Test Bank for Canadian Business and Society Ethics Responsibilities and Sustainability CDN 4th Sexty

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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Which of the following is true of the capitalist system?
   A) The market system coordinates economic activity.
   B) It is more responsive to society's needs.
   C) It is less cumbersome then a government-operated system.
   D) It is less costly than a government-operated system.
   E) All of the above are true of a capitalist system.

   Answer: E

2) Much of the theory of the classical capitalist system is based on the philosophical underpinnings of:
   A) the European market model.
   B) the American system.
   C) the Communist Manifesto.
   D) Marxist theory.
   E) the Wealth of Nations.

   Answer: B

3) A capitalist system requires a strong system of ethical behaviour, as without it:
   A) hoarding occurs
   B) the government must intervene and regulate markets
   C) profits fail to exist
   D) competitive rivalry is limited
   E) monopolies control the market

   Answer: B

4) Marco is delighted to finally have purchased his own car. He washes it weekly and always ensures that it is well maintained. His father is shocked at how well Marco is looking after the car; whenever he used to borrow his father's car, Marco would neglect its care. Marco's care for his own car exemplifies that the right to private property, within a capitalist system, results in all of the following, ***except*:**
   A) a burden of responsibility over one's destiny
   B) a sense of security
   C) greater control over one's own destiny
   D) pride taken in ownership results in better care being taken of one's own property
   E) respect for the property of others

   Answer: A

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5) The municipal government has determined that it wants to expand a popular walking trail system that runs through the city. This city issues a notice to the effected landowners stating that it is claiming this land and that the landowners will receive an assessment of the value of their land and payment. Can the government do this?
   A) Yes, the government has eminent domain over the property and fair price is offered.
   B) Yes, the government ultimately owns all property in Canada.
   C) No, the government cannot do this as it violates the fundamental right to ownership of private property.
   D) It depends on the municipality.
   E) No, the government cannot do this, unless the owner voluntarily relinquishes the land.

Answer: A

6) JKM Corporation has decided to relocate its factory to a remote, rural location. The current employees are dismayed and are asking their employee to reconsider. JKM states that they can and will relocate their business wherever they choose. JKM Corporation is asserting which fundamental element of capitalism?
   A) Competition
   B) Right to personal property
   C) Equality of opportunity
   D) Profit maximization
   E) Individualism and Economic freedom

Answer: E

7) Frank, the owner of a manufacturing company, is explaining to the employees that the relocation of the factory to a small, rural community will be beneficial to the company. He believes that each employee can decide for him or herself whether to relocate, as it was his own right to choose to relocate his business. Frank is asserting the principle of:
   A) Individualism
   B) Profit maximization
   C) Right to personal property
   D) Equality of opportunity
   E) Intellectual property

Answer: A

8) Denise, the owner of an Internet company, is relocating the business to Toronto. Her employees all believe that she should have considered their needs in this decision as they are part of the team that has made the business successful and that customers in the community will be hurt by this move. The employees are applying the principle of _____ in asking her to consider their request.
   A) team building
   B) communitarianism
   C) consumer sovereignty
   D) collectivism
   E) individualism

Answer: B

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9) "It's a level playing field," said the executive to the new hires. "No matter where you went to school, you will succeed here based on what you do starting today. It is all up to you." This sentiment expresses the _____ assumption of capitalism.
A) intellectual property
B) individualism
C) profit maximization
D) equality of opportunity
E) right to personal property
Answer: D

10) The taxation system in Canada is considered progressive. This means that those who earn higher income are taxed at a higher rate than are those with lower income. This approach reflects a movement towards _____ as a priority in Canada.
A) equality of opportunity
B) regression
C) oligopoly
D) equality of results
E) individualism
Answer: A

11) There are several initiatives that business can undertake to foster gender equality, ***except*:**
A) Eliminate job sharing
B) Provide affordable child care
C) Insure that hiring and recruitment practices are not discriminatory
D) Increase access to education and training
E) Develop policies relating to employment maternity and paternity leave
Answer: A

12) Which of the following statements regarding competition, as a fundamental element of capitalism, is **not** true?
A) Competition holds profits to a minimum.
B) The fittest firms tend to survive.
C) Capitalism guarantees a profit is made.
D) Competition ensures that goods and services are provided at the lowest price.
E) Competition is responsible for the orderly operation of the market.
Answer: C

