

Chapter 02 The Dynamic Environment

True / False Questions

1. Change in the business environment is the work of 10 deep historical forces or streams of related events.

True False

2. An environmental force of unknown origin and mysterious action that provides the energy for events is known as a historical force.

True False

3. Great Britain was the first society to usher in the Industrial Revolution.

True False

4. Sustained economic growth arose in Western Europe and the United States during the first half of the twentieth century.

True False

5. Global income inequality is measured by the Lorenz index.

True False

6. In the Gini index, 0 percent stands for absolute inequality and 100 percent stands for perfect equality.

True False

7. The number of children a woman must have on average to ensure that one daughter survives to reproductive age is known as the replacement fertility rate.

True False

8. Although the global population growth is slowing, it will be the highest in the most developed regions.

True False

9. Liberalization refers to the creation of networks of human interaction that span worldwide distances.

True False

10. In the international arena, the nation state is an actor having a ruling authority, citizens, and a territory with fixed borders.

True False

11. The nation-state is the unit of human organization in which individuals and cultural groups can influence their circumstances and future.

True False

12. A set of reinforcing beliefs and values that constructs a worldview is known as an ideology.

True False

13. The economic environment consists of forces that influence market operations, including overall economic activity, commodity prices, interest rates, currency fluctuations, wages, competitors' actions, and government policies.

True False

14. A Web site open to collaborative editing by multiple individuals is known as a blog.

True False

15. Values based on assumptions of security and affluence are known as postmaterialist values.

True False

16. A form of government requiring popular sovereignty, political liberty, and majority rule is the androcracy.

True False

17. Soft law refers to the voluntarily adopted guidelines for corporate behavior derived from emerging norms and standards in international codes, declarations, and conventions.

True False

18. Economic activity is a geophysical force with power to change the natural environment.

True False

19. The Living Planet Index measures the human consumption of the renewable natural resources.

True False

20. The employees of a business are a part of its external environment.

True False

Multiple Choice Questions

21. A plausible story of the future based on assumptions about how current trends might play out is known as a:
- A. proposition.
 - B. scenario.
 - C. historical force.
 - D. premise.
22. _____ is an economic policy of lowering tariffs and other barriers to encourage trade.
- A. Liberalization
 - B. Deregulation
 - C. Democratization
 - D. Marketization
23. An environmental force of unknown origin and mysterious action that provides the energy for events is known as a:
- A. proposition.
 - B. scenario.
 - C. historical force.
 - D. premise.
24. Which of the following statements about historical forces is true?
- A. It is of known origin.
 - B. It is divided into six separate but related forces.
 - C. It is a social force.
 - D. It causes a distinct chain of events.
25. Which of the following statements about the Industrial Revolution is true?
- A. It started in the late 1800s.
 - B. It first started in the United States.
 - C. It transformed the agrarian economies into industrial economies.
 - D. It did not require any specific conditions to be present.

26. Which of the following situations contributed to the Industrial Revolution?

- A. Society that was low on capital and labor
- B. Closed society
- C. Society that encouraged individual initiative
- D. Inadequate transportation

27. Using this statistical measure of global income inequality, inequality becomes greater as the percentage figure rises toward 100.

- A. Human Development Index
- B. Robin Hood index
- C. Gini index
- D. Lorenz index

28. The Gini index ranges between:

- A. 0 to -1.
- B. 0 percent to 100 percent.
- C. -1 to +1.
- D. 1 percent to 50 percent.

29. Which of the following statements regarding the Gini index is true?

- A. Zero percent stands for absolute equality.
- B. It is a statistical measure of complexity.
- C. Fifty percent represents absolute inequality.
- D. Inequality reduces as the percentage figure rises toward 100.

30. According to the Gini index, the cause of most of the rise in world income inequality is a(n):

- A. growing gap between the peoples of rich and poor nations.
- B. increasing trend toward liberalization.
- C. growing separation of rich and poor within nations.
- D. transition from high to low fertility in nations.

31. The Human Development Index scale ranges from:

- A. 0 to -1.
- B. 0 to 1.
- C. -1 to +1.
- D. -5 to 0.

32. Which of the following is a category used by the HDI to measure the development of nations?

- A. Longevity
- B. Flexibility
- C. Resilience
- D. Dynamism

33. According to the 2010 United Nations Development Programme's Human Development Report, which of the following countries has the highest human development in the world?

