

Chapter 18 review

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- ___ 1. The primary measure of a country's development is
 - a. average income.
 - b. average life expectancy.
 - c. per capita gross domestic product.
 - d. percentage of the population with a college degree.
- ___ 2. A high level of energy consumption indicates
 - a. a high population growth rate.
 - b. a high level of industrialization.
 - c. a high level of infant mortality.
 - d. a large labor force working mainly in subsistence agriculture.
- ___ 3. The calculating of a country's population growth rate takes into account all of the following EXCEPT
 - a. the number of deaths in a given year.
 - b. the number of people who marry in a given year.
 - c. the number of births in a given year.
 - d. the number of people who move to a country in a given year.
- ___ 4. The average person in a developed nation
 - a. is older than 65.
 - b. is younger than 10.
 - c. is older than the average person in a less developed nation.
 - d. is more likely to have children than a person in a less developed nation.
- ___ 5. "Brain drain" occurs when
 - a. a young girl in an LDC stops attending school after eighth grade.
 - b. an engineer leaves her LDC to work in a developed nation.
 - c. a boy in an LDC decides not to attend college because his help is needed to run the family business.
 - d. a student from an LDC receives a college education in a developed nation and then returns home to work in his own country.
- ___ 6. Factors that have contributed to limiting development in poor nations include all of the following EXCEPT
 - a. relying on a free market economy to stimulate economic growth.
 - b. spending money on weapons at the expense of infrastructure.
 - c. government leaders who accumulate personal fortunes at the expense of their nations.
 - d. a history of colonialism that prevented countries from producing their own goods.
- ___ 7. The Marshall Plan was a program funded by the U.S. government that
 - a. supplied money, food, and weapons to European nations during World War II.
 - b. promoted foreign development in Communist nations following World War II.
 - c. loaned and granted money to needy countries in Europe after World War II in the hopes of promoting democracy.
 - d. encouraged the overthrow of Communist nations by funding a variety of resistance movements within Communist countries following World War II.
- ___ 8. The largest provider of development assistance is
 - a. the World Bank.
 - b. the U.S. government.
 - c. the International Monetary Fund.
 - d. the United Nations Development Program.

- ___ 9. All of the following are accurate statements about IMF stabilization programs EXCEPT that they often
- cause prices to rise in LDCs.
 - include cuts in government spending.
 - have a negative impact on the poor in the first few years.
 - provide incentives to increase imports and decrease exports.
- ___ 10. All of the following are accurate statements about the special economic zones established in China EXCEPT
- foreign companies are allowed to operate in these zones.
 - the economic zones established in the interior regions have been far more successful than those established in coastal cities.
 - business owners are permitted to make most of their own decisions.
 - the success of the zones has caused a great shift in the distribution of the population in the country.
- ___ 11. The most important reason why two countries that have the same GDP can have vastly different standards of living is because of
- population size.
 - income distribution.
 - access to health care.
 - access to consumer goods.
- ___ 12. When compared with LDCs, a higher proportion of people in developed nations are
- older than 65.
 - infants.
 - children between the ages of 5 and 10.
 - of child-bearing age.
- ___ 13. All of the following are accurate statements about the debt problem in LDCs EXCEPT that
- in some countries, debt is greater than GDP.
 - a rapid increase in the price of oil caused a great rise in debt.
 - the rise in value of the U.S. dollar caused a rise in debt.
 - debt holders often seize government property when loans are not repaid.
- ___ 14. An example of foreign direct investment would be
- a wealthy person from an LDC investing his money in a foreign bank.
 - a factory that is built in an LDC but owned by a foreign company.
 - a new highway in an LDC financed by money borrowed from a foreign government.
 - a person from a developed nation investing money in the stock market of an LDC.
- ___ 15. A true statement about the World Bank would be that it
- was founded in 1965.
 - focuses on emergency aid to LDCs following natural disasters.
 - raises money on the financial markets and from member nations.
 - is financed mainly by voluntary contributions from generous individuals around the world.
- ___ 16. All of the following are associated with moving from a centrally planned economy to a market economy EXCEPT
- a rise in unemployment.
 - the protection of individual property rights.
 - an increase in competition for high paying jobs.
 - an increase in the role the government plays in the day-to-day operation of a business.
- ___ 17. Economic problems in China were caused by all of the following EXCEPT
- the Cultural Revolution of the 1960s.
 - overproduction of unneeded consumer goods.
 - lack of incentives to workers to work hard.
 - an overemphasis on the development of heavy industry.
- ___ 18. How did Deng Xiaoping begin the transition of China's economy away from central planning and toward a market-based economy?
- He replaced People's Communes with the contract responsibility system to increase farmers' incentives to grow more crops.