13) Which of the following are advantages of competition?
A) Competition reduces waste and inefficiency.
B) Competition lowers costs.
C) Competition widens the choice of goods and services provided to consumers.
D) Competition holds profits to a minimum.
E) All of the above are advantages of competition.
Answer: E

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14) Driving to university on Monday morning, Mary noticed that all the gasoline retail stations she passed were selling gasoline at exactly the same price, right down to the decimal point. There are very few sellers of gasoline in her city and they set the price at comparable levels. This is an example of:
A) oligopoly
B) profit
C) price-fixing
D) competition
E) monopoly
Answer: A

15) Canadian governmental regulation on telecommunications, transportation, and banking industries does all of the following, ***except*:**
A) reduced consumer choice
B) increases competition
C) restricts entry to the industry
D) restrict competition
E) restricts foreign ownership
Answer: B

16) Francois is determined to start an Internet development company. A family friend had entered the business many years ago and has become quite wealthy. His income, however, levelled off after the first few years because excessive _____ attracted others to the industry, increasing _____.
A) profits; work ethic
B) work ethic; profits
C) profits; costs
D) profits; competition
E) competition; profits
Answer: D

17) Profits:
A) can be retained in a business as a source of funds
B) are closely associated with competition
C) act as a signal to other entrants
D) spur people into action
E) All of these choice are true of profits.
Answer: E

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18) Tammy is a very dedicated employee. She is considered to have a strong work ethic. Which of the following statements regarding Tammy would NOT be correct if her behaviour is consistent with a work ethic?
A) Unemployment, to Tammy, would be a temporary misfortune.
B) Tammy sees work as socially valuable.
C) Tammy has a consumption ethic as well.
D) Tammy sees that work is the purpose of one's life.
E) All of the statements are consistent with the body of moral principles considered as work ethic.
Answer: C

19) Which of the following statements accurately reflects one view of the work ethic of the Millennials?
A) The Net Generation of workers is spoiled and lazy.
B) They have a tendency to plagiarize.
C) The Millennials spend too much time social networking.
D) They are difficult to manage.
E) All of the statements accurately reflect one view of today's Millennials' workforce.
Answer: E

20) The assumption that consumers have power over producers through the decisions they make in purchasing goods and services is known as:
A) work ethic
B) equality of opportunity
C) economic freedom
D) consumption ethic
E) consumer sovereignty
Answer: E

21) Consumer sovereignty is the assumption that:
A) the producer is servant to the consumer.
B) the consumer is servant to the producer.
C) economic freedom exists for consumers in an oligopolistic market.
D) consumers are guaranteed to experience equality of opportunity in the product market.
E) the work ethic of individuals is extremely diligent in all instances.
Answer: A

22) A recent trip to the grocery store was disappointing for Robert. He discovered that his favourite brand of canned salmon was no longer being carried. When he asked the store manager, he was told that customers were not buying the product in sufficient quantities to allow them to continue to stock it. This is an example of _____, which is a fundamental part of capitalism.
A) economic freedom
B) consumer sovereignty
C) equality of opportunity
D) work ethic
E) competition
Answer: B

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23) Sometimes consumers face challenges in exercising their sovereignty because:
A) they are not capable of understanding the technical complexities of some products.
B) some product classes have few choices.
C) they lack information about available alternatives.
D) large corporations influence consumers' preferences through advertising.
E) All of the able are reasonable challenges face by individuals in exercising their sovereignty.
Answer: E

24) All of the following are examples of government involvement in the Canadian economy, ***except*:**
A) currency system
B) price determination of consumer electronics
C) national security
D) measures
E) taxation
Answer: B

25) Which of the following is true when comparing government involvement in the U.S. economy to that of Canada?
A) The U.S. government does not regulate any markets in that country; they are the best example of pure capitalism in the world.
B) You cannot compare the level of involvement of the governments of these two countries as Canada has a socialist system and the U.S. has a capitalist system.
C) Government involvement in the economy has always been greater in Canada than in the U.S.
D) Government involvement in the economy has always been about the same for these two countries.
E) Government involvement in the economy is greater in the U.S. than it has ever been in Canada.
Answer: C

