International Business 14th edition Hill Test Bank

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) The central message of collectivism is that individual economic and political freedoms are the ground rules on which a society should be based.
   - ⊙ true
   - ⊙ false

2) In terms of the socialist ideology, the communists believed that socialism could be achieved by democratic means and turned their backs on violent revolution and dictatorship.
   - ⊙ true
   - ⊙ false

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

4) Most modern democratic states practice pure democracy in which citizens are directly involved in decision making.
   - ⊙ true
   - ⊙ false

5) Democracy is a form of government that prohibits opposing political parties.
   - ⊙ true
   - ⊙ false

6) In a totalitarian country, there are safeguards to protect an individual's right to freedom of expression, opinion, and organization.
   - ⊙ true
   - ⊙ false

7) The number of command economies has fallen dramatically since the demise of communism in the late 1980s.
   - ⊙ true
   - ⊙ false

8) The objective of a command economy is to encourage free and fair competition between private producers.
   - ⊙ true
   - ⊙ false

9) In mixed economies, governments tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests.
   - ⊙ true
   - ⊙ false

10) A nation's legal system is usually of very little interest to international business managers.
   - ⊙ true
   - ⊙ false

11) Judge Norris operates in a country with a common law system. This system has more flexibility than a civil law system.
   - ⊙ true
   - ⊙ false

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12) A theocratic law system is one in which the law is based on religious teachings.
    - ⊙ true
    - ⊙ false

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

14) Contracts under a civil law system tend to be very detailed with all contingencies spelled out.
    - ⊙ true
    - ⊙ false

15) Some of the world's important trading nations, including India and the United Kingdom, have not ratified the United Nations Convention on Contracts for the International Sale of Goods (CISG).
    - ⊙ true
    - ⊙ false

16) To facilitate international business, property rights are defined in a consistent way across countries.
    - ⊙ true
    - ⊙ false

17) Property rights can be violated in two ways—through private action and through public action.
    - ⊙ true
    - ⊙ false

18) The Foreign Corrupt Practices Act does not allow for grease payments.
    - ⊙ true
    - ⊙ false

19) Johan wanted to protect his screenplay from piracy, so he copyrighted it. Patents, copyrights, and trademarks establish ownership rights over intellectual property.
    - ⊙ true
    - ⊙ false

20) Niska is developing a chemical formula for a new drug to combat dementia. He will not secure a patent because doing so will open his idea to others and discourage him from furthering any extensive research on his initial idea.
    - ⊙ true
    - ⊙ false

21) The Trade-Related Aspects of Intellectual Property Rights agreement attempts to reduce intellectual property protections to enhance trade.
    - ⊙ true
    - ⊙ false

22) Product liability sets certain safety standards to which a product must adhere.
    - ⊙ true
    - ⊙ false

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23) Intelli-Toys manufactured a new line of educational toys for toddlers. If a child is injured while using these toys, Intelli-Toys' product liability will be greater if the company did not conform to required safety standards.
    - ⊙ true
    - ⊙ false

24) When Victoria returned home from vacation, she found her store had been robbed and her most valuable merchandise was gone. This violation of property rights is considered private action.
    - ⊙ true
    - ⊙ false

25) The political systems of a country raise ethical issues that have implications for the practice of international business.
    - ⊙ true
    - ⊙ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

26) ________ occurs when a political party that represents the interests of a particular tribe (and not always the majority tribe) monopolizes power.
    A) Tribal monopoly
    B) Communist totalitarianism
    C) Tribal totalitarianism
    D) Privatization

27) Who was the author of *The Wealth of Nations* in which he stated that "an individual who intends his own gain is led by an invisible hand to promote an end that was no part of his intention..."?
    A) David Hume
    B) Adam Smith
    C) Karl Marx
    D) John Stuart Mill

28) The term ________ stresses that the political, economic, and legal systems of a country are interdependent.
    A) political economy
    B) common law
    C) socialism
    D) collectivism

29) Modern socialists trace their intellectual roots to ________, although socialist thought clearly predates this individual.
    A) David Hume
    B) Karl Marx
    C) Adam Smith
    D) John Stuart Mill

30) Manchu believed that socialism could be achieved only through violent revolution and totalitarian dictatorship. Manchu was likely a
    A) libertarian.
    B) communist.
    C) collectivist.
    D) social democrat.

