

Place your name on the back of this sheet of paper and nowhere else. Staple your answers 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.

The HP 10B and the TI BA II Plus are acceptable in all courses in the Department of Economics and Business. The former is the preferred calculator.

- 1) (10 points) Which part of my web page, <http://mysite.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see? What is the URL for the first exam from this class during the last semester it was taught?
- 2) (10 points) Which part of the Department of Economics and Business's web page, <http://www2.bethanywv.edu/~econ/> do you think will be most helpful? Why? Is anything missing that you would like to see? If you were a sophomore Business major, then what courses does the departmental web page suggest you be taking this semester?
- 3) (20 points) Use the supply and demand diagram to prove that when we make certain assumptions, capitalism will supply the socially optimal quantity of a good and at the correct price. (Note: The vertical axis for the graph on page 25 is labeled wrong.)
- 4) (15 points each) For each of the following, explain why it is important for capitalism to work efficiently, i.e., bring us to the socially optimal point mentioned in Question #3.
 - A) There is private ownership of property with well defined property rights.
 - B) There are anti-trust laws and they are enforced.
 - C) There is limited government intervention in the market.
- 5) (15 points) Why is too large of a Gini Coefficient bad for the economy, but too small of a Gini Coefficient is also bad?