26) Which of the following statements regarding capitalism is ***false***?
A) Profit maximization is an important goal.
B) Profit is a key motivator of corporate behaviour.
C) Capitalism is considered a controversial economic system.
D) Economic decision-making is in the hands of individuals or enterprises, which make decisions with the goal of maximizing social welfare.
E) Private ownership is fundamental to capitalism.
Answer: D

27) Canada, the United States, Great Britain, and Australia practice which of the following forms of capitalism?
A) Liberal Market
B) Family
C) Garrison
D) Conventional
E) Frontier
Answer: A

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28) The form of capitalism that emphasizes production, employment, and statist policies is:
A) frontier
B) family
C) producer
D) consumer
E) conventional
Answer: C

29) "*Wa*," or harmony, is an essential element of Japanese culture and is reflected in the importance of relationship and teamwork in business operations. Canadian businesspersons must understand that they are outsiders within this system. The Japanese operate under _____ capitalism.
A) consumer
B) frontier
C) family
D) producer
E) conventional
Answer: C

30) The exchange student's presentation to the Canadian university class is certainly increasing the students' knowledge of other capitalist systems. "The government of our country," the student begins, "has been dismantling protectionist policies that created trade barriers with other nations. But we still need them to help limit the criminal activity of crime families that is often confused with the entrepreneurialism spirit, which is becoming increasingly valued in our country." The exchange student is from _____ where the _____ model of capitalism is currently exercised.
A) Taiwan; family
B) China; frontier
C) China; family
D) Taiwan; frontier
E) Japan; family
Answer: B

31) Which form of capitalism is relatively new and places the resolution of social needs as the primary goal?
A) Creative
B) Producer
C) Consumer
D) Family
E) Frontier
Answer: A

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32) Some critics are skeptical about the merits of the capitalist economic system. They point to which of the following as evidence of corruption resulting from the capitalist system?
A) Ethical scandals
B) Corporate crime
C) Economic recessions
D) The financial crisis of 2008-2009
E) All of the above are evidence of corruption inherent in the capitalist system.
Answer: E

33) In order for resources to be efficiently transferred from less productive to more productive uses when weak corporations fail in a capitalist system, it is necessary that:
A) Governments make the difficult decisions about which industries to support.
B) Bankruptcy laws work well.
C) Bail out programs are in place.
D) Governments intervene in these markets.
E) All of the above are true.
Answer: E

34) All of the following stakeholders were blamed for the 2008 financial crisis, ***except*:**
A) Lobbyists
B) Investment dealers
C) Regulators
D) Financial institutions
E) Government
Answer: A

35) If capitalism is to be accepted as the economic system in society:
A) government must be more laissez-faire.
B) financial institutions have to be more heavily regulated.
C) regulators must demand increased corporation participation.
D) government officials must enforce ethical behaviour with stronger criminal and civil penalties.
E) businesspersons and management must somehow take into account the ethical implications resulting from the workings of the fundamentals.
Answer: E

36) Canada's economy primarily operates in a private market system.
A) True
B) False
Answer: A

37) It is argued that the private system is less cumbersome and less costly to run than a centralized, government-operated system, and that it is more responsive to society's needs because it allows individuals and business corporations to be more innovative.
A) True
B) False
Answer: A

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38) Much of the theory of the classical capitalist system is based on the philosophical underpinnings of the American system, but is equally applicable to the Canadian economy.
A) True
B) False
Answer: B

39) Capitalism requires a strong ethical system, as without it, the justice system will intervene.
A) True
B) False
Answer: A

40) Individuals and enterprises have been allowed to accumulate capital wealth, which has led to an even distribution of wealth among members of society.
A) True
B) False
Answer: B

41) "It's my land!" exclaimed the farmer, responding to the environmentalists. "If I want to cut down every single tree on it, this is my right." The farmer is claiming the fundamental right of capitalism —the right of private property.
A) True
B) False
Answer: A

42) Fortunately in Canada there is an even distribution of wealth among members of society.
A) True
B) False
Answer: B

43) Most of the natural resources in Canada are privately owned.
A) True
B) False
Answer: B

44) Intellectual property, such as an artist's ownership of music, is becoming increasingly important in Canada.
A) True
B) False
Answer: A

45) All of the following are true concerning the government of Canada, ***except:***
A) True
B) False
Answer: B

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46) The individualism view of capitalism assumes that individuals are inherently self-serving, but neither decent nor rational.
A) True
B) False
Answer: B

47) Economic freedom does not address the rights of individuals, only of business enterprises.
A) True
B) False
Answer: B

