CIEE Prague, Czech Republic

Course title: Economies in Transition
Course code: ECON 3005 PRAG
Programs offering course: Central European Studies, Communication, New Media, and Journalism
Language of instruction: English
U.S. semester credits: 3
Contact hours: 45
Term: Spring 2020

Course Description

This course focuses on transition economies, i.e. CEE countries that underwent the change of economic model from socialism to a market economy. These countries are described as giant economic laboratories in which the governments experimented with alternatives to the market economy as well as with ways to reintroduce a functioning market economy after 1989. Firstly, we will theoretically define the basic elements of the socialist centrally planned economy. Then we will explore some historical case studies of its rise and end, including the reasons for it. Thus, the course will not only help students understand the reasons for failures of central planning and used strategies for the transition back to the market economy, it will also enable them to gain a deeper insight into the current economic and social situation in the CEE markets and other countries experiencing a similar change (e.g. China). The experience and problems of the transition countries are very relevant in the current world, in which many politicians ask for alternatives to traditional capitalism. Although the lectures and readings will contain lots of empirical evidence and data, emphasis will be put upon understanding the logic and economics of the analyzed processes.

Learning Objectives

By completing this course, students will:

• classify countries into transition economies and traditional developing countries;
• describe the historical context for the development of socialist economies and make relevant inferences to case studies;
• illustrate the problems of central planning and the causes of economic problems of CEE countries (and China);
• outline the logic of market liberalization and privatization processes;
• assess the benefits of shock therapy and gradual approaches;
• apply the concepts of soft (and hard) budget constraints and corporate governance.

Course Prerequisites
None

Methods of Instruction

Students will read selected parts of the relevant literature for each weekly topic. This will allow them to participate in discussions during the interactive lectures. Students will be further required to create structured projects and present them at the end of the course during the final class session. There will be required trips and excursions.

N.B. Course schedule is subject to change due to study tours, excursions, or local holidays. Final schedules will be included in the final syllabus provided to students on site.

Assessment and Final Grade

1. Homework 10%
2. Project + presentation of the project 25%
3. Midterm Exam 20%
4. Written Final Exam 25%
5. Class Participation 20%
TOTAL 100%

Course Requirements
Homework

Memos prepared by students as a basis for discussion will be part of the overall assessment. The memos should be about 300 words long and stem from required readings presented in this syllabus for each class and therefore allow students to take part in meaningful discussion. Therefore, the overall content of the reading and
keynotes should be included. Every required reading should have a separate memo. Twice during the semester the prepared memos will be graded.

Project + presentation of the project

(20% + 5%)

The topic and hypothesis of the 3000-word written project should be dedicated to the ways of reforming a selected transition country. One class will be specifically dedicated to the structure and research methods that should be used. Students will present their projects to the rest of the class at the end of the semester.

Midterm Exam

Written mid-term exam

Written Final Exam

Written final exam

Class Participation

CIEE Prague Attendance Policy

Regular class attendance is required throughout the program, and all absences are treated equally regardless of reason for any affected CIEE course. Attendance policies also apply to any required co-curricular class excursions or events, as well as Internship.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

Missing classes will lead to the following penalties:

90-minute semester classes:
180-minute semester classes:

Persistent absenteeism (students approaching 20% of the total course hours missed, or violating the attendance policy in more than one class) will result in a written warning, a notification to the student’s home school, and possibly a dismissal from the program.

Missing more than 20% of the total class hours will lead to a course failure, and potential program dismissal. This is a CIEE rule that applies to all CIEE courses and is in line with the Participant Contract that each CIEE student signs before arriving on-site.

Late arrival to class will be considered a partial (up to 15 minutes late) or full (15 or more minutes late) absence. Three partial absences due to late arrivals will be regarded as one full class absence.

Students must notify their professor and Program Coordinators (PC) beforehand if they are going to miss class for any reason and are responsible for any material covered in class in their absence.

