

**Name:**

**Economics 370: Comparative Capitalism and Economic Transitions**

Fall 2009

Final Exam

Instructor: Dr. Sonya Huffman

- I. (6) Define and explain each of the following (in one to two sentences each):
  1. J-curve
  2. Sterilization policy
  3. Capital account convertibility
- II. (6) Evaluate the following statements providing supporting information for your conclusion
  - a. The political dilemma facing many of the former socialist economies in the early 1990s was that moving to a market economy would result in short-run benefits but long-run costs.
  - b. In their transition to market economies, the former socialist economies had to terminate the central planning apparatus, establish price ceilings, and provide for full convertibility of their currencies.
- III. (10) Briefly discuss the disorganization theory for output fall in transition economies.
- IV. (14) You must decide whether the transition strategy will be gradual or “big push” (shock therapy). What are the key differences? What are the relative advantages of each one?
- V. (10) What are the mechanisms used to privatize industries in Eastern Europe?
- VI. (10) Define government deficit and explain the causes of the government’s deficits in transition economies.
- VII. (12) How does unemployment affect the speed of restructuring and the rate of private job creation during the transition according to the Agnoin-Blanchard model?
- VIII. (10) 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?
- IX. (10) Why CIS countries have largely failed to attract foreign direct investment. Do Eastern European countries have the same experience?
- X. (12) The concept of transition implies a temporary process as an economy changes. Will transition come to an end? How will we know when transition is over?