

ECONOMICS OF TRANSITION: EASTERN EUROPE (ECON 161)

Instructor: Gérard Roland

The first part of the course (roughly the first 4 weeks) will explain the basics of the socialist economy to give background on transition. The rest of the course will be devoted to transition issues.

Recommended readings help understand the course in greater depth but are not mandatory for the exam. Slides used during the course will be put up on the course webpage (but not before the course).

I. The socialist economy

1. Objectives and instruments of central planning.
2. Managerial incentives
3. Economic behavior under shortage
4. Worker behavior.

Required reading: J.Kornai (1992). *The Socialist System*. Oxford University Press. Ch. 1-7, 9, 10, 13, 15.

II. Transition

1. Tasks of transition.
2. Stylized facts of transition.
3. Political economy of transition and choice of reform strategies.
4. Liberalization.
5. Explaining the output fall.
6. Foreign Trade evolution.
7. Accession to the European Union.
8. Privatization and restructuring.
9. Legal and government reform.
10. Transition and the “Washington consensus”. What have we learned since 1989?

Required reading:

BOOKS:

- Roland, G. *Transition and Economics*, MIT Press, 2000 (Introduction, Ch. 1, Ch.10, Ch. 13).

Articles:

- Baldwin, R., J. François and R. Portes, “The Costs and Benefits of eastern enlargement: the impact on the EU and Central Europe”, *Economic Policy*, April 1997, 127-176; (downloadable: http://emlab.berkeley.edu/users/webfac/groland/e161_f02/cost.pdf)

- Roland, G. "The Political Economy of Transition", *Journal of Economic Perspectives* vol. 16(1), pp. 29-50. (downloadable: http://emlab.berkeley.edu/users/webfac/groland/e161_f02/political.pdf)
- Begg, D., B. Eichengreen, L. Halpern, J. von Hagen and Ch. Wyplosz "Sustainable regimes of capital development for accession countries" (downloadable on the website of Ch. Wyplosz: <http://heiwww.unige.ch/~wyplosz>)

Recommended readings:

BOOKS:

- Johnson, J. (2000), *A Fistful of Rubles*, Cornell University Press.
- Boeri, T., (2000), *Structural Change, Reallocation and Income Support*, Oxford University Press, Oxford.
- Shleifer, A. and D. Treisman, (1999), *Without a Map. Political Tactics and Economic Reform in Russia*, M.I.T. Press.
- Lavigne, M. (1999), *The Economics of Transition* St Martin's Press New York.

ARTICLES:

- Black, Bernard, Reinier Kraakman, and Anna Tarassova. 2000. "Russian Privatization and Corporate Governance: What Went Wrong?" *Stanford Law Review* vol. 52 1731-1808.
- Hellman, Joel S. (1998), "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* **50** (January), 203-234.
- Hellman, J. and M. Shankerman, (2000) "Intervention, Corruption and Capture. The Nexus between enterprises and the state" *Economics of Transition*, 8(3): 545-576.
- Qian, Y. and C. Xu, (1993), "Why China's Economic Reforms Differ: The M-Form Hierarchy and Entry/Expansion of the Non-State Sector", *Economics of Transition*, 1: 135-170.
- Bolton, Patrick and Gérard Roland, (1992), "Privatization in Central and Eastern Europe", *Economic Policy*, 15: 276-309.
- Frydman, Roman, Cheryl Gray, Marek Hessel and Andrej Rapaczynski, (2000), "When Does Privatization Work ? The Impact of Private Ownership on Corporate Performance in the Transition Economies", *Quarterly Journal of Economics*
- Grosfeld, Irena and Gérard Roland, (1997), "Defensive and Strategic Restructuring in Central European Enterprises", *Journal of Transforming Economies and Societies*, 3(4): 21-46.

- Maskin, Eric and Chenggang Xu, (1999) “Soft Budget Constraint Theories: From Centralization to the Market”, paper presented at the Fifth Nobel symposium in Economics (The Economics of Transition), September 10-12, Stockholm.

GRADING: Midterm exam (30%), final exam (70%).