

**Economics of Transition and Development**  
COURSE SYLLABUS

**Instructor:** Olga Popova, Ph.D. (IOS Regensburg and CERGE-EI Prague)

E-mail: [popova.olga.v@gmail.com](mailto:popova.olga.v@gmail.com)

**Course page:** [home.cerge-ei.cz/opopova/teaching.html](http://home.cerge-ei.cz/opopova/teaching.html)

**Class time:** April 20-30, 2015

**Office Hours:** by appointment (send me an e-mail)

**Language of Instruction:** Russian, English

**Prerequisites:** Intermediate Microeconomics, Econometrics

**Course description:** The course covers theoretical and empirical studies focused on the economics of transition from planned to market economy and on further economic development of countries with a transition experience. The aim of the course is to introduce the seminal theoretical research in the economics of transition and review the current state of theory and empirical work. Lectures will be accompanied with practical exercise sessions to assure the understanding of theoretical concepts and provide the guidance for using these concepts in applied research.

**Grading:** The grade for the course is based on a home assignment (20%) and a final exam (80%).

- Final exam is a written closed book, closed notes exam. Violation of academic honesty during exam, including the use of unauthorized materials, receiving and/or providing unauthorized help from/to other students, would result in a failing grade for the exam.
- Homework assignment contains empirical and theoretical parts and should serve as a preparation for the final exam. Students may work in a group of three and submit one solution per group. No late submissions will be accepted.

COURSE OUTLINE AND READINGS

Lecture 1. **Overview of the Initial Conditions and the Transition Process.** Introduction to the course. Initial situation before transition. Objectives and constraints of transition. Stylized facts about transition.

Roland, G. (2000). Transition and economics. Politics, markets, and firms, MIT Press, Ch.1.

Svejnar, J. (2002). Transition economies: Performance and challenges, *The Journal of Economic Perspectives*, 16(1), 3-28.

Lecture 2. **Was Stalin Necessary for Russia's Economic Development?**

Cheremukhin, A., Golosov, M., Guriev, S., and Tsyvinski, A. (2013). Was Stalin Necessary for Russia's Economic Development? NBER Working Paper No. 19425.

Lectures 3-4. **Producer in Planned Environment.** Firm optimization problems in planning environment. Models of producer under planning. Labor managed firm.

Domar, E. (1966). The Soviet collective farm as a producer cooperative. *American Economic Review*, 56(4), 734-757.

Manove, M. (1971). A model of Soviet-type planning, *American Economic Review*, 61(3), 390-406.

Portes, R. (1969). The enterprise under central planning, *The Review of Econ. Studies*, 36(2), 197-212.

Ward, B. (1958). The firm in Illyria: Market syndicalism, *American Economic Review*, 48(4), 566-589.

Lecture 5. **Soft Budget Constraint.** Basic model. Dealing with soft budget constraint of firms and banks.

Kornai, J. (1986) The soft budget constraint. *Kyklos*, 39(1), 3-30.

Roland, G. (2000). *Transition and economics. Politics, markets, and firms*, MIT Press, Ch. 9,12.

### Ex. session 1. **Solving Problems**

Lectures 6-7. **Political Constraints of Transition. Reform Strategies.** Ex ante and ex post political constraints. Gradualism vs Big Bang. Optimal sequencing of reforms. Reforms packaging. Alternative approaches to the political economy of reforms.

Lau, L., Qian, Y., Roland, G. (2000). Reform without losers: An interpretation of China's economic reform, *The Journal of Political Economy*, 108(1), 120-163.

Murphy, K., Shleifer, A., Vishny, R. (1992). The transition to a market economy: Pitfalls of partial reform, *Quarterly Journal of Economics*, 107(3), 889-906.

Roland, G. (2000). *Transition and economics. Politics, markets, and firms*, MIT Press, Ch. 2, 3.

### Ex. session 2. **Solving the home assignment**

Lecture 8. **Price Liberalization and the Output Fall.** Partial and full liberalization. Dual-track price liberalization. Explanations for the output fall.

Roland, G. (2000). *Transition and economics. Politics, markets, and firms*, MIT Press, Ch. 6,7.

Lecture 9. **Privatization and Restructuring.** Pre-privatization behavior. Different approaches to privatization. Models of privatization. Privatization reversal. Empirical studies on privatization.

Aghion, P., Blanchard, O., Burgess, J. (1994). The behaviour of state firms in Eastern Europe pre-privatization. *European Economic Review*, 40(2), 491-494.

Frydman, R., Gray, C., Hessel, M., Rapaczynski, A. (1999). When does privatization work? The impact of private ownership on corporate performance in the transition economies, *Quarterly Journal of Economics*, CXIV(4), 1153-1192.

Gupta, N., Ham, J., Svejnar, J. (2000) Priorities and sequencing in privatization: Theory and evidence from the Czech Republic, *The William Davidson Institute Working Paper No. 323*.

Kotrba, J. (1996). Privatization and restructuring: Friends or enemies, *CERGE-EI WP #103*.

Lizal, L., Singer, M., Svejnar, J. (2001). Enterprise breakups and performance during the transition from plan to market. *The Review of Economics and Statistics*, 83(1), 92-99.

Meggison, W., Netter, J. (2001). From state to market: A survey of empirical studies on privatization, *Journal of Economic Literature*, 39(2), 321-389.

Roland, G. (2000). *Transition and economics. Politics, markets, and firms*, MIT Press, Ch. 4, 10.

### Ex. session 3. **Solving Problems**

Lecture 10. **Government Collapse and Economic Performance.** Mafia and government protection. The unofficial economy. Corruption and economic performance.

Bardhan B. (1997). Corruption and development: A review of issues. *The Journal of Economic Literature*, vol. 35, 1320 -1346.

Mauro, P. (1995). Corruption and growth, *The Quarterly Journal of Economics*, 110, 681-712.

Roland, G. (2000). *Transition and economics. Politics, markets, and firms*, MIT Press, Ch. 8.

Svensson, J. (2005). Eight questions about corruption, *The Journal of Economic Perspectives*, 19(3).

Zhuravskaya, E., Slinko, I., Yakovlev, E.. (2004). Laws for sale: Evidence from Russia. *American Law and Economics Review*, 7, 284-318.

Lecture 11. **Overview of data on transition economies. Examples of empirical research on emerging and transition economies.**