**Chapter 7: Political Economy**

**Multiple-Choice Questions**

1. When an asset, such as real estate, sells for far beyond its true value, this is referred to as an economic \_\_\_\_.

@ See page 174.

a. inflation

b. commodity

c. rent

d. bubble

e. recession

2. The decolonization period was marked by new and developing governments using a \_\_\_\_ approach to state involvement in economic markets.

@ See pages 176 and 177.

a. hands off

b. strong and independent

c. moderate

d. apathetic

e. limited

3. This style of economic management used privately owned businesses that were closely coordinated with the ruling leadership.

@ See pages 177 and 178.

a. Bureaucratic socialism

b. Fascism

c. Import Substitution Industrialization

d. Export-led Industrialization

e. Laissez-faire economics

4. The use of export-led industrialization by the manufacturing economies of South Korea, Hong Kong, Taiwan, and Singapore, earned these countries the nickname \_\_\_ .

@ See page 179.

a. Pacific Pacemakers

b. Ring of China

c. Asian Tigers

d. South East Slingers

e. Confucian Connoisseurs

5. When governments move money from high earners to the less advantaged members of society, they are taking part in \_\_\_.

@ see pages 181 and 182.

a. distribution

b. disbursement

c. allocation

d. redistribution

e. dislocation

6. When governments decide to sell off state-owned enterprises from the public sector, they are taking part in \_\_\_.

@ See pages 184 and 185.

a. publicity

b. privacy

c. publicization

d. privatization

e. socialization

7. A flat tax, in which all people are taxed at the same rate, is an example of \_\_\_ taxation.

@ See page 189 and 190.

a. progressive

b. regressive

c. corporate

d. value-added

e. income

8. Which of the following would NOT be a consequence of what Keynes termed the “multiplier effect” for government policymaking?

@ See page 192.

a. A decrease in local unemployment reduces the need to spend public money

b. An unemployed citizen gets a job and immediately puts wages into the economy

c. A stimulus check is cut for all Americans, leading to a spike in spending

d. A bankrupt business is subsidized to allow workers to keep their jobs

e. A strong import market increases the value of the national currency

9. How would the value of a local currency change if the government decided to take a monetary expansionist approach?

@ See pages 194 and 195.

a. The value would drop

b. The value would rise

c. The value would stay the same

d. The value would fluctuate rapidly

e. The value would rise sharply and then fall slowly

10. The U.S. response to the 2008 financial crisis was closest to the recommendations made by which of the following political economic thinkers?

@ See pages 199 to 201.

a. Milton Friedman

b. John Maynard Keynes

c. Karl Marx

d. Ayn Rand

e. Benito Mussolini

**True/False Questions**

11. One of the principal causes of the U.S. financial crisis of 2008 was a lack of regulation in financial markets, coupled with the natural cycle of the real estate market.

@ See page 175.

a. True

b. False

12. Import Substitution Industrialization (ISI) proposed a system in which locally made products would be discouraged in favor of imported substitutions from abroad.

@ See page 178.

a. True

b. False

13. One economic sector that market-led economies have an issue providing are public goods.

@ See page 184.

a. True

b. False

14. In progressive taxation regimes, higher earners are taxed at higher rates.

@ See page 190.

a. True

b. False

15. Milton Friedman advocated for governments to respond to economic crisis by increasing government spending.

@ See page 197.

a. True

b. False

**Essay Questions**

Type: E

16. Why do you think that leaders of developing countries were so taken by activist political economic models? Were these models helpful or harmful for development?

Type: E

17. Which of the statist models of economic development were the most successful? Which were the most damaging?

Type: E

18. Are there sectors of the economy that the government ought to participate more in, in order to ensure national development and economic security? Why or why not?

Type: E

19. Summarize the major points made by John Maynard Keynes with respect to his view of government involvement in the economy. Do you agree with these points?

Type: E

20. Explain the connection between political ideology (left, right, etc.) and economic policy. Why do certain economic ideas go along with certain views of governing?

Answers:

1. d

2. b

3. b

4. c

5. d

6. d

7. b

8. e

9. a

10. b

11. True

12. False

13. True

14. True

15. False