- A. The United States
- B. Canada
- C. Norway
- D. Mexico

34. _____ is calculated as the number of children a woman must have on average to ensure that one daughter survives to reproductive age.

- A. Sub-replacement fertility
- B. Net reproduction rate
- C. Total fertility rate
- D. Replacement fertility rate

35. Which of the following is most likely to drive future population changes?

- A. High fertility
- B. Low mortality
- C. Stable fertility
- D. Zero migration

36. Which of the following is true regarding the implications of the current population trend?

- A. The global population growth is rising.
- B. The global population growth will be lowest in the least developed countries.
- C. The wealth gap between the high-and-low-income countries will narrow down.
- D. The global population growth will continue to strain the earth's ecosystem.

37. Which of the following is true regarding the waves of innovation that have taken place since the beginning of the Industrial Revolution?

- A. The first wave of innovation started in 1685.
- B. In the first wave of innovation, electricity came into general use.
- C. The second wave of innovation began in 1845 and ended in 1900.
- D. The second wave of innovation was powered by aviation.

38. Identify the correct statement regarding the waves of innovation that have taken place since the beginning of the Industrial Revolution.

- A. The first wave of innovation lasted for about 50 years.
- B. The second wave of innovation had a time length of 65 years.
- C. Thus far, the waves of innovation have been divided into seven distinct phases.
- D. So far, the general trend has been the shortening of successive waves.

39. The invention of the _____ in the late 1700s and its widespread use beginning in the early 1800s triggered the Industrial Revolution.

- A. printing press
- B. new iron-making method
- C. waterwheel
- D. steam engine

40. Globalization is:

- A. an economic metamorphosis that started in England in the late 1700s.
- B. the creation and maintenance of a disparate economic relationship between states.
- C. the creation of networks of human interaction that span worldwide distances.
- D. a philosophy in which nations promote trade by easing tariff and non-tariff barriers.

41. _____, especially a few hundred of the largest headquartered in developed nations, are the central forces of current economic globalization.

- A. Transnational corporations
- B. Multinational corporations
- C. Micro-multinationals
- D. International corporations

42. In the international arena, a _____ is an actor formed of three elements: a ruling authority, citizens, and a territory with fixed borders.

- A. pre-national state
- B. nation-state
- C. citizen state
- D. multinational state

43. Which of the following is true regarding the modern nation-state?

- A. It is an independent entity which is not administered as part of a local government.
- B. It is a sovereign state which is comprised of two or more nations.
- C. It is the single dominant ethnic group in a state.
- D. It arose in an unplanned way out of the wreckage of the Roman Empire.

44. The _____ is the unit of human organization in which individuals and cultural groups can influence their circumstances and future.

- A. multi-ethnic state
- B. citizen state
- C. nation-state
- D. pre-national state

45. A set of reinforcing beliefs and values that constructs a worldview is called a(n):

- A. ideology.
- B. theory.
- C. realism.
- D. philosophy.

46. Which of the following is NOT an ideology that facilitated the Industrial Revolution?

- A. Constitutional democracy
- B. Communism
- C. Darwinism
- D. Social Darwinism

47. Herbert Spencer's idea that evolutionary competition in human society, as well as the natural world, weeded out the unfit and advanced humanity is known as:

- A. neo-Darwinism.
- B. neural Darwinism.
- C. social Darwinism.
- D. quantum Darwinism.

48. _____ is the belief that sacred authority called for hard work, saving, thrift, and honesty as necessary for salvation.

- A. Positivism
- B. Protestant ethic
- C. Functionalism
- D. Confucian ethic

49. Which of the following fulfills the human need for concepts and categories of meaning that explain daily life?

- A. Paradigms
- B. Reality
- C. Ideology
- D. Subjective beliefs

50. The _____ environment consists of forces that influence market operations, like commodity prices and interest rates.

- A. economic
- B. technological
- C. cultural
- D. legal

51. Which of the following is considered to be the bedrock of economic globalization?

- A. Monopoly
- B. Foreign direct investment
- C. Oligopoly
- D. Trade liberalization

52. _____ is a philosophy in which nations promote trade by easing restrictions, including both tariff and non-tariff barriers.

