

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 10 points. 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) Sometimes, to improve on one of the six outcomes, one of the other outcomes gets worse. Some people propose taking a weighted average of the six outcomes as a way of determining whether the country is getting better or if it is worse off. What is the biggest problem with doing a weighted average of the six outcomes? Explain your logic.
- 2) (20 points) The book talks about three “natural experiments” to compare capitalism to communism. One of them was East Germany vs. West Germany. Explain why that is a good experiment. Explain why that experiment has problems.
- 3) (15 points) President Trump has been moving towards restricting trade (except for the rewriting of NAFTA which is neither restricting nor expanding trade). Explain two reasons why from an economic point of view, that is a bad idea.
- 4) (20 points) Use the PPF diagram to explain the difference between static efficiency and dynamic efficiency. Also use the diagram to explain how you can get economic growth without moving the PPF.
- 5) (15 points) In the past decade, the USA has improved on the goal efficiency but slid backwards on the goal of income distribution. In your opinion, is that an improvement or is that backsliding? Explain your logic. (There is no correct answer. You will be graded on how you argue your case.)
- 6) (15 points) What do you estimate to be the Gini Coefficient for the following diagram? Explain how you reached that conclusion. Is that a fairly equitable or fairly inequitable distribution? Explain your logic.

