

## Economics of Transition

42038 (Wiwiss), 10 042038 (OE-Magister), Kernkurs (OE-Master)

**Time:** Wednesday 4 p.m. – 6 p.m. (first meeting: October 18, 2006)  
**Location:** HS 104, Garystr. 21 (FB Wirtschaftswissenschaft)  
**Office hours:** Friday 10 a.m. – noon, Room 101a , Garystr. 55 (Osteuropa-Institut).  
Please make an advance appointment by e-mail.  
**Admission:** Prior attendance of a course in economic principles (at least) is indispensable.

After the demise of the Soviet-type economic system, the countries of Central and Eastern Europe embarked on far-reaching changes of nearly all aspects of their economies. The course covers the starting points, the central tasks and the experiences (successes and failures) of the countries during the process – not everywhere complete – of transition. The example of Russia will figure prominently.

**Structure:** About half of the course will be based on the textbook by Marie Lavigne. The books by Gros and Steinherr and by Roland are recommended as additional reading material. Gros and Steinherr sometimes offer a more accessible presentation of the topics. Articles will complement and update the material. Although the course is not primarily theoretical in nature, a number of models will be introduced.

**Language(s):** The course will be conducted in English. This can only help us. You need not be perfect in English, but you should be able to communicate.

**Exams, grading, and credit points:** There will be one mid-term and one final examination. The overall course grade depends – in equal measure – on both exams. It is strongly recommended that you attend all classes.

### Textbook(s):

Gros, Daniel and Alfred Steinherr 2004. *Economic Transition in Central and Eastern Europe: Planting the Seeds*. Cambridge University Press.

Lavigne, Marie 1999. *The Economics of Transition. From Socialist Economy to Market Economy*, Second Edition. MacMillan Press/St. Martin's Press (London/New York).

Roland, Gérard 2000. *Transition and Economics: Politics, Markets, and Firms*. MIT Press, Cambridge, Mass.

### Further Readings:

Alesina, Alberto, and Nicola Fuchs-Schündeln 2005. *Good Bye Lenin (Or Not?): The Effect of Communism on People's Preferences*. NBER Working Paper No. w11700, October.  
<http://papers.nber.org/papers/w11700.pdf>

Aghion, Philippe, and Olivier Blanchard 1994. On the Speed of Transition in Central Europe. NBER Macroeconomics Annual 1994, ed. by Stanley Fischer and Julio Rotemberg, MIT Press.  
<http://papers.nber.org/papers/w4736.pdf>

Allen, Mark, and Rick Haas 2001. The Transition in Central and Eastern Europe: The Experience of Two Resident Representatives. IMF Staff Papers, Volume 48, Special Issue, May.  
<http://www.imf.org/External/Pubs/FT/staffp/2001/04/pdf/allen.pdf>

Blanchard, Olivier, and Andrei Shleifer 2001. Federalism With and Without Political Centralization: China Versus Russia. IMF Staff Papers, Volume 48, Special Issue, May.  
<http://www.imf.org/External/Pubs/FT/staffp/2001/04/pdf/blanchar.pdf>

Brune, Nancy, Geoffrey Garrett, and Bruce Kogut 2004. The International Monetary Fund and the Global Spread of Privatization. IMF Staff Papers, Volume 51, Number 2, August.  
<http://www.imf.org/External/Pubs/FT/staffp/2004/02/pdf/brune.pdf>

Commander, Simon, Janos Kollo, and Andrei Tolstopiatenko 2004. Explaining Unemployment and its Persistence in the Transition Countries. Manuscript, September.  
[http://www.london.edu/assets/documents/PDF/commander\\_1.pdf](http://www.london.edu/assets/documents/PDF/commander_1.pdf)

Fardmanesha, Mohsen, and Li Tan 2003. Wage and price control policies in transition economies. Journal of Development Economics, Vol. 70, Issue 1, February.

Fernandez, Raquel, and Dani Rodrik 1991. Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty. American Economic Review, Vol. 81, No. 5, December.

Friedman, Eric, Simon Johnson, Todd Mitton 2003. Propping and Tunneling. NBER Working Paper No. w9949, September.  
<http://papers.nber.org/papers/w9949.pdf>

Galbraith, James K., Ludmila Krytynskaia, and Qifei Wang 2004. The Experience of Rising Inequality in Russia and China during the Transition. The European Journal of Comparative Economics, Vol. 1, No. 1, pp. 87-106.  
<http://eaces.liuc.it/18242979200401/182429792004010104.pdf>

Godoy, Sergio, and Joseph E. Stiglitz 2006. Growth, Initial Conditions, Law and Speed of Privatization in Transition Countries: 11 Years Later. NBER Working Paper No. w11992, January.  
<http://papers.nber.org/papers/w11992.pdf>

Kornai, Janos 2003. Honesty and Trust in Light of Post-Socialist Transformation. Distinguished Lecture, New Economic School, Moscow, July.  
[http://post.economics.harvard.edu/faculty/kornai/papers/Beszelo\\_English.pdf](http://post.economics.harvard.edu/faculty/kornai/papers/Beszelo_English.pdf)

Stiglitz, Joseph E. 1999. Whither Reform. 10 Years of Transition. Keynote Address. Annual Bank Conference on Development Economics Washington, D.C., April.  
<http://siteresources.worldbank.org/INTABCDEWASHINGTON1999/Resources/stiglitz.pdf>