

## Chapter 12

1. Self-interest is an important motive for countries who express concern that poverty may be linked to a rise in which of the following?
  - a. Religious activity
  - b. Environmental deterioration
  - c. Terrorism
  - d. Capitalist entrepreneurialism
2. Interdependence and globalization have demonstrated that poverty in other countries can do which of the following?
  - 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. Why should rich countries be concerned about poverty in other countries?
  - a. In part, because poor countries vote in the United Nations and other international organizations
  - b. In part, because poverty undermines economic growth in rich countries
  - c. In part, because businesses need poor people in other countries to hire as workers
  - d. In part, because poverty impedes the development of a poor country's natural resources
4. Defining poverty as having a comparatively low income refers to poverty in what kind of terms?
  - 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 which of the following?
  - a. Ethics
  - b. Morals
  - c. Relative capabilities
  - d. Absolute capabilities
6. What do you get when you divide the overall annual income of a country by its population?
  - a. Absolute income
  - b. Relative income
  - c. Per capita GDP (gross domestic product)
  - d. GNP (gross national product)
7. Purchasing power parity (PPP) is especially insightful because it takes into account which of the following?
  - a. The different costs of goods in different countries

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- 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. Which statistic, in measuring poverty and/or inequality, is most widely used because it is among the easiest to determine?
- a. Purchasing power parity
  - b. Housing poverty
  - c. Per capita GDP
  - d. The Gini coefficient
9. Which measure of poverty includes life expectancy, literacy rates, and years of schooling?
- a. Per capita GDP
  - b. The Gini coefficient
  - c. The Gender Development Index
  - d. The Human Development Index
10. What does the Gini coefficient measure?
- a. Income inequality
  - b. Gender inequality
  - c. Racial inequality
  - d. International levels of fair trade
11. What does the Gini Coefficient refer to?
- a. The percentage breakdown of those living below and above the poverty line
  - b. The income ratio of the top and bottom fractions of society
  - c. The relative rise in income for certain segments of society
  - d. The absolute rise of a country's income
12. Which of the following countries has the least inequality, according to Gini coefficient data?
- a. The United States
  - b. South Africa
  - c. China
  - d. Iceland
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. The United States

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14. Which of the following is a conclusion that can be reached by looking at the results of the Gender Development Index?
- Women are especially disadvantaged in communist countries.
  - Women are especially disadvantaged in countries where poverty is the harshest.
  - Women are especially disadvantaged in advanced, industrial democracies.
  - Women are especially disadvantaged in the Middle East.
15. Which of the following statements is false?
- There are major gender gaps in wealth, especially in the poorest countries.
  - Within countries, gaps between the wealthiest and the poorest are generally decreasing, after a century in which they tended to grow.
  - Between countries, inequality is decreasing, as developing economies are growing faster than developed countries.
  - Many countries in Asia and in Central Europe that were formerly poor are now reducing the gap with the wealthiest countries.
16. Which school of thought argues that inequality was produced by colonialism and will persist unless specific steps are taken?
- Economic structuralism
  - Liberalism
  - Realism
  - Constructivism
17. One major school of thought argues that the rise of capitalism affected Europe's economic development by doing which of the following?
- By producing conditions where governments had incentives to let commerce flourish
  - By allowing growing inequalities to flourish in Europe
  - By leading to colonial expansion outside Europe
  - By creating conditions for widespread economic equality
18. Economic structuralists argue that Europe's economic success was due to which of the following?
- The advent of capitalism in Europe
  - The rise of capitalist competition between Europe and the United States
  - European colonial conquest of the world
  - The rise of military power in Europe
19. The condition where a country that enters a new industry first benefits is known as which of the following?
- Special trading privilege
  - Neo-colonialism
  - First-mover advantage
  - Entrepreneurial benefit
20. What problem do late developers confront with economies of scale?

