

Freie Universität Berlin
 Department of Economics
 Institute for East European Studies
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 Winter Semester 2022/23

Economic History of Russia, Eastern Europe & Eurasia

Seminar: Mondays, 12-14, Garystr.55/105 Seminarraum (Theodoris Grigoriadis).

Exercise: Tuesdays, 12-14, Garystr.55/121 Seminarraum (Margarita Maximova).

Office Hours

Theodoris Grigoriadis: Mondays, 10-12, Garystr. 55/101A.

Margarita Maximova: by appointment.

Modules:

Master of Science in Economics: *Wirtschaftsgeschichte des 20. Jahrhunderts*.

Master of Science in Public Economics: *Wirtschaftsgeschichte des 20. Jahrhunderts*.

Master of Arts in East European Studies: *Disziplinäre Grundlagen A+B*.

This is a course on the economic history of Russia, Eastern Europe and Eurasia. The first part of the course will focus on the economic systems of the Russian, Austro-Hungarian, German and Ottoman Empires. The second part of the course will concentrate in the analytical and structural determinants of communist economic organization with reference to the Soviet Union and beyond. The third part of the course will deal with the political economics of post-socialist transition. Seminars will cover both rigorous economic concepts and historical debates. Lectures will offer training in formal methods in economic history. Slides, which have been graciously provided by Gérard Roland (UC Berkeley), will be used to facilitate the learning process. The course grade is defined by a final exam/research paper (depending on degree program pursued).

Regular participation: 75 percent attendance.

Active participation: presentation of a syllabus paper (12 slides, 20 minutes).

Required Textbooks:

Seminar

1. Kotsonis, Yanni. *States of Obligation: Taxes and Citizenship in the Russian Empire and the Early Soviet Republic*, University of Toronto Press 2014.
2. Harrison, Mark (Ed.). *Guns and Rubles: the Defense Industry in the Stalinist State*. Yale-Hoover Series on Stalin, Stalinism, and the Cold War. Yale University Press 2008.
3. Harrison, Mark. *Accounting for War: Soviet Production, Employment, and the Defense Burden, 1940-1945*. Cambridge University Press, Russian, Soviet, & Post-Soviet Studies 1996.
4. Gregory, Paul. *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives*. Cambridge University Press 1994.
5. Kornai, Janos. *The Socialist System: The Political Economy of Communism*. Princeton University Press 1992.
6. Roland, Gérard. *Transition and Economics: Politics, Markets and Firms*. MIT Press 2004.

7. Kuran, Timur. *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton University Press 2011.

Lecture

1. Tadelis Steven. *Game Theory: An Introduction*, Princeton University Press, 2013.
2. Osborne Martin J. *An Introduction to Game Theory*, Oxford University Press, 2004.

Grade:

Final Exam: Economics and Public Economics Masters Students.

Research Paper: East European Studies/Political Science/IR Masters Students.

Part I: Comparative Empires & Nation-States

Week 1: Origins of Russian Fiscal Policy

Seminar: Fiscal Instruments and Tax Reforms in 18th and 19th Centuries

- Kotsonis, Ch. 1 and 2.

Lecture: Static Games of Complete Information I

- Tadelis, Ch. 3.
- Osborne, Ch. 11.

Week 2: Monetary Policy & Industrialization in the Russian Empire

Seminar: The Imperial Ministry of Finance in the post-Crimean era

- Barkai Haim. "The Macroeconomics of Tsarist Russia in the Industrialization Era: Monetary Developments, the Balance of Payments, and the Gold Standard", *Journal of Economic History*, Vol. 33, No. 2 (June 1973): 339-371.
- Gregory Paul and John Sailors. "Russian Monetary Policy and Industrialization, 1861-1913", *Journal of Economic History*, Vol. 36, No. 4 (December 1976): 836-851.
- Kahan Arcadius. "Government Policies and the Industrialization of Russia", *Journal of Economic History*, Vol. 27, No. 4, 460-477, December 1967.
- Kipp Jacob W. "M. Kh. Reutern on the Russian State and Economy: A Liberal Bureaucrat during the Crimean Era, 1854-60", *Journal of Modern History*, Vol. 47, No. 3 (September 1975): 437-459.
- Owen Thomas C. "The Russian Industrial Society and Tsarist Economic Policy, 1867-1905", *Journal of Economic History* Vol. XLV, No. 3 (September 1985): 587-606.

