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Economic Policy in East-Central Europe

Modules:

MA East European Studies: Vertiefungsmodul "Methoden der Wirtschaftsgeschichte und der Ressourcenökonomie"

MA Economics: "Wirtschaftsgeschichte des 20. Jahrhunderts"

Time and location: The course is offered in blocks. The sessions take place on

Thursday, 21.04.2016 from 10.00 to 16.00

Friday, 22.04.2016 from 8.00 to 12.00

Thursday, 12.05.2016 from 12.00 to 16.00

Friday, 13.05.2016 from 8.00 to 12.00

Tuesday, 07.06.2016 from 12.00 to 16.00

Wednesday, 08.06.2016 from 10.00 to 16.00

in Ihnestr. 22, Room 22/UG5

This course presents an overview on the post-socialist economic policy of East-Central Europe. We discuss the main periods and characteristics of the economic policy after 1990 with a special focus on the Visegrád-4 countries that is on Poland, Hungary, Slovakia and the Czech Republic. The first part of the course considers the economic policy of the first decade. In the frame of this, we investigate the balance of the transition to market economy and the differences in and critical assessment of the privatization practices of the Visegrád-4 countries. A case study on the transformation and stabilization of Hungary is also provided in order to demonstrate the path-dependence of economic policy.

The second part of the course focuses on the early 2000s with four topics. First, the fall back of Hungary, the front-runner of economic reforms in the 90s, is discussed. After that, the counterpart case of Slovakia is introduced. Slovakia was a laggard member of the Visegrád-4

countries during the first decade of transition, but has become a leader in economic growth in the new millennium. In both cases, the political economic explanations of change/continuity in economic policy are introduced. The third topic is the economic policy of Poland. Finally, we discuss the monetary policy of the Visegrád-4 countries, more specifically the experiences of Hungary and the Czech Republic with the system of inflation targeting.

The final part of the course considers the effect and the aftermath of the global financial crisis of 2008/2009 in East-Central Europe. We discuss the causes of the large fallback of the region and the differences in the crisis management of the Visegrád-4 countries. Special emphasis is set on the much criticized unorthodox economic policy of Hungary.

Exam: presentation (30 min.) and seminar paper

Lectures: 14 lectures á 90 min.

Course content:

1. The periods of post-socialist economic policy in East-Central Europe

(macroeconomic paths, drifting apart – drifting together)

Obligatory literature:

- International Monetary Fund, 2014. “25 years of transition: Post-communist Europe and the IMF”, *Regional Economic Issues – Special Report*.

2-3. The transition of East-Central European countries to market economy: The balance

Obligatory literature:

- Kornai, J., 2006. “The great transformation of Central Eastern Europe: Success and disappointment”, *Economics of Transition* 14(2): 207–244.
- Bohle, D., Greskovits, B., 2007. “Neoliberalism, embedded neoliberalism, and neocorporatism: Paths towards transnational capitalism in Central-Eastern Europe”, *West European Politics* 30(3):443-66.
- Falcetti, E., Lysenko, T. Peter Sanfey, T.P., 2006. “Reforms and growth in transition: Re-examining the evidence”, *Journal of Comparative Economics* 34 (3): 421–445.

Recommended literature:

- Farkas, B., 2011. “The Central and Eastern European model of capitalism”, *Post-Communist Economies* 23(1): 15–34.
- Campos, N.F., Coricelli, F., 2002. “Growth in transition: What we know, what we don't, and what we should”, *Journal of Economic Literature* 40(3): 793-836.
- Beck, T., Laeven, L., 2006. “Institution building and growth in transition countries”, *Journal of Economic Growth* 11(2): 157-186.

4. Transformation and stabilization: The case of Hungary

(transformation recession, liberalization, legislative environment, Bokros package)

Obligatory literature:

- Kornai, J., 1997. "The Political Economy of the Hungarian Stabilization and Austerity Program", In: Blejer, M.I., Skreb, M. (ed.): *Macroeconomic Stabilization in Transition Economies*. Cambridge University Press, pp. 172-203.
- Kornai, J., 1994. "Transformational recession: The main causes", *Journal of Comparative Economics* 19(1):39-63.

