

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. 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) (10 points) When a country is privatizing a public firm, why is it hard to figure out the value of the company?
- 2) (15 points) Suppose you were in charge of privatization of a large, inefficient company in the USSR. Would you allowed foreigners to bid on the company? Explain your logic.
- 3) (10 points) Why does a transitioning economy need to write bankruptcy laws? Explain your logic.
- 4) (10 points) Why does a transitioning economy need to write contract laws? Explain your logic.
- 5) (15 points) Suppose you were in charge of privatization of a large, inefficient farm in the USSR. Which method would you use to privatize it? Explain why you would use that method.
- 6) (20 points) In the USSR, what was the *nomenklatura*? What problem with theoretical communism was that intended to solve? Explain how it would reduce the problem.
- 7) (20 points) Do you think that Marx would have approved of Stalin? Explain your logic.