

EURR 5102/INAF 5802 – INTERNATIONAL POLITICAL ECONOMY OF TRANSITION

Winter 2014

Instructor: Dr. Crina Viju

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Classes: Mondays, 11:35 AM – 2:25 PM, Room: River Building 3302

Office hours: Wednesdays: 3:00 PM – 5:00 PM 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 **February 3**, second due on **March 17**). 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 **April 14**. **A proposal for the research paper** (maximum 2 pages) is due on **February 24**. 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

Jan. 6: 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

Jan. 13: 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

Jan. 20: External economic contacts under central planning

- *Lavigne, M. (1999). *The Economics of Transition from Socialist Economy to Market Economy* (Palgrave, second edition). Chapter 5 ("International Economic Relations") (pp. 65-90) **(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) **(EU or RE, 6th edition)**.
- *Brada, J.C. (1985). "Soviet-Western Trade and Technology Transfer: An Economic Overview." in Bruce Parrott ed. *Trade, Technology, and Soviet-American Relations* (US:Bloomington), pp. 3-35 **(RE)**.
- *Millar, J.R. (1985). "The Impact of Trade and Trade Denial on the US." in Bruce Parrott ed. *Trade, Technology, and Soviet-American Relations* (US:Bloomington), pp. 324-351 **(RE)**.

Week 4

Jan. 27: 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)**.

- *Marangos, J. (2007). “Was Shock Therapy Consistent with the Washington Consensus?” *Comparative Economic Studies* 49, pp. 32-58 (ON).
- *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).
- Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 4 (“Paradigms of transition”) (pp. 148-157) (EU).

Week 5

Feb. 3: Liberalization of foreign trade and restructuring of the national economy

- *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).
- *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).
- *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).

Week 6

Feb. 10: 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).
- 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).
- *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).
- Csaba, L. (2005). *The New Political Economy of Emerging Europe* (Akadémiai Kiadó – Budapest). Chapter 2 (pp. 55-60) (RE).
- *Nath, H. K. (2009). “Trade, Foreign Direct Investment, and Growth: Evidence from Transition Economies.” *Comparative Economic Studies* 51: pp. 20-50 (ON).

- 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).
- *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. (2010). “Patterns of inward FDI in economies in transition.” *Eastern Journal of European Studies* 1(2): 55-76 (ON).
- *Cuervo-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).

Week 7

Feb. 24: Macroeconomic policy. Currency crisis.

- *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).
- *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).
- *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).

Week 8

March 3: 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 6 (pp. 91-112) (RE).
- Gros, D. and Steinherr, A. (1995). *Winds of Change. Economic Transition in Central and Eastern Europe* (Longman Group UK Limited). 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).
- *Gregory P. and Stuart, R. (2001). *Russian and Soviet Performance and Structure* (Addison Wesley, seventh edition). Chapter 18 (pp. 424-459) (EU).
- *Gros, D. and Steinherr, A. (2006). *Economic Transition in Central and Eastern Europe. Planting the Seeds* (Cambridge University Press). Chapter 7 (pp. 187-224) (EU).
- *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).

Week 9

March 10: 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).
- 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)**.
- *Rilka Dragneva and Kataryna 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)**.
- *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)**.

Week 10

March 17: 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)**.
- Turley, G. and Luke, P.J. (2011). *Transition Economics: Two Decades On* (Routledge). Chapter 9 (pp. 300-371) **(EU)**.
- *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)**.

Week 11

March 24: 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)**.
- 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)**.

- *Marer, P. (2010). "The Global Economic Crises: Impacts on Eastern Europe." *Acta Oeconomica* 60(1), pp. 3-33 (ON).

Week 12

March 31: Presentations

Week 13

April 7: Presentations

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.

Academic Integrity and Conduct:

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.