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- 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
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. Why might the availability of investment funds for late developers not be as critical an issue today as in the past?
- a. Because late developers can produce on a larger scale, lowering costs
  - b. Because late developers increasingly are able to rely on domestic savings for capital
  - c. Because financial markets have been globalized making it easier for foreign investment
  - d. Because 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 which of the following?
- a. Declining terms of trade
  - b. A rise in the 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. Network effects allow consumers to find a variety of goods and services in one place.
  - b. Network effects both decrease transportation costs and encourage the concentration of many people and firms in a particular area, thereby leading to greater innovation by both existing firms and new ones.
  - c. Network effects don’t benefit established businesses.
  - d. Network effects allow 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 which of the following?
- a. Free trade
  - b. Private investment
  - c. Protectionism

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d. Democratic institutions

27. Who wrote the “Report on Manufactures,” which advocated for 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 wages of U.S. laborers were lower than those of 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 of the following strategies was not used by Germany to achieve development in the nineteenth century?

- a. Taxation
- b. A first-rate education system
- c. Protectionism
- d. Central planning

30. Where was import substitution dominant during the second half of the twentieth century?

- a. Latin America, India, and parts of Africa
- b. Africa
- c. Latin America
- d. Europe

31. Where was export-led growth dominant during the second half of the twentieth century?

- 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

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33. Which term refers to the strategy of producing domestically those goods that a country has been importing?
- Import substitution
  - Export promotion
  - Terms of trade
  - Late development
34. What impact does import substitution have on the balance of payments?
- Negative, the balance of payments can deteriorate
  - Positive, the balance of payments can improve
  - None, the balance of payments does not change
  - Unpredictable, the impact depends on the circumstances and imports
35. What was the alternative strategy for development that emerged with the establishment of the Soviet Union in 1917 and which spread after World War II to eastern Europe, China, and Cuba called?
- State socialism
  - Totalitarianism
  - Laissez-faire capitalism
  - Theocracy
36. Although state planning increased production, the failure of state socialism resulted from which of the following?
- The increase in foreign indebtedness
  - A lack of innovation
  - The absence of democracy
  - A failure to develop goods for international markets
37. Which socialist state has been quite cautious in loosening state control of its economy?
- The Russian Federation
  - Cuba
  - China
  - Norway
38. What are Korea, Taiwan, Singapore, and Hong Kong, countries that pursued a trade-oriented policy, known as?
- The Asian Tigers
  - The Asian Union
  - The Asian Exporters
  - The Asian Innovators
39. Export-led growth countries pursued a policy of “going where the money is.” What was this approach?
- Investing capital in the rich countries of the world
  - Borrowing capital from rich countries
  - Producing goods for and selling goods to the international market

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d. Importing heavily from rich countries

40. By the 1980s, donor countries and organizations had reached an understanding on a development strategy that was based on the values of open economies and free trade. What was this strategy known as?

- a. The Bretton Woods Agreement
- b. The North American Free Trade Agreement
- c. The International Monetary Fund Treaty
- d. The Washington consensus

41. Citing the success of the Asian Tigers as evidence, what do liberals argue is the best approach to development?

- a. Isolationism
- b. The import substitution approach
- c. Protectionism
- d. The free market approach

42. Jeffrey Sachs favors an approach called “clinical economics”. In other words, what does he suggest is the best approach to ending poverty?

- a. To target aid to specific problems
- b. To let the free market play out
- c. To return to colonialism
- d. To end military conflict

43. After the Asian financial crisis of 1997–1998, East Asian economies were criticized for having close connections between firms and the government, which were corrupt in some cases. What was the term used to refer to this corruption?

- a. Developmental capitalism
- b. Crony capitalism
- c. Cohort capitalism
- d. Hong Kong capitalism

44. What is the development concept that pushes for the state to accumulate capital, direct investment, and provide legal, administrative, and educational infrastructure called?

