

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 150 points (to be scaled up to 180 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 extra time but not much.

1) (10 points) Answer EITHER Part A OR Part B.

- A) What is the greatest strength of communism? Explain your logic.
- B) What is the greatest weakness of communism? Explain your logic.

2) (14 points) Answer EITHER Part A OR Part B.

- A) What is the biggest problem facing the Russian economy? Explain why you feel that is a big problem.
- B) Russia's constitution did not originally allow a President to serve three terms. Putin had it amended so that he could run a third time providing there were no more than two consecutive terms. In Russia, the President is quite powerful. From a theoretical point of view, what is a potential problem with having a powerful leader who serves a long time?

3) (14 points) Answer EITHER Part A OR Part B.

- A) Poland is planning on eventually joining the euro zone. What is the disadvantage of doing that?
- B) Hungary had its bonds down graded around the end of last year. What does that mean? Why is that a bad indicator of the future of Hungary?

4) (14 points) Answer EITHER Part A OR Part B.

- A) What was the *nomenklantura*? What happened to it? Why did that happen?
- B) When a communist country is transitioning to capitalism, why must prices and wages be flexible before the companies are privatized? Explain your logic.

5) (18 points) Answer EITHER Part A OR Part B.

- A) What was Marx's theory of how prices should be set? Why did he change it? In your opinion, did his modifications improve the theory or weaken it? Explain your logic.
- B) Modern socialists say that there should be some private ownership of capital and some government ownership of capital. How do they decide which companies should be run by the government and which should be privately held? Explain their logic for making that distinction.

6) (20 points) Answer EITHER Part A OR Part B.

- A) Would you say the Polish economy is in good shape or in poor shape? Explain your logic mentioning TWO different statistics and explaining why those statistics support your answer.
- B) Would you say the Hungarian economy is in good shape or in poor shape? Explain your logic mentioning TWO different statistics and explaining why those statistics support your answer.

7) (20 points) Answer EITHER Part A OR Part B.

- A) Russia is currently a capitalist country. However, I would argue that they are really a socialist government in many ways. What aspects of their country is socialist? Explain your logic. Do you think that Russia should change those aspects to a more capitalist economy? Explain your logic.

B) Why do you think *perestroika* had such problems and is often written off as a complete failure? Explain TWO reasons.

8) (20 points) Answer EITHER Part A OR Part B.

A) There were many causes of the downfall of the USSR. Which TWO do you think were the most important? Explain your logic..

B) Marx probably would not have liked any of the rulers of the USSR. Choose TWO and explain why Marx would not have liked them.

9) (20 points) Answer EITHER Part A OR Part B.

A) What are two laws a capitalist country needs that a communist country does not? Explain why those are needed in capitalism.

B) In my opinion, there has never been a country which Marx would have approved of. Why do you think that no country has ever been truly Marxist? Give TWO reasons.