ECON 3808 – THE ECONOMICS OF TRANSITION

Course outline – Fall 2013

Instructor: Dr. Crina Viju
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Classes: Fridays, 2:35 PM – 5:25 PM, Room: Tory Building 447
Office hours: Thursdays: 10 AM - 12 PM or by appointment
Prerequisite: ECON 1000 or FYSM 1003

Course description:

The overall aim of this course is to understand the process of transition from a socialist, centrally planned economy to a capitalist market-type economy. “Classical socialism” is criticized and the processes of transition in countries of Central and Eastern Europe, the former Soviet Union, and Asia are compared.

In order to provide a background for our in-depth study of the economies of transition, we will first examine the legacy of the Soviet economic system, which these countries inherited. We then explore the demise of central planning and the debates about the best practices in transforming socialist economies. We review the progress of transition in various countries concentrating on macroeconomic stabilization, market liberalization, firm privatization, institutional development and the establishment of a social safety net.

The final task of the course is to examine to what extent differences in economic performance in post-communist countries during transition are associated with:

- The initial level of economic development;
- The magnitude of initial distortions in industrial structures and trade patterns;
- Chosen reform paths (shock therapy or gradual transition), speed of liberalization;
- Institutional capacities of the state;
- Macroeconomic stabilization and industrial policies;
- Other factors.

Requirements:

Midterm exam (Oct. 25) 15%
Discussion group participation 15%
Group debate/country presentation 15%
Position or country paper  25%
Final Exam  30%

Discussion group participation: The last hour of each class (before the fall break) will be devoted to class discussion (in two groups if numbers permit). You will be marked on your attendance and participation, and are expected to be familiar with required course readings for the discussion. Attendance is mandatory.

Group debate: In the last five weeks of the course one hour and a half will be devoted to debate on a hot topic or to present the transition strategies/outcomes of various countries/regions. For the debates, teams of 3-4 students will prepare and present a case on one side of a particular issue. Then the topic will be opened to class discussion. For country/region presentation, teams of 3-4 students will prepare and present the main economic developments since the beginning of each country’s transition towards a market economy. Details will be provided by the third week of class.

Term essay: A position/country paper will be prepared by each student in connection with the class debate/country presentation. The position/country paper will be 1800-2000 words in length with sources additional to required class readings. Detailed instructions will be provided by the third week of class. The paper will be due on one week after the class debate/country presentation except for the final week, when the paper will be due December 9.

Please note the following important rules associated with this course:

- Any student who fails to appear for the final exam when he or she has achieved satisfactory performance during the term (described below) will receive a course grade of ABS (“ABSent from a required final examination”). Application to write a deferred final exam must be made at the Registrar’s Office.
- Any student who fails to appear for the midterm test or final exam without a valid medical or equivalent excuse will receive a final course grade of FND (“Failure with No Deferred final examination allowed”). With a valid excuse a substitute test will be scheduled.
- Any student who fails to hand in the position paper/country paper will receive a final course grade of FND. See penalties for late papers and other restrictions for late papers below.
- Any student who fails to appear for the class debate/presentation will automatically receive a zero for that assignment unless the instructor is notified in advance and a written medical or equivalent excuse is provided.
- Penalties for late essays are as follows: Two points (of a % scale) for each day late (including weekends). Papers will not be accepted more than one week after the due date without a valid (e.g., written medical) excuse.
Materials on the reading list are required.

Readings are available in the bookstore, online or on reserve through the university catalogue.

RE = on reserve in main library

ON = on-line, through the library catalogue

Book in the bookstore (also on reserve):

Myant M. and Drahokoupil, J. (2011) Transitions Economies: Political Economy in Russia, Eastern Europe, and Central Asia, John Wiley and Sons (Referred to below as M&D)

TENTATIVE COURSE OUTLINE

September 6

Week 1: Outline

Macroeconomic notions: GDP (components, measurement problems, comparisons among countries); Economic growth; Economic development

Economics of transition; Objectives, outcomes and surprizes of transition

Readings:

M&D, Introduction, pp. xvi-xxiv

September 13

Weeks 2: Introduction

Readings:

M&D: Chapter 1 The System of State Socialism, pp. 3-11.


