***Law, Business and Society, 12e* (McAdams)**

**Chapter 1 Capitalism and the Role of Government**

1) The American financial community's near collapse in late 2008 was most directly ignited by the government's flooding the market with cash.

2) Capitalism in America was built on the strong philosophical foundation of centralized control by the government.

3) Democratic capitalism and state capitalism create equal economic and political advantage making them economic and political allies.

4) Capitalism features economic cooperation and varying degrees of centralized control.

5) The term collectivism embraces communism and socialism and similar philosophies on the left side of the political or economic spectrum.

6) Political scientist Benjamin Barber believes that capitalism drags us into decadence by encouraging us to buy as many unnecessary products as we can manage.

7) Socialism embraces totalitarianism while calling for aggressive government intervention to correct economic and social ills.

8) Capitalists fear the "irrationality" of a society based on competition and unrestrained pursuit of industrial growth.

9) Capitalists consider class distinctions a relic of the past and seek to diminish any class differences.

10) Communists are convinced that problems of market failure mean that the free market is simply incapable of meeting the needs of all segments of society.

11) To pay for its comprehensive welfare benefits, the United States takes 50.1 percent of its national income in taxes, the highest rate of any industrialized nation.

12) Sweden and the other Scandinavian states rely on wise government spending as their key ingredient in a successful market-based economy.

13) The pure free market approach adds all forms of government including regulatory agencies, consumer protection, environmental rules, and antitrust law to our business system and our society.

14) American capitalism, despite its extraordinary success, is criticized for problems of poverty, inequality, and unfairness.

15) It is a well-known fact that the United States ranks equally well on standard social measures and standard economic measures.

16) Taking the privatization movement a step further, state and local governments are selling or leasing existing roads to private companies.

17) Privatization often brings substantially reduced costs and improved expertise.

18) China's reliance on cheap labor to drive its economy remains unchallenged as other nations are unable to undercut the Chinese advantage.

19) From the critics' point of view, extravagant wealth, side-by-side with punishing poverty, is perhaps the greatest disappointment and injustice in the global advance of capitalist principles.

20) In the context of capitalism in America, which of the following most likely led the government to curb the power of big business?

A) Lack of natural resources

B) Emergence of monopolistic abuse

C) Lack of private property rights

D) Poor foundation of personal freedom

21) \_\_\_\_\_\_\_\_ in the United States, Japan, Denmark, and other nations favors business to create wealth and government to regulate as needed.

A) Regional socialism

B) State capitalism

C) Religious socialism

D) Democratic capitalism

22) \_\_\_\_\_\_\_\_ in countries such as Russia, China, and Saudi Arabia employs the market to build wealth, which, in turn, is controlled and distributed by the state for its political purposes.

A) State capitalism

B) Democratic capitalism

C) Regional socialism

D) Religious socialism

23) All the following countries have a communist form of government except

A) Cuba.

B) North Korea.

C) China.

D) South Korea.

24) \_\_\_\_\_\_\_\_ was particularly concerned about the growing imbalance between rich and poor and felt that the pursuit of wealth and self-interest would erode society's moral core.

A) Ayn Rand

B) Bo Xilai

C) Anatole Kaletsky

D) Karl Marx

25) Democratic governments and peaceful change are often associated with \_\_\_\_\_\_\_\_.

A) strong centralized governments

B) communism

C) economic individualism

D) socialism

26) Identify the correct statement regarding socialists.

A) They aim to retain the benefits of industrialism while abolishing the social costs that often accompany the free market.

B) They reserve much of their concern for the condition of the middle and higher classes.

C) They reject the need for aggressive government intervention to correct economic and social ills.

D) They embrace communist totalitarianism and reject democracy.

27) Which of the following statements about socialists is true?

A) Socialists feel that the economy must be directed toward the welfare of the successful capitalists.

B) Socialists reserve much of their concern for the condition of the higher class.

C) Socialists do not object to the harshness of working life.

D) Socialists consider class distinctions anathema.

28) Which of the following statements corresponds to Karl Marx's beliefs?

A) Unrestrained capitalism leads to economic abuses that threaten the welfare of workers.

B) Unrestrained capitalism makes society more productive.

C) Individual pursuit of wealth and self-interest continuously builds society's moral core.

D) Competition and unrestricted pursuit of industrial growth is necessary for the welfare of workers.

29) Which of the following is true of Robert Putnam's observations on social capital?

A) Putnam observed that the practice of free market principles is essential for a moral life.

B) Putnam observed that a sharp rise was seen in league bowling from 1980 to 2000 although the number of bowlers decreased by about 10 percent.

C) Putnam observed that virtually every measure of social interaction fell significantly from roughly 1975 to 2000.

D) Putnam observed that only three categories of government were necessary: the police, the armed services, and the law courts.

30) Identify the underlying reason why socialists advocate income supports, free education, free health care, generous sick pay, and family planning.

A) Socialists believe that the economy must be directed toward the general interest of society rather than left free to multiply the welfare of successful capitalists.

B) Socialists seek an excessively individualistic approach to life where the communitarian approach of capitalism is muted by a concern for the welfare of all.

C) Socialists believe that communism harshly restrains individual freedom and creates a society based on unrestrained pursuit of industrial growth.

D) Socialists seek to embrace totalitarianism while calling for aggressive government intervention.

31) Which of the following views was advocated by Ayn Rand, the philosopher and novelist?

A) The necessary categories of government were only three in number: the police, the armed services, and the law courts.

B) The practice of free market principles is not needed for a rational, moral life.

C) The mode of production in material life determines the general character of the social, political, and spiritual processes of life.

D) The theory of market fundamentalism is a greater threat to open society today than communism.

