

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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) (15 points) The United States has a Gini Coefficient of .42. Is that high, a good value, or a low value? What is the problem caused by that?

2) (30 points) The large and medium sized firms in the United States most commonly use new stock issues as the way to raise more money. What are the greatest advantage and greatest disadvantage of that fund raising? Explain your logic. In net, do you think that form of fund raising is good or bad? Explain your logic.

3) (30 points) The United States had a great period of increased regulations on businesses from the 1930s until the late 1970s. In the late 1970's President Carter started deregulating industries. Presidents Reagan, Clinton, and George W. Bush continued the deregulation process. Explain how regulations can help the country and explain how they can hurt the country. Do you think the deregulation of the last 40 years has been a net benefit or a net loss to the country? Explain your logic. It may help you to refer to the industries which were mostly deregulated during the last 40 years. They include, the financial industry (banks, stock markets, etc.), transportation (airlines and trains), and communications (telephones, internet, etc.)

4) (10 points) What do you see as the greatest strength of the American economy for the long-run? Explain how that strength will help the country in the future.

5) (15 points) What is meant by *venture capitalism*? How can hostile takeovers done that way help the country in the future?