- A. Foreign direct investment
- B. Trade liberalization
- C. Monopoly
- D. Oligopoly

53. _____ refers to capital investment by private firms outside their home countries.

- A. Foreign direct investment
- B. Foreign portfolio debt investment
- C. Foreign portfolio equity investment
- D. Capital transfers

54. Technology that is developed on the scale of one-billionth of a meter is known as:

- A. picotechnology.
- B. microtechnology.
- C. nanotechnology.
- D. femtotechnology.

55. A Web site open to collaborative editing by multiple individuals is known as a:

- A. tag.
- B. wiki.
- C. blog.
- D. forum.

56. A system of shared knowledge, values, norms, customs, and rituals that are acquired by social learning is called a:

- A. value chain.
- B. civilization.
- C. culture.
- D. value network.

57. Values based on assumptions of security and affluence are known as _____ values.

- A. survival
- B. self-expressive
- C. postmaterialist
- D. materialist

58. _____ is a form of government requiring popular sovereignty, political liberty, and majority rule.

- A. Democracy
- B. Socialism
- C. Communism
- D. Liberalism

59. Which of the following is a characteristic of a democracy?

- A. Single party rule
- B. Universal suffrage
- C. Enforced political authority
- D. Country is ruled by famous citizens

60. Which of the following is a trend that works in the legal environment to constrain business behavior?

- A. Laws and regulations steadily decline in number and complexity.
- B. Legal duties to protect the rights of stakeholders have lessened.
- C. Globalization has decreased the complexity of the legal environment by shielding corporations from the laws of foreign nations.
- D. Although requirements of ethical behavior and corporate social responsibility go beyond legal duty, they are continuously encoded into law.

61. Voluntarily adopted guidelines for corporate behavior derived from emerging norms and standards in international codes, declarations, and conventions are called:

- A. diplomatic laws.
- B. soft laws.
- C. case laws.
- D. traditional laws.

62. The _____ combines in one measure thousands of population trends among terrestrial, freshwater, and marine vegetable species.

- A. Living Planet Index
- B. Ecological Footprint
- C. Environmental Performance Index
- D. Water Footprint

63. The _____ measures human consumption of renewable natural resources.

- A. Living Planet Index
- B. Environmental Performance Index
- C. Water Footprint
- D. Ecological Footprint

64. The _____ is calculated as the total land area, in hectares, required to maintain worldwide human consumption of food, wood, fiber, energy, and water.

- A. Living Planet Index
- B. Environmental Impact Index
- C. Ecological Footprint
- D. Water Footprint

65. Which of the following is an internal business environment?

- A. Culture
- B. Shareholders
- C. Economy
- D. Government

Chapter 02 - The Dynamic Environment

Short Answer Questions

66. What is meant by a historical force?

67. What is the Industrial Revolution?

68. What is a Gini index?

69. What is replacement fertility rate?

70. Define the term "globalization."

Essay Questions

71. Why did the Industrial Revolution begin in Great Britain?

72. Discuss the problem of global income inequality.

73. What are the factors that will drive future population changes? Discuss the implications of these population trends.

74. How has technology impacted societies? What will be the impact of new technologies?

75. Discuss in brief the waves of innovation that have taken place since the beginning of the Industrial Revolution.

76. Discuss the impact of globalization over the years.

77. Briefly discuss dominant ideologies.

78. What does the economic environment consist of? Define the terms "trade liberalization" and "foreign direct investment."

79. How does the cultural environment create change in the relationships between business, governments, and societies?

80. Discuss the five trends in the legal environment that restrain business behavior.

Chapter 02 The Dynamic Environment **Answer Key**

True / False Questions

1. (p. 24) Change in the business environment is the work of 10 deep historical forces or streams of related events.

FALSE

Difficulty: Easy

2. (p. 25) An environmental force of unknown origin and mysterious action that provides the energy for events is known as a historical force.

TRUE

Difficulty: Easy

3. (p. 25) Great Britain was the first society to usher in the Industrial Revolution.

TRUE

Difficulty: Medium

4. (p. 25) Sustained economic growth arose in Western Europe and the United States during the first half of the twentieth century.

FALSE

Difficulty: Medium

5. (p. 26) Global income inequality is measured by the Lorenz index.

FALSE

Difficulty: Easy

6. (p. 26) In the Gini index, 0 percent stands for absolute inequality and 100 percent stands for perfect equality.