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31) Plato ________; he believed that society should be stratified into classes, with those best suited to rule administering society for the benefit of all.
   A) equated individualism with equality
   B) equated collectivism with equality
   C) promoted representative democracy
   D) did not equate collectivism with equality

32) When ________ is emphasized, an individual's right to do something may be restricted on the grounds that it runs counter to "the good of society."
   A) individualism
   B) totalitarianism
   C) collectivism
   D) theocracy

33) What term is used to describe a state in which authoritarian elements have captured some or much of the machinery of state and use this in an attempt to deny basic political and civil liberties?
   A) authoritarian dictatorship
   B) right-wing democracies
   C) representative totalitarianism
   D) pseudo-democracies

34) ________ argued that individual diversity and private ownership are desirable.
   A) Karl Marx
   B) Plato
   C) John Stuart Smith
   D) Aristotle

35) In a(n) ________ society, the welfare of society is best served by letting people pursue their own economic self-interest.
   A) individualist
   B) collectivist
   C) communist
   D) totalitarian

36) Systems that emphasize collectivism tend toward
   A) totalitarianism.
   B) capitalism.
   C) democracy.
   D) privatization.

37) The term *political economy* stresses that the political, economic, and legal systems of a country
   A) have no bearing on the economic well-being of a country.
   B) compete with one another to determine the trajectory of the country's well-being.
   C) function independently of each other for the well-being of the country.
   D) are interdependent; they interact and influence each other.

38) A political system that prioritizes the needs of the society over individual freedoms is called
   A) totalitarianism.
   B) collectivism.
   C) capitalism.
   D) egalitarianism.

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39) Modern socialism has been popularized largely through the work of
   - A) Adam Smith.
   - B) Karl Marx.
   - C) David Hume.
   - D) Thomas Hobbes.

40) In several Western democracies, the poor performance of state-owned enterprises, because of protection from competition and guaranteed government financial support, led to
   - A) privatization.
   - B) nationalization.
   - C) liberalization.
   - D) socialization of production.

41) Which philosophy can be traced back to the ancient Greek philosopher Aristotle?
   - A) socialism
   - B) individualism
   - C) collectivism
   - D) anarchism

42) The tenet of ________ is that the welfare of society is best served by letting people pursue their own economic self-interest.
   - A) socialism
   - B) communism
   - C) anarchism
   - D) individualism

43) Which statement *best* characterizes the concept of individualism?
   - A) Individualism promotes state ownership of the basic means of production, distribution, and exchange.
   - B) Individualism promotes globalization.
   - C) Individualism creates an antibusiness environment.
   - D) Individualism and democracy go hand in hand.

44) What safeguard do representative democracies use to ensure their elected officials are held responsible for their actions?
   - A) unlimited terms for elected representatives
   - B) a court system that is integrated with the political system
   - C) an individual's right to freedom of expression, opinion, and organization
   - D) a political police force and armed service

45) Which feature is characteristic of a representative democracy?
   - A) exercise of absolute control by one person or political party
   - B) governance by people or elected representatives
   - C) prohibition of entry to opposing political parties
   - D) complete restriction of individual political freedom

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46) Those who are proponents of totalitarianism believe that
    - A) government is by the people, exercised either directly or through elected representatives.
    - B) citizens should have total control and be directly involved in decision making.
    - C) one person or political party should exercise absolute control over all spheres of human life.
    - D) the welfare of society is best served by letting people pursue their own economic self-interests.

47) People's right to protest on issues of accountability in public expenditure would be possible in a ________ political setup.
    - A) dictatorial
    - B) democratic
    - C) totalitarian
    - D) fascist

48) ________ refers to a state where political power is monopolized by a party, group, or individual that governs according to religious principles.
    - A) Representative democracy
    - B) Theocratic totalitarianism
    - C) Tribal anarchism
    - D) Monotheistic communism

49) Which system of government generally permits some individual economic freedom but restricts individual political freedom, frequently on the grounds that it would lead to the rise of communism?
    - A) tribal totalitarianism
    - B) right-wing totalitarianism
    - C) democratic totalitarianism
    - D) theocratic totalitarianism

50) In a pure market economy,
    - A) all productive activities are owned by the state.
    - B) production is determined by the interaction of market forces of supply and demand.
    - C) collectivist goals are given priority over individual goals.
    - D) the prices at which goods are sold are determined by the government.

