

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (20 points) The book mentions that at the beginning of the 20<sup>th</sup> Century, a majority of countries had monarchs. Do you think that America's increasing dominance over the century was caused, helped, or hindered, by being one of the world's few democracies? Explain your logic.

2) (40 points) One complaint that opponents of capitalism make about capitalism is "Capitalism will not work unless there is an inequitable distribution of income." Explain both the validity of the argument and the reason that capitalism will not work with an extremely large Gini coefficient. Do you think the Gini coefficient in the USA is too large or too small? Explain your logic.

3) (25 points) In the past 40 years, most of the world's capitalistic countries have moved farther from a pure form of capitalism. What are TWO economic reasons that a purely capitalistic system will not work well?

4) (15 points) The book says that the *Protestant work ethic* is a major reason for the success of capitalism. Many people feel that the USA is losing the *Protestant work ethic*. Do you think that this loss will hurt the USA in the long run?