FALSE

Difficulty: Easy

7. (p. 29) The number of children a woman must have on average to ensure that one daughter survives to reproductive age is known as the replacement fertility rate.

TRUE

Difficulty: Easy

8. (p. 30) Although the global population growth is slowing, it will be the highest in the most developed regions.

FALSE

Difficulty: Easy

9. (p. 32) Liberalization refers to the creation of networks of human interaction that span worldwide distances.

FALSE

Difficulty: Easy

10. (p. 33) In the international arena, the nation state is an actor having a ruling authority, citizens, and a territory with fixed borders.

TRUE

Difficulty: Easy

11. (p. 33) The nation-state is the unit of human organization in which individuals and cultural groups can influence their circumstances and future.

TRUE

Difficulty: Easy

12. (p. 34) A set of reinforcing beliefs and values that constructs a worldview is known as an ideology.

TRUE

Difficulty: Easy

13. (p. 36) The economic environment consists of forces that influence market operations, including overall economic activity, commodity prices, interest rates, currency fluctuations, wages, competitors' actions, and government policies.

TRUE

Difficulty: Easy

14. (p. 38) A Web site open to collaborative editing by multiple individuals is known as a blog.

FALSE

Difficulty: Easy

15. (p. 40) Values based on assumptions of security and affluence are known as postmaterialist values.

TRUE

Difficulty: Easy

16. (p. 41) A form of government requiring popular sovereignty, political liberty, and majority rule is the androcracy.

FALSE

Difficulty: Easy

17. (p. 42) Soft law refers to the voluntarily adopted guidelines for corporate behavior derived from emerging norms and standards in international codes, declarations, and conventions.

TRUE

Difficulty: Easy

18. (p. 43) Economic activity is a geophysical force with power to change the natural environment.

TRUE

Difficulty: Easy

19. (p. 43) The Living Planet Index measures the human consumption of the renewable natural resources.

FALSE

Difficulty: Easy

20. (p. 44) The employees of a business are a part of its external environment.

FALSE

Difficulty: Easy

Multiple Choice Questions

21. (p. 22) A plausible story of the future based on assumptions about how current trends might play out is known as a:

A. proposition.

B. scenario.

C. historical force.

D. premise.

Difficulty: Easy

22. (p. 22) _____ is an economic policy of lowering tariffs and other barriers to encourage trade.

A. Liberalization

B. Deregulation

C. Democratization

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Difficulty: Easy

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26. (p. 25) Which of the following situations contributed to the Industrial Revolution?

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Difficulty: Easy

27. (p. 26) Using this statistical measure of global income inequality, inequality becomes greater as the percentage figure rises toward 100.

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Difficulty: Easy

Chapter 02 - The Dynamic Environment

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Difficulty: Medium

30. (p. 27) According to the Gini index, the cause of most of the rise in world income inequality is a(n):

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Difficulty: Easy

31. (p. 28) The Human Development Index scale ranges from:

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32. (p. 28) Which of the following is a category used by the HDI to measure the development of nations?

- A. Longevity
- B. Flexibility
- C. Resilience
- D. Dynamism

Difficulty: Easy

33. (p. 28) According to the 2010 United Nations Development Programme's Human Development Report, which of the following countries has the highest human development in the world?

- A. The United States
- B. Canada
- C. Norway
- D. Mexico

Difficulty: Medium

34. (p. 29) _____ is calculated as the number of children a woman must have on average to ensure that one daughter survives to reproductive age.

- A. Sub-replacement fertility
- B. Net reproduction rate
- C. Total fertility rate
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Difficulty: Easy

35. (p. 30) Which of the following is most likely to drive future population changes?

- A. High fertility
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Difficulty: Medium

36. (p. 30) Which of the following is true regarding the implications of the current population trend?

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Difficulty: Medium

37. (p. 31) Which of the following is true regarding the waves of innovation that have taken place since the beginning of the Industrial Revolution?

- A. The first wave of innovation started in 1685.
- B. In the first wave of innovation, electricity came into general use.
- C.** The second wave of innovation began in 1845 and ended in 1900.
- D. The second wave of innovation was powered by aviation.

Difficulty: Difficult

38. (p. 31) Identify the correct statement regarding the waves of innovation that have taken place since the beginning of the Industrial Revolution.

