

## ECON 380-01: “Economies in Transition”

Syllabus: Summer 2012

Classes: MTWR: 9:30am – 11:45am

Location: Innovation Hall A 206

Lecturer: Olga Nicoara

Email: onicoara@gmu.edu

Office Hours: by appointment

### COURSE DESCRIPTION

Why is underdevelopment still a reality and not an exception for the majority of the former socialist countries of Eastern Europe, Asia, and the ex-Soviet bloc? This course focuses on investigating the case of underdevelopment in transition economies as part of a broader question - transcending centuries from Adam Smith’s *“An Inquiry into the Nature and Causes of the Wealth of Nations”* to modern development literature - of why some countries are growing prosperous while others remain stagnant and poor.

In order to acquire the analytical skills necessary to approach the question of underdevelopment in post-socialist states, we will read a combined list of foundational and modern writings in comparative economic systems, the process of economic change, entrepreneurship and development, and empirical case studies on country-specific institutional and policy reform experiences over the past two decades. The course will rely on constant review of key economic tools and concepts we will use throughout the semester.

The goal is for each student to achieve a solid understanding of the economic concepts and arguments drawn from the variety of covered readings. Their understanding will enable each to form her/his own opinion about the causes of underdevelopment in transition economies, make qualitative comparative analyses, and assess the desirability, feasibility and sustainability of various national and international programs designed to overcome poverty and foster stability and growth.

This course is organized in half lecture - half seminar style, and requires intense reading, writing, and active individual and group participation. Students are expected to have carefully read all the assigned materials before class and be prepared to participate with own reflections, questions, and answers. Group reading and barnstorming are strongly encouraged.

**Course Prerequisites:** (ECON 103) and (ECON 104)

### REQUIRED BOOKS:

1. **Aslund, Anders.** 2007. *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia.* Cambridge: Cambridge University Press.
2. **Boettke, Peter J.** 1993. *Why Perestroika Failed. The Economics and Politics of Socialist Transformation;* New York: Routledge. ([download](#) PDF version)
3. **Powell, Benjamin.** 2008. *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development.* Stanford: Stanford Economics and Finance.  
(Chapters are independent journal articles also available for [download](#) via MyMason)

## RECOMMENDED BOOKS

1. **Hayek, Friedrich A.** 2007. *The Road to Serfdom: Text and Documents --The Definitive Edition.* Chicago: University Of Chicago Press.
2. **Gwartney, James D., Stroup, Richard L., Lee, Dwight R., and Ferrarini, Tawni H.** 2010. *Common Sense Economics: What Everyone Should Know about Wealth and Prosperity.* New York: St. Martin's
3. **Naughton Barry J.** 2006. *The Chinese Economy: Transitions and Growth.* The MIT Press.
4. **Rand, Ayn.** 1996. *We the Living.* Signet; 60<sup>th</sup> Anniversary edition.
5. **Shleifer, Andrei, and Treisman Daniel.** 2001. *Without a Map: Political Tactics and Economic Reform in Russia.* The MIT Press.

## FINAL GRADE COMPOSITION:

1. Informed Participation – **15%**
2. Daily Peer Quizzes– **40%**
3. Weekly Essays – **35%**
4. Final Presentation – **10%**

## GRADING SCALE:

A+ 98+ | A 97-90 | A- 89-88 | B+ 87-86 | B 85-82 | B- 81-79 |  
C+ 78-76 | C 75-72 | C- 71-69 | D 68-60 | F <60 |

## HONOR CODE POLICY:

All students must strictly follow the [University Honor Code](#). Please consult them online. I will report all suspected cases of academic dishonesty, including plagiarism, to the Honor Committee for their review.

## DISABILITY RESOURCE CENTER

If you are a student with a disability and you need accommodations in this class, please see me and contact the Disability Resource Center (DRC) at 703-993-2474.

## IMPORTANT DATES

Last day to drop with no tuition liability **May 25**  
Final Drop Deadline (with a 50% tuition liability) **June 1**  
100% tuition liability begins **June 2**

## MyMason PORTAL and Mason Email

For all additional course-relevant information, announcements, electronic copies of readings, etc., we will be using the tools available through the new MyMason Portal, so make sure to login regularly to your account at [mymason.gmu.edu](http://mymason.gmu.edu) where you will find a direct link to our course website this semester, [ECON-380-001 \(Summer 2012\)](#). All students must activate their Mason e-mail account. Mason uses only Mason e-mail accounts to communicate with enrolled students.

