

Revision Questions for Chapter 2

1. Explain what “institutions” are!
2. What are the differences between formal and informal institutions?
3. Explain the concepts of regulatory, normative and cognitive pillars of institutions as introduced by Richard Scott.
4. How do institutions reduce transaction costs?
5. How do institutions alter the potential for opportunistic behaviour?
6. What is institutional transition?
7. Explain two core propositions of the institution-based view?
8. What is a totalitarian state, and how do totalitarian leader justify their existence?
9. How do governments attain their legitimacy in a democracy?
10. Explain four variations in the procedures by which democratic countries take major political decisions!
11. What are the consequences of proportional representation versus first-past-the-post election systems?
12. Why should businesses be concerned about electoral systems?
13. Explain the key differences between a market economy and a command economy!
14. How does the variety-of-capitalism view differentiate market economies?
15. Choosing a country you are familiar with, explain why it should be classified as CME or LME, and how this classification may have changed over time.
16. Outline the key differences between civil law and common law countries!
17. What are the historical origins of respectively civil law and common law?
18. From a business perspective, what are the advantages and disadvantages of operating under respectively common law and civil law?
19. Why are property rights, from a business perspective, an essential element of any legal system?
20. What are intellectual property rights, and what are the main obstacles to their enforcement?
21. Why are corporate governance laws, from a business perspective, an essential element of any legal system?
22. Why is the legal protection of minority shareholder interests important for businesses to function effectively?
23. Many scholars believe that institutional development is a major reason why some countries have been more successful than others in their economic development. Why?
24. What is political risk?
25. How does the institutional framework affect political risk?
26. Why should managers study the formal and informal institutions of a country before embarking in business there?