

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) (20 points) We said that the degree of openness to trade during the communist period plays an important role in the transition from a communist country to a capitalist country. Explain two reasons why and how the degree of openness is important.
- 2) (15 points) Any time an economic system changes, regardless of whether it is from communist to capitalist, vice versa, or from and to any other system, the initial changes hurt the economy. Explain why this is the case.
- 3) (15 points) During a transition, there is a fear that the reforms may be reversed. What is the impact of the fear on the transition? Explain how it has that effect.
- 4) (30 points) During the transition from a communist economy to a capitalist economy, there are many laws which need to be written. What are two of those laws? Explain why those laws were not needed under communism and why they are required for capitalism to work.
- 5) (20 points) In general, all changes have advantages and disadvantages to being done quickly. Explain an advantage of doing the change quickly and an advantage of taking time.