**COURSE OUTLINE (May 21 - June 22)**

<b>Week 1</b>		<b>Readings:</b>
21-May	Course Overview&Introduction	Aslund (2007, intro); Boettke (1993, intro); Levy&Peart (2011)
22-May	Socialist vs. Capitalist Economic Systems in Theory	Boettke (1993, ch 3); Marx (1844); Mises (1920)
23-May	Socialist Economic Systems in Practice: Shortage Economies	Boettke - (1993, chs 2&4); Kornai (1979); Rand (1936)*
24-May	Capitalist Economic Systems in Practice: Growing Economies	Hayek (1945); Leeson (2010); Powell (2008, ch 5)
<b>Week 2</b>		
28-May	<b>Memorial Day</b>	<b>Class does not meet</b>
29-May	Soviet Market Reforms. Why NEP and Perestroika Failed	Boettke (1993, chs5&6); Aslund (2007, ch 1); Rand (1936)*
30-May	Post-Soviet Market Reforms: Shock Therapy or. Gradualism?	Boettke (1993, ch 7); Aslund (2007, ch2&3); Murphy&al (1992)*
31-May	Property Rights, Markets, and Market Reform Strategies	Aslund - ch 4&6; Simon Johnson et al. (2002)
<b>Week 3</b>		
4-Jun	Post-Soviet Market Reforms: Fiscal and Monetary Policies	Aslund (2007, ch5); Kornai (2001)
5-Jun	Institutions, Entrepreneurship, and Development in Theory	Kirzner&Sautet (2006)*; Powell (2008, chs 2&3&4)
6-Jun	The Primacy of Institutions in Fostering Entrepreneurship and Development	Boettke&Coyne (2003); Boettke et al. (2008); Boettke&Fink (2011); Gorodnichenko&Roland* (2011)
7-Jun	Institutions, Entrepreneurship, and Development in TEs	Powell (2008, chs7&8&10)
<b>Week 4</b>		
11-Jun	Democracy, Dictatorship, and Development in TEs	Olson (1993); Aslund (2007, ch 8); Aslund (2007, ch 10)
12-Jun	Institutional Reforms, Extortion, and Corruption in Tes	Aslund - ch 9; Benson&Baden (1985); Frye&Shleifer (1997); Shleifer&Vishny (1993); Coyne&Leeson (2004)
13-Jun	The Role of Media in Social, Political, and Institutional Change	Djankov et al. (2003); Leeson&Coyne (2003, 2005)
14-Jun	The Role of Culture in Political and Institutional Change	Film: Estonia's Singing Revolution; Boettke et al. (2008)
<b>Week 5</b>		
18-Jun	Group Presentations	
19-Jun	Group Presentations	
20-Jun	Group Presentations	
21-Jun	Summary&Conclusions: Lessons after 20+ Years of Transition	Conclusions in Aslund&Boettke; Coyne&Boettke (2006)
<b>* Not required for group quizzes.</b>		

## LIST OF REFERENCES (READINGS):

- Aslund, Anders. 2007. *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia*. 1st ed. Cambridge University Press.
- Benson, Bruce L., Baden, John. 1985. "The Political Economy of Governmental Corruption: The Logic of Underground Government". *The Journal of Legal Studies* 14(2): 391-410;
- Boettke, Peter J. 1993. *Why Perestroika Failed*. Routledge.
- Boettke, Peter J., Christopher J. Coyne, and Peter T. Leeson, 2008. "Institutional Stickiness and the New Development Economics." *American Journal of Economics and Sociology* 67(2): 331-358.
- Boettke, Peter J., and Christopher J. Coyne. "Entrepreneurship and Development: Cause or Consequence?" *Advances in Austrian Economics*, Vol. 6, pp. 67-88.
- Coyne, Christopher and Peter Leeson. 2004. "The Plight of Underdeveloped Countries." *Cato Journal* 24(3): 235-249.
- Coyne, Christopher J., Leeson Peter T. 2003. "Read All About It! Understanding the Role of Media in Economic Development." *Kyklos* 57(1): 21-44.
- Coyne, Christopher and Peter Boettke. 2006. "The Role of the Economist in Economic Development." *Quarterly Journal of Austrian Economics* 9(2): 47-68.
- Djankov Simeon, McLiesh Caralee, Nenova Tatiana, Shleifer Andrei. 2003. "Who Owns the Media?" *Journal of Law and Economics* 46(2): 341-382.
- Frye, Timothy, Shleifer Andrei. 1997. "The Invisible Hand and the Grabbing Hand." *American Economic Review* 87(2): 354-358.
- Gorodnichenko, Yuriy, and Gerard Roland. 2011. "Which Dimensions of Culture Matter for Long-Run Growth?" *American Economic Review* 101(3): 492-98.
- Hayek, F. A. 1945. "The Use of Knowledge in Society." *American Economic Review*. 35(4): 519-530.
- Simon Johnson, John McMillan, and Christopher Woodruff. 2002. "Property Rights and Finance." *The American Economic Review* 92 (5) (December 1): 1335-1356.
- Kornai, Janos. 1979. "Resource-Constrained versus Demand-Constrained Systems". *Econometrica*. Vol. 47(4).
- Kornai, Janos. 2001. "Hardening the Soft Budget Constraint: The Experience of the Post-Socialist Countries." *European Economic Review* 45: 1573 -1599.
- Leeson, Peter T. 2010. "Two Cheers for Capitalism?" *Society* 47(3): 227-233.
- Leeson, Peter, and Christopher Coyne. 2005. "Manipulating the Media." *Institutions and Economic Development* 1(2): 67-92.
- Levy, David M., and Sandra J. Peart. 2009. "Soviet Growth & American Textbooks." *SSRN eLibrary*

Marx, K. 1844. . In *Estranged Labour. In Economic and Philosophical Manuscripts of 1844*.

Murphy, Kevin M., Andrei Shleifer, and Robert W. Vishny. 1992. "The Transition to a Market Economy: Pitfalls of Partial Reform." *The Quarterly Journal of Economics* 107 (3): 889-906.

Olson, Mancur. 1993. "Dictatorship, Democracy, and Development." *The American Political Science Review* 87 (3): 567-576. doi:10.2307/2938736.

Powell, Benjamin, ed. 2007. *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development*. Stanford.

Rand, Ayn. 2011. *We the Living*. 75 Anv. NAL Trade.