- b. He changed the focus of industry away from heavy industry and toward light industry to encourage people to spend more money on consumer goods.
 - c. He gave more decision-making responsibility to factory managers in order to increase production.
 - d. all of the above
- _____ 19. Mikhail Gorbachev instituted a plan for economic restructuring in the Soviet Union. This plan allowed people to start businesses, converted many factories from producing military goods to consumer goods, and granted farmers long-term leases on their land. What was Gorbachev's plan called?
- a. Vladivostok
 - b. glasnost
 - c. perestroika
 - d. borscht
- _____ 20. Suppose a less developed country is having difficulty making payments on its foreign debts. What option does this nation have?
- a. It may ask its lenders for additional loans in exchange for accepting a foreign portfolio investment from the World Bank.
 - b. It may ask its lenders to forgive the loans in exchange for accepting temporary control by the lender nation.
 - c. It may ask its lenders for debt rescheduling in exchange for accepting a stabilization program from the International Monetary Fund.
 - d. It may ask its lenders to forego the payments until the economy of the debtor nation is stronger.
- _____ 21. Characteristics of developed nations include
- a. high per capita GDPs, high infant mortality rates, low life expectancy.
 - b. low infant mortality rates, low life expectancy, high unemployment rates.
 - c. high unemployment rates, high infant mortality rates, high literacy rates.
 - d. high per capita GDPs, low infant mortality rates, high literacy rates.
- _____ 22. A particular nation has a low per capita GDP, low literacy rate, high infant mortality rate, and inadequate educational system. This nation would be considered a
- a. developed nation.
 - b. less developed country.
 - c. newly industrialized country.
 - d. transitional country.
- _____ 23. Factors such as life expectancy, energy consumption, per capita GDP, literacy rates, and infant mortality rates are used to
- a. measure the cultural output of a country.
 - b. judge the worth of a nation and its people.
 - c. determine how much foreign aid will be provided to a country.
 - d. measure the development of a country.
- _____ 24. What is the general term for a less developed nation that has shown significant improvement in its development?
- a. newly industrialized country
 - b. Asian tiger
 - c. less developed nation
 - d. middle income nation
- _____ 25. Brain drain is
- a. the tendency of workers in less developed countries to reject new technologies.
 - b. the tendency of educated people to leave less developed countries build careers in developed countries.
 - c. the impact of poverty on the productivity of workers in less developed countries.
 - d. the impact of malnutrition on education and productivity in less developed countries.
- _____ 26. If the population of less developed countries continues at its current pace, the population of these nations is expected to double in 40 years. What will be a consequence of this rapid population growth?
- a. The population will be rapidly aging, and these nations will require more health facilities and trained health care workers.

