

CHAPTER 11: The Problem of Global Inequality

MULTIPLE CHOICE

1. The claim that poverty is unethical is essentially
 - a. Normative
 - b. theoretical
 - c. political
 - d. scientific

2. 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

3. 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

4. Environmental issues are more likely to be addressed in rich countries than poor countries because
 - a. people in rich countries are more sensitive to the environment
 - b. there is more open space in rich countries than in poor countries
 - c. people in poor countries simply have a lesser regard for the environment
 - d. it is easier to protect the environment from a position of wealth

5. 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

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

7. Income inequality implies that a person's wealth or income should be measured in terms of the
 - a. wealth or income of others
 - b. income gap between generations
 - c. ability to secure sufficient income to meet food and housing needs
 - d. potential for upward mobility

8. The definition of poverty by the UN Commission on Human Rights which states 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

9. The author suggests that poverty should be considered in essentially
 - a. relative terms while thinking of inequality in absolute terms
 - b. absolute terms while thinking of inequality in relative terms
 - c. absolute terms, as well as inequality
 - d. relative terms, as well as inequality

10. Dividing the overall annual income of a country by the population results in the
 - a. purchasing power parity
 - b. percentage of poverty
 - c. per capita GDP
 - d. gross national product

11. Purchasing power parity 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

12. 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

13. The Gini Coefficient refers to
 - a. the percentage breakdown of those living below and above the poverty line
 - b. the ratio of the incomes of the top and bottom fractions of society
 - c. relative rise in income for certain segments of society
 - d. the absolute rise of a country’s income

14. The region of the world that scores the highest on the Gender Development Index is
 - a. Sub-Saharan Africa
 - b. Latin America
 - c. Scandinavia
 - d. Eastern Europe

15. Which region of the world has made little if any progress in terms of poverty and inequality?
 - a. Africa
 - b. Latin America
 - c. Middle East
 - d. Asia

16. The Gender Development Index demonstrates that the gender gap in the poorest countries is
 - a. shrinking

- b. not as wide as in the richer countries
 - c. a major factor that affects the overall economy
 - d. about the same as in the past
17. **One major school of thought argues that the rise of capitalism affected Europe's economic development by**
- a. **producing the conditions where governments had incentives to let commerce flourish**
 - b. **allowing for growing inequalities in Europe**
 - c. **leading to colonial expansion outside of Europe**
 - d. **creating the 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 US
 - c. European colonial conquest of the world
 - d. rise of military power in Europe
19. The issue of late development refers to the relationship between
- a. The period when a country develops and how rich it will become
 - b. Countries seeking to develop late and more advanced states
 - c. Poor and rich countries as both seek to develop
 - d. European colonial powers and those societies who were colonized
20. This term refers to the condition when a country is provided a benefit as it enters a new industry first.
- a. special trading privileges
 - b. neo-colonialism
 - c. first mover advantages
 - d. entrepreneurial benefits
21. Three of the following are advantages enjoyed by "first movers." Which one is not?
- a. network effects
 - b. economies of scale
 - c. investment funds
 - d. government incentives
22. 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
23. The success of high tech businesses in Silicon Valley highlights the impact of
- a. economies of scale
 - b. network effects
 - c. investment funds
 - d. junk bonds
24. Early Germany industrialization was fueled by all but one of the following.
- a. Protection of "infant industries"

- b. Extensive free trade
 - c. Capital accumulation through taxation
 - d. Education focused on science and technology
25. The early industrializers of the US, Germany, and Japan relied heavily on
- a. free trade
 - b. private investment
 - c. protectionism
 - d. democratic institutions
26. 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
27. Which term refers to the strategy of producing domestically those goods which a country has been importing?
- a. import substitution
 - b. export promotion
 - c. terms of trade
 - d. late development
28. 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, depending on the circumstances and imports
29. The strategy of state socialism consisted of two kinds of ideologies. They are
- a. neutral government and economic structuralism
 - b. weak government and state economic planning
 - c. economic structuralism and state economic planning
 - d. economic structuralism and export promotion
30. 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
31. 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
32. The Export Led Growth countries pursued a policy of “going where the money is.” This referred to
- 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
33. 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
34. Critics of the Washington Consensus strategy point to three deviations from that strategy for the Asian Tigers. All but one is listed here.
- a. each government played an active role in managing the economy
 - b. each government allowed for a significant expansion of the private sector
 - c. none of these governments were democracies
 - d. the state helped to build the legal and bureaucratic infrastructure
35. The development concept that pushes for the state to accumulate capital, direct investment, and provide legal, administrative, and educational infrastructure is called the
- a. developmental state
 - b. free market
 - c. state socialism
 - d. invisible hand
36. 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
37. In recent decades, the World Bank shifted to an approach that focused on food, shelter, and healthcare. 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
38. 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 attempt to break from dependency
 - c. a state socialist approach to economic development
 - d. a greater focus on food, shelter, and healthcare
39. International aid has been criticized for all of the following except
- a. aid goes primarily to governments who may waste it through corruption or incompetence
 - b. aid distorts markets and impedes economic reform
 - c. aid often flows out of the country quickly, diminishing the multiplier effect
 - d. aid benefits the receiving nation at the expense of neighboring countries

40. One characteristic of foreign aid concerns how the donor country requires aid to be spent on goods or services from the donor country. This is referred to as
- a. structural adjustment
 - b. tied aid
 - c. invisible hand
 - d. good governance
41. The World Bank is considered as a multilateral aid organization because the aid is
- a. donated by one government and given to another government
 - b. offered by several organizations and provided to many other organizations
 - c. donated by several states and distributed through the World Bank
 - d. provided by the United Nations and distributed through the World Bank
42. **The voting structure of the World Bank is based on**
- a. **the financial contributions of each member**
 - b. **one member/one vote**
 - c. **both donor states and receiving states**
 - d. **international banks**
43. The World Bank has three important functions of which all but one of the following is correct.
- a. Economic policy recommendations
 - b. Lending programs
 - c. Peacekeeping forces
 - d. Research on development issues
44. 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
45. When foreign aid is provided directly from one government to another government the practice is called
- a. multilateral aid
 - b. bilateral aid
 - c. hegemonic aid
 - d. private aid
46. Bilateral foreign aid makes up what percentage of the US budget?
- a. 20 percent
 - b. 10 percent
 - c. 5 percent
 - d. < 1 percent

ESSAY

1. What are some difficulties in defining and measuring poverty?
2. What are the roots of economic inequality and what are some strategies to try to solve this problem?
3. Many developing countries are known as late developers. What does this term imply for the developing world? What are the challenges that they face?

4. 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?
5. 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?
6. Compare and contrast multilateral aid and bilateral aid. What are their main differences and what are their similarities?