

Course code		Course title	Political Economy of Transition
Credit points		Name of the lecturer	Karmo Kroos

Prerequisites

It is desirable that a student has taken at least three of the following:

1. Introduction to economics
2. Introduction to sociology
3. Introduction to economic development
4. Introduction to international political economy
5. History of economic thought

The language of instruction

English

The aim and description of the course

The countries of East Central Europe (ECE) and Former Soviet Union (FSU) are going through the biggest socio-economic transformation that the world has seen since World War II. The experiment with socialism has ended and given an opportunity for many policy makers and social scientists to put their ideas, theories and dreams into practice. Not surprisingly the region has been referred to as "living laboratory" of socio-economic engineering. This course is about this socio-economic engineering.

The aim of the course is to introduce students with the post-communist socio-economic transition background, blueprints as well as the conceptual underpinnings and up-to-date outcomes of the latter. In order to develop an understanding of these key aspects of post-communist transition, students will read and summarize various scholarly works, including but not limited to, the alternative models of economic development; foundations of socialist political, ideological as well as socio-economic system; and theories of its collapse. Furthermore, students will be introduced with the ideological climate that shaped the blueprints of the reform packages, the gradualism versus big bang (shock therapy) debate, the major components of the short-, medium- and long-term structural adjustment as well as institutional reforms and their socio-economic costs and benefits. Last but not least, different explanations for understanding reform successes and failures will be offered, which, in turn, should suggest some lessons that one can learn from ECE/FSU transition.

Course outline

1. INTRODUCTION
2. THE ALTERNATIVE MODELS OF ECONOMIC DEVELOPMENT
 - a. monetarism
 - b. outward looking strategy
 - c. import substitution
 - d. green revolution
 - e. redistributive strategies
 - f. socialist model
3. SOCIALIST MODEL
 - a. fundamentals of socialist politics and ideology
 - b. fundamentals of socialist economy
 - c. fundamentals of socialist stratification system
4. THE LAST ATTEMPTS TO REFORM AND SAVE THE SOCIALIST MODEL
5. THEORIES OF THE COLLAPSE OF SOCIALIST MODEL
 - a. the Gorbachev factor
 - b. economic failure of socialism
 - c. the role of dissidents/opposition forces
 - d. competition with the West
 - e. Marxist corrective
 - f. imperial overstretch
 - g. theory of raising expectations
 - h. comparative theories of modernization and modernity
 - i. legitimation crisis theory
 - j. environment crisis theory
6. IDEOLOGICAL BACKGROUND OF POST-COMMUNIST REFORM POLICIES
7. HOW TO REFORM I: THE BIG BANG VS. GRADUALISM DEBATE
8. HOW TO REFORM II: SHORT-TERM ADJUSTMENT REFORMS FOR STABILISATION
9. HOW TO REFORM III: MEDIUM-TERM ADJUSTMENT REFORMS FOR ENTERPRISE RESTRUCTURING
10. LONG-TERM STRUCTURAL REFORMS FOR SUSTAINABLE GROWTH
11. HOW TO REFORM IV: VERY LONG-TERM INSTITUTIONAL REFORMS
12. LESSONS FROM POST-COMMUNIST TRANSITION: WHY ARE SOME ECE/FSU COUNTRIES DEVELOPING AND OTHERS FALLEN INTO DEVELOPMENTAL TRAP?
 - a. Quality of reforms/policy choices made
 - b. Path-dependency (communist legacy)
 - c. Structural/Geographic Explanation
 - d. Cultural Explanation
 - e. Rent-Seeking Explanation
 - f. Political (in)stability Explanation
 - g. Socio-economic (in)equality Explanation
 - h. Elite Change/Circulation Explanation

Required reading

THE ALTERNATIVE MODELS OF ECONOMIC DEVELOPMENT

Griffin, Keith. "Many Paths to Development" in Alternative Strategies for Economic Development. Macmillian / OECD Development Center, 1989 (1991), pp. 24-35.

Waelbroeck, Jean. "Half a Century of Development Economics: A Review Based on the Handbook of Development Economics, The World Bank Economic Review, 1998, Vol. 12, No. 2: 323-52.

SOCIALIST MODEL

Sandle, Mark. A Short History of Soviet Socialism, London & Philadelphia: UCL Press, 1999.

Bornstein, Morris. "The Soviet Centrally Planned Economy" in Comparative Economic Systems: Models and Cases, 6th ed. Homewood & Boston: IRWIN, 1989, pp. 295-326.

Szelényi, Ivan; Beckett, Katherine and King P. Lawrence. "The Socialist Economic System" in Smelser Neil J and Swedberd Richard eds. The Handbook of Economic Sociology, Princeton N.J. & NY: Princeton Univ. Press & Sage, 1994, pp. 234-251.

Eyal, Gil, Szelenyi, Ivan and Townsley, Eleanor. "Classes and Elites in the Changing Structures of Twentieth-Century Central European Societies" in Making Capitalism Without Capitalists: Class Formation and Elite Struggles in Post-Communist Central Europe, London & NY: Verso, 1998, pp. 17 - 45.

THE LAST ATTEMPTS TO REFORM AND SAVE THE SOCIALIST MODEL

Mau, Vladimir. "The Main Components of the Reform Concept" in The Political History of Economic Reform in Russia, 1985-1994, London: The Center for Research into Communist Economies, 1996, pp. 33-35.

Winiecki, Jan. "Why Economic Reforms Fail in the Soviet System—A Property Rights-Based Approach" Economic Inquiry, Vol. XXVIII, April 1990, pp. 195-221.