- A. The first wave of innovation lasted for about 50 years.
- B. The second wave of innovation had a time length of 65 years.
- C.** Thus far, the waves of innovation have been divided into seven distinct phases.
- D. So far, the general trend has been the shortening of successive waves.

Difficulty: Difficult

39. (p. 31) The invention of the _____ in the late 1700s and its widespread use beginning in the early 1800s triggered the Industrial Revolution.

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- B. new iron-making method
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Difficulty: Medium

40. (p. 32) Globalization is:

- A. an economic metamorphosis that started in England in the late 1700s.
- B. the creation and maintenance of a disparate economic relationship between states.
- C.** the creation of networks of human interaction that span worldwide distances.
- D. a philosophy in which nations promote trade by easing tariff and non-tariff barriers.

Difficulty: Medium

41. (p. 32) _____, especially a few hundred of the largest headquartered in developed nations, are the central forces of current economic globalization.

- A.** Transnational corporations
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- C. Micro-multinationals
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Difficulty: Medium

42. (p. 33) In the international arena, a _____ is an actor formed of three elements: a ruling authority, citizens, and a territory with fixed borders.

- A. pre-national state
- B.** nation-state
- C. citizen state
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Difficulty: Easy

43. (p. 33) Which of the following is true regarding the modern nation-state?

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Difficulty: Medium

Chapter 02 - The Dynamic Environment

44. (p. 33) The _____ is the unit of human organization in which individuals and cultural groups can influence their circumstances and future.

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- B. citizen state
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- D. pre-national state

Difficulty: Easy

45. (p. 34) A set of reinforcing beliefs and values that constructs a worldview is called a(n):

- A. ideology.**
- B. theory.
- C. realism.
- D. philosophy.

Difficulty: Easy

46. (p. 34) Which of the following is NOT an ideology that facilitated the Industrial Revolution?

- A. Constitutional democracy
- B. Communism**
- C. Darwinism
- D. Social Darwinism

Difficulty: Easy

47. (p. 34) Herbert Spencer's idea that evolutionary competition in human society, as well as the natural world, weeded out the unfit and advanced humanity is known as:

- A. neo-Darwinism.
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Chapter 02 - The Dynamic Environment

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50. (p. 36) The _____ environment consists of forces that influence market operations, like commodity prices and interest rates.

- A. economic**
- B. technological
- C. cultural
- D. legal

Difficulty: Easy

51. (p. 37) Which of the following is considered to be the bedrock of economic globalization?

- A. Monopoly
- B. Foreign direct investment
- C. Oligopoly
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Difficulty: Easy

52. (p. 37) _____ is a philosophy in which nations promote trade by easing restrictions, including both tariff and non-tariff barriers.

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Difficulty: Easy

53. (p. 37) _____ refers to capital investment by private firms outside their home countries.

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Difficulty: Easy

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- C. blog.
- D. forum.

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Chapter 02 - The Dynamic Environment

56. (p. 39) A system of shared knowledge, values, norms, customs, and rituals that are acquired by social learning is called a:

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- B. civilization.
- C. culture.**
- D. value network.

Difficulty: Easy

57. (p. 40) Values based on assumptions of security and affluence are known as _____ values.

- A. survival
- B. self-expressive
- C. postmaterialist**
- D. materialist

Difficulty: Easy

58. (p. 41) _____ is a form of government requiring popular sovereignty, political liberty, and majority rule.

- A. Democracy**
- B. Socialism
- C. Communism
- D. Liberalism

Difficulty: Easy

59. (p. 41) Which of the following is a characteristic of a democracy?

- A. Single party rule
- B. Universal suffrage**
- C. Enforced political authority
- D. Country is ruled by famous citizens

Difficulty: Medium

60. (p. 42) Which of the following is a trend that works in the legal environment to constrain business behavior?

- A. Laws and regulations steadily decline in number and complexity.
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61. (p. 42) Voluntarily adopted guidelines for corporate behavior derived from emerging norms and standards in international codes, declarations, and conventions are called:

- A. diplomatic laws.
- B.** soft laws.
- C. case laws.
- D. traditional laws.

Difficulty: Easy

62. (p. 43) The _____ combines in one measure thousands of population trends among terrestrial, freshwater, and marine vegetable species.

