

Econ 552

Economic Transition in Central and Eastern Europe/Transition Economies

Prof. Mieke Meurs

Spring 2008

Office Hours: T 9-noon and W 1:30-4:30, 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): May 8, 5:30 pm

Schedule of Class Events

I) Background.

Week 1 (Jan. 16): 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. 23):

Douglass North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press: 1990). Chs. 1-6 (pp. 3-53).

Jean Ensminger, *Making a Market*, Ch. 2, pp. 33-77.

Week 3 (Jan. 30):

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. 6): Property Rights (Theory)

Thrainn Eggertsson, *Economic Behavior and Institutions*, Chs 2, 4, 5.

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. 13): Firms Empirical

Simon Commander and Jan Svejnar, "Do Institutions, Ownership, Exporting and Competition Explain Firm Performance? Evidence From 26 Countries." IZA Discussion Paper 2637, Feb 2007.

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.

Week 6 (Feb. 20): Institutional Change: Households (Theory)

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

Adrian Smith, "Employment restructuring and household survival in post-communist transition: rethinking economic practices in Eastern Europe," *Environment and Planning A*, vol. 32, 2000, pp. 1759-1780.

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.

Discussion preparatory for outline.

Week 7 (Feb. 27): Evaluating Performance in Transition: Labor Markets

Benoit Dostie and David Sahn, "Labor Market Dynamics in Romania During a Period of Economic Transition," IZA Working Paper 2511, December 2006.

Stepan Jurada and Katherine Terrell, "Job Growth in Early Transition: Comparing Two Paths," *Economics of Transition*, 11(2), 2003, pp. 291-320.

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

Outline due.

Week 8 (March 5): The State and Emerging Forms of Governance

Verena Fritz, *State-Building: A Comparative Study of Ukraine, Lithuania, Belarus and Russia*, Chs. 1-5.

Or

Venelin Ganey, *Preying on the State: The Transformation of Bulgaria after 1989*, Chs. 1-4.

Spring Break

Week 9 (March 19):

John Pickles, *State and Society in Post-Socialist Economies*, Chs. 2, 4 and 7.

Week 10(March 26):

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

Meurs, Mieke "Decentralization and Development in Post-Socialism: Local Characteristics and Outcomes in Post-Socialist Bulgaria," forthcoming, *Post-Communist Economies*.

Zhuravskaya, Ekaterina, "Incentives to Provide Local Public Goods: Fiscal Federalism, Russian Style," *Journal of Public Economics* 76 (2000).

Week 10 (April 2) Aggregate and Development Outcomes:

Mieke Meurs and Rasika Ranasinghe, "De-development in Post-Socialism: Conceptual and Measurement Issues," *Politics and Society* 31 (1), 2003.

Pasquale Tridico, "Regional Human Development in Transition Economics: The Role of Institutions," Universite degli Studi Roma Tre, Working Paper 70.
<http://host.uniroma3.it/dipartimenti/economia/pdf/wp70.pdf>.

Sergei Guriev, Ekaterina Zhuravskaya, "(Un)Happiness in Transition," CEFIR Working Paper #111, Dec. 2007.

Week 12 (April 9): Student papers

Week 13 (April 16): Student Papers

Week 14 (April 23): Student Papers

(May 8-FINAL PERIOD):