September 20

Week 3: History and Economics of Soviet Planned Economy

Readings:


Possible discussion session

September 27

Week 4: Industrial Organization and Structural Inefficiencies

Readings:


Possible discussion session

October 4

Week 5: Transition economies in the framework of comparative economic systems.

Readings:


October 11


Readings:


Possible discussion session

October 18

Week 7: Macroeconomics of Transition

Readings:
M&D, Chapter 4: The Courses of Transition, pp. 49-79 and Chapter 9: Economic Role of the State, pp. 159-183

Possible discussion session

October 25

Week 8: Review class. Midterm exam (2 hours).

November 1 – Fall break (no class)

November 8

Week 9: Privatization and Industrial Restructuring

Readings:


*Country presentations: Poland versus Russia versus China. (3 groups, 10 students)*

November 15

**Week 10: Financial Sector**

**Readings:**

M&D, Chapter 14: *A New Banking System*, pp. 259-277


*Debate: Shock therapy versus Gradualism. (2 groups, 7 students)*

*Regions presentation: Why transformational recession was deeper in Former Soviet Union (FSU) countries than in Central and Eastern European (CEEC) countries? (1 group, 4 students)*

November 22

**Week 11: Labor Market and Social Consequences of Transition**

**Readings:**

M&D, Chapter 10: *Welfare States and Regimes*, pp. 185-212


*Debate: Resource abundant economies grow more slowly than other economies (“resource curse”). (2 groups, 7 students)*
November 29

Week 12: Government/Legal Reform

Readings:

M&D, Chapter 7: State Capacity and the Rule of Law, pp. 123-143


**Debate:** There is a need for a large, interventionist state during the economic transition process. (2 groups, 7 students)

**Debate:** Globalization (international economic integration) benefited the transition economies. (2 groups, 7 students)

December 6

Week 13: Economic Crisis and Transition Economies / Lessons and Challenges

Readings:

M&D, Chapter 16: Emerging Varieties of Capitalism, 299-312 and Chapter 17: The Financial Crisis and a Verdict on Transition, pp. 313-333

Review

**Debate:** Should Ukraine join the European Union (EU)? (2 groups, 7 students)

**Debate:** Will the CEECs that are part of the EU benefit from Eurozone (monetary union) membership? (2 groups, 7 students)

Statement on Academic Offenses

Ensuring that you understand and follow the principles of academic integrity laid out in the Calendar is vital to your success. Ensuring that your work is your own and reflects both your own ideas and those of others incorporated in your work is important: ensuring that you acknowledge the ideas, words, and phrases of others that you use is a vital part of the scholarly endeavor. If you have any questions at all about academic integrity in general or about specific issues, contact me and we can discuss your questions.
In all written work, students must avoid plagiarism, i.e. presenting the work or ideas of another as one’s own. Forms of plagiarism include copying from the work of another author without proper use of footnotes and quotation marks, using the ideas of others without acknowledging the source, extensive paraphrasing, or submitting the work of another as one’s own. The same piece of work may not be submitted for more than one course or may not have been submitted previously to fulfill any other course requirement. For undergraduate students, academic offenses will be reported to the Office of the Dean of the Faculty of Public Affairs and Management.

Requests for Academic Accommodation

For Students with Disabilities:

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Registered PMC students are required to contact the PMC to ensure that I receive your Letter of Accommodation, no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. If you only require accommodations for your formally scheduled exam(s) in this course, please submit your request for accommodations to PMC by the last official day to withdraw from classes in each term. For more details visit the PMC website: http://www.carleton.ca/pmc/students/acad_accom.html.

For Religious Observance:

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to me during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: http://www.carleton.ca/equity/accommodation/student_guide.htm.

For Pregnancy:

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make an appointment to discuss her needs with me during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details visit the Equity Services website: http://www.carleton.ca/equity/accommodation/student_guide.htm.