

The last one!

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (20 points) In the table on page 424, why do you think Germany and the USA are different? Which do you think will grow better in the future? Explain your logic for both parts of the questions.
- 2) (15 points) Explain the economics as to why military spending is a bad idea. Why do so many countries spend a lot on it?
- 3) (15 points) The book says that there was an increase in state owned enterprises (SOEs) during the 1960s in developing countries. Was this good or bad for their economy? Explain your logic.
- 4) (15 points) On pages 433 - 435, the book calculates the NPV for a project. Calculate the BCR for the same project. Use the correct formula, not the formula in the book. Briefly explain how you did the calculation.
- 5) (15 points) The answer in question assumes that the costs and the benefits are well known. What happens if they are not well known?
- 6) (20 points) What is meant by a *shadow price*? Why is it important?