51) The abolition of ________ in a command economy distorts incentive and competition.
    - A) private ownership
    - B) public ownership
    - C) government-owned businesses
    - D) co-operatives

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52) The local grocery in a small southern city is the only option for the residents, so it has a monopoly on the grocery business there. When the population of the city grows and demand for groceries increases, what is the grocery store most likely to do?
   A) Restrict output to drive prices down.
   B) Increase output to drive prices down.
   C) Restrict output and let prices rise.
   D) Increase output and keep prices constant.

53) In a ________, if demand for a product exceeds supply, prices will rise, signaling to producers to produce more.
   A) mixed economy
   B) market economy
   C) collectivist economy
   D) command economy

54) 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. This example is representative of a ________ economy.
   A) command
   B) mixed
   C) capitalistic
   D) market

55) An economy in which the interaction of supply and demand determines the quantity in which goods and services are produced is called a
   A) planned economy.
   B) command economy.
   C) closed economy.
   D) market economy.

56) For what reason might command economies tend to stagnate?
   A) Costs are tightly controlled and business are forced to be efficient rather than dynamic and innovative.
   B) The abolition of private ownership means there is no incentive for individuals and no competition.
   C) All economic resources are mobilized for the public good.
   D) Individuals in command economy countries lack the skills to be innovative.

57) Antitrust laws in the United States are designed to
   A) restrict agricultural subsidies.
   B) increase trade barriers.
   C) outlaw monopolies.
   D) restrict privatization.

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58) In a(n) ________ economy, the government plans the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold.
   - A) market
   - B) command
   - C) open
   - D) laissez-faire

59) 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) market
   - B) private
   - C) command
   - D) mixed

60) In which economy would the government be most likely to take into state ownership troubled firms whose continued operation is thought to be vital to national interests?
   - A) market economies
   - B) laissez-faire economies
   - C) liberal economies
   - D) mixed economies

61) Which statement about the legal systems of countries is true?
   - A) They can affect the attractiveness of a country as an investment site or market.
   - B) They are not influenced by the prevailing political system of the country.
   - C) They are almost the same for all countries.
   - D) They are of little importance to international business.

62) One key component of a country's legal system is
   - A) establishing a mixed economy.
   - B) taking a hands-off approach to business practices.
   - C) defining the rights and obligations of those involved in business transactions.
   - D) leaving the monitoring of the way business transactions are executed to the United Nations.

63) Under the ________ system, cases are judged with reference to three characteristics: tradition, precedent, and custom.
   - A) theocratic law
   - B) civil law
   - C) contract law
   - D) common law

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64) A civil law system tends to be less adversarial than a common law system because the
   - A) judges' decisions are based on detailed legal codes.
   - B) judges have the freedom to interpret laws based on the situation.
   - C) judges' decisions are based on religious teachings.
   - D) judges are guided by interpretations made in prior legal cases.

65) How does a common law system differ from a civil law system?
   - A) A common law system is based on religious teachings, while a civil law system is based on cultural traditions.
   - B) A common law system is very rigid, while a civil law system tends to be more flexible.
   - C) In a common law system a judge relies on legal codes to make rulings, while in a civil law system a judge relies on his intuition and moral reasoning to make judgments.
   - D) In a common law system a judge has the power to interpret the law, while in a civil law system a judge has the power only to apply the law.

66) A ________ law system is based on a very detailed set of laws organized into codes.
   - A) traditional
   - B) theocratic
   - C) civil
   - D) common

67) A theocratic law system is one in which the law is based on
   - A) religious teachings.
   - B) tradition, precedent, and custom.
   - C) a detailed set of laws organized into codes.
   - D) cultural and social norms.

