

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) (20 points) Explain the difference between *common law* and *civil law*. Which is more common in Europe? Do you think that is a good system or a bad system? Explain your logic.
- 2) (20 points) One of the problems with capitalism is the *principal agent problem*. Briefly state what that is. Do you think that is a bigger problem in the Anglo model of capitalism or the Asian model of capitalism? Explain your logic.
- 3) (20 points) What are the advantages and disadvantages of raising capital through a *venture capitalist*. Make sure you explain what a venture capitalist is.
- 4) (20 points) What are the advantages and disadvantages of raising capital through a *issuing new shares of stock*. Make sure you explain what a stock is.
- 5) (20 points) What problem with capitalism do you think the Europeans are correcting by having more government run companies? Explain both why that is a problem with capitalism and how having the government run the company reduces the problem.