

Econ 552

Economic Transition in Central and Eastern Europe/Transition Economies

Prof. Mieke Meurs

Spring 2009

Office Hours: T 9-11 and W 2:30-4:30, F 10-11, 1-2. Roper 202

This course examines issues related to the transition from central planning to democratic, market-based economic systems. The readings will focus mainly on transition in Central and Eastern Europe and the Former Soviet Union, but students may examine Asian cases in their own research papers if they are interested in those cases.

This course is organized as a research seminar; the student research projects are the center of the course. Theoretical readings have been selected to provide the background necessary to understand current research questions. Empirical readings have been selected to provide examples of current research. Students are encouraged to closely mimic these papers in their own research projects—drawing on the same data sets to examine closely related questions.

Because the research papers form the core of the course, work on the papers will begin immediately. By the third week, students will be sorted into three groups (hopefully, mainly self-sorted on the basis of interests): household/labor, firms, governance. Students will focus on their chosen area of transition research during the course, making their first presentation on existing empirical work in that area and then writing and presenting a research paper on a related topic. In order to choose a theme to focus on in the course, students are encouraged to look over reading from the three areas before the third week.

Course Requirements:

- Weekly Response Papers: (25% of grade). Each week you will turn in a 1-3 page response to the week's assigned readings. *This is not a summary.* About one paragraph might be devoted to summarizing the thesis of each author and his/her main points. But mainly the response should be your own responses to the authors' arguments, based on earlier course readings or discussion or other material you may have at hand. These will be handed in each week and then handed back in at the end of the semester. Keep them in a binder. *Weeks that students make presentations, they are excused from the response paper.* During the presentation of final research papers, students are expected to read and respond to two of the student papers each week.
- In-class presentations (3):

Each student will present one assigned reading in one the areas of focus in the course. This will be the area in which the student will also develop a research paper. (10% of grade)

Each student will present their final research paper in class (20 mins). To receive credit for this, the paper must be posted to blackboard by noon on Friday before the presentation. (10% of grade)

Each student will serve as a discussant on another student's paper. The task here is to provide comments on what is good about each paper, what it contributes, and also suggestions for improving the paper before the author turns in the final version. (10% of grade)

- Detailed paper outline, including thesis statement, outline of supporting arguments, and detailed explanation of data source to be used, its contents, and how these support the arguments. (15% of grade)
- Final Research Paper (30% of grade). Papers need not be long—15 pages is plenty in many cases. What is important is that the paper *present (and test) a testable hypothesis* related to course material. Empirical tests need not involve regression analysis--other sorts of empirical support for hypotheses are also acceptable.
- This course will be run like a seminar. Students are thus expected to come to class prepared to actively participate in discussion of readings.
- Final Exam date (for final discussion):

Schedule of Class Events

I) Background.

Week 1 (Jan. 14): Introduction: Understanding the Preconditions

Film: A Worker's State, VHS 525

David Kotz, *Revolution from Above: The Demise of the Soviet System* (Routledge, Ch. 3.

Gerard Roland, *Transition and Economics*, Ch. 1.

John Pickles, *State and Society in Post-Socialist Economies*, Ch. 1

II) Theories of Institutional Change

Week 2 (Jan. 21):

Avner Greif, *Institutions and the Path to the Modern Economy*, Chs. 2, 6-9.

Week 3 (Jan. 28):

Jack Knight, *Institutions and Social Conflict*, (Cambridge University Press: 1992). chs. 1-3 (pp. 1-83).

Kenneth Koford and Jeffrey Miller, "A Model of Contract Enforcement in Early Transition," U of Delaware Working Paper. (not in reader)

Choose focus theme. Begin working on topic.

Week 4 (Feb. 4): Property Rights (Theory)

Gerard Roland, "Public and Private Ownership in Economic Theory," in Gerard Roland, ed. *Privatization*, pp.9-31.

Jan Hanousek, Evzen Kocenda, and Jan Svejnar, *Privatization in Central and Eastern Europe and the CIS*," in Gerard Roland, ed. *Privatization*, pp. 76-108.

Rapaczynski, Andrzej. "The Roles of the State and Market in Establishing Property Rights," *Journal of Economic Perspectives*. 10 (2):87-104, 1996.

Week 5 (Feb. 11): Firms Empirical

Olga Lazareva, Andrei Rachinsky, and Sergey Stepanov, "A Survey of Corporate Governance in Russia," CEFIR Working Paper 103, June 2007.