68) What is the most widely practiced theocratic legal system in the world today?
   - A) Hindu law
   - B) Sikh law
   - C) Islamic law
   - D) Jewish law

69) ________ rights refer to the legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource.
   - A) Trade
   - B) Property
   - C) Positive
   - D) Common

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70) In Russia, in the chaotic period following the collapse of communism, an outdated legal system, coupled with a weak police force and judicial system, allowed the Russian Mafia to demand "protection money" from business owners. Any business owner who rebelled had to face violent retribution. This violation of property rights exemplifies

A) private action.
B) copyright violation.
C) infrastructural failure.
D) public liability.

71) Violation of property rights done through legal mechanisms such as levying excessive taxation and requiring expensive licenses or permits from property holders is called

A) private action.
B) collective action.
C) public action.
D) copyright violation.

72) Which area of international trade is regulated by the Foreign Corrupt Practices Act?

A) making and performance of commercial contracts in international trade
B) preventing bribery and unethical acts in the conduct of international business
C) establishing a set of safety standards to which a new product must adhere
D) controlling the mafia activity that hinders trade in Russia, Japan, and the United States

73) Which is an example of intellectual property?

A) a music score
B) a laser-tag game
C) a software business
D) a theater

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

A) copyright
B) trademark
C) contract
D) patent

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

A) trademarks.
B) copyrights.
C) patents.
D) licenses.

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76) The research and development division of a company has recently designed a new coffee vending machine that is likely to sell very well in the market. It is compact, user-friendly, and provides unprecedented efficiency in terms of cost per cup. Consequently, the company fears that its competitors would soon mimic the design of its product. To protect its product, the company is now seeking a
   - A) copyright.
   - B) patent.
   - C) trademark.
   - D) certification.

77) What protection provides exclusive legal rights to authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit?
   - A) patent
   - B) copyright
   - C) trademark
   - D) license

78) The TRIPS agreement was designed to
   - A) exclude China from all intellectual property agreements.
   - B) oversee a much stricter enforcement of intellectual property regulations.
   - C) hold a firm and its officers responsible when a product causes injury, death, or damage.
   - D) support traded software and recorded property among developed markets.

79) Which statement about the Trade-Related Aspects of Intellectual Property Rights (or TRIPS) agreement is true?
   - A) It was designed to oversee the loosening of intellectual property regulations, beginning in 1995.
   - B) It obliged WTO members to grant and enforce patents lasting at least 20 years and copyrights lasting 50 years.
   - C) It directed rich countries to comply with its rules of intellectual property protection within five years.
   - D) It provided the very poorest countries amnesty from complying with its rules of intellectual property protection.

80) Safety standards to which a product must adhere are set by
   - A) safety certifications.
   - B) contract laws.
   - C) product safety laws.
   - D) product liability laws.

81) Private action refers to
   - A) public officials extorting income, resources, or the property itself from property holders.
   - B) bribing government officials in foreign countries in an attempt to win lucrative contracts.
   - C) theft, piracy, blackmail, and the like by private individuals or groups.
   - D) violations of intellectual property rights.

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82) The ________ establishes a uniform set of rules governing certain aspects of the making and performance of everyday commercial contracts between sellers and buyers that have their places of business in different nations.

A) Trade-Related Aspects of Intellectual Property Rights (TRIPS)
B) Paris Convention for the Protection of Industrial Property
C) United Nations Convention on Contracts for the International Sale of Goods (CISG)
D) World Trade Organization (WTO)

83) A newly established U.S-based firm trying to secure business in a foreign country bribes a foreign government official in order to obtain business over which that foreign official has authority. Which statement regarding the Foreign Corrupt Practices Act (FCPA) applies to this scenario?

A) This practice is allowed by the FCPA because the bribe was to a government official rather than a business owner or representative.
B) This would be an illegal practice in all respects according to the FCPA.
C) Because this is a U.S.-based business operating overseas, this practice is acceptable to the FCPA.
D) The FCPA will overlook this practice for now; once the U.S. company has an established business overseas, any subsequent bribes will be illegal.

84) Razor Sharp Electronics has been found guilty of manufacturing a product that caused harm to its users, violating criminal liability laws. What is the most likely outcome for Razor Sharp Electronics?