- A.** Living Planet Index
- B. Ecological Footprint
- C. Environmental Performance Index
- D. Water Footprint

Difficulty: Easy

63. (p. 44) The _____ measures human consumption of renewable natural resources.

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64. (p. 44) The _____ is calculated as the total land area, in hectares, required to maintain worldwide human consumption of food, wood, fiber, energy, and water.

- A. Living Planet Index
- B. Environmental Impact Index
- C. Ecological Footprint**
- D. Water Footprint

Difficulty: Easy

65. (p. 45) Which of the following is an internal business environment?

- A. Culture
- B. Shareholders**
- C. Economy
- D. Government

Difficulty: Easy

Short Answer Questions

66. (p. 25) What is meant by a historical force?

Historical force is an environmental force of unknown origin and mysterious action that provides the energy for events. This force is divided into nine separate but related forces causing distinct chains of events.

Difficulty: Easy

67. (p. 25) What is the Industrial Revolution?

The Industrial Revolution was an economic metamorphosis in England in the late 1700s. It turned simple economies of farmers and artisans into complex industrial societies, and increased their wealth and national power.

Difficulty: Easy

68. (p. 26) What is a Gini index?

The Gini index is a statistical measure of inequality in which 0 percent is perfect equality and 100 percent is absolute inequality.

Difficulty: Easy

69. (p. 29) What is replacement fertility rate?

The number of children a woman must have on average to ensure that one daughter survives to reproductive age is known as the replacement fertility rate. In theory, this number is sufficient to maintain a stable population.

Difficulty: Easy

70. (p. 32) Define the term "globalization."

Globalization occurs when networks of economic, political, social, military, scientific, or environmental interdependence grow to span worldwide distances. In the economic realm, globalization occurs when nations open themselves to foreign trade and investment, creating world markets for goods, services, and capital.

Difficulty: Easy

Essay Questions

71. (p. 25) Why did the Industrial Revolution begin in Great Britain?

The Industrial Revolution of the late 1700s turned simple economies of farmers and artisans into complex industrial societies, greatly increasing their wealth and national power. In thousands of years before this event, there had been no widespread, sustained economic growth to raise living standards. The vast majority of the world's population was mired in poverty. The Industrial Revolution required specific conditions, including a sufficiency of capital, labor, natural resources, and fuels; adequate transportation; strong markets; and ideas and institutions that support the productive blend of these ingredients. The right conditions first appeared in Great Britain. It was an open society that allowed social mobility and encouraged individual initiative. Its parliament embodied values of political liberty, free speech, and public debate. Consequently, Britain was the source of scientific advances and inventions such as the steam engine that liberated the energy in the nation's massive coal deposits. Its climate supported agriculture and its island geography put it at the hub of sea routes for world trade.

Difficulty: Difficult

72. (p. 25-28) Discuss the problem of global income inequality.

From time immemorial, status distinctions, class structures, and gaps between rich and poor have characterized societies. Inequality is ubiquitous, as are its consequences. The basic political conflict in every nation, and between nations, is the antagonism between rich and poor. As the Industrial Revolution accelerated the accumulation of wealth, it worsened the persistent problem of uneven distribution. Explosive economic growth widened the gap between rich and poor around the globe. As the Industrial Revolution was spreading from England to Western Europe, global income inequality was already very high. Economies in industrializing nations rapidly expanded. After that, the rise was slower, as Asian countries holding the bulk of the world's poor began to industrialize and catch up. The Gini index reached 64 percent in 1950 and continued its decelerating rise to 67 percent in 2007. This represents an extreme level of inequality across the world population, so high it exceeds the inequality within any single nation. The cause of this striking gap is the diverging economic fortunes of nations. Contrary to popular opinion, economic growth itself does not increase income inequality within modernizing nations. During industrialization, the incomes of the poorest people rise in proportion to the rise in average income for the country as a whole. The cause of most of the rise in world income inequality is a growing gap between the peoples of rich and poor nations, not a growing separation of rich and poor within nations. Inequality is perpetuated by social institutions such as caste, marriage, land ownership, law, and market relationships. Arrangements and rules in these institutions are resilient, creating sinkholes of unequal opportunity. The vast majority of the world's poor people live in nations not yet transformed by industrial growth where entrenched inequities persist over generations. This situation creates expectations that ethical duties of global corporations include helping the poor and equitably distributing the fruits of commerce.

