

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 10 points. 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) (15 points) Explain why central planning is so difficult to do.
- 2) (30 points) Marx predicted that capitalism would eventually destroy itself. Explain his logic. His predictions have not come true for the most part. Where did he go wrong? Explain two problems with his logic and why that prevented capitalism from imploding.
- 3) (15 points) What is the advantage of having the government own all property? Explain your logic.
- 4) (20 points) In capitalistic countries, what induces firms to produce more or less of something? Why can't that work in a communist country? How do communist countries determine if they should produce more or less of something? Explain how that works?
- 5) (20 points) In the theoretical communism, how is income distributed? Explain the advantage of distributing income that way. Explain the problem that it causes.