _____ is the term given to a resource over which an individual or business holds a legal title.
A) liability
B) contract
C) shareholder
D) property
E) possession

Answer: D
Explanation: In a legal sense, the term *property* refers to a resource over which an individual or business holds a legal title, that is, a resource that it owns.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

80) Theft, piracy, and blackmail by private individuals or groups are examples of
A) private consumption.
B) private practice.
C) privacy tort.
D) private action.
E) privacy norms.

Answer: D
Explanation: Private action refers to theft, piracy, blackmail, and the like by private individuals or groups.
Difficulty: 1 Easy
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
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81) After the collapse of communism in Russia, successful business owners often had to pay "protection money" to the mafia or face violent retribution. In the context of property rights, the behavior of the mafia is an example of
A) active violation.
B) public action.
C) private action.
D) boundary spanning.
E) industrial espionage.

Answer: C
Explanation: Private action refers to theft, piracy, blackmail, and the like by private individuals or groups. Although theft occurs in all countries, a weak legal system allows for a much higher level of criminal action in some than in others.
Difficulty: 3 Hard
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

82) Which scenario is an example of private action?
A) The government of Mexico levying excessive taxes.
B) The U.S. government requiring expensive licenses or state permits from private property holders.
C) A communist government taking assets into state ownership without compensating the owners.
D) Government bureaucrats demanding bribes from businesses in return for the rights to operate manufacturing facilities in a country.
E) Business owners in the cell phone industry stealing their competitors' trade secrets and intellectual properties.

Answer: E
Explanation: Private action refers to theft, piracy, blackmail, and the like by private individuals or groups.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Knowledge Application
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83) Which situation exemplifies public action?
A) The mafia in Cedia Republic demands "protection money" from successful domestic business owners.
B) Cedian proprietors in the hospitality industry often complain about protection rackets by criminal groups.
C) Government bureaucrats demand bribes from international businesses in return for the rights to operate in Cedia Republic.
D) The Cedian government has been criticized for its inability to curb theft of trade secrets of international businesses by private domestic owners.
E) To promote the Cedian culture, the government allows movies based on Cedian history to be made tax-free.

Answer: C
Explanation: Public action to violate property rights occurs when public officials, such as politicians and government bureaucrats, extort income, resources, or the property itself from property holders.
Difficulty: 3 Hard
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

84) Energy for Everyone wanted to establish operations in the country of Imol but decided against it when officials from Imol demanded a bribe in order for the company to open the office. This bribe is an example of
A) a market economy.
B) a laissez-faire policy.
C) a public action.
D) a mixed economy.
E) a private action.

Answer: C
Explanation: *Public action* to violate property rights occurs when public officials, such as politicians and government bureaucrats, extort income, resources, or the property itself from property holders. It can also be done through illegal means, or corruption, by demanding bribes from businesses in return for the rights to operate in a country, industry, or location.
Difficulty: 3 Hard
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
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85) Which term best represents the relationship between the level of corruption and economic growth rate in a country?
A) directly proportional
B) inversely proportional
C) independent
D) positive correlation
E) zero correlation

Answer: B
Explanation: Economic evidence suggests that high levels of corruption significantly reduce the foreign direct investment, level of international trade, and economic growth rate in a country.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

86) In the United States, the Foreign Corrupt Practices Act was passed during the 1970s following revelations that
A) U.S. companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
B) U.S. companies were involved in bribing U.S. government officials in cases related to major corporate and accounting scandals.
C) U.S. government bureaucrats demanded bribes from U.S. companies in return for a permit to operate in a foreign country.
D) several companies were selling their products at lower prices in foreign countries than in the United States.
E) successful business owners in the United States often had to pay "protection money" to the Mafia or face violent retribution.

Answer: A
Explanation: In the 1970s, the United States passed the Foreign Corrupt Practices Act following revelations that U.S. companies had bribed government officials in foreign countries in an attempt to win lucrative contracts.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
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87) Cheryl Peterson, a U.S.-based business executive, paid the equivalent of $20 to an official of the country of Murundi to expedite the overnight delivery of critical documents. When questioned, Cheryl Peterson claimed this was a way to facilitate the performance of an obligation that was already agreed upon. The $20 is an example of
A) an under-the-table payment.
B) a bribe.
C) a violation of the Foreign Corrupt Practices Act.
D) an inappropriate payment.
E) a grease payment.

