Preparation for Midterm Exam on March 15\textsuperscript{th}
Material on “the Socialist Experiment” and “the Russian Reform”

Prepare these questions for discussion in class on February 27\textsuperscript{th}.

1. The local textile company has been privatized. While the manager is the owner, the local mayor can use his control over the supply of land and utilities to force the company to over-employ workers. Under what conditions is the manager willing and able to buy out the local mayor’s control rights so that she can cut back on over-employment. Suppose that the manager has control rights and employs an efficient level of workers. Under what conditions would the mayor bribe the manager so that she will over-employ workers?

2. Describe the evolution of control and ownership in the Russian oil sector. Does the federal government use its control over the oil pipeline to discriminate against particular private oil companies?

3. How was privatization designed to deal with ONE of the following stakeholders from the socialist system: 1) managers of state-owned enterprises, 2) local governments and 3) workers in state-owned enterprises? To what extent did the privatization strategy get the two stakeholders that you have chosen to support reform? Use evidence from your region to make your point.

4. How was the Russian stabilization policy designed to deal with bankers as stakeholders? To what extent was the policy of converting bankers from being borrowers to lenders sustainable?

5. Using your particular region, compare the predicted level of growth with the actual level of growth. What are the observed fundamentals that drive growth? What important factors are omitted?

6. Describe the reforms designed to introduce small shareholder rights and creditor rights in transition economies. How did the introduction of these laws influence economic outcomes such as operation of financial markets? What other factors were important for financial markets? And, what role did the changes in the quality of these laws play?