A) payment and monetary damages
B) more severe punishment if Company Razor Sharp Electronics is outside the United States
C) fines or imprisonment
D) nothing if it was Company Razor Sharp Electronics's first offense

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85) ________ are established through patents, copyrights, and trademarks.
   A) Digital signatures
   B) Ownership rights over private property
   C) Origination fees and tributes
   D) Ownership rights over intellectual property

86) In common law, ________ refers to cases that have come before the courts in the past.
   A) custom
   B) precedent
   C) codification
   D) tradition

87) The most widely practiced theocratic legal system in the modern world is
   A) Christian.
   B) Hindu.
   C) Jewish.
   D) Islamic.

88) In the 1970s, the United States ________, which requires all publicly traded companies, whether or not they are involved in international trade, to keep detailed records that would reveal whether a violation of the act has occurred.
   A) adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions policy
   B) passed the Foreign Corrupt Practices Act
   C) joined Transparency International
   D) joined the Organisation for Economic Co-operation and Development (OECD)

89) What system of law is based on a detailed set of laws organized into codes?
   A) municipal law
   B) contract law
   C) civil law
   D) common law

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90) Although many countries have stringent intellectual property regulations on their books, the enforcement of these regulations has often been lax. This has been the case even among many of the 185 countries that are now members of the ________, all of which have signed international treaties designed to protect intellectual property.

A) World Intellectual Property Organization
B) General Agreement on Tariffs and Trade
C) Business Software Alliance
D) Trade-Related Aspects of Intellectual Property Rights (TRIPS)

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

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

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

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

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

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

96) Compare and contrast the four forms of totalitarianism.

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

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

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

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

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

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

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

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

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Answer Key

Test name: Chapter 02

1) FALSE
2) FALSE
3) TRUE

The Cold War, in many respects, was a war between collectivism, championed by the former Soviet Union, and individualism, championed by the United States.

4) FALSE
5) FALSE
6) FALSE
7) TRUE
8) FALSE
9) TRUE
10) FALSE
11) TRUE
12) TRUE
13) TRUE
14) FALSE
15) TRUE
16) FALSE
17) TRUE
18) FALSE
19) TRUE
20) FALSE
21) FALSE
22) FALSE
23) TRUE
24) TRUE
25) TRUE
26) C

Tribal totalitarianism has arisen from time to time in African countries such as Zimbabwe, Tanzania, Uganda, and Kenya. The borders of most African states reflect the administrative boundaries drawn by the old European colonial powers rather than tribal realities. Consequently, the typical African country contains a number of tribes (e.g., in Kenya there are more than 40 tribes). Tribal totalitarianism occurs when a political party that represents the interests of a particular tribe (and not always the majority tribe) monopolizes power.

27) B

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. Or, as Adam Smith put it in a famous passage from *The Wealth of Nations*, "an individual who intends his own gain is led by an invisible hand to promote an end that was no part of his intention."

28) A

The term *political economy* stresses 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.

29) B

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).

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30) B
The communists believed that socialism could be achieved only through violent revolution and totalitarian dictatorship, whereas the social democrats committed themselves to achieving socialism by democratic means, turning their backs on violent revolution and dictatorship.

31) D
Advocacy of collectivism can be traced to the ancient Greek philosopher Plato. Plato did not equate collectivism with equality; he believed that society should be stratified into classes, with those best suited to rule (which for Plato, naturally, were philosophers and soldiers) administering society for the benefit of all.

32) C
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."

33) D
Many of the world's nations are neither pure democracies nor iron-clad totalitarian states. Rather they lie between pure democracies and complete totalitarian systems of government. They might be described as imperfect or pseudo-democracies, where authoritarian elements have captured some or much of the machinery of state and use this in an attempt to deny basic political and civil liberties.

34) D
Aristotle argued that individual diversity and private ownership are desirable. According to Aristotle, communal property receives little care, whereas property that is owned by an individual will receive the greatest care and therefore be most productive.

35) A
Individualism refers to a philosophy that an individual should have freedom in his or her economic and political pursuits. In contrast to collectivism, individualism stresses that the interests of the individual should take precedence over the interests of the state.

36) A

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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.

37) D
The term *political economy* is used 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.

38) B
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.

39) B
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.