Answer: E
Explanation: Both the U.S. law and OECD convention include language that allows for exceptions known as facilitating or expediting payments (also called grease payments or speed money), the purpose of which is to expedite or to secure the performance of a routine governmental action.
Difficulty: 3 Hard
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

88) Grease payments or speed money are allowable under U.S. law as a way to expedite the
A) implementation of a new government office.
B) incoming federal income tax.
C) performance of a routine government action.
D) creation of new state-owned business.
E) breach of the rule of law.

Answer: C
Explanation: Both the U.S. law and OECD convention include language that allows for exceptions known as facilitating or expediting payments (also called grease payments or speed money), the purpose of which is to expedite or to secure the performance of a routine governmental action.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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89) In which of these situations is Copper Coil Inc. using a grease payment?
A) Copper Coil Inc. paid a fine of $2500 for violating the labor laws in a foreign country.
B) Copper Coil Inc. made a small payment of $20 to speed up some paperwork related to tax returns in a less developed country.
C) The proprietor of Copper Coil Inc. made payments to the Mafia as a protection against violent retribution.
D) Copper Coil Inc. gave gift vouchers to all its product wholesalers in order to promote the product.
E) Copper Coil Inc. made an unrecorded payment to one of its accountants in return for window dressing the company's accounts.

Answer: B
Explanation: Both the U.S. law and OECD convention include language that allows for exceptions known as facilitating or expediting payments (also called grease payments or speed money), the purpose of which is to expedite or to secure the performance of a routine governmental action.
Difficulty: 3 Hard
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

90) Brett Robertson is a playwright and in order to protect his intellectual property should secure a _____ on all of his plays.
A) patent
B) trademark
C) grease payment
D) permit
E) copyright

Answer: E
Explanation: A patent grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention. Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit. Trademarks are designs and names, officially registered, by which merchants or manufacturers designate and differentiate their products.
Difficulty: 3 Hard
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Knowledge Application
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91) Products of the mind, such as computer software, a screenplay, a music score, or the chemical formula for a new drug, constitute
A) assets which receive no protection under law.
B) non-performing assets.
C) tangible assets.
D) intellectual property.
E) real property.

Answer: D
Explanation: Intellectual property refers to property that is the product of intellectual activity, such as computer software, a screenplay, a music score, or the chemical formula for a new drug.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

92) Varsa Incorporated, a multinational giant, runs a number of diversified businesses. The intellectual property of the firm would include
A) income arising from renting land and buildings.
B) profits arising from the sale of agricultural crops.
C) interest earned by lending capital to other firms.
D) all computer software for budgeting designed by employees.
E) investments made in raw materials and machinery.

Answer: D
Explanation: Intellectual property refers to property that is the product of intellectual activity, such as computer software, a screenplay, a music score, or the chemical formula for a new drug.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
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93) Karli invented a fitness board and has some interest from major athletic equipment retailers. Before she agrees to work with the retailers, she wants to protect her invention so it is her sole property to manufacture and sell. What does Karli need to help her do this?
A) copyright
B) trademark
C) patent
D) warranty
E) service mark

Answer: C
Explanation: A patent grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention.
Difficulty: 3 Hard
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

94) Cord Paper Corporation has developed a new type of decorative paper. Which type of legal protections can grant the company exclusive rights for a defined period to the manufacture, use, or sale of the new paper?
A) warrant
B) patent
C) copyright
D) trademark
E) writ

Answer: B
Explanation: A patent grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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95) A composer can protect an original musical score from being copied and sold by someone else by acquiring a(n)
A) patent
B) warrant
C) trademark
D) copyright
E) affidavit

Answer: D
Explanation: Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

96) Which of these items can be protected by a copyright?
A) new manufacturing process invented in a company
B) newly invented telecommunication device
C) tangible property like land and building
D) movies produced and directed by a person
E) new type of car invented by an automobile company

Answer: D
Explanation: Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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97) The Wilson logo can only be used on sports equipment produced by the Wilson Sporting Goods company. What protects the Wilson logo from being used by another manufacturer?
A) trademark
B) affidavit
C) patent
D) warrant
E) contract

Answer: A
Explanation: Trademarks are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

98) Intellectual property laws protect
A) the originator of a new invention.
B) government officials when travelling to foreign countries.
C) the parts supplier in an international transaction.
D) individuals who want to open a franchise of a retail store.
E) a company from losing business to a monopoly.