Lecture: Static Games of Complete Information II

- Tadelis, Ch. 4.
- Osborne, Ch. 12.

Week 3: Russia's Accession to the Gold Standard

Seminar: The Witte System

- Drummond Ian M. "The Russian Gold Standard, 1897-1914", *Journal of Economic History*, Vol. 36, No. 3 (September 1976): 663-688.
- Crisp Olga. "Russian Financial Policy and the Gold Standard in the End of the Nineteenth Century", *Journal of Economic History*, Vol. 6, No. 2 (December 1953): 156-172.
- Crisp Olga. "The Russian Liberals and the 1906 Anglo-French Loan to Russia", *The Slavonic and East European Review*, Vol. 39, No. 93 (June 1961): 497-511.
- Garvy George. "Banking under the Tsars and the Soviets", *Journal of Economic History* Vol. 32, No. 4 (December 1972): 869-893.

- Von Laue T.H. "A Secret Memorandum of Sergei Witte on the Industrialization of Imperial Russia", *Journal of Modern History*, Vol. 26, No. 1 (March 1954): 60-74.

Lecture: Static Games of Complete Information III

- Tadelis, Ch. 5.
- Osborne, Ch. 2 and 3.

Week 4: Finance & Comparative Revolutions

Seminar: Financial Policy & the Origins of Revolutions

- Weir David R. "Tontines, Public Finance and Revolution in France and England, 1688-1789", *Journal of Economic History*, Vol. 49, No. 1 (March 1989): 95-124.
- White Eugene Nelson. "The French Revolution and the Politics of Government Finance", *Journal of Economic History*, Vol. 55, No. 2 (June 1995): 227-255.
- Powell Robert. "Monopolizing Violence and Consolidating Power", *Quarterly Journal of Economics* (2013): 807-859.
- LaPorta Rafael, Florencio Lopez-De-Silanes and Andrei Shleifer. "Government Ownership of Banks", *Journal of Finance*, Vol. 57, No. 1 (February 2002): 265-301.
- Dewatripont E. and E. Maskin. "Credit and Efficiency in Centralized and Decentralized Economies", *Review of Economic Studies*, Vol. 62, No. 4, 541-555, October 1995.
- Dower Paul C. and Andrei Markevich. "A History of Resistance to Privatization in Russia", *Journal of Comparative Economics*, Vol. 42, No. 4, 855-873, December 2014.
- Qian Yingyi and Gérard Roland. "Federalism and the Soft Budget Constraint". *American Economic Review*, Vol. 88 (5): 1998.
- Chernina Eugenia, Paul C. Dower and Andrei Markevich. "Property rights, land liquidity and internal migration", *Journal of Development Economics*, Vol. 110, 191-215, September 2014.

Lecture: Static Games of Complete Information IV

- Tadelis, Ch. 6.
- Osborne, Ch. 4.

Week 5: East-Central Europe

Seminar: The Borders of Empires

- Dimitrova-Grajzl, V. (2007). The Great Divide Revisited: Ottoman and Habsburg Legacies on Transition. *Kyklos*, 60, 539-558.
- Grosfeld, I. & Zhuravskaya, E. (2015). Cultural vs. Economic Legacies of Empires: Evidence from the Partition of Poland. *Journal of Comparative Economics*, 43, 55-75.
- Šimon, M. (2015). Measuring Phantom Borders: The Case of Czech/Czechoslovakian Electoral Geography. *Erdkunde*, 69, 139-150.
- Wolf, N. (2005). Path Dependent Border Effects: the Case of Poland's Reunification (1918-1939). *Explorations in Economic History*, 42, 414-438.
- Wolf, N., Schulze, M.-S. & Heinemeyer, H.-C. (2011). On the Economic Consequences of the Peace: Trade and Borders after Versailles. *Journal of Economic History*, 71, 915-949.

