

CHAPTER 2 Economic Class, Development, Systems, and Globalization

MULTIPLE CHOICE

1. A large group of people with similar economic attributes that shape their lifestyles and life chances is called a(n)
 - a. interest group.
 - b. class.
 - c. subculture.
 - d. human capital.
 - e. economic unit.

2. Whose concept of class was based primarily on *how* money was made rather than simply on *how much* money was made?
 - a. Max Weber
 - b. Mohammad Khatami
 - c. Harold Lasswell
 - d. Karl Marx
 - e. Pavan Varma

3. The structure of an economy based on the methods of production, patterns of property ownership, and relations between workers and owners is the
 - a. level of economic development.
 - b. mode of production.
 - c. gross domestic product.
 - d. political economy.
 - e. means of production.

4. The bourgeoisie is defined by Marx as
 - a. the wealthiest and most powerful members of society.
 - b. common, boorish, unsophisticated people.
 - c. those who use, but do not own, the means of production.
 - d. service workers, white collar managers, and civil servants.
 - e. owners of the means of production.

5. The proletariat is defined by Marx as
 - a. those who use, but do not own, the means of production.
 - b. the poorest individuals in society.
 - c. owners of the means of production.
 - d. common, boorish, unsophisticated people.
 - e. service workers, white collar managers, and civil servants.

6. The old middle class refers to
 - a. the wealthiest people in a country.
 - b. small business owners who possess the means of production.
 - c. manual laborers and unskilled workers.
 - d. anyone who works hard for a living.
 - e. service workers, white collar managers, and civil servants.

7. The new middle class refers to
 - a. those who own the means of production.
 - b. manual laborers and minimum-wage employees.
 - c. those who use, but do not own, the means of production.
 - d. all people with steady employment outside of the most senior management.
 - e. service workers, white collar managers, and civil servants.

8. In a post-industrial, economically developed country, the majority of the population falls into the
 - a. upper class.
 - b. bourgeoisie.
 - c. middle class.
 - d. working class.
 - e. underclass.

9. What is the term for the income level that half of the population falls below and half of the population falls above?
 - a. Average income
 - b. Per capita gross domestic product
 - c. Purchasing power parity
 - d. Median income
 - e. Gross national product

10. The purpose of presenting economic data in constant dollars is to
 - a. control for increased value due to inflation.
 - b. control for the value of different currency.
 - c. present data in the actual market value of the currency being studied.
 - d. take into account the cost of living in a given country.
 - e. take into account the distribution of wealth among a country's population.

11. Which best describes a key difference between gross national product (GNP) and gross domestic product (GDP)?
 - a. GDP is the value of all the goods and services that citizens of a state produce, whether they live inside the country or abroad; GNP is the sum of all goods and services produced within the borders of a particular state, whether by citizens or not.
 - b. GNP is the value of all the goods and services that citizens of a state produce, whether they live inside the country or abroad; GDP is the sum of all goods and services produced within the borders of a particular state, whether by citizens or not.
 - c. GNP is the value of all the goods and services that citizens of a state produce, whether they live inside the country or abroad; GDP is that number divided by the number of people in that state.
 - d. GDP is the value of all the goods and services that citizens of a state produce, whether they live inside the country or abroad; GNP is that number divided by the number of people in that state.
 - e. GNP is the sum of all goods and services produced within the borders of a particular state, whether by citizens or not; GDP adjusts that for comparative purposes by comparing how much one can purchase with the same amount of money in different countries.

12. Purchasing power parity is aimed at adjusting statistics based on
 - a. the size of a country's population.

- b. the overall wealth or poverty of a country.
 - c. how much one can purchase with the same amount of money in different countries.
 - d. the distribution of wealth among a country's population.
 - e. economic activity of Americans living abroad and noncitizens living in the United States.
13. Most newly industrialized countries (NICs) are found in
- a. Asia.
 - b. the Middle East.
 - c. Central America.
 - d. Eastern Europe.
 - e. Africa.
14. The economic activity of lesser developed countries (LDCs) is often concentrated in
- a. agricultural industries and extraction processes for raw materials.
 - b. service industries such as call centers and tourism.
 - c. light manufacturing such as textiles factories.
 - d. heavy manufacturing such as automobile plants.
 - e. high-tech manufacturing such as production of computer chips or petro-chemicals.
15. The postcommunist states are typically referred to as
- a. economically developed countries.
 - b. lesser developed countries.
 - c. countries in transition.
 - d. newly industrialized countries.
 - e. emerging market countries.
16. The emerging market countries are found primarily among which types of countries?
- a. Both economically developed countries and newly industrialized countries
 - b. Both countries in transition and least developed of the lesser developed countries
 - c. Both economically developed countries and lesser developed countries
 - d. Both newly industrialized countries and least developed of the lesser developed countries
 - e. Both newly industrialized countries and countries in transition
17. The experience of which country can be seen as an excellent case that demonstrates the resource curse?
- a. India
 - b. Russia
 - c. China
 - d. France
 - e. Nigeria
18. A consequence of the resource curse is often seen in
- a. government corruption and the failure to develop a middle class.
 - b. a steady supply of resources that allow industrial capitalism to thrive.
 - c. invasion and occupation by other countries that want the resources in question.
 - d. high levels of debt to import badly needed resources.
 - e. insufficient resources to feed the population.
19. A free market capitalist system