Difficulty: Difficult

73. (p. 30) What are the factors that will drive future population changes? Discuss the implications of these population trends.

The factors that will drive future population changes are: falling fertility, low mortality, and migration.

These population trends have many implications. First, although global population growth is slowing, it will be highest in the least developed regions, further widening the wealth gap between high- and low-income countries. Second, growth will continue to strain the earth's ecosystems, especially as industrial activity spreads. Third, the West is in demographic decline compared with other peoples. Shrinking, aging populations may lead to slower GDP growth, putting more pressure on national welfare and pension policies. In the future, non-Western populations will be stronger economically, militarily, and politically and will push to expand their influence. Although Western market values and business ideology seem ascendant now, they may be less dominant in the future as the numerical basis of Western civilization declines. In such ways will population trends alter the business environment and create new societal expectations for corporate behavior.

Difficulty: Difficult

74. (p. 30-31) How has technology impacted societies? What will be the impact of new technologies?

Throughout recorded history new technologies and devices have fueled commerce and reshaped societies. In the 1450s the printing press was an immediate commercial success, but its impact went far beyond the publishing business. The invention of the steam engine in the late 1700s and its widespread use beginning in the early 1800s, along with increased use of the waterwheel and new iron-making methods, triggered the Industrial Revolution. This was the first of five waves of technological revolution. With each wave innovations spread, stimulating economic booms of increased investment, rising productivity, and output growth. The shortening of successive waves reveals faster innovation.

New technologies foster the productivity gains that sustain long-term economic progress, and they promote human welfare. However, they also can agitate societies. During the rise of industrial societies over more than two centuries, technology has altered human civilization by stimulating economic and population growth to sustained rises unimaginable in previous recorded history. New things have created many benefits, including higher living standards and longer life spans, but because technology changes faster than human beliefs and institutions, it also imposes strains.

Difficulty: Difficult

75. (p. 31) Discuss in brief the waves of innovation that have taken place since the beginning of the Industrial Revolution.

There are five waves of technological revolution.

- The first wave of innovation took place between 1785 and 1845. This was the time when water power was harnessed, textiles were developed, and iron was extensively used.
- The second wave of innovation took place between 1845 and 1900. This was when the power of steam was harnessed, railways were developed, and steel was put to extensive use.
- The third wave took place between 1900 and 1950. In this period, electricity was discovered and put to use, chemicals were used, and the internal-combustion engine was developed.
- The fourth wave took place between 1950 and 1990, during which period petrochemicals, electronics, and aviation made their presence felt.
- The fifth and final wave of innovation started from 1990 and is expected to continue up to 2020. Digital networks, software, new media, and biotechnology have already arrived.

With each wave innovations spread, stimulating economic booms of increased investment, rising productivity, and output growth. The shortening of successive waves reveals faster innovation.

Difficulty: Medium

76. (p. 32-33) Discuss the impact of globalization over the years.

Globalization occurs when networks of economic, political, social, military, scientific, or environmental interdependence grow to span worldwide distances. In the economic realm, globalization occurs when nations open themselves to foreign trade and investment, creating world markets for goods, services, and capital. The current rise of such a system began after World War II, when the victor nations lowered trade barriers and loosened capital controls. Over the next 50 years, international negotiations led more nations to open themselves to global flows of goods, services, and investment until today no national economy of any significance remains isolated from world markets. Today's economic globalization is the leading edge of a long trend. By the late 1700s the world was knit together with the exchange of trade goods, currencies, and ideas. The consequences of this initial globalization are similar to those arising from the current globalization. Economic activity rapidly increased, trade expansion increased inequality among nations, cultures changed, and infectious diseases spread. Since this initial tying together of societies, the trend toward integration has continued. Globalization has been accelerated by new technologies, particularly those based on electricity, but also sometimes slowed by national rivalries and wars. Today, transnational corporations are the central forces of economic globalization. However, globalization complicates their management. By operating in many countries they multiply the number and kind of stakeholders to which they must respond. Their actions create strains and anxieties that lead to heightened expectations of responsible behavior.

There is a strong anticorporate movement that see the growing velocity of trade with alarm because it clashes with their values on the environment, human rights, and democracy. These groups seek to restrain and regulate the activities of transnational corporations and they have had some success.