Lecture: Dynamic Games of Complete Information I

- Tadelis, Ch. 7.
- Osborne, Ch. 5.

Week 6: The Ottoman Empire

Seminar: The Politics of Economic Backwardness in the Middle East

- Kuran, Timur. *The Long Divergence: How Islamic Law Held Back the Middle East*. Princeton University Press 2011.

Lecture: Dynamic Games of Complete Information II

- Tadelis, Ch. 8.
- Osborne, Ch. 6.

Part II: Topics in Soviet & Socialist Economics

Week 7: The Making of the Soviet Union

Seminar: Early Soviet Union & New Economic Policy

- Harrison Mark. "Why did NEP fail?", *Economics of Planning*, Vol. 16, No. 2, 57-67, 1980.
- Johnson Simon and Peter Temin. "The Macroeconomics of NEP", *Economic History Review*, Vol. 46, No. 4, 750-767, November 1993.
- Antel John and Paul Gregory. "Agricultural Surplus Models and Peasant Behavior: Soviet Agriculture in the 1920s", *Economic Development & Cultural Change*, Vol. 42, No. 2, 375-386, January 1994.
- Gregory Paul and Mark Harrison. "Allocation under Dictatorship: Research in Stalin's Archives", *Journal of Economic Literature*, Vol. 43, No. 3, 721-761, September 2005.
- Harrison Mark. "Primary Accumulation in the Soviet Transition", *Journal of Development Studies*, Vol. 22, No. 1, 81-103, 1985.

Lecture: Dynamic Games of Complete Information III

- Tadelis, Ch. 9.
- Osborne, Ch. 7.

Week 8: The Political Economy of Stalinism

Seminar: Information & Enforcement in the Stalinist Economic System

- Harrison (2008), Ch. 1-9.
- Gregory (1994), Ch. 1-5.
- Harrison Mark. "The Fundamental Problem of Command: Plan and Compliance in a Partially Centralized Economy", *Comparative Economic Studies*, Vol. 47, 296-314, 2005.
- Gregory Paul and Aleksei Tikhonov. "Central Planning and Unintended Consequences: Creating the Soviet Financial System, 1930-1939", *Journal of Economic History*, Vol. 60, No. 4, 1017-1040, December 2000.
- Gregory Paul, Philipp Schröder, and Konstantin Sonin. "Rational dictators, and the killing of innocents: Data from Stalin's archives", *Journal of Comparative Economics*, Vol. 39, No. 1, 34-42, March 2011.

Lecture: Dynamic Games of Complete Information IV

- Tadelis, Ch. 10.
- Osborne, Ch. 14 and 15.

Week 9: The Economics of World War II

Seminar: The Economics of the Soviet Defense Industry

- Harrison (1996), 1-8.
- Harrison Mark. "Prices, Planners and Producers: an Agency Problem in Soviet Industry, 1928-1950", *Journal of Economic History*, Vol. 58, No. 4, 1032-1062, December 1998.

- Markevich Andrei and Mark Harrison. "Quality, experience and monopoly: the Soviet market for weapons under Stalin", *Economic History Review*, Vol. 59, No. 1, 113-142, February 2006.

Lecture: Dynamic Games of Complete Information V

- Tadelis, Ch. 11.
- Osborne, Ch. 16.

Week 10: Fundamentals of Central Planning

Seminar: Economic Models, Coordination & Power

- Kornai, Ch. 1-8.
- Kornai, Ch. 9-12.
- Kornai Janos. "Resource-Constrained vs. Demand-Constrained Systems", *Econometrica*, Vol. 47, No. 4 (July 1979): 801-819.