32) The proper balance between \_\_\_\_\_\_\_\_ remains the central public policy debate in American life.

A) open markets and government intervention

B) personal freedom and private property rights

C) natural resources and democracy

D) competition and unrestrained pursuit of industrial growth

33) Sweden has made what attempt to keep its economy healthy?

A) It has taken an aggressive market capitalism approach.

B) It has maintained a policy of comparatively low corporate taxes.

C) It has allowed private parties to buy or lease government property.

D) It has developed a significant private sector and permitted it to take limited control of several state-run companies.

34) Which of the following is most likely to be a result of a country maintaining its core welfare commitment in combination with an entrepreneurial spirit?

A) An economy that has only state-dominated companies with high employment due to the encouragement of welfare over work

B) An economy that is impoverished and filled with inequality

C) An economy encompassing poverty, oppression, and the rich-poor gap

D) An economy of relatively low unemployment, low inflation, and high GDP growth

35) In terms of markets and governments, America

A) has greater faith in a more libertarian, cowboy-capitalism.

B) has greater faith in a coordinated, stakeholder capitalism.

C) chose a quasi-socialist, democratic approach to life.

D) reflects a preference for greater central authority.

36) In the context of economic systems, the "Third Way" refers to \_\_\_\_\_\_\_\_.

A) limited totalitarianism

B) market communism

C) unrestrained capitalism

D) market socialism

37) Which of the following countries followed the "Third Way" and navigated a path between the harsher extremes of capitalism and communism?

A) China

B) Japan

C) Sweden

D) South Korea

38) The pure free market approach assumes that:

A) equal faith should be placed in the market and government planning.

B) legal systems in all countries should reflect a preference for greater central authority.

C) limited centralized authority will result in a government and economy completely free of corruption.

D) business structures and societies can be operated at large free of all but foundational legal mechanisms.

39) Which of the following is true of the criticisms of Robert Putnam's thesis?

A) Robert Putnam was criticized for focusing too much on older activities such as social clubs.

B) Robert Putnam was criticized for focusing too much on emerging interests such as Internet groups.

C) Robert Putnam was criticized for his belief that the necessary categories of government were only three in number: the police, the armed services, and the law courts.

D) Robert Putnam was criticized for his belief that state capitalism as practiced in Russia can succeed in the face of political repression, routine corruption, and abuse of the rule of law.

40) Identify the result of a growing gap in opportunities among socioeconomic classes of American children.

A) Children of the well-off express increasing trust in those around them.

B) Participation in extracurricular activities has fallen sharply for all children.

C) Young products of the less well-off have increased their community engagement.

D) The overall community engagement gap between all socioeconomic classes is narrowing.

41) Which of the following involves making utilization of a service more expensive at times of peak demand in order to curb that demand?

A) Congestion pricing

B) Clearance pricing

C) Predatory pricing

D) Median pricing

42) Identify a reason why some parents and school boards have adopted a free market "fix."

A) Parents and school boards are convinced that replacing merit-based admission with an auction allowing space to the highest bidders is the only way to raise the academic profile of an educational institution.

B) Studies reveal that achievement growth rates were twice as high in districts with a free market fix than in standard public schools.

C) Parents and school boards hope that competition will push all schools to higher achievement levels.

D) Studies carried out in other countries reveal that market-based approaches such as open enrollment and charter schools work better than direct payment to students of $100 to $500 per year for improved performance.

43) In the context of toll roads, parking meters, and congestion pricing, which of the following is true of privatization?

A) Privatization brings secure working conditions, increased services, and increased responsiveness to customers.

B) Privatization often brings increased costs and higher customer dissatisfaction.

C) Growing government revenue problems suggest that privatization of transportation will cease to exist.

D) Some struggling governments see privatization as a solution for financial distress.

44) How do privatization supporters envision major changes to daily life?

A) By promising economic justice for all

B) By promoting religiosity and building peace

C) By citing free market efficiency and personal freedom while challenging moral conventions

D) By encouraging economic cooperation and varying degrees of centralized control

45) Which of the following statements about the economic and political issues of China is true?

A) The per capita gross domestic product of China is the highest in the world.

B) China's free market liberalization policies of recent years have paced faster, making entry to the Chinese market and competition with Chinese companies easy.

C) China's gap between rich and poor is estimated to be the world's largest.

D) Interest in Buddhism has re-emerged after being suppressed during the anti-intellectual Cultural Revolution of 1966-76.

46) In the context of state capitalism, explain why government is the dominant economic force.

A) The government intervenes in and shapes the market to further the state's political goals.

B) The intensity of income disparity between the rich and the poor is relatively low.

C) State capitalism favors business to create wealth and government to regulate as needed.

D) State capitalism fails to blend a shrinking system of state-owned enterprise with the power of the free market.

47) According to Robert Putnam, which of the following is true of the growing gap in opportunities among socioeconomic classes of American children?

A) Children of affluent Americans have withdrawn or never undertaken community engagement.

B) Today, participation in extracurricular activities has risen sharply for less well-off children while falling sharply for affluent children.

C) Today, the more comfortable class of children receive about one hour per day more time with their parents than less advantaged children.

D) Less affluent young whites have steadily deepened their community engagements.

48) Discuss some of the key indicators of America's economic and social health.

49) Describe the chief characteristics of socialists.

50) Describe the effects of globalization.

51) Explain how Sweden's economic health improved due to its adoption of a policy of comparatively low total corporate tax.

52) Define privatization, providing examples.

53) Describe the major criticisms or concerns about the privatization of toll roads.

54) Elaborate on the changing labor market trend and the problems faced by China.

55) Explain Robert Putnam's view on the impact of declining community and growing gap in opportunities among socioeconomic classes of American children.