- b. Large numbers of people will be expected to emigrate from these countries, and nearby nations will be the ones to bear the burden of the migrating population.
 - c. These countries are expected to be able to keep up with the demand for more schools, employment opportunities, and agricultural and industrial output.
 - d. A large percentage of the population will be too young to work, therefore productivity will not increase with the population.
- _____ 27. Suppose a less developed country has experienced four decades of central planning, a corrupt government, and years of civil war. What effect would this experience have on the nation's development?
- a. It would limit or possibly reduce the nation's development.
 - b. It would improve or possibly greatly improve the nation's development.
 - c. It would have no effect on the nation's development.
 - d. It would end the nation's development.
- _____ 28. In 1973, members of the Organization of Oil-Exporting Countries (OPEC) reduced oil exports, which more than quadrupled oil prices. What effect did that have on less developed nations?
- a. Their development increased rapidly because of the profits they made from oil, and some nations approached the status of developed countries.
 - b. They were unable to repay foreign loans because they spent so much on oil, and they had to give up large amounts of land to lender nations.
 - c. They had to borrow money to buy oil, and this increased debt made it difficult or impossible for them to repay foreign loans.
 - d. They formed an international alliance to pressure OPEC to reduce oil prices and to invest in oil exploration in less developed countries.
- _____ 29. What two methods can a less developed country use to finance its economic development?
- a. internal financing and debt rescheduling
 - b. internal financing and foreign investment
 - c. foreign investment and debt rescheduling
 - d. infrastructure and foreign banks
- _____ 30. After World War II, the United States sent billions of dollars in foreign aid to help the war-torn nations of Western Europe rebuild. What was one result of the efforts of the United States to help Europe rebuild?
- a. European economies recovered, and the United States gained new markets for American goods.
 - b. Millions of Europeans immigrated to the United States, and the U.S. economy weakened because of the sharp increase in immigration.
 - c. The dramatic increase in foreign aid weakened the American economy, and the United States spent the next 10 years in a deep recession.
 - d. Several western European nations resented American influence in their countries, and they formed a strategic alliance against the United States.
- _____ 31. The World Bank, the United Nations Development Program, and the International Monetary Fund
- a. offer loans to individual entrepreneurs in developed nations.
 - b. promote domestic investment by the wealthy elites of less developed countries.
 - c. give disaster relief, such as food aid, to nations in crisis.
 - d. provide development assistance to less developed countries.
- _____ 32. During the 1980s, the government of Great Britain privatized a number of businesses, including the post office and the telephone company. What did the government actually do?
- a. It sold these government-owned businesses to individuals.
 - b. It heightened security in these businesses to protect the privacy of British citizens.
 - c. It converted privately owned companies to state-owned businesses.
 - d. It developed stricter regulations in these industries for health and safety reasons.

Matching

Identifying Key Terms

Match each term with the correct statement below.

- | | |
|------------------------------------|--------------------------------------|
| a. arable | f. infrastructure |
| b. development | g. International Monetary Fund (IMF) |
| c. foreign direct investment (FDI) | h. <i>perestroika</i> |
| d. foreign portfolio investment | i. privatization |
| e. <i>glasnost</i> | j. World Bank |
- ___ 33. the services and facilities necessary for an economy to function
- ___ 34. the establishment of an enterprise by a foreigner
- ___ 35. the process by which a nation improves the economic, political, and social well-being of its people
- ___ 36. suitable for producing crops
- ___ 37. organization formed to stabilize international exchange rates and facilitate development
- ___ 38. the sale or transfer of state-owned businesses to individuals
- ___ 39. Soviet leader Gorbachev's plan for economic restructuring
- ___ 40. a policy of political "openness" introduced into the Soviet Union in the late 1980s