40) A
In many countries, state-owned companies performed poorly. As a consequence, a number of Western democracies voted many social democratic parties out of office in the late 1970s and early 1980s. They were succeeded by political parties, such as Britain's Conservative Party and Germany's Christian Democratic Party, that were more committed to free market economics. These parties sold state-owned enterprises to private investors (a process referred to as privatization).

41) B
Like collectivism, individualism can be traced to an ancient Greek philosopher, in this case Plato's disciple Aristotle (384–322 B.C.). In contrast to Plato, Aristotle argued that individual diversity and private ownership are desirable.

42) D
A 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.

43) D
The central message of individualism 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. Collectivism asserts the primacy of the collective over the individual; individualism asserts the opposite.

44) C

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To guarantee that elected representatives are being held accountable for their actions by the electorate, an ideal representative democracy incorporates safeguards that are enshrined in constitutional law. These safeguards include an individual's right to freedom of expression, opinion, and organization; a free media; regular elections in which all eligible citizens are allowed to vote; universal adult suffrage; limited terms for elected representatives; a fair court system that is independent from the political system; a nonpolitical state bureaucracy; a nonpolitical police force and armed service; and relatively free access to state information.

45) B
The United States operates as a representative democracy. 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. In a representative democracy, elected representatives who fail to perform this job adequately will be voted out of office at the next election.

46) C
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.

47) B
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. In a representative democracy, elected representatives who fail to perform this job adequately will be voted out of office at the next election. 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.

48) B
Theocratic totalitarianism is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles. The most common form of theocratic totalitarianism is based on Islam and is exemplified by states such as Iran and Saudi Arabia.

49) B
Right-wing totalitarianism generally permits some individual economic freedom but restricts individual political freedom, frequently on the grounds that it would lead to the rise of communism. A common feature of many right-wing dictatorships is an overt hostility to socialist or communist ideas.

50) B
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.

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51) A
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 distorts incentive and competition.

52) C
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. This allows the monopolist to take a greater profit margin on each unit it sells.

53) B
In a market economy, 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.

54) B
In mixed economies, governments tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests. For example, 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.

55) D
In the archetypal pure market economy, all productive activities are privately owned, as opposed to being owned by the state. Production is determined by the interaction of supply and demand and signaled to producers through the price system.

56) B
While the objective of a command economy is to mobilize economic resources for the public good, the opposite usually occurs. 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.

57) C
Given the dangers inherent in monopoly, the role of government in a market economy is to encourage vigorous free and fair competition between private producers. Governments do this by outlawing restrictive business practices designed to monopolize a market (antitrust laws serve this function in the United States).

58) B
In a pure command economy, the government plans the goods and services that a country produces, the quantity in which they are produced, and the prices at which they are sold.

59) D

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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.

60) D
In mixed economies, governments tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests.

61) A
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. The legal system of a country is of immense importance to international business. A country's laws regulate business practice, define the manner in which business transactions are to be executed, and set down the rights and obligations of those involved in business transactions.

62) C
A country's laws regulate business practice, define the manner in which business tractions are to be executed, and set down the rights and obligations of those involved in business transactions. Establishing a mixed economy would be part of a country's economic system, not its legal system.

63) D
Common law is based on tradition, precedent, and custom.

64) A
A civil law system tends to be less adversarial than a common law system because the judges rely upon detailed legal codes rather than interpreting tradition, precedent, and custom.

65) D
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.

66) C
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.

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

68) C
A theocratic law system is one in which the law is based on religious teachings. Islamic law is the most widely practiced theocratic system in the modern world, although usage of both Hindu and Jewish law persisted into the twentieth century.

69) B

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Property rights refer to the legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource. 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. Resources include land, buildings, equipment, capital, mineral rights, businesses, and intellectual property (ideas, which are protected by patents, copyrights, and trademarks).

70) A
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 for a much higher level of criminal action in some than in others.

71) C
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.

72) B
In the 1970s, the United States passed the Foreign Corrupt Practices Act. This law makes it illegal to bribe a foreign government official to obtain or maintain business over which that foreign official has authority. 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.

73) A
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.

74) D
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.

