

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

1) (15 points each) Explain why the following laws are necessary for a functioning market economy.

A) Bankruptcy law

B) Contract law

2) (20 points) Explain why privatization is so hard to do.

3) (20 points) Do you think Russia was correct in using *Shock Therapy* rather than *Gradualism* to convert to capitalism? Explain your logic.

4) (30 points) Why is corruption a problem in Russia? What would you do to end it? Explain in detail how your proposal would work.