

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) The outcome of efficiency and the outcome of income distribution are often contradictory. If an economy becomes more successful at achieving one of them, it often means the economy is less successful at achieving the other outcome. Explain one reason why this is true. (You can explain either why being more efficient means a less equitable distribution of income or why a more equitable distribution of income means a less efficient economy.)
- 2) (15 points) Why did I add *environmental viability* to the list of outcomes we would like an economy to have? Give an example in your explanation.
- 3) (25 points) Suppose that an economy improves on one of the outcomes, but goes backwards on another of the outcomes. Why is it hard to reach a conclusion as to whether or not the country's economic system is better or worse? Why not do a weighted average of the outcomes? Explain your logic.
- 4) (15 points) The book describes the two Korean countries as a natural experiment which proves capitalism is better than communism. However, there is a small flaw with the argument. What makes them experiment? What is the minor flaw? Explain your logic.
- 5) (15 points) In general, freer trade improves an economy. Why? Explain your logic.
- 6) (15 points) The book says that the changes in the information technology has had a major impact upon the world. For one of our outcomes, (growth, efficiency, income distribution, stability, long-run viability, and environmental viability) determine if the changes in information technology has helped or hurt that outcome. Explain your logic.