Saul Estrin, Ruta Aidis, and Tomasz Mickiewicz, "Institutions and Entrepreneurship Development in Russia: A Comparative Perspective," William Davidson Institute Working Paper 867, February 2007.

Yuriy Gorodnichenko, Jan Svejnar, and Katherine Terrell, "Globalization and Innovation in Emerging Markets," NBER Working Paper No. 14481, <http://d.repec.org/n?u=RePEc:nbr:nberwo:14481&r=tra>

Week 6 (Feb. 18): Institutional Change: Households (Theory)

Joris Ghysels, "Theoretical Models of Household Decision-Making" chapter 1 in *Work, Family and Childcare* (Edward Elgar, 2004).

Adrian Smith, "Culture/economy and spaces of economic Practice: positioning households in post-communism," *Transactions of the Institute of British Geographers*, NS 27: 232-250, 2002.

Magnus Feldman, "Emerging Varieties of Capitalism in Transition Economies," *Comparative Political Studies* 39 (7) 2006.

Discussion preparatory for outline.

Week 7 (Feb. 25): Evaluating Performance in Transition: Households and Labor Markets

Özlem Onaran, "Jobless Growth in the Central and Eastern European Countries," Vienna University of Economics Working Paper, <http://www.wu-wien.ac.at/inst/vwl/papers/wu-wp103.pdf>

Christian Merkl and Dennis Snower, "Escaping the Unemployment Trap: The Case of East Germany," *Journal of Comparative Economics* 36 2008.

Francesco Pastore and Alina Verashchagina, "When Does Transition Increase the Gender Wage Gap?" IZA Working Paper 2796, May 2007.

Outline due.

Week 8 (March 4): The State and Emerging Forms of Governance

Joel Hellman, Geraint Jones and Daniel Kaufmann, "Seize the State, Seize the Day: State Capture and Influence in Transition Economies," *Journal of Comparative Economics*, 31(4) 2003.

Bardhan, Pranab (2002), "Decentralization of Governance and Development," *Journal of Economic Perspectives* 16 (4), 185-205.

Douglas Brooks and Myo Thant, "Overview," in *Social Sector Issues in Transitional Economies in Asia*, 1998.

Spring Break

Week 9 (March 18):

Roger Schoenman, "Captains or Pirates? State-Business Relations in Post-Socialist Poland," *East European Politics and Societies* 19 (1) 2005.

Meurs, Mieke "Decentralization and Development in Post-Socialism: Local Characteristics and Outcomes in Post-Socialist Bulgaria," *Post-Communist Economies* 20 (1) 2008.

Cerami, Alfio, "Central Europe in transition: emerging models of welfare and social assistance," MPRA Working Paper 8377 (mpra.ub.uni-muenchen.de/8377/1/MPRA_paper_8377.pdf), 2008

Week 10(March 25): Aggregate Outcomes, Growth

Oleh Havrylyshyn, "Growth Recovery in CIS Countries: The Minimum Sufficient Threshold of Reforms," *Comparative Economic Studies* 50 (1) 2008.

Peter Havlik, Sebastian Leitner, and Robert Stehrer, "Growth Resurgence, Productivity Catching-up and Labour Demand in CEECs," WIIW Statistical Report 3, 2008.
www.wiwi.ac.at/pdf/StatR3.pdf

Zeghni, Sylvain, Nathalie Fabry, "Building institutions for growth and human development: an economic perspective applied to transitional countries of Europe and CIS," MPRA Working Paper 9235 (<http://mpa.ub.uni-muenchen.de/9235/>), 2008

Week 11(April 1) Distribution:

Irena Grosfeld and Claudia Senik, "The Emerging Aversion to Inequality: Evidence from Poland 1992–2005," IZA Working Paper 3484 2008

Branko Milanovic and Lirio Ersado, "Reform and inequality during the transition: An analysis using panel household survey data, 1990-2005," MPRA Working Paper 7459 2008. (http://mpa.ub.uni-muenchen.de/7459/1/MPRA_paper_7459.pdf)

Easterlin, Richard, "Lost in Transition: Life Satisfaction on the Road to Capitalism," IZA Working Paper 3409 2008.

Week 12 (April 8): Student papers

Week 13 (April 15): Student Papers

Week 14 (April 22): Student Papers

(May ?-FINAL PERIOD):