

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) Mises and Hayek predicted that communism could not last. Explain their two reasons.
- 2) (10 points) Is theoretical communism good or bad at economic growth? Explain your logic.
- 3) (10 points) Is theoretical communism good or bad at income distribution? Explain your logic.
- 4) (15 points) Would a communist country which is open to trade or one which is not open to trade have an easier time transitioning to capitalism? Explain your logic.
- 5) (15 points) Countries like Hungary had only been communist for about 40 years, while Russia had been communist for about 70 years. Which would have an easier time transitioning to capitalism? Explain your logic.
- 6) (15 points) When transitioning from a communist economy to a market economy, the country must write laws about ownership of property. Why? Be more specific than just saying, "because they did not have them."
- 7) (20 points) The book describes the first phase of the transition as "collapse". Why does that occur? What should the government do about it?