Identifying Key Terms

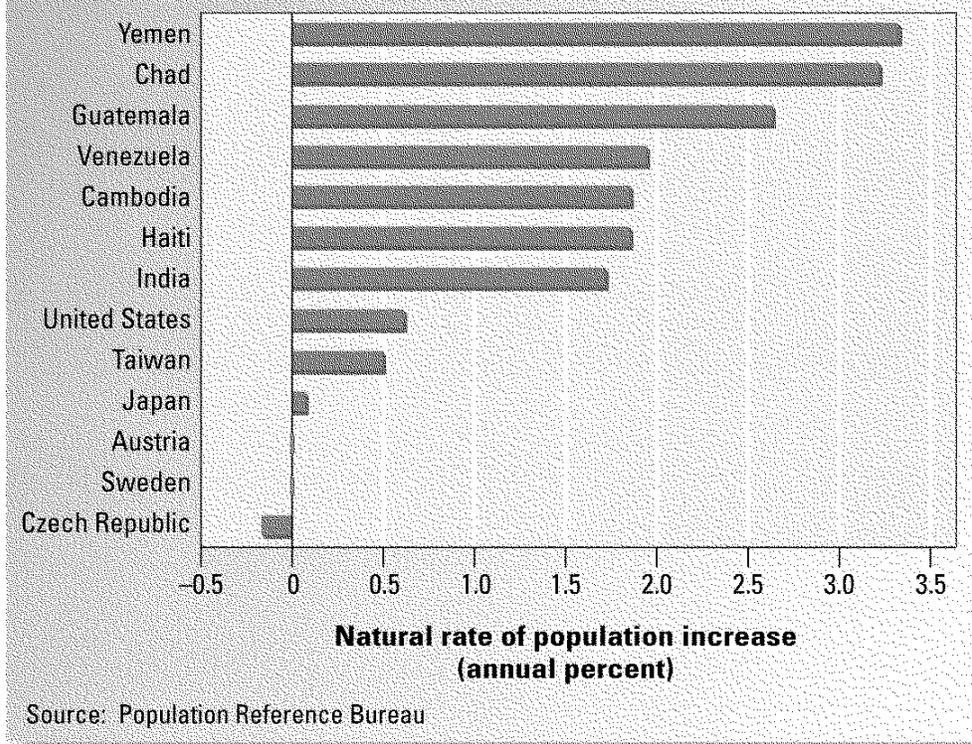
Match each term with the correct statement below.

- | | |
|------------------------------------|--------------------------------------|
| a. arable | f. infrastructure |
| b. development | g. International Monetary Fund (IMF) |
| c. foreign direct investment (FDI) | h. light industry |
| d. foreign portfolio investment | i. privatization |
| e. <i>glasnost</i> | j. World Bank |
- ___ 41. the process by which a nation improves the economic, political, and social well-being of its people
- ___ 42. the services and facilities necessary for an economy to function
- ___ 43. suitable for producing crops
- ___ 44. the entry of funds into a country when foreigners make purchases in the country's stock and bond markets
- ___ 45. the largest provider of development assistance
- ___ 46. the sale or transfer of state-owned businesses to individuals
- ___ 47. a policy of political "openness" introduced into the Soviet Union in the late 1980s
- ___ 48. the production of small consumer goods

Short Answer

Reading a Bar Graph

Figure 18.4 Population Growth Rates of Selected Nations, 2003



49. Identify two countries shown in Figure 18.4 whose population growth rate is more than 2.0.
50. According to Figure 18.4, what is the annual natural rate of population increase in Venezuela?
51. According to Figure 18.4, what does it mean if a country has a natural rate of population increase below zero?
52. Identify one country shown in Figure 18.4 whose population growth rate is below zero.
53. According to Figure 18.4, what is the approximate annual natural rate of population increase in Yemen?
54. According to Figure 18.4, what does it mean if a country has a natural rate of population increase above zero?
55. According to Figure 18.4, in what countries are approximately the same number of people born each year as die each year?

Essay

Critical Thinking

56. **Drawing Conclusions** Explain how it is possible that a country can have considerable wealth and still be considered a less developed country.
57. **Analyzing Information** Discuss the benefits and problems associated with multinational corporations' establishing production facilities in an LDC.
58. **Synthesizing Information** Explain the relationship between the use of human capital and level of development.

59. **Making Comparisons** How are the ways that the former Soviet Union and China have moved toward market-based economies different?