Answer: A
Explanation: The philosophy behind intellectual property laws is to reward the originator of a new invention, book, musical record, clothes design, restaurant chain, and the like for his or her idea and effort.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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99) While he was shopping for new clothes, Manuel noticed there was a sale on shirts by Ralph Lauren. The Ralph Lauren name is an officially registered _____ in menswear clothing.
A) intellectual property
B) patent
C) contract
D) copyright
E) trademark

Answer: E
Explanation: Trademarks are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products (e.g., Christian Dior clothes).
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

100) All of the books in a library have a _____, which shows the exclusive legal rights of the author of the book.
A) copyright
B) trademark
C) libel
D) patent
E) folkway

Answer: A
Explanation: Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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101) The strong enforcement of intellectual property laws helps to
A) reduce the piracy (theft) of intellectual property.
B) reduce the attractiveness of a country as a market or investment site.
C) reduce the investments made by companies on basic research.
D) limit creativity and innovation among people.
E) prohibit a company from having a monopoly over its breakthrough inventions.

Answer: A
Explanation: Weak enforcement of intellectual property laws encourages the piracy (theft) of intellectual property.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

102) Product safety and product liability laws are enforced to protect
A) intellectual property rights.
B) companies from their domestic competitors.
C) companies from their foreign competitors.
D) consumers.
E) product inventors.

Answer: D
Explanation: Product safety laws set certain safety standards to which a product must adhere. Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
Difficulty: 2 Medium
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
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103) Product _____ law holds a firm and its officers responsible when a product causes injury, death, or damage.
A) equity
B) consumption
C) liability
D) parity
E) testing

Answer: C
Explanation: Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage. Both civil and criminal product liability laws exist.
Difficulty: 1 Easy
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

104) A boom in product liability suits and awards in the United States resulted in a dramatic increase in the cost of liability insurance. Many business executives argue that this
A) makes American businesses less competitive in the global marketplace.
B) offers American businesses greater protection from foreign competitors.
C) exposes consumers to greater product risks.
D) eventually makes it cheaper for foreign companies to do business in the United States.
E) discourages American companies from outsourcing jobs to less developed countries.

Answer: A
Explanation: A boom in product liability suits and awards in the United States resulted in a dramatic increase in the cost of liability insurance. Many business executives argue that the high costs of liability insurance make American businesses less competitive in the global marketplace.
Difficulty: 2 Medium
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
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Accessibility: Keyboard Navigation

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105) Nathan works for a major automobile manufacturing company. His company is being sued by hundreds of customers who have been injured when the steering wheel airbags exploded upon a low-impact collision. The customers are demanding monetary damages. This lawsuit is based on
A) facilitating payments.
B) intellectual property rights.
C) criminal law.
D) product liability.
E) patent violations.

Answer: D
Explanation: Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage. Product liability can be much greater if a product does not conform to required safety standards.
Difficulty: 2 Medium
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

106) Which of these individuals can claim product liability from the offender?
A) Jason wants to sue a multinational company for mass manufacturing one of his inventions without purchasing the rights.
B) Rebecca's patented jewelry designs have been imitated and sold at a low price under her brand name.
C) The back tire on Brian's motorcycle shredded when still under warranty and caused him to crash.
D) Fred has accused his employer of forcing him and his teammates to work in an unsafe environment.
E) Samantha claims that her neighbor has stolen valuable ancestral antiques from her house.

Answer: C
Explanation: Product safety laws set certain safety standards to which a product must adhere. Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
Difficulty: 3 Hard
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
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107) Kendra has red patches on her face after using a protein-based lotion manufactured by Today's Skin Research Lab. She learned that the lotion's steroid levels were beyond the standard levels permitted by the government and the damage caused by the lotion was irreversible. Which standards will address Kendra's grievances?
A) laws related to property rights
B) product liability laws
C) intellectual property laws
D) Foreign Corrupt Practices Act
E) Sarbanes-Oxley Act

Answer: B
Explanation: Product safety laws set certain safety standards to which a product must adhere. Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage.
Difficulty: 3 Hard
Topic: Product Liability
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

108) A nation that has _____ would be unappealing as a place for doing business.
A) a market-based economic system
B) a strong legal system
C) a democratic political institution
D) strong property rights
E) a totalitarian political system

Answer: E
Explanation: Totalitarian countries where citizens are denied basic human rights, corruption is rampant, and bribes are necessary to gain permission to do business are unappealing as a place for doing business.
Difficulty: 2 Medium
Topic: Basic Decisions for Entering Foreign Markets
Learning Objective: 02-04 Explain the implications for management practice of national differences in political economy.
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109) If a country wants to improve its attractiveness as a place for doing business and as an investment site, it should
A) oppose the rule of law.
B) ensure that the economic activity is heavily regulated by the state.
C) move toward a market-based system.
D) extensively restrict property rights.
E) avoid enforcing intellectual property laws.

