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Global-Economics-for-Managers

WGU Global Economics for Managers (C211, UZC2)

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Question: 1

What is the definition of globalization?

A. The spread of regulatory influence to a greater pool of subjects
B. The development of custom products for each segment of a population
C. The close integration of countries and peoples of the world
D. The achievement of a one-world market for goods and services

Answer: C

Explanation:
In Global Economics for Managers, globalization is defined as the close integration of countries and peoples of the world, which makes option C the correct and most comprehensive answer. This definition reflects the central idea that globalization is a broad process through which national economies become increasingly interconnected and interdependent. It emphasizes integration rather than any single outcome such as trade expansion or regulatory change.
Globalization involves the growing cross-border movement of goods and services, capital flows, labor migration, technology transfer, and information exchange. For managers, this integration fundamentally alters business decision making by expanding market opportunities while simultaneously increasing exposure to global competition and risk. Firms must evaluate international sourcing options, global consumer demand, exchange rate movements, and geopolitical conditions when making strategic choices.
Option A is incorrect because globalization is not primarily defined by the expansion of regulatory authority. While regulatory coordination may arise as economies integrate, it is a secondary effect rather than the core meaning of globalization. Option B refers to product customization and market segmentation, which are managerial marketing strategies and not a defining feature of globalization. Option D is too narrow because globalization is not limited to creating a single global market for goods and services; it also includes international financial integration, labor mobility, and the diffusion of ideas and managerial practices.
According to Global Economics for Managers, globalization has been driven by trade liberalization, advances in transportation and communication technologies, and declining transaction costs. These forces enable firms to operate global value chains and consumers to access a wider variety of products at lower prices. At the same time, globalization introduces challenges such as increased competitive pressure, economic volatility, and political resistance, all of which managers must account for in decision making.
Therefore, defining globalization as the close integration of countries and peoples accurately captures its scope and relevance within the context of business decision making in the global environment.

Question: 2

What is deadweight cost?

A. A government payment to a domestic firm
B. A tariff levied on imports that are selling below cost in order to unfairly drive domestic firms out of business
C. The lost potential from pursuing one activity at the expense of another, given the alternatives
D. A net loss that occurs in an economy as a result of tariffs

Answer: D

Explanation:
In Global Economics for Managers, deadweight cost (or deadweight loss) is defined as a net loss that occurs in an economy as a result of tariffs or other market distortions, making option D the correct answer. Deadweight cost represents the reduction in total economic surplus—consumer surplus plus producer surplus—that is not offset by gains to any other group, including the government.
When a tariff is imposed on imported goods, domestic prices rise above world prices. As a result, consumers purchase less of the good and pay higher prices, while domestic producers may increase output despite being less efficient than foreign producers. Although the government collects tariff revenue, this revenue does not fully compensate for the loss experienced by consumers and the misallocation of resources. The portion of lost surplus that is not transferred to producers or the government is the deadweight cost.
Option A is incorrect because a government payment to a domestic firm refers to a subsidy, not a deadweight cost. Option B describes an anti-dumping tariff, which is a specific trade policy instrument rather than a definition of deadweight cost. Option C defines opportunity cost, a fundamental economic concept distinct from deadweight loss.
From a managerial perspective, Global Economics for Managers emphasizes that deadweight costs signal economic inefficiency. Tariffs distort price signals, encouraging production in higher-cost domestic industries and discouraging consumption that would otherwise generate value. These inefficiencies reduce overall economic welfare and can lead to retaliation by trading partners, further magnifying losses.
Understanding deadweight cost is essential for managers operating in global markets, as it explains why protectionist policies often reduce national and global welfare despite benefiting specific interest groups. Thus, option D accurately reflects the definition and economic significance of deadweight cost in international trade analysis.

Question: 3

What does the term resource mobility describe?