- a. involves a substantial role for government in the regulation of the economy and the establishment of social welfare programs.
 - b. involves minimal government involvement in regulation of the economy and little social welfare spending.
 - c. was a combination of state-led development measures and authoritarian political practices.
 - d. benefits a small number of economically and politically powerful individuals.
 - e. is a form of capitalism that accepts the general principle of free market economics, but allows significant government involvement in the economy in order to protect domestic economic interests.
20. Socialism is
- a. a system in which the government does not engage in economic planning nor oversee an extensive welfare state, rather, it owns certain individual enterprises, which are typically in lucrative industries such as energy.
 - b. a system in which the government intervenes in the economy to guide economic activities in an effort to foster economic growth.
 - c. a set of government programs that provide significant welfare benefits and services.
 - d. the economic approach that emphasizes government ownership of the means of production and government control of economic decisions such as the supply and prices of particular products.
 - e. a system that allows significant government involvement in the economy in order to protect domestic economic interests.
21. Scholars often use the experience of the Soviet Union in the twentieth century as an example of which problem of central planning
- a. increasing class inequities.
 - b. the inability to direct economic resources to address pressing national needs.
 - c. production of consumer goods privileged at the expense of heavy industry protection.
 - d. lack of economic efficiency.
 - e. the ups and downs of the business cycle.
22. The system that involves a substantial role for government in the regulation of the economy and the establishment of social welfare programs is
- a. protectionism.
 - b. free market capitalism.
 - c. the social democratic system.
 - d. oligarchic capitalism.
 - e. state-led capitalism.
23. A system in which the government intervenes in the economy to guide economic activities in an effort to foster economic growth is
- a. oligarchic capitalism.
 - b. protectionism.
 - c. social democratic system.
 - d. state-led capitalism.
 - e. mixed economy.
24. State capitalism is a system in which
- a. the government has a substantial role in the regulation of the economy and the establishment of social welfare programs.

- b. a small number of economically and politically powerful individuals primarily benefit.
 - c. there is minimal government involvement in regulation of the economy and little social welfare spending.
 - d. the government intervenes in the economy to guide economic activities in an effort to foster economic growth.
 - e. the government owns certain individual enterprises, which are typically in lucrative industries such as energy.
25. A form of capitalism that accepts the general principle of free-market economics but allows significant government involvement in the economy in order to protect domestic economic interests is known as
- a. state led capitalism.
 - b. Asian Economic Model.
 - c. socialism.
 - d. mercantilism.
 - e. mixed economy.
26. In this economic system the state neither heavily regulates the economy nor creates large social welfare systems. Rather, it participates in the economy alongside private businesses through full or partial ownership of large individual companies.
- a. Social Market Economy
 - b. Asian Economic Model
 - c. Socialism
 - d. Mercantilism
 - e. State capitalism
27. The process of increasing connections in the areas of economics, communications, technology, and politics is known as
- a. modernization.
 - b. interdependence.
 - c. globalization.
 - d. dependency.
 - e. fundamentalism.
28. Most scholars consider globalization to be anchored by
- a. the political unity and leadership provided by international organizations such as the UN.
 - b. an increase in intercultural exchange that makes people more aware of other cultures.
 - c. an increase in commonness of culture brought about by media technologies such as the Internet.
 - d. a deepening of economic ties between countries.
 - e. the desire of Western capitalist elites to exploit an ever larger part of the world.
29. The social market economy
- a. accepts the general principle of free market economics but allows significant government involvement in the economy in order to protect domestic economic interests.
 - b. preserves private property and generally views the market as the best way to allocate resources, but does not see the market as a legitimate means to distribute the proceeds of economic growth.
 - c. involves a substantial role for government in the regulation of the economy and the establishment of social welfare programs.
 - d. involves minimal government involvement in regulation of the economy and little social