75) A
Trademarks are designs and names, officially registered, by which merchants or manufacturers designate and differentiate their products (e.g., Christian Dior clothes).

76) B

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.

77) B
Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit.

78) B
Under the agreement known as the Trade-Related Aspects of Intellectual Property Rights (or TRIPS), as of 1995 a council of the World Trade Organization is overseeing enforcement of much stricter intellectual property regulations.

79) B

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Under the agreement known as the Trade-Related Aspects of Intellectual Property Rights (or TRIPS), as of 1995 a council of the World Trade Organization is overseeing enforcement of much stricter intellectual property regulations. These regulations oblige WTO members to grant and enforce patents lasting at least 20 years and copyrights lasting 50 years. Rich countries had to comply with the rules within a year. Poor countries, in which such protection generally was much weaker, had five years of grace, and the very poorest had 10 years.

80) C
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.

81) C
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.

82) C
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 that 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.

83) B
The Foreign Corrupt Practices Act was passed during the 1970s by the United States. The law makes it illegal for American companies to bribe a foreign government official in order to obtain or maintain business over which that foreign official has authority, and it requires all publicly traded companies to keep detailed records that would reveal whether a violation of the act has occurred.

84) C

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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 least extensive in less developed nations.

85) D
Ownership rights over intellectual property are established through patents, copyrights, and trademarks. 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.

86) B
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.

87) D
Islamic law is the most widely practiced theocratic system in the modern world, although usage of both Hindu and Jewish law persisted into the twentieth century.

88) B
The Foreign Corrupt Practices Act 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.

89) C
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.

90) A

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Although many countries have stringent intellectual property regulations on their books, the enforcement of these regulations has often been lax. This has been the case even among many of the 192 countries that are now members of the World Intellectual Property Organization, all of which have signed international treaties designed to protect intellectual property, including the oldest such treaty, the Paris Convention for the Protection of Industrial Property, which dates to 1883 and has been signed by more than 170 nations.

91) Essay
Modern socialists trace their intellectual roots to Karl Marx. Marx argued that the few benefit at the expense of the many in a capitalist society where individual freedoms are not restricted. While successful capitalists accumulate considerable wealth, Marx postulated that the wages earned by the majority of workers in a capitalist society would be forced down to subsistence levels. He argued that capitalists expropriate for their own use the value created by workers, while paying workers only subsistence wages in return. 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. Thus, the idea is to manage state-owned enterprise to benefit society as a whole, rather than individual capitalists.

A collectivist political system is one that stresses the primacy of collective goals over individual goals. In that sense, the needs of the society as a whole are viewed as being more important than individual freedoms. Collectivism can trace its roots to the ancient Greek philosopher Plato who suggested that individual rights be sacrificed for the good of the majority. Today, collectivism is reflected in the socialist movement started by Karl Marx who argued that the few benefit at the expense of the many in a capitalist society where individual freedoms are not restricted. Marx advocated state ownership of the basic means of production, distribution, and exchange (i.e., businesses). 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, whereas the social democrats committed themselves to achieving socialism by democratic means, turning their backs on violent revolution and dictatorship. Both versions of socialism waxed and waned during the twentieth century. The communist version of socialism reached its high point in the late 1970s, when the majority of the world's population lived in communist states. By the mid-1990s, however, communism was in retreat worldwide. The Soviet Union had collapsed and had been replaced by a collection of 15 republics, many of which were at least nominally structured as democracies. Communism was swept out of Eastern Europe by the largely bloodless revolutions of 1989.

92) Essay

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93) Essay
A state-owned company is a company that is owned by a nation's government. After World WarII2, many social democratic governments nationalized private companies that were to be run for the public good rather than private profit. Great Britain, for example, nationalized so many companies that by the end of the 1970s, state-owned monopolies existed in telecommunications, electricity, gas, coal, and several other industries. However, because state-run companies such as the ones that existed in Great Britain are protected from competition by their monopoly position and guaranteed financial support, they become inefficient.