Chapter 18 review

Answer Section

MULTIPLE CHOICE

1. ANS: C DIF: Medium REF: 472 OBJ: 7.18.1.2
TOP: per capita gross domestic product
2. ANS: B DIF: Medium REF: 472 OBJ: 7.18.1.2
TOP: developed nation
3. ANS: B DIF: Medium REF: 478-479 OBJ: 7.18.2.1
TOP: population growth rate
4. ANS: C DIF: Medium REF: 479 OBJ: 7.18.2.1
TOP: developed nation
5. ANS: B DIF: Medium REF: 482 OBJ: 7.18.2.3
TOP: brain drain
6. ANS: A DIF: Medium REF: 478-483 OBJ: 7.18.2.4
TOP: less developed country
7. ANS: C DIF: Medium REF: 487 OBJ: 7.18.3.2
TOP: developed nation
8. ANS: A DIF: Medium REF: 487 OBJ: 7.18.3.3
TOP: world bank
9. ANS: D DIF: Medium REF: 488 OBJ: 7.18.3.3
TOP: international monetary fund (imf)
10. ANS: B DIF: Medium REF: 494 OBJ: 7.18.4.3
TOP: special economic zones
11. ANS: A DIF: Medium REF: 472 OBJ: 7.18.1.2
TOP: per capita gross domestic product
12. ANS: A DIF: Medium REF: 479 OBJ: 7.18.2.1
TOP: less developed country, developed nation
13. ANS: D DIF: Medium REF: 483 OBJ: 7.18.2.4
TOP: less developed country
14. ANS: B DIF: Medium REF: 486 OBJ: 7.18.3.1
TOP: foreign direct investment
15. ANS: C DIF: Medium REF: 487 OBJ: 7.18.3.3
TOP: world bank
16. ANS: D DIF: Medium REF: 489-491 OBJ: 7.18.4.1
TOP: privatization
17. ANS: B DIF: Medium REF: 493-494 OBJ: 7.18.4.3
TOP: less developed country
18. ANS: D DIF: Medium REF: 493 OBJ: 7.18.4.3
TOP: China, economic transition
19. ANS: C DIF: Easy REF: 492 OBJ: 7.18.4.2
TOP: Soviet Union, economic transition
20. ANS: C DIF: Hard REF: 488 OBJ: 7.18.3.3
TOP: less developed countries, debt, international monetary fund (imf)
21. ANS: D DIF: Medium REF: 474 OBJ: 7.18.1.3
TOP: developed nations
22. ANS: B DIF: Medium REF: 475 OBJ: 7.18.1.3

- TOP: less developed countries
23. ANS: D DIF: Easy REF: 471 OBJ: 7.18.1.2
TOP: measuring levels of development
24. ANS: A DIF: Easy REF: 475 OBJ: 7.18.1.4
TOP: newly industrialized countries
25. ANS: B DIF: Easy REF: 482 OBJ: 7.18.2.3
TOP: human capital, less developed countries
26. ANS: D DIF: Hard REF: 479 OBJ: 7.18.2.1
TOP: population growth, less developed countries
27. ANS: A DIF: Medium REF: 482 OBJ: 7.18.2.4
TOP: less developed countries
28. ANS: C DIF: Hard REF: 483 OBJ: 7.18.2.4
TOP: debt, less developed countries
29. ANS: B DIF: Easy REF: 485 OBJ: 7.18.3.1
TOP: less developed countries, financing development
30. ANS: A DIF: Medium REF: 487 OBJ: 7.18.3.2
TOP: foreign aid
31. ANS: D DIF: Easy REF: 487 OBJ: 7.18.3.3
TOP: less developed countries, international economic institutions
32. ANS: A DIF: Medium REF: 489 OBJ: 7.18.4.1
TOP: privatization

