

Read All Instructions Carefully. Use a blue book. Be sure to put your name on the blue book cover, but not inside it. If you answer more questions than necessary, I will skip the last one(s) in your blue book.

I. (30%) Short Descriptions: Answer 10 of 12 (3% each) In two to three articulate sentences each, define and/or explain each of the following, with some comment on their importance, context, or relevance.

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| 1. Active Labor Market | 7. Monnet Plan |
| 2. Bolshevik Revolution | 8. Ni-Ni Policy |
| 3. Forced Savings | 9. Perestroika |
| 4. Limited Liability Corporation | 10. Saltsjobaden Agreement |
| 5. Material Balance Planning | 11. Soft Budget Constraint |
| 6. Meiji Restoration | 12. Zaibatsu |

II. (45%) Short Answers. Answer **three** of the following four questions, each in a short essay. Each is worth 15%. Don't answer more than is necessary.

1. How has the size and the economic role of the U.S. government changed over the past century? Put this in historical and relative perspective, and compare it to the other major capitalist economies. How has this changed role affected the overall U.S. economy?
2. What is the German *Sozialmarktwirtschaft*, or "Social Market Economy," and what were the primary components of government policy that defined it? How were the policies of the *Sozialmarktwirtschaft* shaped by the major economic policies and events of Bismarck's Imperial Germany, the Weimar Republic, and Hitler's National Socialist Dictatorship?
3. What is the fundamental condition that defines whether an economy is socialist, according to Janos Kornai? What are Kornai's five blocks of the classical socialist economy, and how do they fit together as a system? Explain the basic institutions and characteristics that result from each block of his model.
4. What is the labor-managed economy? How is it supposed to work, and why is it supposed to be an improvement over the classical socialist economy? What are the problems of the labor-managed firm under socialism? Could labor management be successful in a capitalist economy? If yes, how?

III. (25%) Essay Question. Answer **one** of the following two questions in a single coherent essay.

1. Economists often cite Japan as an example of a market capitalist system that has been able to meet or exceed the high growth rates seen historically in the socialist command economies. Why did Japan grow so rapidly in the postwar period? What particular characteristics of its economy are unique to Japan, and what role did the government play? What was the organization of industry and banking? What led to the slowing of growth after 1990, and what problems have kept Japan from returning to its previous growth path?
2. Contrast the systems and policies of War Communism and the New Economic Policy under Lenin. What purposes was each of these systems designed to serve, and what effects did they have on economic performance in the Russia and the Soviet Union? Explain the debate over the NEP between the teleologists and the geneticists after the death of Lenin. What led to the end of the NEP? What replaced it?

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