Answer all four questions. Each question is worth 25 points.

1. Different models have been put forward to try understand why institutions are so different across transition countries, in particular why some have rule of law and others not. What are the main models of that literature and their main features. Please give a critical assessment of that literature.

2. Different approaches have been made to try to measure culture in different countries in order to understand the impact of culture. Briefly explain the main approaches and assess their strengths and weaknesses.

3. Hayek’s criticism on central planning is well known: When the dispersed information has to be transmitted to a central planner who makes decisions on resource allocation, the society cannot make efficient use of the information. On the other hand, one of the central arguments of institutional economics such as Williamson is that of credible commitment. In what way the idea of credible commitment differs from the idea of Hayek as far as the use of information is concerned? Give a specific model to show your argument. In what area is the argument of credible commitment most relevant in the context of developing and transition economies?

4. Comparative economists often emphasize the importance of institutions in economic development and transition. They argued for developing corporate governance in the context of firms, courts in the context of contract enforcement, and the rule of law in the context of constraining the government. We have witnessed in the past two decades the great transformation of former socialist economies into market economies. What have we learned from these experiences about the relationship between institutions and economic performance? Please be specific about both theoretical arguments and empirical evidence in each case. In case of a gap between theory and evidence, what are the explanations put forward in the literature to reconcile them and to what extent they contribute to comparative economics?