

EURR 5102/INAF 5802 – INTERNATIONAL POLITICAL ECONOMY OF TRANSITION

Fall 2015

Draft course outline

Instructor: Dr. Crina Viju

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Classes: Mondays, 2:35 PM – 5:25 PM, Room: River Building 1200

Office hours: Tuesdays 10AM-12PM or by appointment

Course description:

The overall aim of this course is to understand the processes of transition from a socialist centrally planned economy to a capitalist market-type economy of Eastern European and Former Soviet Union countries. Extensive comparisons will be made with the experience of Asian economies in transition, using China as main example. Problems of reintegration into the world economy and dilemmas of transition from command to market economies will be examined. Other topics may include new trade and investment patterns, role in regional and international economic organizations, search for appropriate exchange rate policies, impact of Western assistance.

Course requirements and policies:

The students are required to complete assigned readings weekly. The readings marked with * are required. ***Discussion group participation*** is an essential component of the course. Participation will be graded on the basis of attendance, the quality of regular contributions to the class discussion, and demonstrated familiarity with required course readings.

There will be **2 short papers** (maximum 5 pages, double-spaced, Times New Roman, 12-pt. font) that will be hand in and presented to the instructor during the term (first due on **October 5**, second due on **November 23**). The short papers will address specific questions provided by the course instructor.

In addition, **a major research paper** is required (maximum 25 double-spaced pages, Times New Roman 12 pt. font, including charts, tables and appendixes). The research paper is due on **December 11**. **A proposal for the research paper** (maximum 2 pages) is due on **November 2**. The proposal should include the main goal of the paper, the importance of the topic and an outline of the paper. The students will **present** their work in the last two (or three depending on the enrollment) sessions of the course.

Please note the following important rules associated with this course:

Late penalties will be in operation except for documented medical reasons. There are no exceptions.

Penalties: 2% per day.

Papers are not accepted after 7 late days except for documented medical reasons.

Materials on the reading list below are required.

Locations: **RE** = on reserve in main library

EU = EURUS lounge

ON = on-line, through the library catalogue

CUL = posted on CU Learn

Evaluation breakdown:

Short papers 2 x 15%	30%
Proposal research paper	10%
Major research paper	30%
Presentation research paper	15%
Participation	15%

TENTATIVE COURSE OUTLINE

Week 1

Sept. 4: Course outline. Introduction to economics of transition

*Roland, G. (2000). *Transition and Economics. Politics, Markets, and Firms* (The MIT Press). Chapter 1 (pp. 1-22) (RE)

*Kornai, J. (2000). "What the Change of System from Socialism to Capitalism Does and Does Not Mean." *Journal of Economic Perspectives* 14(1), pp. 27-42 (ON)

Week 2

Sept. 14: History and economics of Soviet planned economy. Industrial organization and structural inefficiencies

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 2 ("History") (pp. 15-28) (RE).
- *Gregory P. and Stuart, R. (2001). *Russian and Soviet Performance and Structure* (Addison Wesley, seventh edition). Chapters: 6, 7 ("Planning in Theory and Practice"; "The Administrative Command Economy: Management, Labor, and Pricing") (pp. 89-144) (EU or RE, 6th edition).
- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapters 1, 2, 3 ("The System of State Socialism", "The Successes and Failures of Central Planning", "From Reform to Breakdown") (pp. 3-46) (RE).

Week 3

Sept. 21: How to organize transition? Shock therapy versus gradualism. Transition strategies and performance. Overview of the international factors in economic transition.

- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapters 4 ("The courses of Transition", pp. 49-62) and Chapter 5 ("A strategy for transition", (pp. 83-104) (RE).
- *Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapter 8 ("Russian transformation: from state failure to market failure?") (pp. 214-251) (RE).
- *Kornai, J. (2006). "The Great Transformation of Central Eastern Europe: Success and Disappointment", *Economics of Transition*, Vol. 14, No. 2, pp. 207-244.
- *Popov, V. (2007). "Shock Therapy versus Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reform." *Comparative Economic Studies* 49(1), pp. 1-31 (ON).
- Marangos, J. (2007). "Was Shock Therapy Consistent with the Washington Consensus?" *Comparative Economic Studies* 49, pp. 32-58 (ON).
- Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 4 ("Paradigms of transition") (pp. 148-157) (EU).

Week 4

Sept. 28: Macroeconomic policy: currency crisis and liberalization of foreign trade

- *Fischer, S. (2008). "Mundell-Fleming Lecture: Exchange Rate Systems, Surveillance, and Advice." *IMF Staff Papers* 55(3), pp. 367-383 <http://www.imf.org/external/pubs/ft/staffp/2008/03/pdf/fischer.pdf> (ON).
- *Popov, Vladimir (2003). "Currency Crises in Russia and Other Transition Economies". in *International Financial Governance under Stress. Global Structures versus National Imperatives* (Geoffrey R.D. Underhill, Xiaoke Zhang eds.) (Cambridge University Press). <http://http-server.carleton.ca/~vpopov/documents/CC-Atlanta-2001.pdf> (ON).
- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapter 4 ("The courses of Transition", pp. 62-79) (RE).
- *Gregory P. and Stuart, R. (2001). *Russian and Soviet Performance and Structure* (Addison Wesley, seventh edition). Chapters: 15 (pp. 345-366) (EU).
- *Kerr, W. (2012). "Taming the Bear: The WTO after the Accession of Russia." *The Estey Centre Journal of International Law and Trade Policy* 13(2): 150-159. <http://ageconsearch.umn.edu/bitstream/126671/2/kerr13-2.pdf> (ON).
- *De Menil, G. (1997). "Trade Policies in Transition Economies: A Comparison of European and Asian Experiences." in *Economies in Transition: Comparing Asia and Europe* (Woo, W.T., Parker, S. and Sachs, J.D. eds.) (The MIT Press). Chapter 10 (pp. 257-298) (EU).
- Montes, M. and Popov, V. (1999). *The Asian Crisis Turns Global* (Institute of Southeast Asian Studies). Chapters 2 (pp. 7-20), 3 (pp. 21-38) (RE).
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). Chapter 7 (pp. 154-180) (RE).
- Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 9 (pp. 203-218) (RE).
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). Chapter 6 (pp. 130-153) (RE).
- Gaisford, J.D. and Iourkova, I. (2007). "International Trade Policy and Re-Investment in the Russian Economy." in *Revitalizing Russian Industry: The Road Ahead after Fifteen Years of Transition* (Gaisford, J., Mayevsky, V. and Kerr, W.A. eds.) (Nova Science Publishers, Inc.). Chapter 8 (pp. 97-110) (EU).
- Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapters 2 (pp. 48-54) (RE).
- Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapter 5 (pp. 132-159) (RE).

Week 5 (FIRST SHORT PAPER DUE)

October 5: Privatization: why one of the main problems of transition?

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 8 ("Privatisation and Structural Reforms") (pp. 162-86) (RE).
- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapter 13 ("Privatization", pp. 237-259) (RE).
- *Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 6 ("Enterprise Reform and Restructuring", pp. 191-225) (EU).
- *Rutland, P. (2013). "Neoliberalism and the Russian Transition." *Review of International Political Economy* 20(2): 332-362 (ON).

October 12: Statutory holiday – University closed.

Week 6

October 19: Foreign Direct Investment and joint-ventures. Credits and debts, foreign assistance to transition.

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 9 (pp. 244-263) (RE).

