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1. Self-interest is an important motive for countries who express concern that poverty may be linked to a rise in
   a. religious activity.
   b. environmental deterioration.
   c. terrorist events.
   d. capitalist entrepreneurialism.

2. Interdependence and globalization have demonstrated that poverty in other countries can
   a. facilitate economic growth in the rich countries.
   b. infuse stronger feelings of nationalism in the poor countries.
   c. spill over from poor to rich countries through migration, crime, and health problems.
   d. unite countries through international organizations.

3. Rich countries should be concerned about poverty in other countries in part because
   a. poor countries vote in the United Nations and other international organizations.
   b. poverty undermines economic growth in rich countries.
   c. businesses need poor people in other countries to hire as workers.
   d. poverty impedes the development of a poor country’s natural resources.

4. Defining poverty as having a comparatively low income refers to poverty in
   a. relative terms.
   b. moral terms.
   c. absolute terms.
   d. practical terms.

5. The definition of poverty by the UN Commission on Human Rights stating that it is “a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political, and social rights,” considers poverty in terms of
   a. ethical behavior.
   b. moral standards.
   c. relative guidelines.
   d. absolute guidelines.
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6. Dividing the overall annual income of a country by the population results in
   a. purchasing power parity.
   b. percentage of poverty.
   c. per capita GDP.
   d. gross national product.

7. Purchasing power parity (PPP) is especially insightful because it takes into account
   a. the different costs of goods in different countries.
   b. the percentage of a society living under conditions of poverty.
   c. the absolute costs of living in any one country.
   d. a relatively simple calculation of the cost of living.

8. In measuring poverty and/or inequality, the following statistic is most widely used because it is among the easiest to
   determine
   a. purchasing power parity.
   b. human development index.
   c. per capita GDP.
   d. Gini coefficient.

9. The measure of poverty that includes life expectancy, literacy rates, and years of schooling is known as the
   a. per capita GDP.
   b. Gini Coefficient.
   c. gender development index.
   d. Human Development Index.

10. Which are NOT measures of inequality and poverty mentioned in the text?
    a. Average income and Racial Equality
    b. Poverty Level and Average Income
    c. Racial equality and General Equality
    d. Gini Coefficient and Purchasing Power Parity
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11. The Gini Coefficient refers to the
   a. percentage breakdown of those living below and above the poverty line.
   b. income ratio of the top and bottom fractions of society.
   c. relative rise in income for certain segments of society.
   d. absolute rise of a country’s income.

12. Which of the following countries has the least inequality, according to Gini coefficient data?
   a. United States
   b. Botswana
   c. Columbia
   d. Denmark

13. The Gender Development Index, published by the United Nations Development Programme, measures the economic equality of men and women. Which of the following countries is considered as low-ranking on this index?
   a. Australia
   b. Norway
   c. Niger
   d. United States

14. Which of the following is NOT mentioned in the text as a UN Millennium Development Goal?
   a. Eradicate Poverty
   b. Eradicate Hunger
   c. Create a global partnership for development
   d. Enforce market-oriented policies

15. Which of the following statements is false?
   a. There are major gender gaps in wealth, especially in the poorest countries.
   b. Within countries, gaps between the wealthiest and the poorest are generally decreasing, after a century in which they tended to grow.
   c. Between countries, inequality is decreasing, as developing economies are growing faster than developed countries.
   d. Many countries in Asia and in Central Europe that were formerly poor are now reducing the gap with the wealthiest countries.
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16. Theorists in the _________ school of thought tend to argue that inequality was produced by colonialism and will persist unless specific steps are taken.
   a. economic structuralist
   b. liberal
   c. realist
   d. constructivist

17. One major school of thought argues that the rise of capitalism affected Europe’s economic development by
   a. producing conditions where governments had incentives to let commerce flourish.
   b. allowing for growing inequalities in Europe.
   c. leading to colonial expansion outside Europe.
   d. creating conditions for widespread economic equality.

18. Economic structuralists argue that Europe’s economic success was due to the
   a. advent of capitalism in Europe.
   b. rise of capitalist competition between Europe and the United States.
   c. European colonial conquest of the world.
   d. rise of military power in Europe.

19. _________ refers to the condition when a country is provided a benefit as it enters a new industry first.
   a. Special trading privilege
   b. Neo-colonialism
   c. First-mover advantage
   d. Entrepreneurial benefit

20. What problem do late developers confront with economies of scale?
   a. They produce on a small scale at a higher cost.
   b. They are unable to produce a large amount of their goods.
   c. First movers are able to undermine these new businesses.
   d. The laws and policies set by the first movers hinder late developers.
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21. Three of the following are advantages generally enjoyed by “first movers.” Which one is not?
   a. Network effects
   b. Economies of scale
   c. Investment funds
   d. Government incentives

22. The availability of investment funds for late developers may not be as critical an issue today as in the past because
   a. late developers can produce on a larger scale, lowering costs.
   b. late developers increasingly are able to rely on domestic savings for capital.
   c. financial markets have been globalized making it easier for foreign investment.
   d. agriculture is the primary industry of late developers.

