

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) (15 points) Answer EITHER Part A OR Part B.

A) Explain Marx's Theory of Surplus Value.

B) Marx's theories have some merit. What is something which Marx is correct about? Explain your logic.

2) (15 points) Answer EITHER Part A OR Part B.

A) Why are large companies hard to privatize?

B) What were the "utopian societies" and why did they fail?

3) (20 points) Answer EITHER Part A OR Part B.

A) Do you think Russia or Poland will have a better economy in the future, say a decade or two from now? Explain your logic noting a weakness of one of them and a strength of the other.

B) Do you think Russia or the Czech Republic has a better government? Explain your logic noting two differences between them. Possible differences you could discuss are corruption, government deficit or surplus, size of government, and/or the tax system.

4) (20 points) Answer EITHER Part A OR Part B.

A) If you were a ruler of a communist country and you were going to turn it into a capitalist country, what information would be important for determining whether you should go quickly (cold turkey) or take a gradual approach? Mention two pieces of information you would want and how you would use them.

B) If you were a ruler of a communist country and you were going to turn it into a capitalist country, what order would you take these steps? Explain your logic. Allow the market to set prices, write contract law, and privatize the firms.

5) (20 points) Answer EITHER Part A OR Part B.

A) Explain Marx's labor theory of value. What is the biggest problem with the theory? Explain your logic.

B) Marx predicted ever worsening business cycles. Explain his logic and why we do not see that occurring.

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

A) Why do you think Russia had such a hard time transitioning from communism to capitalism? Explain your logic citing two problems they were facing.

B) I said that Russia has a major problem with corruption. Give one piece of evidence that this is true and give one problem caused by the corruption. Explain how corruption causes that problem.

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

A) What do you think is Poland's biggest immediate problem? Why is that a problem? What could Prime Minister Tusk do about it? Explain your logic.

B) Two problems which Poland is facing now are high unemployment and a large government deficit. Explain why solving one of those problems might make the other one worse.

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

A) What do you think is the greatest weakness of the Czech Republic? If you were Prime Minister Nečas, then what would you do about that problem? Explain both why that weakness is a problem and how your action would reduce the problem.

B) The Czech Republic is not part of the euro zone, but plans to eventually be part of it. Do you think this is a good idea? Explain your logic.