Recommended literature:

- Csaba, L., 1998. "A decade of transformation in Hungarian economic policy: Dynamics, constraints, prospects", *Europe-Asia Studies* 50(8): 1381-1391.
- Bonin, J.P., Schaffer, M.E., 1995. "Banks, firms, bad debts and bankruptcy in Hungary 1991-94", *Discussion paper no.234*, Center for Economic Performance. (http://eprints.lse.ac.uk/20764/1/Banks,_Firms,_Bad_Debts_and_Bankruptcy_in_Hungary_1991-4.pdf)

5. Privatization in the Visegrád-4 countries

(methods and practices, critical assessment)

Obligatory literature:

- Aghion, P., Blanchard, O., 1998. "On privatization methods in Eastern Europe and their implications", *Economics of Transition* 6(1): 87-99.
- Schöllmann, W., 2001. "Foreign participation in privatisation: What does it mean? Empirical evidence from the Czech Republic, Hungary and Poland", *Post-Communist Economies* 13(3): 373-388.
- Bennett, J., Estrin, S., Urga, G., 2007. "Methods of privatization and economic growth in transition economies", *Economics of Transition* 15(4): 661-683.

Recommended literature:

- Hanousek, J., Kocenda, E., Svejnar, J., 2008. "Privatization in Central and Eastern Europe", In: Roland, G. (ed.): *Privatization. Successes and Failures*. Columbia University Press: New York, pp.76-108.
- Soós, K.A., 2011. *Politics and Policies in Post-communist Transition. Primary and Secondary Privatization in Central Europe and the Former Soviet Union*. Central European University Press: Budapest - New York.

6. The falling back of Hungary in the 2000s: The first shall be the last?

(growing indebtedness, political economy explanations, the legacy of transition)

Obligatory literature:

- Csillag, I., 2007. "Notoriously repeated budget policy", *Public Finance Quarterly* 52(2): 293-306. (<http://www.asz.hu/public-finance-quarterly/2007/volume-lii-2007-second-issue/pfq-0702.pdf>)
- Györffy, D., 2009. "Structural change without trust: Reform cycles in Hungary and Slovakia", *Acta Oeconomica*, 59(2): 147-177.

- Lóránt, K., 2006. "Twin deficit, external and international public debt", *Development and Finance* 4(1)

Recommended literature:

- Gyórfy, D., 2006. "Governance in a low-trust environment: The difficulties of fiscal adjustment in Hungary", *Europe-Asia Studies* 58(2): 239-259.
- Bokros, L., 2014. "Regression: Reform Reversal in Hungary after a Promising Start", In: Aslund, A., Djankov, S. (ed.): *The Great Rebirth: Lessons from the Victory of Capitalism over Communism*. Peterson Institute for International Economics: Washington, pp.39-52.

7. The rise of Slovakia in the 2000s: The last shall be the first?

Obligatory literature:

- Fisher, S., Gould, J., Haughton, T., 2007. "Slovakia's neoliberal turn", *Europe-Asia Studies* 59(6): 977-998.
- Appel, H., Gould, J., 2000. "Identity politics and economic reform: Examining industry-state relation in the Czech and Slovak Republics", *Europe-Asia Studies* 52(1):111-131.
- Pogátsa, Z., 2012. "Tatra tiger growth miracle or belated recovery?", *Acta Oeconomica* 59(4):377-390.

Recommended literature:

- Miklos, I., 2014. "Slovakia: The Latecomer That Caught Up", In: Aslund, A., Djankov, S. (ed.): *The Great Rebirth: Lessons from the Victory of Capitalism over Communism*. Peterson Institute for International Economics: Washington, pp.113-135.

8. The economic policy of Poland

Obligatory literature:

- Kolodko, G.W., 2009. "A two-thirds of success. Poland's post-communist transformation 1989-2009", *Communist and Post-Communist Studies* 42(3): 325-351.
- Rae, G., 2013. "Avoiding the economic crisis: Pragmatic liberalism and divisions over economic policy in Poland", *Europe-Asia Studies* 65(3): 411-425.
- Sachs, J., 1993. *Poland's Jump to the Market Economy*. The MIT Press: Cambridge - London, pp.1-78. (Only the first two chapters are obligatory.)

Recommended literature:

- De Broeck, M., Koen, V., 2000. The "soaring eagle": Anatomy of the polish take-off in the 1990s", *IMF Working Paper* no.WP/00/6, International Monetary Fund.
- Zidek, L., 2011. "Transformation in Poland", *Review of Economic Perspectives* 11(4): 237-270.
- Millard, F., 2006. "Poland's politics and the travails of transition after 2001: The 2005 elections", *Europe-Asia Studies* 58(7):1007-1031.

