

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 150 points (to be scaled up to 180 points) and is scheduled to take 75 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 I have a meeting after your class.**

1) (12 points) For EITHER the outcome of environmental sustainability OR the outcome of economic efficiency, is theoretical capitalism good or bad at that? Explain your logic.

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

A) What is the *principal-agent problem*? Why is that a problem in the American economy? Explain your logic.

B) What aspect of the American economy do you think is the weakest? Explain why you chose that and how that negatively impacts our economy.

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

A) The German accounting standards are not as transparent as the American standards. Explain how that could have played a role in how new factories are financed. Make sure you mention the most common way of financing a factory in Germany.

B) Is the German economy more like what Hobbes said we should have, or what Smith said we should have? Explain your logic

4) (12 points) Answer EITHER Part A OR Part B.

A) What are Japan's *sogo shosha*? They both help and hurt the Japanese economy. Explain how they benefit the economy.

B) Some people say that Japan has a problem with *tunneling*. What is tunneling? Why would they do that?

5) (16 points) The Anglo-Saxon Model of capitalism diverges from theoretical capitalism in several ways. Some of these differences are helpful while others hold them back. For ONE of the differences which hurts countries using the Anglo-Saxon Model, explain how it is worse than theoretical capitalism. Give an example from any of the countries which fit the Anglo-Saxon Model in your explanation.

6) (16 points) The Asian Model of capitalism diverges from theoretical capitalism in several ways. Some of these differences are helpful while others hold them back. For ONE of the differences which helps countries using the Asian Model, explain how it is better than theoretical capitalism. Give an example from any of the countries which fit the Asian Model in your explanation.

7) (16 points) The European Model of capitalism diverges from theoretical capitalism in several ways. Some of these differences are helpful while others hold them back. For ONE of the differences which helps countries using the European Model, explain how it is better than theoretical capitalism. Give an example from any of the countries which fit the European Model in your explanation.

8) (18 points) Answer EITHER Part A OR Part B.

A) All countries can learn from other countries. What aspect of the American economy do you think the Japanese economy should be more like? Explain how the two countries are different and why you think that the American way of doing things is better.

B) What is the difference between how the American firms most commonly finance new factories and the way the Japanese firms most commonly finance new factories? Which do you think is better? Explain your logic.

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

A) How are the American and German education systems are different? Both have their own advantages. Which is better?

B) All countries can learn from other countries. What aspect of the German economy do you think the American economy should be more like? Explain how the two countries are different and why you think that the German way of doing things is better.

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

A) All countries can learn from other countries. What aspect of the Japanese economy do you think the German economy should be more like? Explain how the two countries are different and why you think that the Japanese way of doing things is better.

B) Japan and Germany have different relationships between the government and the corporations. Briefly explain the relationships. Which do you think is better? Explain your logic.