MATCHING

33. ANS: F DIF: Easy REF: 474 OBJ: 7.18.1.3
TOP: infrastructure
34. ANS: C DIF: Easy REF: 486 OBJ: 7.18.3.1
TOP: foreign direct investment
35. ANS: B DIF: Easy REF: 471 OBJ: 7.18.1.1
TOP: development
36. ANS: A DIF: Easy REF: 480 OBJ: 7.18.2.2
TOP: arable
37. ANS: G DIF: Easy REF: 488 OBJ: 7.18.3.3
TOP: international monetary fund (imf)
38. ANS: I DIF: Easy REF: 489 OBJ: 7.18.4.1
TOP: privatization
39. ANS: H DIF: Easy REF: 492 OBJ: 7.18.4.2
TOP: perestroika
40. ANS: E DIF: Easy REF: 491 OBJ: 7.18.4.2
TOP: glasnost
41. ANS: B DIF: Easy REF: 471 OBJ: 7.18.1.1
TOP: development
42. ANS: F DIF: Easy REF: 474 OBJ: 7.18.1.3
TOP: infrastructure
43. ANS: A DIF: Easy REF: 480 OBJ: 7.18.2.2
TOP: arable
44. ANS: D DIF: Easy REF: 486 OBJ: 7.18.3.1

- TOP: foreign portfolio investment
45. ANS: J DIF: Easy REF: 487 OBJ: 7.18.4.3
TOP: world bank
46. ANS: I DIF: Easy REF: 489 OBJ: 7.18.4.1
TOP: privatization
47. ANS: E DIF: Easy REF: 491 OBJ: 7.18.4.2
TOP: glasnost
48. ANS: H DIF: Easy REF: 494 OBJ: 7.18.4.3
TOP: light industry

SHORT ANSWER

49. ANS:
Any two of the following: Chad, Yemen, Guatemala
- DIF: Hard REF: 479 OBJ: 7.18.2.2 TOP: population growth rate
50. ANS:
about 2.0 percent
- DIF: Hard REF: 479 OBJ: 7.18.2.2
TOP: population growth rate, natural rate of population increase
51. ANS:
More people die than are born in a year.
- DIF: Hard REF: 479 OBJ: 7.18.2.2
TOP: population growth rate, natural rate of population increase
52. ANS:
Czech Republic
- DIF: Hard REF: 479 OBJ: 7.18.2.2 TOP: population growth rate
53. ANS:
about 3.3 percent
- DIF: Hard REF: 479 OBJ: 7.18.2.2
TOP: population growth rate, natural rate of population increase
54. ANS:
More people are born in a given year than die.
- DIF: Hard REF: 479 OBJ: 7.18.2.2
TOP: population growth rate, natural rate of population increase
55. ANS:
Austria and Sweden
- DIF: Hard REF: 479 OBJ: 7.18.2.2 TOP: population growth rate

ESSAY

56. ANS:

A less developed country is a nation with a low level of material well-being on average. In these countries there may be an extremely wealthy elite while the majority of the population lives in poverty. There may also be more people to feed, clothe, and educate than even a relatively well-to-do country can support.

DIF: Hard REF: 471-475 OBJ: 7.18.1.1 TOP: less developed country

57. ANS:

When an MNC establishes a production facility in an LDC, they can introduce technology, provide jobs, train the labor force, and provide the opportunity for related services and industries to develop. Critics argue, however, that most of the money earned by MNCs is not reinvested in the host LDC. They argue that MNCs provide few jobs relative to the size of the labor pool because of their highly mechanized production methods. Critics also argue that MNCs underpay their workers and do not provide the same standard of working conditions or environmental protections than they would in more developed nations.

DIF: Hard REF: 486 OBJ: 7.18.3.1 TOP: less developed country

58. ANS:

Human capital is crucial to the functioning of an economy. When a government doesn't invest in human capital, the supply of skilled workers, professionals, and leaders is limited. As a result, foreign investment is discouraged because of the lack of a skilled work force to run a modern business.

DIF: Hard REF: 480-482 OBJ: 7.18.2.3 TOP: brain drain, malnutrition

59. ANS:

Member nations of the former Soviet Union are dismantling their centrally planned economic systems entirely and replacing them with market-based systems. China, on the other hand, is slowly introducing market reforms, but is incorporating these reforms into their existing centrally planned economy. The other major difference between the two is that China has retained the Communist system of government, while in the former Soviet Union, the Communist system collapsed.

DIF: Hard REF: 491-494 OBJ: 7.18.4.2, 7.18.4.3
TOP: special economic zones, perestroika