

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 240 points) and is scheduled to take 75 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 14-point question should take 7 minutes. I can give extra time, but I will not give a lot of extra time.

1) (10 points) Explain why no developing country should attempt to duplicate another country's economic system.

2) (14 points) Answer EITHER Part A OR Part B.

A) True or false, for capitalism to work well, we need competition. Explain your logic.

B) True or false, in the three countries you studied, the economy is near perfect competition. Explain your logic.

3) (16 points) Give an example of a government interference in the market system which was detrimental to the country. Explain how it hurt the economic growth.

4) (20 points) For EITHER Germany OR Japan, state what you feel is the greatest weakness of their economy. Explain why you feel that is a weakness and how you would reduce the problem. Explain how your solution would help the situation.

5) (20 points) Answer EITHER Part A OR Part B.

A) What event during the 20<sup>th</sup> century do you feel had the greatest long-term **positive** effect for the world economy? Explain your logic.

B) What event during the 20<sup>th</sup> century do you feel had the greatest long-term **negative** effect for the world economy? Explain your logic.

6) (20 points) There are many reasons why pure capitalism cannot work well. Explain two of them.

7) (20 points) Answer EITHER Part A OR Part B.

A) The banking systems of the USA and Japan are very different. Which do you feel will be the most beneficial to their country in the long-run? Explain your logic by noting a good aspect of the one system and a negative aspect of the other system.

B) The relationship between labor and management in the USA is very different from that in Germany. Which do you feel will be the most beneficial to their country in the long-run? Explain your logic by noting a good aspect of the one system and a negative aspect of the other system.

8) (30 points) Answer EITHER Part A OR Part B.

A) The conversion of one East German Mark to one West German Mark was controversial. Explain both an advantage and a disadvantage of that conversion. Overall, do you think it was a good idea? Explain your logic.

B) State one problem of a purely capitalistic society. Of the three countries, USA, Germany, and Japan, which one do you think has reduced that problem the most? Explain both why you chose that country and why you did not choose the other two countries.