

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) (20 points) Large corporations have the *principal-agent* problem. What is that? One way they try to reduce the problem is to offer the CEO stock options. What does that mean? How would that reduce the problem?
- 2) (15 points) Corporate raiders often have a bad reputation. What are they? How do they help capitalist economies?
- 3) (25 points) Compared to other countries, companies in the USA are more likely to raise financial capital by issuing shares of stock. What is one advantage for the company and one disadvantage for the company of raising money that way? In net, do you think that is a good way to get the money needed? Explain your logic.
- 4) (10 points) The USA is known for being a leader in transparency of accounting. What does that mean? Why is that good?
- 5) (15 points) What is the relationship between unions and corporations in the USA? Is that relationship good for the economy or bad? Explain your logic.
- 6) (15 points) The USA has one of the strongest anti-trust laws. Is that good or bad? Explain your logic.