Economics 1670-W
The Former Socialist Economies and Transition
Professor Berkowitz
Spring 2007

Course Time: Tuesday & Thursday, 11-12:15
Course Location: WWPH 4940
Professor Berkowitz’s coordinates:
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Note: This is a Writing intensive course.

Prerequisites: Intermediate microeconomic and/or macroeconomic theory.

Course Description: This course is a survey of the problems confronting former socialist economies making a transition to a market economy. We focus primarily on Russia and make comparisons with China and Poland. We will evaluate the impact of particular reforms on growth, income distribution, and the development of market enhancing institutions.

Course Requirements: There are three major writing assignments: the first assignment is a paper that analyzes the impact of initial conditions and particular reforms on economic performance; the second is an in-class essay exam based on reading and lectures (questions will be issued roughly three weeks before the exam); the third assignment is a paper that analyzes the extent to which effective market enhancing institutions have emerged during the transition.

The requirements for each paper assignment are an outline, followed by a first draft and then a final draft. All written work must be double-spaced and typed. The outline, first draft and final draft must contain a sharp thesis statement, an argument in defense of the thesis, counter-argument, a rebuttal to the counter-argument, a summary and a bibliography (The requirements for the outline, first draft and final are explained in detail in the Writing Resources section of this syllabus and should be used in both assignments). Detailed written and oral comments on the outline and first draft will be provided; and, the first draft and final draft must address these comments. The first draft and final draft should be five to seven pages (including the bibliography), double-spaced, typed in 12-point font, and submitted in class on the due date. Bibliographies and citations must follow the MLA (Modern Language Association) format. All late outlines, first drafts and final drafts will be penalized. Each student is required to make at least one appointment at the Writing Center at the University of Pittsburgh (see below) in order to obtain help in writing a paper (going to a walk-in at the Writing Center does not fulfill this requirement!) You must provide a note from the Writing Center that you have gone
to your appointment. There will be an in-class exam based upon class lectures and the first writing assignment.

Writing Resources:

Students are required to make an appointment with the Writing Center at the University of Pittsburgh at the main M-2 Thaw Hall cite early on in the semester. The best strategy is to get help from the Writing Center early in the process of writing a paper! The website of the Writing Center is http://www.english.pitt.edu/writingcenter/ and their telephone number is 412-624-6556.

A writing resources that you should consult is:


Course Requirements will be given the following weights in your final grade:

- First paper assignment 25%
- Second paper assignment 35%
- Class participation 10%
- In-class midterm exam 30%
Lectures and Readings

I. Course Overview and Writing Requirement: January 4

II. The Socialist Experiment: January 9 and 11
   A. Private versus state ownership
      A1. Assets
      A2. Control
      A3. Ownership
      A4. Principal-agent problems
   B. Planned versus market prices
      B1. Equity versus efficiency
      B2. Corruption
   C. Rule of law
      C1. Planning institutions
      C2. Market Institutions
   D. Issues of Transition
      D1. Privatization
      D2. Price Liberalization
      D3. Institutional changes
   E. The CIS and Russia
      E1. Pre-1917 Initial Conditions
      E2. Human Capital
      E3. Physical Capital
      E4. Human and Capital and the Demise of Socialism
      E5. Physical Capital and the Demise of Socialism
   F. Initial Conditions on the Eve of Post-Socialist Transition
      F1. Prices
      F2. Private Property
      F3. Human Capital
      F4. Physical Capital
      F5. Geography
      F6. Small Enterprises
      F7. Rule of Law

Readings:

Shleifer and Treisman, *Without a Map: Political Tactics and Economic Reform in Russia*, Chapter 1.

III. The Russian Reform: January 16, 18, 23, 25, 30, February 1, 6 and 8.

A. Accounting for Growth in Russia
   A1. Price Decontrol
   A2. Large Privatization
   A3. Small Privatization
   A4. Initial Conditions
   A5. Understanding Regression Results
   A6. Comparing Predicted Results with Actual Results
   A7. The Limits of Regression Analysis and the Need for Theory and Evidence

B. The Political Economy of Reform
   A1. Status quo bias
   A2. Feasibility
   A3. Irreversibility
   A4. Competition

C. Privatization

D. Price Liberalization

E. Inflation

F. Corporate Governance

G. The Role of Market Complementing Institutions

Readings:


IV. Reform and Market Complementing Institutions: February 13, 15, 20, 24, 27, March 1 and 13


Julia Shvets, “Law Enforcement and Firms’ External Finance: Evidence from Russia,” mimeo, University of Cambridge, September 2006 (downloadable on Professor Berkowitz’s website)


V. March 15- In class midterm exam

VI. Poland versus Russia: March 20, 22, 27, 29

A. Early Reform Strategies
B. Initial Conditions
C. Growth
D. De Novos and Entrepreneurship
E. Income Distribution
F. Accession

Readings:

Jackson et al, Chapters 1, 2, 4, 5, 6

VII. China versus Russia: April 3, 5, 10, 12
A. Regional Property Rights and Fiscal Federalism
B. Prices
C. SOEs and TVES
D. Total Factor Productivity

Readings:


Schedule of Assignments

First paper: Pick a particular region within Russia covered in the paper “Policy Reform and Growth in Post-Soviet Russia.” Discuss how initial conditions, policy reform and entrepreneurship have contributed to this region’s economic performance. Using library and internet sources, explain the reasons for this particular region’s overall economic performance.

Important deadlines for first paper:

January 30 – Outline due in-class;
February 8 – First draft due in-class;
February 27 – Final draft due in class.

March 15 – In-class midterm

Second Paper: Using the case of China, Poland or Russia, describe the emergence of a market enhancing institution such as the courts, the banking sector, regulation of small (start-up) enterprises, or voting. Evaluate the effectiveness of this institution in enhancing economic performance.

Important deadlines for second paper:

April 3 – Outline due in-class;
April 13 – First draft due in-class;
1 PM, April 20 – Final draft due