

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 and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 16-point question should take 8 minutes. I will give a few extra minutes, but probably no later than about 5 or 10 minutes after the hour.

1) (16 points) Do EITHER part A OR part B.

A) One of the strongest criticisms of capitalism is that it requires an inequitable distribution of income. What is the advantage of an inequitable distribution of income in capitalism?

B) What is the function of the profit motive in a market economy?

2) (24 points) Do EITHER part A OR part B.

A) The Treaty of Versailles resulted in Germany and Austria-Hungary paying other European countries because they had been the aggressors and had lost World War I. World War II's treaty resulted in the USA's helping to rebuild the countries devastated by the war, including the aggressors that lost – Germany and Japan. Which do you think was better for the world in the long run? Why do you feel that?

B) In your opinion, what was the single most important development of the twentieth century? Why do you think that?

3) (30 points) Japan and the USA have taken very different styles for government interference in the market. Describe one aspect of the economies in which the two countries are different. Explain how they are different. Also explain which you think is better for the long term growth and development and why it is better.

4) (30 points) For EITHER the USA OR Japan: What aspect of that economy will cause the biggest problems for long-term growth and development of the economy? How will that hurt the growth of the economy? What would you do to correct it?