

I. (60%) Short Descriptions: *Answer 20 of 22 (3% each). In a few sentences each, explain each of the following, along with their economic importance, context, or relevance.*

- 1) Balcerowicz Plan – the shock therapy approach of the new Polish government after Solidarity took control in 1989. His plan focused on macroeconomic stability, price liberalization, and foreign trade liberalization.
- 2) Chaebol – the large South Korean conglomerates, including Samsung, Hyundai, and LG, that received favored government treatment from President Park to promote investment and exports.
- 3) Alexander Dubcek – the leader of Czechoslovakia in 1968 who allowed increased freedoms and economic reforms during a period known as Prague Spring. Though he tried to reassure the Soviet Union that the country would remain loyal, the Warsaw Pact armies invaded and the Brezhnev Doctrine resulted.
- 4) Ejido – a system of communal village landholdings in Mexico, largely by poor peasants of native descent.
- 5) Janos Kadar – the Hungarian leader who assumed power after the Soviets overthrew the reformist Nagy government in the 1956 Hungarian Revolution. Kadar tried to avoid harsh repressive measures while also avoiding political reforms to reassure the Soviets, and led economic reforms after 1968.
- 6) Juche – the official ideology of North Korea, based on self-reliance in terms of both economics and international politics.
- 7) Kim Il-Sung – the North Korean leader who founded the DPRK, started the Korean War, and remained its dictator or “Great Leader” until he died in 1994.
- 8) Lazaro Cardenas – the President of Mexico from 1934-1940, who carried out the nationalization of foreign-owned oil investments and promoted ejidos, among many other policies.
- 9) Lech Walesa – the electrician who led the Solidarity union movement in the 1980s and became Poland’s first post-communist President.
- 10) Monetary Overhang – the excess supply of deposits resulting from forced savings and fixed prices, which will likely result in a burst of inflation once prices are liberalized.
- 11) NAFTA – the North American Free Trade Agreement which included Canada, Mexico, and the United States in a free trade area, beginning in 1994 with a ten-year gradual phase-out of tariffs and regulatory barriers to trade. Economists generally think it has benefited Mexico, but not as fast as was expected.
- 12) Imre Nagy – the Prime Minister of Hungary whose promoted the “New Course” economic reforms during the early 1950s. His second time in office resulted in the Hungarian Revolution of 1956, and he was deposed and hanged by the Soviets.
- 13) Mohandas Gandhi – the Indian spiritual leader who advocated Satyagraha (peaceful disobedience) and Swaraj (self-reliance) in order to gain independence from the United Kingdom. He became known as the Mahatma, and was assassinated in 1948.
- 14) New Economic Mechanism – the economic reforms of Hungary that began in 1968 under Kadar, which included price reforms, indicative planning, a limited market, a

profit motive for state firms, foreign trade reforms, and no political reforms that would worry the Soviets. It was not considered very successful.

- 15) Park Chung-Hee – the President of South Korea from 1961-79 who took power in a military coup and was assassinated by the North Koreans. He ruled as an authoritarian who ended political turmoil, promoted exports, and directed the expansion of the Chaebol through government loans and subsidies.
- 16) Pemex – the Mexican state-owned oil monopoly (Petróleos Mexicanos) that was created when President Cardenas expropriated the oil facilities of foreign companies. It is one of the largest oil companies in the world.
- 17) Prague Spring – the reforms and events of 1968 in Czechoslovakia under Dubcek, which allowed workers to take over their unions and establish workers councils to run firms, allowed free speech and a free press, promoted foreign trade, and led to an invasion by the Warsaw Pact.
- 18) Solidarity – the independent Polish trade union created by the strike in the Lenin Shipyards of Gdansk in 1980, from which Lech Walesa emerged as a chief spokesman. The government recognized it, then banned it under martial law, and then negotiated with it, and Solidarity became a political party that formed Poland's first post-communist government in 1989.
- 19) Swaraj – the Indian principle of self-rule, which included both independence from foreign control, self-reliance in economic terms, and self-governance in both the political and spiritual senses.
- 20) “Three Represents” Policy – the policy of Jiang Zemin to allow private entrepreneurs into the Chinese Communist Party in 2002, and represent the majority of people instead of acting as the communist vanguard.
- 21) Vaclav Havel – the poet and playwright who helped lead the Charter 77 human rights movement in Czechoslovakia, and later became its first post-communist President.
- 22) Visible Hand – the Yugoslavian reforms of 1951 under Marshall Tito, which decentralized power to local and republic governments and workers' councils, reduced administrative pricing and created rural and urban markets, and allowed state enterprises to set their own output targets. This later led to the creation of a labor-managed market-socialist economy.

II. (40%) Short Essays: Answer 4 of the following 5 topics with a clear and cogent essay that demonstrates a detailed understanding of the course material (10% each).

- A. What were the major Chinese economic reforms under Deng Xiaoping? How did it enable China to “grow out of the plan”? What was the “Socialist Market Economy,” and why was it significant?
- B. What are the key elements of an “Islamic” economy? To what extent do these key elements characterize the current Iranian economy?
- C. What is a labor managed enterprise, how does it compare to the traditional state-owned firm under socialism, and what are the theoretical reasons that economists are skeptical of its relative efficiency? How has it worked in practice?
- D. Describe Russia’s transition under Boris Yeltsin. What policies were implemented, what problems were encountered, how did the economy perform, and what led to its recovery?
- E. What are the major elements required of a strategy to transition to a market economy? How is transition different from reform? Which countries tried a gradual approach, which tried the shock therapy approach, and how did these strategies work?

BONUS: Why is a socialist economy in transition likely to suffer a dramatic initial economic decline? What economic, political, and social difficulties are likely to be encountered? Given the likelihood of decline, is the transition really necessary?

END