Mid-term Examination #1 Sociology 125, Fall 2010 October 7, 2010

NAME: _____   **TA Name:** _____

Try to write legibly. LONG ANSWERS ARE NOT BETTER ANSWERS There is no need to go beyond the space provided.

1. According to the *American Society* text, what are the THREE basic elements that define an economy as capitalist? (2 points)

2. Which of the following are examples of capitalist production? Why or why not**?** (4 points)

    - The rainbow bookstore collective, where workers share ownership of the business

    - A public library

    - small family farm in which the family owns the land and farms it only with family labor

    - A McDonald's franchise

3. **Define the concepts of "Exit" and "Voice." Which do decentralized markets emphasize and why?** (4 points)

4. **Externalities** What is the difference between a positive and negative externality? Give examples of both and explain why each is an example. (4 points)

5. **The free rider problem in contributing to a "public good"** (8 points)

a. Choose an example of a "free rider problem" in contributing to a public good. Fill in the "pay-off matrix" below in a way that illustrates this free rider problem. You can use made-up numbers to illustrate the problem; this does not have to be a real empirical example. Be sure to indicate what are the units in the pay-off matrix and what the free rider problem is about. (2 points)

The nature of the public good being provided:

PAY-OFF MATRIX

YOU

	Cooperate	Don't cooperate
Cooperate	A	B
Don't cooperate	C	D

EVERYONE ELSE

The preference order for this free rider problem =

b. Explain in words why the pay-off matrix you have filled in above generates the free rider problem. (2 points)

c. What might be done to solve this free rider problem? (2 points)

d. Explain <u>succinctly</u> what is the central difference between a *negative externality* and a *free rider problem.* Do not simply define each of these, but explain the key difference between them. (2 points)

6. **Efficiency and the Market.** Some people believe that unregulated, free markets almost always are the most efficient way of organizing an economy. Give <u>two</u> circumstances in which unregulated, free markets might generate <u>in</u>efficiencies. Illustrate each circumstance with a concrete example of situations in American markets where this happens. (4 points)

7. **Transportation.** Briefly describe how GM undermined public transportation. (2 points)

8. **Health care.** Give two special features of "health care" which make it quite different from nearly all other commodities. Explain <u>very briefly</u> what each of these mean. (2 points)

9. **High Road capitalism**

a. What is meant by "financialization" of the American economy? (2 points)

b. Take two of the dimensions on which "high road" and "low road" capitalism differ. Describe the key difference between high road capitalism and low road capitalism on each of these dimensions. (4 points)

Questions about the films (2 points each)

10. Why are people rallying in a protest in a bank in the film *Plunder*? (circle the correct answer)

    a) The bank laid them off because of the economic crisis.

    b) They want to have access to better food.

    c) They oppose racial discrimination in the bank.

    d) They lost their house because of predatory loans.

    e) They oppose bank bail-outs

11. Give one example of a problem in the US food system identified in the film Food, Inc

12. According to the movie *Shop 'til you drop*, in the past what was the basis for consumption norms for most people?

    a) their immediate neighborhood or local community

    b) their family

    c) films

    d) ideals defined by religion

    e) the American dream

Questions on data/statistics (2 points each)

13. Which of the following best describes the trends in health care expenses in the United States compared to other rich countries?

    a) The costs have always been much higher in the US than elsewhere

    b) The costs have risen dramatically everywhere at about the same rate

    c) The costs rose dramatically everywhere from the 1970s through the 1980s and then slowed everywhere except the United States

    d) The costs have risen steadily everywhere since the 1960s, but at a generally more rapid rate in the US than elsewhere

    e) The costs have risen only slightly in most countries, except the United States where they have risen dramatically.

14. Which of the following best describes pre-tax gasoline prices and gas taxes in the US and other rich countries?

	Pre-tax price of gas	Gas taxes
a	About the same everywhere	About the same everywhere
b	Lower in the US other countries	Lower in the US than other countries
c	About the same everywhere	Lower in the US
d	Higher in the US than elsewhere	Lower in the US than elsewhere
e	About the same everywhere	Higher in the US than elsewhere

15. Which of the following best describes energy use in the US compared to China (2005)?

	U.S. Energy use	China
a	About 52% of world total	About 13% of world total
b	About 20% of world total	About 32% of world total
c	About 20% of world total	About 17% of world total
d	About 12% of world total	About 5% of world total
e	About 12% of world total	About 10% of world total

16. Which of the following best describes the relationship in the US between the growth of median compensation and productivity?

a. They rose at about the same rate until sometime in the 1980s; after that productivity rose more rapidly than compensation

b. productivity rose much more rapidly than compensation until the 1980s; after that they rose at about the same rate

c. productivity and compensation always rise at about the same rate

d. productivity has generally risen more slowly than compensation

e. productivity has always risen more rapidly than compensation