Lecture: Static Games of Incomplete Information

- Tadelis, Ch. 12.
- Osborne, Ch. 9.
- Tadelis, Ch. 13.

Week 11: The Soviet System of Incentives

Seminar: Planners & Managers

- Weitzman Martin L. "The New Soviet Incentive Model", *Bell Journal of Economics*, Vol. 7, No. 1 (Spring 1976): 251-257.
- Murrell Peter, "The Performance of Multi-period Managerial Incentive Schemes", *American Economic Review*, Vol. 69, No. 5 (December 1979): 934-940.
- Bonin John P. and Alan J. Marcus, "Information, Motivation and Control in Decentralized Planning: The Case of Discretionary Managerial Behavior", *Journal of Comparative Economics*, Vol. 3, No. 3 (September 1979): 235-253.

Lecture: Dynamic Games of Incomplete Information I

- Tadelis, Ch. 15.
- Osborne, Ch. 10a.

Part III: The Political Economics of Transition

Week 12: Introduction to Transition Economics

Seminar: Transition & Reform

- Roland, Ch. 1.
- Roland, Ch. 2.
- Roland G. "The Political Economy of Transition". *Journal of Economic Perspectives* Vol. 16(1): 29-50.

Lecture: Dynamic Games of Incomplete Information II

- Tadelis, Ch. 16.
- Osborne, Ch. 10b.

Week 13: Economics & Politics of Reforms

Seminar: Reform & Privatization

- Roland, Ch. 3 (with slides).
- 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.
- Roland, Ch. 4.
- Frydman Roman, Cheryl Gray, Marek Hessel and Andrej Rapaczynski (1999), "When Does Privatization Work? The Impact of Private Ownership on Corporate Performance in the Transition Economies", *Quarterly Journal of Economics* 114 (4): 1153-1191.
- Bolton, Patrick and Gérard Roland, (1992), "Privatization in Central and Eastern Europe", *Economic Policy*, 15: 276-309.

Lecture: Dynamic Games of Incomplete Information III

- Tadelis, Ch. 18.

Week 14: Liberalization & Government Collapse

Seminar: Liberalization, Economic Performance & Legal Systems

- Roland, Ch. 6, 7 and 8.
- Pistor K., M. Raiser and S. Gelfer. "Law and Finance in Transitional Economies" *Economics of Transition*, 8 (2): 325-368. 2000.
- Roland Gérard and Thierry Verdier. "Law Enforcement and Transition". *European Economic Review* 47 (2003): 669 – 685.

Lecture: Quiz I

Week 15: Restructuring, Bureaucracy & Property Rights

Seminar: Managerial Incentives & State Capacity

- Roland, Ch. 9-12.
- Grigoriadis Theocharis. "Aid Effectiveness and the Soft Budget Constraint: EU Development Aid to the former Soviet Union", *Economics Letters*, Vol. 112, No. 3 (September 2011): 287-289.
- McFaul Michael. "State Power, Institutional Change, and the Politics of Privatization in Russia". *World Politics* Vol. 47, No. 2 (Jan. 1995): 210-243.
- Carlin Wendy, Colin Mayer, Hans-Werner Sinn, and Vittorio Grilli. "Restructuring Enterprises in Eastern Europe", *Economic Policy*, Vol. 7, No. 15, (October 1992): 312-352.
- Zhuravskaya Ekaterina V. "Incentives to provide local public goods: Fiscal federalism, Russian style". *Journal of Public Economics* Volume 76, Issue 3, June 2000: 337-368.
- Olson Mancur. "Dictatorship, Democracy and Development". *American Political Science Review*, Vol. 87, No. 3 (Sep., 1993): 567-576.

Lecture: Quiz II

Week 16: The Long Shadow of Russian Espionage in the World

Lecture: Mock Exam