

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (20 points) All three of the countries in this chapter faced high inflation during the transition. Why is it common for a country to face that problem in the transition?
- 2) (30 points) Do you think the Czech Republic or Hungary is in a better economic position for going into the future? Why did you choose that country?
- 3) (30 points) In light of the transitions from communism to capitalism of Russia, Poland, The Czech Republic, and Hungary, what do you think is the major determining factor whether or not the transition to capitalism should be gradual or shock treatment? Explain your logic.
- 4) (20 points) Did the Czech Republic and Hungary have problems privatizing the large firms or the small firms? Why did they have a problem with those firms, but not the others?