23. Which concept refers to the relative prices of goods a country imports and exports?
   a. Balance of payments
   b. Capital account
   c. Foreign debt
   d. Terms of trade

24. Although the price of oil and some commodities has increased in recent years, the price of most raw materials has declined. For countries that primarily produce raw materials, this development has led to
   a. declining terms of trade.
   b. a rise in terms of trade.
   c. opportunities to rely on inexpensive labor.
   d. an increase in the export of raw materials.

25. How do network effects benefit established businesses?
   a. It allows consumers to find a variety of goods and services in one place.
   b. Transportation costs are decreased, and the concentration of many people and firms in a particular area leads to greater innovation by existing firms and new ones.
   c. It doesn’t benefit established businesses.
   d. It allows the established business to learn about its competitors, thus allowing it to lower prices and compete more effectively.
26. The early industrialists of the United States, Germany, and Japan relied heavily on
   a. free trade.
   b. private investment.
   c. protectionism.
   d. democratic institutions.

27. Who wrote the “Report on Manufactures,” referred to in text as advocating protectionism against imports as a means
to development?
   a. Fernando Henrique Cardoso
   b. Robert McNamara
   c. Vladimir Lenin
   d. Alexander Hamilton

28. In terms of its early economic development, the United States had at least two advantages that other countries could
not easily match. One of these was an enormous amount of cheap capital in the form of land that was taken from Native
Americans. What was the other?
   a. The wage of U.S. laborers was lower than their European counterparts.
   b. Britain provided much of the investment that financed the growth of U.S. industry.
   c. The terms of trade were beneficial to American exporters.
   d. New industrialized machinery was considerably more fuel efficient and less obsolete than European
      machinery stock.

29. Which is NOT a strategy that allowed Germany to achieve development in the nineteenth century?
   a. Taxation
   b. A first-rate education system
   c. Protectionism
   d. Central planning

30. In the second half of the twentieth century, import substitution was dominant in
   a. Latin America, India, and parts of Africa.
   b. Africa.
   c. Latin America.
   d. Europe.
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31. In the second half of the twentieth century, export-led growth was dominant in
   a. Latin America.
   b. Africa.
   c. Europe.
   d. East Asia.

32. In recent decades, three main development strategies have been dominant. Which of the following is not one of these strategies?
   a. Export led growth
   b. State socialism
   c. Import substitution
   d. Free market protectionism

33. Which term refers to the strategy of producing domestically those goods that a country has been importing?
   a. Import substitution
   b. Export promotion
   c. Terms of trade
   d. Late development

34. What impact does import substitution have on the balance of payments?
   a. Negative, balance of payments can deteriorate.
   b. Positive, balance of payments can improve.
   c. None, balance of payments does not change.
   d. Unpredictable, impact depends on the circumstances and imports.

35. The alternative strategy for development that emerged with the establishment of the Soviet Union in 1917 and spread after World War II to eastern Europe, China, and Cuba was called
   a. state socialism.
   b. import substitution.
   c. free market protectionism.
   d. export-led growth.
36. Although state planning increased production, the failure of state socialism resulted from the
   a. expansion of foreign indebtedness.
   b. lack of innovation.
   c. absence of democracy.
   d. failure to develop international markets for goods.

37. Which socialist state is only now beginning to modify the state socialist development strategy?
   a. Russian Federation
   b. Cuba
   c. China
   d. North Korea

38. Korea, Taiwan, Singapore, and Hong Kong, countries that pursued a trade-oriented policy, are known as the
   a. Asian Tigers.
   b. Asian Union.
   c. Asian Exporters.
   d. Asian Innovators.

39. The export led growth countries pursued a policy of “going where the money is.” This was referred to as
   a. investing capital in the rich countries of the world.
   b. borrowing capital from rich countries.
   c. producing and selling goods for the international market.
   d. importing heavily from rich countries.

40. By the 1980s, donor countries and organizations had reached an understanding on development strategy that was
    based on the values of open economies and free trade. This was known as the
    a. Bretton Woods Agreement.
    b. North American Free Trade Agreement.
    c. International Monetary Fund Treaty.
    d. Washington consensus.
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41. Liberals argue that the success of the Asian Tigers is evidence that the best approach to development is
   a. export led growth.
   b. import substitution.
   c. protectionism.
   d. based on the free market.

42. According to the Fair Labor Association’s “Workplace Code of Conduct,” which of the following ages is too young to work under any circumstance?
   a. 15
   b. 14
   c. 13
   d. 16

43. After the Asian financial crisis of 1997–1998, East Asian economics were exposed for corrupt close connections. The term coined by this corruption was
   a. Asian Tigers.
   b. crony capitalism.
   c. The Asian Kittens.
   d. Hong Kong capitalism.

44. The development concept that pushes for the state to accumulate capital, direct investment, and provide legal, administrative, and educational infrastructure is called
   a. the developmental state.
   b. the free market.
   c. state socialism.
   d. the invisible hand.