94) Essay
Individualism refers to a philosophy that an individual should have freedom in one's economic and political pursuits. Accordingly, the philosophy stresses that the interests of the individual should take precedence over the interests of the state. Individualism can be traced to the ancient Greek philosopher Aristotle who argued that individual diversity and private ownership are desirable. Aristotle's philosophy was refined by David Hume, Adam Smith, and John Stuart Mill in the 1700s and 1800s, and more recently by Milton Friedman, Friedrich von Hayek, and James Buchanan. 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. The central message of individualism, therefore, is that individual economic and political freedoms are the ground rules on which a society should be based. Today, individualism translates into an advocacy for democratic political systems and free market economies.

95) Essay

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The pure form of democracy is based on a belief that citizens should be directly involved in decision making. In contrast, in a representative democracy, citizens periodically elect individuals to represent them. The elected individuals form a government and make decisions on behalf of the electorate. Because a pure democracy is impractical in advanced societies with tens or hundreds of millions of people, representative democracies are far more common in today's world.

96) Essay
In a totalitarian country, an individual's right to freedom of expression and organization, a free media, and regular elections are denied to the citizens. There are four forms of totalitarianism. Communist totalitarianism was until recently the most widespread form of totalitarianism. This form of totalitarianism advocates that socialism can only be achieved through totalitarian dictatorship. Theocratic totalitarianism is found in states where political power is monopolized by a party, group, or individual that governs according to religious principles. Tribal totalitarianism occurs when a political party that represents the interests of a particular tribe monopolizes power. Right-wing totalitarianism permits some individual economic freedoms but restricts individual political freedom, frequently on the grounds that it would lead to the rise of communism.

97) Essay
In the archetypal pure market economy, all productive activities are privately owned. Production is determined by supply and demand, and signaled to producers through the price system. The role of the government in a pure market economy is to encourage vigorous free and fair competition between private producers. In a 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. The government's role is to allocate resources for the good of the society. In addition, all businesses are state owned. A mixed economy is a combination of the other economic systems in which 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 tend to take into state ownership troubled firms whose continued operation is thought to be vital to national interests.

98) Essay

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In a monopoly situation, a firm has no competitors, and therefore it has no incentive to search for ways to lower production costs. Rather, cost increases are simply passed on to consumers in the form of higher prices. The net result is that the monopolist is likely to become increasingly inefficient, producing high-priced, low-quality goods. Given the dangers inherent in monopoly, the role of government in a market economy is to encourage vigorous free and fair competition between private producers. Governments do this by outlawing restrictive business practices designed to monopolize a market (antitrust laws serve this function in the United States).

99) Essay
Private ownership encourages vigorous competition and economic efficiency. Private ownership ensures that entrepreneurs have a right to the profits generated by their own efforts. This gives entrepreneurs an incentive to search for better ways of serving consumer needs. That may be through introducing new products, by developing more efficient production processes, by pursuing better marketing and after-sales service, or simply through managing their businesses more efficiently than their competitors. In turn, the constant improvement in product and process that results from such an incentive has been argued to have a major positive impact on economic growth and development.

100) Essay
The legal system of a country refers to the rules, or laws, that regulate behavior along with the processes by which laws are enforced and through which redress for grievances is obtained. It is critical that international companies understand a country's legal system because its laws regulate business practice, define the manner in which business transactions are to be executed, and set down the rights and obligations of those involved in business transactions. The legal environments of countries differ in significant ways and can affect the attractiveness of a country as an investment site or market.

101) Essay
Contracts drafted under a common law framework tend to be very detailed with all contingencies spelled out. In contrast, contracts in a civil law system tend to be much shorter and less specific because many of the issues typically covered in a common law contract are already covered in a civil code.

102) Essay

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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. This can be done through legal mechanisms such as levying excessive taxation, requiring expensive licenses or permits from property holders, taking assets into state ownership without compensating the owners, or redistributing assets without compensating the prior owners. 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.

103) Essay

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.

104) Essay

The political, economic, and legal systems of a country raise important issues that have implications for the practice of international business. For example, what ethical implications are associated with doing business in totalitarian countries where citizens are denied basic human rights, corruption is rampant, and bribes are necessary to gain permission to do business? The other important factor is that the benefits, costs, and risks associated with doing business in another country are a function of that country's political, economic, and legal systems. Companies must balance the likely long-term benefits of doing business in that country against likely costs and risks.