

Write your name on the cover of the test booklet and nowhere else. Failure to follow these directions will cost you 1 point. The test has 150 points (to be scaled up to 210 points) and is scheduled to take 75 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 14-point question should take 7 minutes. I can give some extra time, but not a lot.

- 1) (12 points) For EITHER Poland OR Russia, explain what their banking system is like.
- 2) (12 points) For EITHER pollution OR corruption, explain how you would reduce that problem in a transitional economy.
- 3) (12 points) For EITHER Russia OR Poland, explain how they handled privatization.
- 4) (14 points) Answer EITHER Part A OR Part B.
  - A) Although much of what Marx wrote was later proven to not work, his ideas have some merit. What about his writings makes it worthy of being studied as an economic theory?
  - B) What is the labor theory of value? Explain the problems with it.
- 5) (14 points) Answer EITHER Part A OR Part B.
  - A) Which of the leaders of the Soviet Union do you think Marx would have had the best (or least bad) opinion of? Why would Marx have had that best view of him.
  - B) What do you think that Stalin could have done which would have enabled the Soviet Union to last much longer? Explain why it would have lasted longer.
- 6) (16 points) For EITHER the Cold War OR the inefficiency of communism, explain that argument for why the Soviet Union fell. Do you think it was the most important factor in the fall of the USSR? Explain your logic.
- 7) (20 points) Answer EITHER Part A OR Part B.
  - A) Suppose you were to replace Kim Jong-Il as the leader of North Korea tomorrow? What information would you want to know before deciding whether to convert North Korea to a capitalist economy with a *cold turkey* or *gradualism* approach? How would you use this information? Explain at least two pieces of information you would want to have.
  - B) All of the countries we discussed suffered from hyper-inflation during the transition to a capitalist economy. Why shouldn't that be surprising? What could they have done better to reduce the chances of hyper-inflation? How would that have reduced the chances of hyper-inflation?
- 8) (24 points) For a country which you **did not present**, (Russia, Poland, Hungary, or the Czech Republic) what is the biggest problem that country is currently facing? Why did you choose that problem? What would you do to fix it? How would that reduce the problem?
- 9) (26 points) The socialist and communist economic systems have several economic problems. State ONE problem with one or both of the systems. Explain why it has that problem. How could the system be changed to correct for that problem? Explain how your proposal would work and explain why it would reduce the problem you mentioned. Note, I am referring to a reform of the system without scrapping it.