48) The gap between executive compensation and worker compensation has declined.
A) True
B) False
Answer: B

49) It is easier to achieve equity than equality.
A) True
B) False
Answer: A

50) Equality is inevitable with a capitalistic system.
A) True
B) False
Answer: B

51) Gender equality means that women and men have equal means and opportunities for realizing their full human rights and responsibilities.
A) True
B) False
Answer: A

52) Capitalism assumes that competition is both natural and desirable.
A) True
B) False
Answer: A

53) A monopoly occurs when there are few sellers in an industry and these sellers behave similarly.
A) True
B) False
Answer: B

54) The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits *lower* than normal under perfect competition.
A) True
B) False
Answer: B

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55) Competition ensures that if excessive profits are made, others will be attracted to the industry.
A) True
B) False
Answer: A

56) The barriers to entry existing in many industries and the need for increasing size to achieve efficiency may have led to profits *higher* than normal under perfect competition.
A) True
B) False
Answer: A

57) According to the work ethic, unemployment is a temporary, unfortunate event.
A) True
B) False
Answer: A

58) The Protestant ethic claims, in part, that being thrift through saving is an element of God's will.
A) True
B) False
Answer: A

59) In modern society, the desire to consume is a driving force which compels many individuals to work hard to acquire material possessions. The result is a consumption ethic in this generation of workers.
A) True
B) False
Answer: A

60) It is consumers' evaluation of a business that determines whether or not it will survive.
A) True
B) False
Answer: A

61) Those who question the degree of consumer sovereignty in Canada argue that governments influence or regulate in the "public interest," which frequently is more in the "producer interest."
A) True
B) False
Answer: A

62) The more competitive a market, the lower the power of the consumer.
A) True
B) False
Answer: B

63) Canada's economic system is capable of taking into consideration social and ethical concerns.
A) True
B) False
Answer: A

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64) In recent years, there has been less government involvement in the Canadian economy.
A) True
B) False
Answer: B

65) The government's role in the Canadian economy is often described as laissez-faire.
A) True
B) False
Answer: A

66) Government involvement in the market, for reasons other than laws relating to contractual arrangements is considered to weaken efficiency.
A) True
B) False
Answer: A

67) Government involvement in the economy has always been greater in Canada than in the United States.
A) True
B) False
Answer: A

68) Competition legislation makes some types of trade practices illegal and attempts to encourage monopolization.
A) True
B) False
Answer: B

69) State capitalism involves market manipulation.
A) True
B) False
Answer: A

70) The "patched up" system, or mixed economy that exists in Canada is the best that can be expected, given human limitations and a democratic government.
A) True
B) False
Answer: A

71) Germany practices "stakeholder capitalism," a form of producer capitalism.
A) True
B) False
Answer: A

72) Frontier capitalism is practiced in the United States.
A) True
B) False
Answer: B

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73) The government has a stronger role in consumer capitalist systems than in frontier capitalist systems.
A) True
B) False
Answer: B

74) Co-determination takes place in producer capitalist systems.
A) True
B) False
Answer: A

75) Employees at ABC Corporation own shares in the company. This is referred to as "employee capitalism."
A) True
B) False
Answer: A

76) Canada practices consumer capitalism.
A) True
B) False
Answer: A

77) Innovation is accelerated within a producer capitalism system.
A) True
B) False
Answer: B

78) The resolution of social needs is the primary goal of economic activity under creative capitalism.
A) True
B) False
Answer: A

79) According to Bill Gates of Microsoft Corp., creative capitalism would discover new, innovative ways to solve the problems of the poorest by combining self-interest (or individualism) and caring for others.
A) True
B) False
Answer: A

80) Self-interest can be a benefit of capitalism.
A) True
B) False
Answer: B

81) As of 2009, a majority of Canadians trusted business less than the year before.
A) True
B) False
Answer: A

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ESSAY. Write your answer in the space provided or on a separate sheet of paper.

82) Define the "right to private property" and provide four rationales for this right.

Answer: The **right of private property** is the legal right to own and use economic goods.

Property is not owned by the state.

Individuals may own property and use it as they see fit.

Individuals are allowed to accumulate property and other forms of capital and wealth without restriction.

Accumulation of privately owned property allows individuals to control their own destiny and not have decisions affecting them made by others.