- welfare spending.
- e. is a combination of state-led development measures and authoritarian political practices.
30. Weak states theories argue that
- a. countries would develop faster if governments acted weakly and did not intervene in the economy and let market forces work naturally.
 - b. even with increasing globalization, governments have maintained, and perhaps even enhanced, their ability to tax, spend, and regulate.
 - c. globalization limits the ability of governments to tax, spend, and regulate.
 - d. to promote development, states should provide subsidies to key domestic industries and pursue protectionist trade policies.
 - e. lesser developed countries cannot follow the development model provided by economically developed countries, because international capitalism has made the lesser developed countries dependent upon the economically developed countries.
31. What compels states to engage in the “race to the bottom?”
- a. As debt forgiveness is only available to states in hopeless international debt situations, states that want to default on their debts are given an incentive to put themselves in the worst possible financial shape.
 - b. There is a limited amount of the developed world’s resources devoted to foreign aid, and aid donors only give to the neediest states, so there is an incentive for states seeking aid to appear as poor as possible.
 - c. States have a desire to attract or maintain the presence of large corporations.
 - d. Elites in the less developed world tend to invest in instruments of force to maintain control in the short run instead of developing their economy to help foster long-term stability.
 - e. States attempt to comply with mandates of the IMF to meet eligibility requirements for new loans.
32. Strong states theories argue that
- a. countries would develop faster if governments did not intervene in the economy and let market forces work naturally, creating stronger states.
 - b. even with increasing globalization, governments have maintained, and perhaps even enhanced, their ability to tax, spend, and regulate.
 - c. globalization limits the ability of governments to tax, spend, and regulate.
 - d. to promote development, states should take a “strong” role by providing subsidies to key domestic industries and pursuing protectionist trade policies.
 - e. a country’s move from underdevelopment to modernization can be understood and modeled based on development in the West.
33. Which of the following argues that a country’s move from underdevelopment toward development is best accomplished by involved government protection of domestic industries from foreign competition and subsidies of key inputs such as energy and steel?
- a. Modernization theory
 - b. “A rising tide lifts all boats” theory
 - c. Dependency theory
 - d. Import substitution industrialization theory
 - e. “Race to the bottom” theory
34. Which of the following countries pursued a strategy of import substitution industrialization to develop economically?

- a. France
 - b. Brazil
 - c. China
 - d. Germany
 - e. Iran
35. One of the “Topic-in-Country” countries highlighted in the text was ranked last (seventy-two out of seventy-two) by the 2007 A.T. Kearney/Foreign Policy Globalization Index when it measured overall degree of globalization. Which country was it?
- a. Russia
 - b. Brazil
 - c. Iran
 - d. Nigeria
 - e. France
36. Dependency theory first developed in this scholars’ region.
- a. Asia
 - b. Africa
 - c. Latin America
 - d. Middle East
 - e. Eastern Europe
37. Which of the following argues that international capitalism has made the lesser developed countries dependent upon the economically developed countries, effectively precluding them from successfully following the model of the developed Western states?
- a. Modernization theory
 - b. “Race the bottom theory”
 - c. “A rising tide lifts all boats” theory
 - d. Dependency theory
 - e. Import substitution industrialization theory
38. Oligarchic capitalism is a system
- a. that accepts the general principle of free market economics but allows significant government involvement in the economy in order to protect domestic economic interests.
 - b. in which there is minimal government involvement in regulation of the economy, and little social welfare spending.
 - c. that involves a substantial role for government in the regulation of the economy, and the establishment of social welfare programs.
 - d. of state-led development measures and authoritarian political practices.
 - e. that benefits a small number of economically and politically powerful individuals.
39. Which of the following argues that a country’s move from underdevelopment toward development can be modeled after the path to development taken by the industrialized countries of the West?
- a. Modernization theory
 - b. “Race to the bottom” theory
 - c. “A rising tide lifts all boats” theory
 - d. Dependency theory
 - e. Import substitution industrialization theory

40. Proponents of modernization theory point to the economic success of countries in which region to support their theory?
 - a. Asia
 - b. Middle East
 - c. Central America
 - d. South America
 - e. Eastern Europe

41. Which of the following best describes the Asian Economic Model?
 - a. There is minimal government involvement in regulation of the economy and little social welfare spending.
 - b. It involves a substantial role for government in the regulation of the economy and the establishment of social welfare programs.
 - c. It is a combination of state-led development measures and authoritarian political practices.
 - d. It preserves private property and generally views the market as the best way to allocate resources, but does not see the market as a legitimate means to distribute the proceeds of economic growth.
 - e. It provides for government protection of domestic industries from foreign competition and subsidies of key inputs such as energy and steel.

42. In which country has the rate and evenness of economic growth been heavily determined by global oil prices in recent years?
 - a. India
 - b. the United Kingdom
 - c. China
 - d. Germany
 - e. Russia

ESSAY

1. Discuss the path to economic development pursued by the United Kingdom. Explain both the factors that contributed to the UK's industrialization and the stages it went through to achieve its level of industrialization.

2. Compare and contrast modernization theory with development theory. Evaluate the degree to which the two are compatible.

3. Discuss the post-Communist economic development of China and Russia. Explain which policies each has pursued since Communism fell and how much economic development has taken place. Analyze whether one of the two has been better able to develop economically than the other. If so, what accounts for one's greater success over the other?

4. Discuss the various elements to which globalization refers, and some of the effects of globalization that have been noted in recent years. Based on that discussion, evaluate whether you think globalization has been more of a positive force or a negative force in today's world.

5. Compare the reactions of Iran and China to globalization and industrialization over the past thirty years. Decide whether either one of these countries has done a better job in dealing with these forces. If so, which one? If not, why not?

6. Explain what the resource curse refers to. Discuss the current level of economic development and class structure in Iran, Mexico, and Nigeria. Explain the degree to which the dynamics associated with the resource curse have affected economic development in each of the countries.