

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because some students have a class after your class.

1) (14 Points) Answer EITHER Part A OR Part B.

A) What does MITI do? What are the positive effects of it upon the Japanese economy? Explain your logic.

B) What does are the Keiretsu? What are the negative aspects of them upon the Japanese economy? Explain your logic.

2) (14 Points) Answer EITHER Part A OR Part B.

A) What is the Mittlestand? What are the positive effects of it upon the Germany economy? Explain your logic.

B) How could the merger of West Germany and East Germany been handled better? Explain your logic.

3) (14 points) Answer EITHER Part A OR Part B.

A) The government of the USA is running a large deficit and has a large debt. What would you do about it? Explain why you would cut what you would cut or why you would raise the tax you would raise.

B) Currently, the Bush Administration is considering a \$700,000,000.00 bailout of some financial corporations. Congress is insisting upon some requirements for the firms receiving the money. Is it a good idea to help these large financial firms? Explain your logic. The corporations are involved in securities like stocks and bonds, banking, and/or insurance. (Do not worry about the specifics of the deal or the requirements Congress is trying to add.)

4) (16 points) For a country which **you did NOT present**, what is he biggest problem facing their economy? What would you do about it? Explain both why you chose that problem and how your solution would help the country.

5) (18 points) Answer EITHER Part A OR Part B.

A) Draw a supply/demand diagram. Use it to prove that if there are no externalities, then perfect competition will result in the socially optimal level of output.

B) What do you consider to be the greatest problem with pure capitalism? Why did you choose that problem? Explain how ONE of the three countries studied reduces this problem.

6) (24 points) Answer ONE of the following parts.

A) Compare Japan's banking system to Germany's banking system. How are they different? How are they similar? Which is better? Explain your logic.

B) Compare Japan's worker-employer relationships to worker-employer relationships in the USA. How are they different? How are they similar? Which is better? Explain your logic.

C) Compare Germany's education system to the education system in the USA. How are they different? How are they similar? Which is better? Explain your logic.