I. (15) Define and explain each of the following (in one to two sentences each):

1. Soft budget constraint
2. Monetary overhang
3. J-curve
4. Current account convertibility
5. Agnoin-Blanchard model

II. (15) GDP is growing at 10 percent per annum, labor at 1 percent per annum, and capital at 10 percent per annum. Labor accounts for 75 percent of income and capital for 25 percent of income. What is (show your calculations):
   a) the rate of growth of labor productivity
   b) the rate of growth of capital productivity
   c) the rate of growth of total factor productivity

III. (20) What is the significance of a country’s “initial condition” as it undergoes transition? Briefly discuss the initial conditions that economists are interested in?

IV. (10) Briefly discuss the “big push” approach to transition.

V. (10) What methods have transition economies used to privatize industries?

VI. (10) Define government deficit and explain the causes of the government’s deficits in transition economies.

VII. (10) Why the Eastern European countries have been more successful in attracting foreign direct investment than the CIS countries?

VIII. (10) What are the reasons for increase in unemployment rate in transition economies?