

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers 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 do double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (15 points each) For each of the items below, explain why that is necessary for a market economy to work well.

A) Contract law.

B) Bankruptcy law.

2) (20 points) It is very difficult to privatize the whole economy. Some of what Russia did was well done, some was not. Which part of the economy did Russia do a good job with the privatization? Explain what they did and why you thought it was such a well done job.

3) (25 points) Russia has a major problem with corruption. Why is corruption a problem? What could be done about it? Explain how your proposal would reduce the problem.

4) (25 points) Do you think that Russia should have taken the *gradualist* approach or the *shock therapy* approach to transforming their economy? Explain your logic using both a reason for using that approach and a reason against that approach.