

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I cannot give extra time because some students have a class after your class.

1) (12 points) Answer EITHER Part A OR Part B.

- A) What is the Gini Coefficient? What is wrong with too large of a Gini Coefficient?
- B) Why did some people, like John M. Keynes, feel the treaty to end World War I was bad?

2) (16 points) Answer EITHER Part A OR Part B.

- A) Use the supply and demand diagram to prove that perfect competition normally leads to the socially optimal level of output of each good.
- B) Explain why free trade is better for a country than protectionism. Use at least two arguments.

3) (16 points) Answer EITHER Part A OR Part B.

- A) What are the *keiretsu*? Do you think they are a net benefit or a net detriment to Japan? Explain your logic.
- B) What are the *sogo shosha*? Do you think they are a net benefit or a net detriment to Japan? Explain your logic.

4) (16 points) Answer EITHER Part A OR Part B.

- A) What is the *mittelstand*? Do you think it is a net benefit or a net detriment to Germany? Explain your logic.
- B) What is the *euro*? Do you think it is a net benefit or a net detriment to Germany? Explain your logic.

5) (18 points) Answer EITHER Part A OR Part B.

- A) Do you think the USA or Japan will be doing better thirty years from now? Explain your logic.
- B) Which financial system do you think is better, Japan's financial system or Germany's financial system? Explain your logic.

6) (22 points) Answer EITHER Part A OR Part B.

- A) We said there are many problems caused by capitalism. For one of the problems which the USA does particularly well at reducing the problem, explain 1) how capitalism causes the problem, 2) what the USA does to address the problem, and 3) why that is a good way to address the problem.
- B) We said there are many problems caused by capitalism. For one of the problems which Germany does particularly well at reducing the problem, explain 1) how capitalism causes the problem, 2) what Germany does to address the problem, and 3) why that is a good way to address the problem.