

Place your name on the back of this sheet of paper and nowhere else. 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 use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (15 points each) The book says one of the problems with transitioning from a communist country to a capitalist country is the need for laws to be written. For each of the laws below, explain why that law would need to be created.

A) Bankruptcy law

B) Securities law

2) (25 points) The USSR took the *shock treatment*, a.k.a. *cold turkey*, path to transitioning to a capitalist country. Why did they do that? What information would you want to know about a country before recommending whether they take that approach or a gradual approach? Explain how you would use that information.

3) (20 points) Explain why privatization of a firm is difficult to do, even if it just a capitalist country whose government owns one company and wants to privatize it.

4) (25 points) What do you think is the biggest problem facing the Czech Republic? Explain why you feel that is such a big problem.