

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) (10 points) Let's assume the China is a capitalist country now. Given the article below, do you think that the 2021 law discussed in the article will help or hurt China's growth? Explain your logic.

<https://ipwatchdog.com/2023/08/15/how-chinas-new-patent-laws-are-working-at-the-two-year-mark/id=164119/>

2) (20 points) Draw the supply/demand diagram for hats. Prove that the invisible hand will find the socially optimal point assuming the market is perfectly competitive, a.k.a. has price taking firms and consumers.

3) (20 points) When did John Locke say that the citizens were under no obligation to obey the government? According to the article below and many other similar articles, on Nov. 6th, 2012, after Obama defeated Romney in the presidential election, Trump tweeted, "This election is a total sham and a travesty. We are not a democracy!" and, "We can't let this happen. We should march on Washington and stop this travesty. Our nation is totally divided!" Do you think that Locke would have agreed with Trump? Explain your logic.

<https://abcnews.go.com/Politics/donald-trumps-2012-election-tweetstorm-resurfaces-popular-electoral/story?id=43431536>

4) (15 points each) Answer each part in separate paragraphs. For each part, explain what the term means and why it is a reason why the invisible hand does not work completely. You should mention one or two of the six outcomes we look at to evaluate an economy.

- A) monopoly power
- B) negative externalities

5) (10 points each) Answer each part in separate paragraphs. For each part, is theoretical capitalism good or bad at that outcome? Explain your logic.

- A) economic stability
- B) income distribution