

Study Questions

1. Why did Gorbachev's policy of *perestroika* fail?
2. Briefly discuss the main structural economic differences between the East and West.
3. Western observers of the planned socialist economic systems typically argued that these systems were "distorted." What does the concept of distortion mean, and why might it be relevant to an understanding of the transition process?
4. What characteristics of initial conditions are assessed in studying transition economies? How can one measure initial conditions in an economy? What is the relationship between an economy's initial condition and its transition to being a market economy?
5. Discuss the significance of liberalization and its role in transition.
6. The early years of transition were characterized as demonstrating a "J" curve. What was the "J" curve, and to what extent has it been relevant to our understanding of the transition process?
7. What led to the phenomenon of a collapse of GDP being a general concomitant of liberalization?
8. Briefly discuss the disorganization theory for output fall in transition economies. According to this theory what are the factors that could prevent the output fall?
9. Why was inflation a common feature of transitional states?
10. Discuss the concept of the "big push." What are the policy characteristics that distinguish it?
11. What is the gradualist approach to transition? Can transition be both "evolutionary" and have "big push"? How does the evolutionary approach help economists to study transition in ways that the "big push" does not? What useful perspectives does the evolutionary approach provide?
12. What is meant by corporatization?
13. Discuss the mechanisms for privatization in Eastern Europe?
14. Despite decreased state spending after the collapse of command economies, most governments ran deficits. Why?

15. Define the term “sterilization policy.” What circumstances lead to this policy action?
16. Do you think that the central bank in a post-socialist state should be independent and insulated from political pressure?
17. Although experiences have varied widely from country to country, what general initial conditions have profoundly impacted the development of international trade in transition economies?
18. Briefly discuss the external liberalization process during transition.
19. Speculate as to why CIS countries have largely failed to attract foreign direct investment. Do Eastern European countries have the same experience?
20. Describe the sources of unemployment in transition economies.
21. How does unemployment affect the speed of restructuring and the rate of private job creation during the transition according to the Agnoin-Blanchard model?
22. Compare and contrast income distribution from the communist era to contemporary times.
23. The conventional view is that living standards in transition economies have fallen dramatically due to price liberalization. Why might official reports on falling living standards overstate the true effect?
24. Have the Eastern European countries or the CIS countries achieved more rapid transition? What factors indicate this success?