Final Exam

You have 1.5 hours to complete the 100 points worth exam. Good luck!

PART I (30%) - Short Descriptions: answer 5 of 8
In two to three coherent sentences, explain and/or define each of the following concepts. Make sure you comment on the importance, context, and relevance of each concept.

1. Qirad
2. Asset stripping
3. Capital account
4. Deng Xiaoping
5. Sterilization
6. Seigniorage
7. Kleptocracy
8. Washington Consensus

PART II (32%) - Short Answers: answer 2 of 4
Write a paragraph about each topic/question.

a. **Monetary Policy in Transition** What are the problems that newly created central banks in transition economies experienced after 1990? In answering the question, draw comparisons between central banks’ policy effectiveness in transition and established market economies.

b. **Islamic Banking** Describe the institution of banking within the Islamic economic system. What are the principal-agent problems prevalent in the system? How do Islamic banks practice lending?

c. **Dual Track Reform** Briefly describe the main characteristics of the Chinese dual track approach to economic reform/transition. What makes it an appealing approach to economic reform/transition?

d. **Hyperinflation** After the collapse of central planning, transition economies experienced cases of hyperinflation. Explain why this occurred.

PART III (30%) - Essay Topics: answer 1 of 2
Write an essay on one of the topics, answering all questions in each topic in a single, clear, coherent, and concise essay.

A. **Prices** What is the most important role of prices in an economy? Do prices need to be flexible to fulfill that role or could they be fixed (controlled)? What are consequences when prices cannot fulfill that role?

B. **Government** What is the proper role of government in an economic system? When formulating an answer, think about the main institutions that define an economic system.

Turn over ⇒
PART IV (8%) - Matching
Match the following names with images: Boris Yeltsin, Roman Abramovich, Vladimir Putin, Mikhail Chernoy, Lajos Bokros, Mikhail Gorbachev, Yegor Gaidar, Mikhail Khodorkovsky, Vladimir Gusinsky, Boris Berezovsky, Lech Wałęsa, Anatoliy Chubais, Janos Kornai, Karl Marx.

(Note: Not all of the persons named above are pictured below.)