- *Kerr, W.A. and Bessel, K.M. (2007). “The Economics of Foreign Investment Law and Business Practice in the Russian Federation: ‘Learning to Share the Golden Eggs and not to Kill the Goose that you were Lent’.” in *Revitalizing Russian Industry: The Road Ahead after Fifteen Years of Transition* (Gaisford, J., Mayevsky, V. and Kerr, W.A. eds.) (Nova Science Publishers, Inc.). Chapter 9 (pp. 111-130) (EU).
- *Nath, H. K. (2009). “Trade, Foreign Direct Investment, and Growth: Evidence from Transition Economies.” *Comparative Economic Studies* 51: pp. 20-50 (ON).
- *Cuello-Cazurra, A. (2008). “Better the devil you don’t know: Types of corruption and FDI in transition economies.” *Journal of International Management* 14(1): 12-27 (ON).
- *Iwasaki, I. (2003). “Evolution of government-business relationship and economic performance in the Former Soviet States – order state, rescue state, punish state.” *Economics of Planning* 36(3): 223-257 (ON).
- *Bevan A., Estrin, S. and Meyer, K. (2004). “Foreign investment location and institutional development in transition economies.” *International Business Review* 13(1): 43-64 (ON).
- *Kalotay, K. (2015). “The Impact of the New Ruble Crisis on the Russian FDI.” *Baltic Rim Economies – Bimonthly Economic Review* 1: 31-32. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2570945 (ON)
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). Chapter 15 (pp. 453-485) (RE).
- Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapter 2 (pp. 55-60) (RE).
- Besley, T., Dewatripont, M. and Guriev, S. (2010). “Transition and Transition Impact. A Review of the Concept and Implications for EBRD.” *Report for the EBRD’s Office of the Chief Economist*. <http://www.ebrd.com/pages/research/publications/special/besley.shtml> (ON).
- Hare, P., Schaffer, M.E. and Shabunina, A. (2004). “The Great Transformation: Russia’s Return to the World Economy.” Discussion paper, Centre for Economic Reform and Transformation. <http://www.sml.hw.ac.uk/downloads/cert/wpa/2004/dp0401.pdf> (ON).
- Kalotay, K. (2010). “Patterns of inward FDI in economies in transition.” *Eastern Journal of European Studies* 1(2): 55-76 (ON).

October 26: Fall break – Class suspended.

Week 7 (RESEARCH PAPER PROPOSAL DUE)

Nov. 2: Disintegration: COMECON collapse; New trade patterns in Former Soviet Union and Eastern European countries

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 5 (“International Economic Relations”) (pp. 65-90), Chapter 6 (“The End of the System”) (pp. 91-112) (RE).
- *Gregory P. and Stuart, R. (2001). *Russian and Soviet Performance and Structure* (Addison Wesley, seventh edition). Chapters: 8 (“Special Sectors: Foreign Trade and Agriculture”) (pp. 145-155) and Chapter 18 (“Transition of the Former Soviet Republics”) (pp. 424-459) (EU or RE, 6th edition).
- *Saivetz, C.R. (2012). “The ties that bind? Russia’s evolving relations with its neighbours.” *Communist and Post-Communist Studies* 45(3-4): 401-412 (ON).
- *Hartwell, C.A. (2013). “A Eurasian (or a Soviet) Union? Consequences of further economic integration in the Common Wealth of Independent States.” *Business Horizons* 56(4): 411-420 (ON).
- *Hancock, K. J. and Libman, A. (2014). “The Forgotten Region: Russia and Eurasia.” *Paper prepared for the ISA-FLACSO Joint International Conference, Buenos Aires: July 23-25, 2014*. <http://web.isanet.org/Web/Conferences/FLACSO-ISA%20BuenosAires%202014/Archive/61fce73-a1f4-4aab-ae78-96164936ee08.pdf> (ON).
- Libman, A. (2015). “Ukrainian Crisis, Economic Crisis in Russia and the Eurasian Economic Union.” *Munich Personal RePEC Archive* 63861. http://mpra.ub.uni-muenchen.de/63861/1/MPRA_paper_63861.pdf (ON).
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). Chapter 7 (pp. 187-224) and Chapter 13 (pp. 366-404) (RE).
- Carluer, F. (2007). *Managing Conflict in Economic Convergence of Regions in Greater Europe* (Elsevier). Chapter 7 (219-254) (RE).