45. An important problem in Russia during the post-communist phase has been the
   a. weak industrial sector relative to a strong agricultural sector.
   b. the weak dollar relative to a strong ruble.
   c. absence of a strong, competent, and honest state authority.
   d. weakening role of Russia in the UN.
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46. The success of China gives further support to
   a. the developmental state concept.
   b. protectionism.
   c. the Washington Consensus.
   d. export-led growth.

47. The concept of good governance refers to
   a. a government that is led by moral leaders.
   b. a transparent, accountable, and effective government.
   c. all types of democracies.
   d. democratically elected governments.

48. The United States was willing to tolerate significant trade deficits with which of the following countries during the Cold War, due to the strategic importance of this country?
   a. Singapore
   b. Taiwan
   c. England
   d. Japan

49. In recent decades, the World Bank shifted to an approach that focused on food, shelter, and health care. This approach is referred to as the
   a. export-led growth strategy.
   b. developmental state approach.
   c. most favored nation status.
   d. basic human needs approach.

50. In much of the post-World War II period, development aid focused on all of the following, except
   a. infrastructure.
   b. short-term alleviation of poverty.
   c. technical know-how needed for development.
   d. investment funds.
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51. A more recent development strategy is called structural adjustment. This refers to
   a. the strengthening of the financial basis of a country’s economy.
   b. economic structuralist’s attempt to break from dependency.
   c. a state socialist approach to economic development.
   d. a greater focus on food, shelter, and health care.

52. An economic effect whereby an increase in spending (for example, of funds provided to a country by a donor) produces an increase in national income and consumption greater than the initial amount spent is called the
   a. untied aid.
   b. multiplier effect.
   c. export-led growth effect.
   d. network effect.

53. International aid has been criticized for all of the following except
   a. aid going primarily to governments who may waste it through corruption or incompetence.
   b. aid distorting markets and impeding economic reform.
   c. aid often flowing out of the country quickly, diminishing the multiplier effect.
   d. aid benefitting the receiving nation at the expense of neighboring countries.

54. Which of the following international governmental organizations has played a leading role in defining the “best practices” in development aid?
   a. World Trade Organization
   b. World Bank
   c. International Monetary Fund
   d. Inter-American Development Bank

55. Which of the following is not a part of the World Bank structure?
   a. The International Monetary Fund
   b. International Bank for Reconstruction and Development
   c. The International Development Association
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d. The International Finance Corporation

56. The International Bank for Reconstruction and Development (IBRD) focuses on __________, whereas the International Development Association (IDA) focuses on __________.
   a. middle-income countries and poorer countries considered to be a good risk in terms of repaying loans; the poorest countries, who may have considerable difficulty paying back any aid
   b. the poorest countries, who may have considerable difficulty paying back any aid; middle-income countries and poorer countries considered to be a good risk in terms of repaying loans
   c. middle-income countries who are considered to be a good risk; lower-income countries who are considered to be a good risk
   d. lower income countries who are considered to be a good risk; lower-income countries who are considered to be a poor risk

57. Which country has the second highest percentage of voting shares at the World Bank?
   a. Japan
   b. Germany
   c. United States
   d. France

58. Why do some criticize the voting structure in the World Bank?
   a. They believe that the Bank remains a semicolonial organization in which the wealthy countries decide what will happen to the poor ones.
   b. They believe that it gives the United States too much control.
   c. They believe that it leads to increased capitalism.
   d. They believe that it actually prevents development.

59. Which of the following is not an important function of the World Bank?
   a. Economic policy recommendations.
   b. Lending programs.
   c. Peacekeeping forces.
   d. research on development issues.
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60. An important and controversial practice of the World Bank is establishing an agreement so that the borrowing country must agree to a set of requirements. This practice is known as
   a. conditionality.
   b. tied aid.
   c. structural adjustment.
   d. foreign aid.

61. After the attacks of September 11, 2001, aid from various governments shifted to __________, which was viewed as crucial in dislodging the Taliban movement in Afghanistan and in preventing the spread of militant Islamic fundamentalism.
   a. Eastern Europe
   b. the United States
   c. Central Asia
   d. Middle east

62. What are some difficulties in defining and measuring poverty?

63. Discuss and explain the developmental state model as an alternative to the focus upon export-led growth? Are there any specific benefits to the former over the latter? What are some disadvantages of following in the footsteps of the development state model?

64. Many developing countries are known as late developers. What does this term imply for the developing world? What are the challenges that they face?

65. Critically compare the three dominant strategies of economic development: import substitution, export-led growth, and state socialism. What are the strengths and weaknesses of each strategy?

66. Discuss the benefits and risks with foreign aid. In what way does foreign aid help a country to develop and in what way does it hinder its development?

67. Compare and contrast multilateral aid and bilateral aid. What are their main differences and what are their similarities?

68. This chapter discusses the way that the United States and Europe were relatively weak economically until around the year 1900. What are some of the explanations for this reversal?

69. Why did import substitution fail as a strategy in the twentieth century?
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70. What have been some of the historical strategies used by states, e.g., the United States and Germany, in order to overcome late development? How do they compare with either the developmental state or export-led approaches?

71. What is bilateral aid? Discuss some of the many problems often associated with such aid, particularly from the point of view of the receiving country. Provide examples where possible.