- a. The developmental state
- b. The free market
- c. State socialism
- d. The invisible hand

45. What was the central problem in Russia during its post-communist phase?

- a. A weak industrial sector relative to a strong agricultural sector
- b. The weakness of the dollar relative to a strong ruble
- c. The absence of a strong, competent, and honest state authority
- d. The weakening role of Russia in the UN

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46. Which approach does the recent success of China give credence to?
- The developmental state concept
  - Protectionism
  - The Washington Consensus approach
  - State socialism
47. What does the concept of good governance refer to?
- A government that is led by moral leaders
  - A transparent, accountable, and effective government
  - All types of democracies
  - 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?
- Singapore
  - Taiwan
  - England
  - Japan
49. In recent decades, the World Bank shifted to an approach that focused on food, shelter, and health care. What is this approach known as?
- The export-led growth strategy
  - The developmental state approach
  - The most favored nation strategy
  - The basic human needs approach
50. What is the development strategy that advocates open societies, free trade, and minimal interference by the state in the economy known as?
- The developmental state concept
  - The developed state concept
  - The Washington Consensus
  - The Shanghai Consensus
51. A more recent development strategy is called structural adjustment. What does structural adjustment refer to?
- To efforts to strengthen the financial basis of a country's economy
  - To the economic structuralists' attempts to break from dependency
  - To a state's socialist approach to economic development
  - To a greater focus on food, shelter, and health care
52. What is the 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 called?
- The untied aid effect



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- b. The multiplier effect
  - c. The export-led growth effect
  - d. The network effect
53. Which approach to international aid has returned to favor, in part because some of the needs around the world are so glaring?
- a. The good governance approach
  - b. The basic human needs approach
  - c. The microloan approach
  - d. The protectionist approach
54. Which of the following international governmental organizations has played a leading role in defining the “best practices” in development aid?
- a. The World Trade Organization
  - b. The World Bank
  - c. The International Monetary Fund
  - d. The Inter-American Development Bank
55. Which of the following institutions are part of the World Bank structure?
- a. The International Bank for Reconstruction and the Washington Consensus
  - b. The International Bank for Reconstruction and Development and the International Development Association
  - c. The International Development Association and the Washington Consensus
  - d. The International Finance Corporation and the Washington Consensus
56. What does the International Bank for Reconstruction and Development (IBRD) focus on?
- a. The IRBD focuses on middle-income countries and poorer countries considered to be a good risk in terms of repaying loans.
  - b. The IRBD focuses on the poorest countries, who may have considerable difficulty paying back any aid.
  - c. The IRBD focuses on middle-income countries who are going through domestic economic crises.
  - d. The IRBD focuses on lower income countries who are going through the process of democratization.
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 little control.
  - c. They believe that it leads to increased capitalism.

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- d. They believe that it actually prevents development.
59. Which of the following is not an important function of the World Bank?
- Economic policy recommendations
  - Lending programs
  - Peacekeeping forces
  - Research on development issues
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. What is this practice known as?
- Conditionality
  - Tied aid
  - Structural adjustment
  - Reciprocity
61. Paul Collier looked at the countries with the largest shares of the very poorest people and tried to ascertain what these countries had in common that set them apart from those that had done better. He found that these countries fell into one of four “traps”. Which of the following is not one of the “traps” that Collier discusses in *The Bottom Billion*?
- The “conflict trap”
  - The “natural resources trap”
  - The “landlocked with bad neighbors trap”
  - The “good governance, but small territory trap”
62. In which ways have scholars sought to measure poverty? What are some difficulties in defining and measuring poverty? Which measure do you find most persuasive?
63. What are the UN Millennium Development Goals? Have these goals been achieved? If not, why not and do you think they can be?
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? Which type of aid do you think is more effective in spurring development?
68. 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 strategies have scholars deemed the best strategies for development? Why may these models not work today as they have in the past? In other words, what problems for development may countries face in today's international environment?

71. How has Brazil managed to reach the status of one of the world's major economic and political powers? Discuss its history, approaches to development, and responses to financial crises.