

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 small companies normally the first to be privatized?

B) How does modern socialism differ from earlier socialism?

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

A) Do you think Russia or The Czech Republic 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 Poland 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) Czechoslovakia split into two countries, The Czech Republic and Slovakia in the early 1990s. One major reason they split was because Slovakia wanted to take a gradual approach to privatization and The Czech Republic wanted a quick approach. Which country do you think made a better decision? Explain your logic. If you need more information, tell me what information you would need and how you would use it.

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) Russia has a small government debt. How did they achieve that? Is there a downside to what they did?

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 short-term 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.