

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 12-point question should take 6 minutes. I cannot give extra time because I have a meeting after your class.

1) (12 points) Answer EITHER Part A OR Part B.

A) What is the one big problem with Marx's "labor theory of value"? Explain your logic. Make sure you define it.

B) What is meant by "dialectic materialism"? Assuming it holds, what will happen to capitalist countries? Explain your logic.

2) (12 points) For EITHER *income distribution* OR *environmental sustainability*, is theoretical communism good or bad at that? Explain your logic.

3) (12 points) Answer EITHER Part A OR Part B.

A) Explain a problem with using vouchers to auction off a company that is being privatized.

B) Why do capitalist countries need contract law? Why don't communist countries need those laws?

4) (12 points) Answer ONE of the following questions. One for each country

A) Why does the financial system look like it will have problems soon?

B) Adjusted for inflation, does Russia have high or low interest rates? Why is that a problem?

C) What was the "Velvet Revolution"? Why do you think it went so well?

5) (16 points) Answer EITHER Part A OR Part B.

A) China's "Great Leap Forward" has been mocked as a "great leap backwards". Give two ways it actually hurt the economy.

B) What are the Chinese "national champions"? Do you think they are a net benefit or a net loss to their economy in the long run? Give two reasons for your conclusion.

6) (16 points) Answer EITHER Part A OR Part B.

A) If you were to point to a problem with the Czech economy, what would it be? Explain how that will hurt their economy in the long run.

B) What was CMEA a.k.a. COMECON? For a country like Czechoslovakia, what were one advantage and one disadvantage of being in it?

7) (16 points) Answer EITHER Part A OR Part B.

A) The USSR created the *nomenklatura*. What was that? Why did they do that? Do you think it was a good idea? Explain your logic.

B) Mikhail Gorbachev had a policy called *glasnost* and another called *perestroika*. What were they? Explain how the former had the potential to help the latter.

8) (18 points) Answer EITHER Part A OR Part B.

A) Russia and Czechia have almost identical GDP per capita using PPP. Which country do you think will have a higher GDP per capita in twenty years? Explain your logic.

B) Czechoslovakia had a much easier time transitioning to capitalism than the USSR. What do you feel are two reasons for that? Explain your logic as to why that made the transition easier for Czechoslovakia and harder for the USSR.

9) (18 points) Answer EITHER Part A OR Part B.

A) Czechia and China have very different growth rate of GDP and very different government deficits as a percent of GDP. Which one has the bigger growth rate of GDP and which one has the bigger deficit/GDP? How could those two data points be related? Explain your logic.

B) Does Czechia or China have the bigger GDP per capita using PPP? What do you think caused that? Mention one strength of the one country and a weakness of the other country to explain the differences.

10) (18 points) Answer EITHER Part A OR Part B.

A) Currently, both Russia and China have trade surpluses. What are their main exports? Based solely upon their exports, which country do you think will be more likely to do well in twenty years? Explain your logic.

B) The structure of the government in the USSR and China played a role in whether the communist system imploded or evolved. What were the two types of structure called? Why did that enable China's system to evolve but made that difficult for the USSR? Explain your logic.