Pride taken in ownership results in better care of property.

The ownership of private property gives a sense of security and a feeling of satisfaction from participation in society.

Private ownership develops respect for the property of others.

83) What is meant by the term "economic freedoms"? Provide examples.

Answer: Economic freedoms exist when the business system operates with few restrictions on its activities. Examples of economic freedom include the freedom of individuals to enter business; to locate anywhere; to enter contracts; to choose among competing goods and services; to choose an occupation; to access consumer and output markets; and to develop their own economic ends and the means to attain these ends by choosing and utilizing resources as they see fit. This approach encourages entrepreneurial talent and innovation.

84) What was the role of equality of opportunity in the early development of Canada as a nation?

Answer: Many of those involved in Canadian business in the 19th and 20th centuries were attracted to Canada because there was less influence exerted by nobility, landed gentry, and a rigid class system in North America than in Europe. There was less established wealth, and the "frontier" environment allowed individuals the opportunity to create their own wealth no matter what their background. This type of environment was appropriate for business: everyone was more likely to start the economic challenge of establishing and operating a corporation on about the same terms, and to have about an equal chance of succeeding. The opportunity existed to make one's own way by establishing a new business with minimum government intervention, and it was possible to pull up stakes and move to another part of the frontier.

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85) Describe the term *oligopoly* and the role of the government in terms of price regulation in these industries.

Answer: An oligopoly exists where there are a few, large sellers in the industry whom behave similarly.

Some have become very large and have an enormous ability to influence price. In oligopolies there is a tendency for price leadership by one of the larger enterprises. Thus, government regulates prices in some of them, such as utilities.

Some industries, such as real estate and insurance, tend to charge identical commissions or establish premiums from rate books available to all enterprises in the industry.

The professions have suggested price ranges for their services. Governments control or influence prices through direct control over wages and profits (as during the Second World Wa or the period from 1975 to 1978), taxation, direct regulation, provincial barriers to trade, and tariffs.

86) Define profits and describe the role they place in a capitalist economic system.

Answer: Profits are the excess of revenues over expenses and are closely associated with competition. The pursuit of profits spurs people into action and provides the drive and desire to do things. Corporations compete for profits, yet competition ensures that if excessive profits are made, others will be attracted to the industry. Profits are not only a regulator of efficiency, but also a measure of effectiveness.

87) Discuss how individuals' attitudes toward work have changed as a result of government programs and society's expectations.

Answer: Government programs now support the less fortunate, and the effects of unemployment have been reduced by Employment Insurance payments.

These programs may not have a socially desirable impact, as sometimes labour markets are distorted—actually causing unemployment.

Individuals now expect that *more will be done for them*, usually by governments but also by business enterprises by way of working conditions, fringe benefits, and salaries.

The tendency toward government handouts and a somewhat more paternal attitude by employers has resulted in less need to work hard—or, as some argue, to work at all.

88) Government involvement in business, according to the fundamental principles of capitalism, should be minimal. Describe the government's role as advocated by capitalism, including the exceptions or the types of programs expected by governments even within capitalist systems.

Answer: Answers will vary.

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89) Compare and contrast family capitalism with frontier capitalism.

Answer: Family capitalism is also referred to as crony and Confucian capitalism, this form is found in eastern Asian countries such as Taiwan, Malaysia, Thailand, and Indonesia. In some economies, extended clans dominate business activities and control capital flows. In many countries, the clans or families are created by Chinese descendants scattered throughout the region. Russia and China are examples of frontier capitalism, suggesting that capitalism is in its beginning stages. The fundamentals of business are being introduced as the government pursues for-profit business activities and an entrepreneurial class sprouts. The fundamentals are in various stages of being made operational. The role of government changes with the need to develop commercial law and regulation.

90) Discuss some of the challenges of capitalist systems.

Answer: Among the many challenges faced by a capitalist system are greed, mistrust, economic fluctuations, and business failures. *Greed* is an excessive and selfish form of self-interest where individuals desire more of something than is needed or fair. *Trust* is a challenge for many businesses operating in a capitalist system. After corporate failures when people have lost jobs and investments, there is likely to be less trust of business. *Economic cycles* are a feature of capitalism. As capitalism is based on a market system, there will be swings between prosperous times and recessions or even depressions. Another aspect of capitalism is *failure* that disposes of weak corporations and shifts resources to new or stronger ones.

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