Week 8

Nov. 9: Reintegration: Accession of the Eastern European countries to the European Union

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 9 (pp. 218-244) (RE).
- *Epstein, R.A. (2014). “Overcoming ‘Economic Backwardness’ in the European Union.” *Journal of Common Market Studies* 52(1): 17-34 (ON).
- *Rilka Dragneva and Katarzyna Wolczuk (2012). “Russia, the Eurasian Customs Union and the EU: Cooperation, Stagnation or Rivalry?”, Chatham House Briefings, August 6, 2012, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2125913 (ON).
- *Rilka Dragneva-Lewers and Katarzyna Wolczuk (2015). “Trade and Geopolitics: Should the EU Engage with the Eurasian Economic Union?” *Policy Brief: European Policy Center* April 2, 2015. http://aei.pitt.edu/63318/1/pub_5462_trade_and_geopolitics.pdf (ON).
- *Aslund, A. (2013). “Ukraine’s Choice: European Association Agreement or Eurasian Union.” *Policy Brief Peterson Institute for International Economics* PB13-22. <http://www.piie.com/publications/pb/pb13-22.pdf> (ON).
- *O’Brennan, J. (2013). “Enlargement Fatigue and its Impact on the Enlargement Process in the Western Balkans.” in *The Crisis in EU Enlargement*. LSE Ideas. <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR018/OBrennan.pdf> (ON).
- *Cadier, D. (2013). “Is the European Neighbourhood Policy a substitute for enlargement?” in *The Crisis in EU Enlargement*. LSE Ideas. http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR018/Cadier_D.pdf (ON).
- Carluer, F. (2007). *Managing Conflict in Economic Convergence of Regions in Greater Europe* (Elsevier). Chapter 6 (187-218) (RE).
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). Chapter 16 (pp. 486-527) (RE).
- Nitsch, V. (2007). “Black Tie Required? How to Enter a Currency Union.” in *Designing the New European Union* (Berger, H. and Moutos, T. eds.) (Elsevier). Chapter 9 (pp. 263-281) (RE)
- Pelkmans, J. (2006). *European Integration. Methods and Economic Analysis* (Prentice Hall, third edition). Chapter 20 (pp. 426-447) (EU).
- Gros, D. and Steinherr, A. (2006). *Economic Transition in Central and Eastern Europe. Planting the Seeds* (Cambridge University Press). Chapters 9,10 (pp. 263-324) (EU).
- Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapter 6 (pp. 160-181) (RE).
- Böwer, U. and Turrini, A. (2010). “EU Accession: A Road to Fast-Track Convergence?” *Comparative Economic Studies* 52, pp. 181-205 (ON).

Week 9

Nov. 16: Different models of internationalization: China, Russia and Central Europe

- *Svejnar, J. (2008). “China in Light of the Performance of the Transition Economies.” in *China’s Great Economic Transformation* (Brandt, L. and Rawski, T.G. eds.) (Cambridge University Press). Chapter 3 (pp. 68-90) (RE).
- *Popov, V. (2010). “Putting the Success Stories in the Post-Communist World into a Broader Perspective.” *Society and Economy* 32(1), pp. 83-102 (ON).
- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapter 16 (“Emerging Varieties of Capitalism”, pp. 299-312) (RE).
- *Pomfret, R. (1997). “Growth and Transition: Why Has China’s Performance Been So Different?” *Journal of Comparative Economics* 25(3), pp. 422-440 (ON).
- Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 9 (pp. 300-371) (EU).

