

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (5 points) Which part of my web page, <http://mysite.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see? What is the URL for the first exam from this class during the last semester it was taught?

2) (5 points) Which part of the Department of Economics and Business's web page, <http://www2.bethanywv.edu/econ/> do you think will be most helpful? Why? Is anything missing that you would like to see?

3) (20 points) What do you think are the two biggest reasons that America grew so powerful during the 20<sup>th</sup> century? Explain your logic.

4) (20 points) Use a supply and demand diagram to explain how perfect competition normally results in the efficient allocation of resources.

5) (20 points) In spite of the answer to question #4, capitalism does have some problems. What are two economic problems with capitalism? In other words, what are economic problems with capitalism which require government intervention?

6) (30 points) Use the table below to draw a Lorenz Curve. Use the curve to estimate the Gini Coefficient. What percentage of the income is earned by the 9<sup>th</sup> decile? Explain how you derived the Lorenz Curve, estimated the Gini Coefficient, and calculated the share of the 9<sup>th</sup> decile.

	1 <sup>st</sup> quintile	2 <sup>nd</sup> quintile	3 <sup>rd</sup> quintile	4 <sup>th</sup> quintile	top decile
% of Income	5	10	15	20	35