Difficulty: Difficult

77. (p. 34) Briefly discuss dominant ideologies.

Thought shapes history. An ideology is a set of reinforcing beliefs and values that constructs a worldview. Ideologies are more than the sum of sensory perception and rational thought. They fulfill the human need for concepts and categories of meaning that explain daily life. Ideologies in accord with experience and current conditions often spread widely. Their belief systems lead adherents to feel a collective identity and to follow common norms that direct social behavior, thereby promoting cooperation and stability. They give institutions that represent them, such as churches, governments, and corporations, the power to interpret events and resolve human problems.

Difficulty: Medium

78. (p. 37) What does the economic environment consist of? Define the terms "trade liberalization" and "foreign direct investment."

The economic environment consists of forces that influence market operations, including overall economic activity, commodity prices, interest rates, currency fluctuations, wages, competitors' actions, and government policies.

Trade liberalization is a philosophy in which nations promote trade by easing restrictions, including both tariff and nontariff barriers. This philosophy, sometimes called simply liberalization, is the bedrock of economic globalization.

Foreign direct investment is capital invested by private firms outside their home countries.

Difficulty: Medium

79. (p. 39-40) How does the cultural environment create change in the relationships between business, governments, and societies?

A culture is a system of shared knowledge, values, norms, customs, and rituals acquired by social learning. No universal culture exists, so the environment of a transnational corporation includes a variety of cultures, each with differing peoples, languages, religions, and values. On one level, this variation causes conflicts of business custom, and managers in foreign countries must absorb both subtle and striking differences in employee loyalty, group versus individual initiative, the place of women in organizations, ethical values, norms of gift giving, attitudes toward authority, the meaning of time, and clothing worn in business settings. On a deeper level, although no uniform world culture exists, there is a fundamental divide between the culture of Western economic development and some other national cultures. The culture of the advanced West promotes a core ideology of markets, individualism, and democracy. It is sustained by Western nations that dominate international organizations, contain the most powerful corporations, and have the strongest militaries. Although developing nations tend to adopt elements of Western culture, some are resistant. Over the last half of the twentieth century, some cultural values in developed nations began to shift, creating changes in the global business environment. In these societies, traditional values based on historical realities of economic scarcity were transformed. In their place came postmaterialist values. In older industrializing societies, the drive for survival and material welfare dominated. However, the generations after World War II grew up surrounded by affluence and the protections of welfare states. Because they felt material security, these generations began to rank individual autonomy over deference to authority, quality of life over mere survival, self-expression over conformity, and tolerance over prejudice. The rise of postmaterialist values has uniformly shifted the social, political, economic, and sexual norms of rich countries. Postmaterialist values are a strong influence in the operating environments of multinational corporations. They support a powerful global movement to promote fundamental human rights. This movement is energized by West-dominated coalitions of individuals, advocacy groups, governments, and international organizations. Similar and interrelated movements have risen to promote sustainable development and humanitarian assistance to poor regions. This global tide of morality elevates expectations about the behavior of multinational corporations. Increasingly, they must follow proliferating codes and rules developed by moral reformers and must define their strategies to promote both human welfare and net income.

Difficulty: Difficult

80. (p. 42-43) Discuss the five trends in the legal environment that restrain business behavior.

The legal environment consists of legislation, regulation, and litigation. Five enduring trends in this environment work to constrain business behavior.

First, laws and regulations steadily grow in number and complexity. As governments become more active and more participatory they respond to citizens' calls for restraining corporate power with new statutes and heightened regulatory activity.

Second, legal duties to protect the rights of stakeholders, such as employees, consumers, and the public, have expanded. These rights derive from the steady flow of laws and court decisions.

Third, globalization has increased the complexity of the legal environment by exposing corporations to international law and the laws of foreign nations. In addition, advocacy groups promoting human rights, labor, and environmental causes push corporations to adopt so-called soft law. These guidelines can exceed requirements in the laws of some nations.

Fourth, although requirements of ethical behavior and corporate social responsibility go beyond legal duty, they are continuously plucked from the voluntary realm and encoded into law. Actions that once elicited debate over the nature of corporate responsibility continuously move into regulatory regimes that squeeze out all expression of free will by managers.

Finally, the law is constantly evolving.

Difficulty: Difficult