

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 1 point. 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) (25 points) One of the “outcomes” is the distribution of income. We use the Lorenz Curve and Gini Coefficient to measure this. Draw a Lorenz Curve. Given your diagram, what is the value of the Gini Coefficient. Explain how you estimated it. I feel the Gini Coefficient for the USA is slightly high at .408 (the 2013 Human Development Report of the UN). What problem does a high Gini Coefficient cause? Explain your logic.
- 2) (15 points) We have five outcomes. Assuming that we can get numbers for all of them (not an easy thing to do), why is it difficult to come up with a single number which is used to evaluate the economic system? Explain your logic giving a short description of how we would combine the results.
- 3) (15 points) North and South Korea are a natural experiment comparing economic systems. Explain why they are a natural experiment. There are multiple reasons why South Korea is better off than North Korea. Which reason do you think is most important? Explain why you feel that makes a big difference.
- 4) (15 points) Although there are some people who are hurt by globalization, most people are helped and the world as a whole is helped. Explain why this is true.
- 5) (15 points) One policy change that is often argued for is deregulation. What does that mean and why is it often good?
- 6) (15 points) Explain how the *information revolution* has impacted the world for good and why it has had that effect.