Answer: C
Explanation: A nation with democratic political institutions, a market-based economic system, and strong legal system that protects property rights and limits corruption is clearly more attractive as a place in which to do business than a nation that lack democratic institutions, where economic activity is heavily regulated by the state, and where corruption is rampant and the rule of law is not respected.
Difficulty: 2 Medium
Topic: Basic Decisions for Entering Foreign Markets
Learning Objective: 02-04 Explain the implications for management practice of national differences in political economy.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

110) What are the basic differences between a democratic and a totalitarian government? Explain how the dimensions of individualism and collectivism play a role in these types of government.

Answer: Democracy and totalitarianism are at different ends of a political dimension. 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 party exercises absolute control over all spheres of human life and prohibits opposing political parties. The democratic-totalitarian dimension is not independent of the individualism-collectivism dimension. Democracy and individualism go hand in hand, as do the communist version of collectivism and totalitarianism. However, gray areas exist; it is possible to have a democratic state in which collective values predominate, and it is possible to have a totalitarian state that is hostile to collectivism and in which some degree of individualism—particularly in the economic sphere—is encouraged.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
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111) Describe in brief the different forms of totalitarianism.

Answer: Four major forms of totalitarianism exist in the world today. Until recently, the most widespread was communist totalitarianism—a version of collectivism advocating that socialism can be achieved only through a totalitarian dictatorship. A second form of totalitarianism might be labeled theocratic totalitarianism, which is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles. Iran and Saudi Arabia are examples of theocratic totalitarianism. A third form of totalitarianism might be referred to as tribal totalitarianism, a political system in which a party, group, or individual that represents the interests of a particular tribe (ethnic group) monopolizes political power. It has arisen from time to time in some African countries. A fourth major form of totalitarianism might be described as right-wing totalitarianism, a political system in which political power is monopolized by a party, group, or individual that generally permits individual economic freedom but restricts individual political freedom, including free speech, frequently on the grounds that it would lead to the rise of communism.
Difficulty: 2 Medium
Topic: Differences in Political Systems
Learning Objective: 02-01 Understand how the political systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

112) Discuss a market economy and describe the role of a consumer in this type.

Answer: In the archetypal pure market economy, all productive activities are privately owned, as opposed to being owned by the state. The goods and services that a country produces are not planned by anyone. Production is determined by the interaction of supply and demand and signaled to producers through the price system. If demand for a product exceeds supply, prices will rise, signaling producers to produce more. If supply exceeds demand, prices will fall, signaling producers to produce less. In this system, consumers are sovereign. The purchasing patterns of consumers, as signaled to producers through the mechanism of the price system, determine what is produced and in what quantity.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
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113) Discuss why command economies tend to stagnate.

Answer: While the objective of a command economy is to mobilize economic resources for the public good, the opposite seems to have occurred. In a command economy, state-owned enterprises have little incentive to control costs and be efficient, because they cannot go out of business. Also, the abolition of private ownership means there is no incentive for individuals to look for better ways to serve consumer needs; hence, dynamism and innovation are absent from command economies. Instead of growing and becoming more prosperous, such economies tend to stagnate.
Difficulty: 2 Medium
Topic: Differences in Economic Systems
Learning Objective: 02-02 Understand how the economic systems of countries differ.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

114) Discuss the origins of a common law system and explain the role judges in this system.

Answer: The common law system evolved in England over hundreds of years. It is now found in most of Great Britain's former colonies, including the United States. Common law is based on tradition, precedent, and custom. *Tradition* refers to a country's legal history, *precedent* to cases that have come before the courts in the past, and *custom* to the ways in which laws are applied in specific situations. When law courts interpret common law, they do so with regard to these characteristics. This gives a common law system a degree of flexibility that other systems lack. Judges in a common law system have the power to interpret the law so that it applies to the unique circumstances of an individual case. In turn, each new interpretation sets a precedent that may be followed in future cases. As new precedents arise, laws may be altered, clarified, or amended to deal with new situations.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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115) Describe the significance of Contracts for the International Sale of Goods (CISG).