THEORIES OF THE COLLAPSE OF SOCIALIST MODEL

Holems, Leslie. "Theories of the Collapse of Communist Power" in Post-Communism: An Introduction, Cambridge: Polity Press, 1997.

IDEOLOGICAL BACKGROUND OF POST-COMMUNIST REFORM PAGES

Biersteker, Thomas, J. "The 'Triumph' of Liberal Economic Ideas in the Developing World" in Barbara Stallings. ed. Global Change, Regional Response. The New International Context of Development, Cambridge: Cambridge Univ. Press: 174-196.

Williamson, John. "What Washington Means by Policy Reform" in Williamson ed. Latin American Adjustment: How Much has Happened? Washington DC: Institute for International Economics, 1990.

Laar, Mart. "The Success Model" Speech given at Concordia International Univ. Estonia, Haabneeme. 3. Oct. 1994. (Rep. in Journal of Democracy, 1996: 7 (1), pp. 96-101).

HOW TO REFORM I: THE BIG BANG VS. GRADUALISM DEBATE

Roland, Gerard. "Political Constraint and the Transition Experience" in Zecchini ed. Lessons from the Economic Transition. Central and Eastern Europe in the 90s. OECD, Kluwer, 1996, pp. 169-187.

Balcerowicz, Laszek. "Common Fallacies in the Debate on the Economic Transition in Central and Eastern Europe" in Socialism, Capitalism, Transformation, Budapest & London: CEU Press, 1995, pp. 232-272.

HOW TO REFORM II: SHORT-TERM ADJUSTMET REFORMS FOR STABILISATION

tbd

HOW TO REFORM III: MEDIUM-TERM ADJUSTMET REFORMS FOR ENTERPRISE RESTRUCTURING

Terk, Erik. "Conclusions: Factors of Success of Estonian Privatisation" in Privatisation in Estonia: Ideas, Process, Results, Tallinn: Estonian Institute for Future Studies, 2000, pp. 201-208.

Klaus, Vaclav. "Privatization Experience: The Czech Case" in Renaissance: The Rebirth of Liberty in the Heart of Europe, Washington, DC: CATO Institute, 1997.

Andreff, Wladimir. "A Critical Assessment of Privatisation in Transition Economies: Quantity Is Not Quality" Vezetestudomány, XXX, 7-8, 1999, pp. 69-89.

HOW TO REFORM III: LONG-TERM STRUCTURAL REFORMS FOR SUSTAINABLE GROWTH

Nelson, Joan M. "Social Costs, Social-Sector Reforms, and Politics in Post-Communist Transformation" in Nelson J.M; Tilly C. and Walker, L. ed. Transforming Post-Communist Political Economies, Washington DC: National Academy Press, 1997.

Nelson, Joan M. Reforming Health and Education: The World Bank, the IDB, and Complex Institutional Change, Washington DC: Overseas Development Council / Johns Hopkins Univ. Press, 1999.

HOW TO REFORM IV: INSTITUTIONAL REFORMS

Stiglitz, Joseph E. "Wither Reform? Ten Years of Transition. Keynote Address." World Bank Annual Bank Conference on Development Economics, Washington DC: April, 28-30, 1999.

Kolodko, Grzegorz W. "Transition to a Market Economy and Sustained Growth: Implications for the Post Washington Consensus." Washington DC: The World Bank Policy Research Department, Dec. 1998, Extract, pp. 1-26.

North, Douglass C. "Institutions, Ideology, and Economic Performance" in James Dorn, Steve H. Hanke, and Alan A. Walters eds. "The Revolution in Development Economics" Washington DC: CATO Institute 1998, pp. 95-107.

LESSONS FROM POST-COMMUNIST TRANSITION: WHY ARE SOME ECE/FSU COUNTRIES DEVELOPING AND OTHERS FALLEN INTO DEVELOPMENTAL TRAP?

Hirschmann, Albert O. "The Changing Tolerance for Income Inequality in the Course of Economic Inequality" in Essays in Trespassing. Economics to Politics and Beyond. Cambridge: Cambridge Univ. Press, 1985, pp.

Helleman, Joel. "Winners Take All. The Politics of Partial Reform in Postcommunist Transitions" World Politics 50, Jan. 1998, pp.

Popov, Vladimir. "Investment, Restructuring and Performance in Transition Economies" Post-Communist Economies, Vol. 11, No. 4, 1999, pp. 445-462.

Helleman, Joel S. Jones, Geraint and Kaufmann, Daniel. "'Seize the State, Seize the Day': State Capture, Corruption, and Influence in Transition", World Bank Policy Research Working Paper, No. 2444, Sept. 2000.

Kopstein, Jeffrey S. and Reilly, David A. "Geographic Diffusion and the Transformation of the Postcommunist World" World Politics, 53, Oct. 2000, pp. 1-37.

Huntington, Samuel P. "Core States, Concentric Circles, and Civilizational Order" in The Clash of Civilizations and the Remaking of World Order, Touchstone/Simon & Schuster, 1996 (1997) pp. 155-179.

Fish, Stevens. "The Determinants of Economic Reform in the Post-Communist World" East European Politics and Societies, Vol. 12, No. 1, Winter, 1998.

Kopstein, Jeffrey S., Reilly, David. "Explaining the Why of the Why. A Comment on Fish's..." East European Politics and Societies, Vol. 12, No. 1. Winter, 1998.

Bunce, V. "Regional Differences in Democratization: The East Versus the South", Post-Soviet Affairs, 14, 3, 1998, pp. 187-211.

Requirements

It is required that students:

- attend classes regularly
- prepare for each class

The final grade depends:

- Homework 80%
- Final exam 20%

A homework is assigned for each week. Students are basically asked to summarize on one type-written page the key points of required readings.

The final exam will be a multiple chose test.