

If you are not in the classroom with me, you must be on Zoom with both your camera and microphone on.

Do NOT write your name anywhere. (Canvas will tell me who turned in the exam.) Take pictures of your answers and use your own app or one of the pages I have links to on my [home page](#) to create a PDF for each answer which requires an upload. If it is large, resize it to 8.5"x11" or A4. Upload that to Canvas. Upload each answer as a separate file with that question. Failure to follow directions will cost you one point. People with Apple products may need to use CamScanner app.

You are not allowed to use your books, notes, the internet, or other people when taking this test. You can use the internet to access Canvas and to convert your answers to PDF files. Nothing else.

If you run out of time or lose your internet connection, you can do a second submission. You do NOT have to redo the questions you already did. I will be able to see every submission. If you have problems, you can always contact me via Zoom or e-mail.

Failure to follow these directions will cost you 1 point. The test has 150 points (to be scaled up to 180 points) and is scheduled to take 1 hour 15 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. I have it set up to only give you two hours.

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

A) Would a progressive income tax or a regressive income tax help improve the outcome of income distribution? Explain your logic.

B) Do you think that achieving economic growth will help the economy to do better on environmental sustainability or will the growth hurt environmental sustainability? Explain your logic.

2) (12 points) Answer EITHER Part A OR Part B.

A) Which outcome is more important, *income distribution* or *efficiency*? Explain your logic.

B) Why are North and South Korea a good "natural experiment"? Explain your logic.

3) (12 points) Answer EITHER Part A OR Part B.

A) What is meant by a *public good*? Explain why police is not a public good.

B) What is meant by a *public good*? Explain why it means a firm cannot sell the product.

4) (14 points) Answer EITHER Part A OR Part B referring to one the outcomes of efficiency, economic growth, economic stability, income distribution, long-run viability, and environmental sustainability.

A) What is one of the outcomes which globalization helps? Explain how it helps move towards the desirable outcome.

B) Which of the outcomes is likely to be hurt by corruption? Explain your logic.

5) (14 points) Answer EITHER Part A OR Part B.

A) What is a *kleptocracy*? Do those countries normally have good economies or bad economies? Explain your logic.

B) What is meant by *property rights*? Why are they important for an economy to do well? Explain your logic.

6) (16 points) Answer EITHER Part A OR Part B.

A) What is meant by *adverse selection*? Given an example of it. Explain how it can make decision making difficult.

B) What is the *principal agent* problem? Given an example of it. Explain how it can make decision making difficult.

7) (16 points) Answer EITHER Part A OR Part B.

A) Two of the types of *rule* are *private rule* and *anarchy*. Which one do you feel gives more incentive? Explain your logic, making sure to briefly describe both types of rule.

B) What are the two general types of incentives? Which do you feel is normally stronger? Explain your logic.

8) (18 points) Draw a PPF for shovels and coats. For EITHER static efficiency OR dynamic efficiency, explain how you can see it on the diagram.

9) (18 points) Answer EITHER Part A OR Part B.

A) Draw a Lorenz Curve diagram such that the Gini Coefficient is approximately .5. Explain how you know that the curve you drew has a Gini Coefficient of about $\frac{1}{2}$.

B) Having a very large Gini Coefficient will cause problems with the outcome of efficiency. Explain why that is true. Having a very small Gini Coefficient will cause problems with the outcome of efficiency. Explain why that is true.

10) (18 points) Answer EITHER Part A OR Part B.

A) What is meant by FDI? How can it help both countries involved? How can it hurt the country which is receiving the FDI?

B) In the table on Page 110, most water companies are government owned. Why is this the case? Why does table show almost no government ownership of agriculture?