Answer: When contract disputes arise in international trade, there is always the question of which country's laws to apply. To resolve this issue, a number of countries, including the United States, have ratified the United Nations Convention on Contracts for the International Sale of Goods (CISG). The CISG establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers who have their places of business in different nations. By adopting the CISG, a nation signals to other adopters that it will treat the convention's rules as part of its law. The CISG applies automatically to all contracts for the sale of goods between different firms based in countries that have ratified the convention, unless the parties to the contract explicitly opt out. One problem with the CISG, however, is that as of late 2013, only 80 nations have ratified the convention (the CISG went into effect in 1988). Some of the world's important trading nations, including the United Kingdom, have not ratified the CISG.
Difficulty: 2 Medium
Topic: Resolving International Business Disputes
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
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116) Compare how property rights can be subject to private action and public action.

Answer: Property rights can be violated in two ways—through private action and through public action. Private action refers to theft, piracy, blackmail, and the like by private individuals or groups. Although theft occurs in all countries, a weak legal system allows for a much higher level of criminal action in some than in others. Public action to violate property rights occurs when public officials, such as politicians and government bureaucrats, extort income, resources, or the property itself from property holders.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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117) Describe the Foreign Corrupt Practices Act.

Answer: In the 1970s, the United States passed the Foreign Corrupt Practices Act following revelations that U.S. companies had bribed government officials in foreign countries in an attempt to win lucrative contracts. This law makes it illegal to bribe a foreign government official to obtain or maintain business over which that foreign official has authority, and it 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.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

118) Explain the role of grease payments and how they are viewed by the U.S. government.

Answer: Grease payments are facilitating or expediting payments, the purpose of which is to expedite or to secure the performance of a routine governmental action. For example, they allow for small payments made to speed up the issuance of permits or licenses, process paperwork, or just get vegetables off the dock and on their way to market. Both the U.S. law and OECD convention consider them acceptable. The explanation for this exception to general antibribery provisions is that while grease payments are, technically, bribes, they are distinguishable from (and, apparently, less offensive than) bribes used to obtain or maintain business because they merely facilitate performance of duties that the recipients are already obligated to perform.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

119) How do patents, copyrights, and trademarks differ from each other?

Answer: Patents, copyrights, and trademarks establish ownership rights over intellectual property. A patent grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention. Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit. Trademarks are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
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120) Discuss how the computer software industry has been affected by the poor enforcement of intellectual property rights.

Answer: The computer software industry is an example of an industry that suffers from lax enforcement of intellectual property rights. A study published in 2012 suggested that violations of intellectual property rights cost personal computer software firms revenues equal to $63 billion a year. According to the study's sponsor, the Business Software Alliance, a software industry association, some 42 percent of all software applications used in the world were pirated. One of the worst large countries was China, where the piracy rate ran at 77 percent and cost the industry more than $9.8 billion in lost sales, up from $444 million in 1995. The piracy rate in the United States was much lower at 19 percent; however, the value of sales lost was significant because of the size of the U.S. market.
Difficulty: 2 Medium
Topic: Property Rights and Intellectual Property Rights
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

121) Discuss the difference between civil and criminal liability laws and explain how these laws differ in developed and less-developed nations.

Answer: Product safety laws set certain safety standards to which a product must adhere. Product liability involves holding a firm and its officers responsible when a product causes injury, death, or damage. Product liability can be much greater if a product does not conform to required safety standards. Both civil and criminal product liability laws exist. Civil laws call for payment and monetary damages. Criminal liability laws result in fines or imprisonment. Both civil and criminal liability laws are probably more extensive in the United States than in any other country, although many other Western nations also have comprehensive liability laws. Liability laws are typically the least extensive in less developed nations.
Difficulty: 2 Medium
Topic: Differences in Legal Systems
Learning Objective: 02-03 Understand how the legal systems of countries differ.
Bloom's: Understand
AACSB: Reflective Thinking
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122) How do the political, economic, and legal environments of a country affect international trade? And what factors make a country favorable for doing business?

Answer: The political, economic, and legal environments of a country clearly influence the attractiveness of that country as a market or investment site. The benefits, costs, and risks associated with doing business in a country are a function of that country's political, economic, and legal systems. The overall attractiveness of a country as a market or investment site depends on balancing the likely long-term benefits of doing business in that country against the likely costs and risks. Other things being equal, a nation with democratic political institutions, a market-based economic system, and strong legal system that protects property rights and limits corruption is clearly more attractive as a place in which to do business than a nation that lacks democratic institutions, where economic activity is heavily regulated by the state, and where corruption is rampant and the rule of law is not respected.
Difficulty: 2 Medium
Topic: Factors Affecting the Location of Production Activities
Learning Objective: 02-04 Explain the implications for management practice of national differences in political economy.
Bloom's: Understand
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