

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 100 points and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 16-point question should take 8 minutes. I will give a few extra minutes, but probably no later than about 5 or 10 minutes after the hour.

1) (16 points) Some industries are more likely to be efficient in a capitalist economy, while others are more likely to be efficient in a socialist economy. Decide which system would be more likely to be more efficient for EITHER the railroads OR the defense industry, i.e., the making of the tanks, bombs, fighter planes, and guns. Explain the reasons you chose this type of economy for this industry.

2) (16 points) Do EITHER part A OR part B.

A) What is the greatest strength of socialism? Why do you think that is so strong?

B) What is the greatest problem with Marx's theory? Why do you feel that this is such a big problem?

3) (20 points) Do EITHER part A OR part B.

A) What is the *Mittlestand*? Is it something that makes the German economy more of a socialist or more of a pure capitalistic society? Explain your logic. Do not refer to other aspects of the German economy.

B) With hindsight, there are things that could have been done differently during the reunification of Germany. What changes would you have made if you could go back in time and change things. Mention two actions you would have taken and why you have taken them.

4) (24 points) Do EITHER part A OR part B.

A) Explain the relationship between the banks and businesses in Germany. What are the advantages and disadvantages of that system? In net, do you think it is a good system or a poor system? Why do you hold that opinion?

B) Explain the co-determination in Germany. What are the advantages and disadvantages of that system? In net, do you think it is a good system or a poor system? Why do you hold that opinion?

5) (24 points) Do EITHER part A OR part B.

A) Explain both the original, socialist, labor theory of value and Marx's modification to it. Does Marx's modification move the labor theory of value more in line with the capitalist's theory or away from it? Explain your logic.

B) Marx pointed out the problems with crises and depressions. He said that they would continue to get worse and worse. Explain why they would get worse. Suppose that the capitalist countries, like the USA and Germany for example, had not become more socialistic through welfare, progressive income taxes, etc. Do you think Marx's predictions would have come true? Why or why not?