9. Monetary policy: The experience of Hungary and the Czech Republic with inflation targeting

Obligatory literature:

- Erdős, T., 2008. "Inflation targeting in Hungary", *Acta Oeconomica*, 58(1):29-59.

- Szapáry, Gy., 2006. "Experience with inflation targeting in Hungary", *Public Finance Quarterly* 51(4):471-482.
(<http://www.asz.hu/public-finance-quarterly/2006/volume-li-2006-fourth-issue/pfq-0604.pdf>)
- Holub, T., Hurník, J., 2008. "Ten years of Czech inflation targeting: Missed targets and anchored expectations", *Emerging Markets Finance & Trade*, 44(6): 67-86.

Recommended literature:

- Abo-Zaid, S., Tuzemen, D., 2012. "Inflation Targeting: A three-decade perspective", *Journal of Policy Modeling* 34 (5) 621-645.

10-11. Global financial crisis and crisis-management in East-Central Europe

Obligatory literature:

- Myant, M., Drahokoupil, J., Lesay, I., 2013. "The political economy of crisis management in East - Central European countries", *Europe-Asia Studies* 65(3): 383-410.
- Berglöf, E., Korniyenko, Y., Plekhanov, A., Zettelmeyer, J., 2010. "Understanding the crisis in emerging Europe", *Public Policy Review* 6(6): 985-1008.
- Epstein, R.A., 2013. "Central and East European bank responses to the financial 'crisis': Do domestic banks perform better in a crisis than their foreign-owned counterparts?", *Europa-Asia Studies* 65(3): 528-547.
- Bas B. Bakker, B.B., Gulde, A.-M., 2010. "The credit boom in the EU new member states: Bad luck or bad policies?", *IMF Working Paper* no.WP/10/130, International Monetary Fund.
- Connolly, R., 2012. "The Determinants of the economic crisis in post-socialist Europe", *Europe-Asia Studies* 64(1): 35-67.

Recommended literature:

- Myant, M., Drahokoupil, J., 2012. "International integration, varieties of capitalism and resilience to crisis in transition economies", *Europe-Asia Studies* 64(1): 1-33.
- Bakker, B.B., Klingens, C., 2012. *How Emerging Europe Came Through the 2008/2009 Crisis*. International Monetary Fund

12-14. Hungarian economic policy after 2010: A controversial unorthodoxy?

12. Introducing the facts: policy measures, underlying ideology and macroeconomic performance

13-14. Evaluation: restructuring the pension system, rule-based fiscal policy, restructuring the tax system, expansionary monetary policy, eroding quality of political and economic institutions

Obligatory literature:

- Györfy, D., 2015. "Austerity and growth in Central and Eastern Europe: Understanding the link through contrasting crisis management in Hungary and Latvia", *Post-communist Economies* 27(2): 129-152.
- Simonovits, A., 2011. "The mandatory private pension pillar in Hungary: An obituary", *International Social Security Review*, 64(3): 81-98.

- Miroslav Beblavy, M., 2014. "Why is "new" Europe more neoliberal? Pension privatization and flat tax in the postcommunist EU member states", *Eastern European Economics* 52(1): 55-78.
- Csaba, L., 2013. "Growth, crisis management and EU: The Hungarian trilemma", *Südosteuropa Mitteilungen* 53(3-4): 154-169.
- Djankov, S., 2015. "Hungary under Orbán: Can central planning revive its economy?", *Policy Brief* no. PB 15-11, Peterson Institute for International Economics.

Recommended literature:

- Kopits, G., 2011. "Independent fiscal institutions: Developing good practices", *OECD Journal on Budgeting* 11(3).
- *OECD Economic Surveys: Hungary 2014*. Organization for Economic Co-operation and Development
- Hungarian National Bank (2015): "Achievements of the Hungarian National Bank 2013-2015". (<http://www.mnb.hu/letoltes/achievements-of-the-magyar-nemzeti-bank-2013-2015.pdf>)
- *Convergence Program of Hungary 2015-2018*. Government of Hungary, 2015 April. (http://ec.europa.eu/europe2020/pdf/csr2015/cp2015_hungary_en.pdf)