Week 10 (SECOND SHORT PAPER DUE)

Nov. 23: Evaluating transition and Global financial and economic crisis and transition economies

- *Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 10 (pp. 371-383) (EU).
- *Beck, T. and Laeven, L. (2006). "Institutions building and growth in transition economies." *Journal of Economic Growth* 11, pp. 157-186 (ON).
- *Ellman, M. (2005). "Transition: Intended and Unintended Processes." *Comparative Economic Studies* 47, pp. 595-614 (ON).
- *Marer, P. (2010). "The Global Economic Crises: Impacts on Eastern Europe." *Acta Oeconomica* 60(1), pp. 3-33 (ON).
- *Myant, M. and Drahokoupil, J. (2011). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (John Wiley & Sons, Inc.). Chapter 17 ("The Financial Crisis and a Verdict on Transition", pp. 299-312) (RE).
- EBRD (2010). "Recovery and Reform." *Transition Report 2010*. Chapters 2 (pp. 30-41) and 4 (pp. 68-77) <http://www.ebrd.com/pages/research/publications/flagships/transition.shtml> (ON).

Week 11

Nov. 30: Presentations

Week 12

Dec. 7: Presentations

Academic Accommodations:

The Paul Merton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your ***Letter of Accommodation*** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (*if applicable*).

Religious Observance: Students requesting accommodation for religious observances should apply in writing to their instructor for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student. Instructors and students may contact an Equity Services Advisor for assistance (www.carleton.ca/equity).

Pregnancy: Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a *letter of accommodation*. Then, make an appointment to discuss your needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Plagiarism:

The University Senate defines plagiarism as “presenting, whether intentional or not, the ideas, expression of ideas or work of others as one’s own.” This can include:

- reproducing or paraphrasing portions of someone else’s published or unpublished material, regardless of the source, and presenting these as one’s own without proper citation or reference to the original source;
- submitting a take-home examination, essay, laboratory report or other assignment written, in whole or in part, by someone else;
- using ideas or direct, verbatim quotations, or paraphrased material, concepts, or ideas without appropriate acknowledgment in any academic assignment;
- using another’s data or research findings;
- failing to acknowledge sources through the use of proper citations when using another’s works and/or failing to use quotation marks;
- handing in “substantially the same piece of work for academic credit more than once without prior written permission of the course instructor in which the submission occurs.

Plagiarism is a serious offence which cannot be resolved directly with the course’s instructor. The Associate Deans of the Faculty conduct a rigorous investigation, including an interview with the student, when an instructor suspects a piece of work has been plagiarized. Penalties are not trivial. They may include a mark of zero for the plagiarized work or a final grade of "F" for the course.

Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Submission, Return and Grading of Term Work:

Written assignments must be submitted directly to the instructor(s) according to the instructions in the course outline. Late assignments may be submitted to the drop box in the corridor outside 3304 River Building.

Assignments will be retrieved every business day at **4 p.m.**, stamped with that day's date, and then distributed to the instructors. For written assignments not returned in class please attach a stamped, self-addressed envelope if you wish to have your assignment returned by mail. Final exams are intended solely for the purpose of evaluation and will not be returned.

Final standing in courses will be shown by alphabetical grades. The system of grades used, with corresponding grade points is:

Percentage	Letter grade	12-point scale	Percentage	Letter grade	12-point scale
90-100	A+	12	67-69	C+	6
85-89	A	11	63-66	C	5
80-84	A-	10	60-62	C-	4
77-79	B+	9	57-59	D+	3
73-76	B	8	53-56	D	2
70-72	B-	7	50-52	D-	1

Standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by an instructor may be subject to revision. No grades are final until they have been approved by the Dean.

Carleton E-mail Accounts: All email communication to students from the Institute of European, Russian and Eurasian Studies will be via official Carleton university e-mail accounts and/or cuLearn. As important course and University information is distributed this way, it is the student's responsibility to monitor their Carleton and cuLearn accounts.

Official Course Outline: The course outline posted to EURUS website is the official course outline.