A. The idea that market forces should determine how much to trade with little or no government intervention
B. The assumption that a resource removed from one industry can be moved to another
C. An economic condition in which a nation exports more than it imports
D. The idea that governments should actively defend domestic industries from imports and vigorously promote the export of resources

Answer: B

Explanation:
In Global Economics for Managers, resource mobility refers to the assumption that a resource removed from one industry can be moved to another, making option B the correct answer. Resource mobility is a core microeconomic concept that explains how factors of production—such as labor, capital, and land—can be reallocated across different uses in response to changes in economic conditions.
This concept is especially important in both domestic and international trade analysis. When trade patterns change due to globalization, technological progress, or policy shifts, some industries expand while others contract. Resource mobility determines how easily workers, machines, and capital can shift from declining industries to growing ones. High resource mobility allows an economy to adjust efficiently, minimizing long-term unemployment and production losses.
Option A describes free trade ideology, not resource mobility. Option C defines a trade surplus, which relates to a country's balance of trade rather than factor movement. Option D reflects protectionism, a policy stance that restricts trade and is unrelated to the movement of resources between industries.
Global Economics for Managers highlights that resource mobility is often assumed in economic models to simplify analysis, but in reality, mobility can be limited. Skills may not transfer easily across industries, capital may be industry-specific, and geographic or institutional barriers can slow adjustment. These limitations explain why trade liberalization can create short-run adjustment costs even when long-run gains are positive.
For managers, understanding resource mobility is critical when making strategic decisions about investment, workforce planning, and location. Firms operating in dynamic global markets benefit when resources can be redeployed quickly in response to price signals and competitive pressures. Therefore, option B precisely captures the meaning and importance of resource mobility within microeconomic and macroeconomic principles.

Question: 4

What are costs to home countries of foreign direct investment (FDI)? (Choose TWO.)

A. Job loss
B. Reduced standard of living
C. Cultural disintegration
D. Capital outflow
E. Loss of sovereignty

F. Loss of intellectual property

Answer: A, D

Explanation:
According to Global Economics for Managers, foreign direct investment (FDI) can generate substantial benefits for both home and host countries, but it may also impose certain costs on the home country, particularly in the short to medium term. Two commonly identified costs are job loss and capital outflow, making options A and D correct.
Job loss may occur when firms shift production facilities, service operations, or manufacturing plants from the home country to foreign locations. This relocation is often driven by lower labor costs, proximity to emerging markets, or favorable regulatory environments abroad. While such decisions may increase firm profitability and global competitiveness, they can lead to unemployment or downward wage pressure in specific domestic industries. Global Economics for Managers emphasizes that these adjustment costs are often concentrated in particular regions or sectors, even if the national economy benefits in the long run.
Capital outflow refers to the movement of financial resources from the home country to finance investment abroad. When domestic firms invest overseas, funds that could have been used for domestic investment are instead allocated to foreign operations. In the short run, this may reduce domestic capital formation and slow economic growth, particularly if domestic investment opportunities remain underfunded.
The remaining options are less consistent with standard managerial economics analysis. Reduced standard of living is not a direct or inevitable consequence of FDI and often depends on broader macroeconomic conditions. Cultural disintegration is a sociological concern rather than an economic cost emphasized in managerial economics. Loss of sovereignty is typically associated with host countries rather than home countries. Loss of intellectual property may occur in certain cases but is not a primary or systematic cost identified for home countries in FDI theory.
Thus, job loss and capital outflow best represent the principal costs to home countries highlighted in Global Economics for Managers.

Question: 5

In which situation is the contender strategy appropriate for responding to multinational enterprises (MNEs)?

A. There is high industry pressure to globalize, and competitive assets are transferable abroad.
B. There is high industry pressure to globalize, and competitive assets are customized to home markets.
C. There is low industry pressure to globalize, and competitive assets are transferable abroad.
D. There is low industry pressure to globalize, and competitive assets are customized to home markets.

Answer: B

Explanation:
In Global Economics for Managers, the contender strategy is appropriate when industry pressure to globalize is high, but competitive assets are customized to home markets, making option B correct. This strategy is typically adopted by domestic firms facing strong competition from multinational enterprises (MNEs) in industries that are becoming increasingly global.
High pressure to globalize means that firms must compete on an international scale, often due to global customers, standardized products, or strong foreign competitors. However, when a firm's competitive assets—such as brand reputation, customer relationships, distribution networks, or regulatory knowledge—are deeply rooted in the home market, they are not easily transferable abroad. In this situation, the firm cannot immediately expand internationally without losing its competitive advantage.
Under a contender strategy, firms focus on defending and strengthening their domestic position while gradually upgrading capabilities to prepare for future global competition. This may involve improving efficiency, investing in technology, forming selective alliances, or learning from foreign competitors operating in the home market.
Option A describes conditions suitable for an extender strategy, where firms can leverage transferable assets internationally. Options C and D reflect low pressure to globalize and are more consistent with defender or dodger strategies rather than contender behavior.
Therefore, option B best captures the conditions under which the contender strategy is applied in response to MNE competition.

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