If missing a class during which a test, exam, the student’s presentation or other graded class assignments are administered, make-up assignment will only be allowed in approved circumstances, such as serious medical issues. In this case, the student must submit a local doctor’s note within 24 hours of his/her absence to the PC, who will decide whether the student qualifies for a make-up assignment. Doctor's notes may be submitted via e-mail or phone (a scan or a photograph are acceptable), however the student must ensure that the note is delivered to the PC.
Should a truly extraordinary situation arise, the student must contact the PC immediately concerning permission for a make-up assignment. Make-up assignments are not granted automatically! The PC decides the course of action for all absence cases that are not straightforward. Always contact the PC with any inquiry about potential absence(s) and the nature thereof.

Personal travel (including flight delays and cancelled flights), handling passport and other document replacements, interviews, volunteering and other similar situations are not considered justifiable reasons for missing class or getting permission for make-up assignments.

For class conflicts (irregularities in the class schedule, including field trips, make-up classes and other instances), always contact the Academic Assistant to decide the appropriate course of action.

Course attendance is recorded on individual Canvas Course Sites. Students are responsible for checking their attendance regularly to ensure the correctness of the records. In case of discrepancies, students are required to contact the Academic Assistant within one week of the discrepancy date to have it corrected. Later claims will not be considered.

CIEE staff does not directly manage absences at FAMU and ECES, but they have similar attendance policies and attendance is monitored there. Grade penalties may result from excessive absences.

**Weekly Schedule**

**Week 1**

**Class**

Course introduction

Administration of the course; preparation for the project assignment; What are the Basic Elements of a Socialist, Centrally Planned Economy? How are economies being differentiated based on ownership and decision-making processes?

**Required reading:**
• Lavigne (1999), chapter 1
• Rosser & Rosser (2004)

Week 2
Class Setting the Context: Highlights of Russian and Soviet Economic History

Why Russia developed socialist economy? What were the stages of Soviet economy model before the fall of communism?

Required reading:

• Evan (2004), chapter 4.1
• Angresano (1996), chapter 16

Week 3
Class The Rise and Performance of the Socialist Centrally Planned Economies

(The cases of Soviet and National Socialist planning), the surprisingly similar economic policies of those regimes. Would it be possible to have socialist planning without terror?

Required reading:

• Temin (1991), pp. 573-593
• Ellman (2007), chapter

Week 4
Class PC-lab: testing the hypothesis, learning the Practical part of the project.

Topics: Corporate and private life under socialism; Alternatives, the case of Yugoslavian market socialism; why was Yugoslavian model seemingly successful until the end of 70s?

Required reading:

• S. Estrin (1991)
• Lavigne (1999), chapter 2, pp.25-29
Week 5
Class Problems of central planning

The performance and shortage economy; the problem of soft budget constrains; Why were the economies of the Eastern Block losing out to the West in all relevant aspects in the 80s?

Required reading:

- Kornai, Maskin & Roland (2003)
- Lavigne (1999), chapter 4

Week 6
Class The end of the socialist economies and transition strategies

(Shock Therapy vs. Gradualism Approach), Why was the speed essential? What is it market liberalization and macroeconomic stabilisation?

Required reading:

- Lavigne (1999), chapter 6

Special assignment: watch movie “Good bye, Lenin!”

Midterm exam

Week 7
Class The end of the socialist economies and transition strategies

(Shock Therapy vs. Gradualism Approach), Why was the speed essential? What is it market liberalization and macroeconomic stabilisation?

Required reading:

- Lavigne (1999), chapter 6, only up to page 121 inclusive
Czech National Bank, excursion to permanent exposition (Wednesday)

Week 8
Class The shortest transition - the East Germany Case

Privatization Methods and Strategies; What are the positives and what are the negatives when someone else is paying for your transition?

Required reading:

- von Hagen, Strauch & Wolff (2002)
- Brada (1996)

Midterm results and midterm feedback available

Week 9
Class Privatization Performance

What are the various methods strong and weak points? Why every country applied several different methods? Why privatisation is the centrepiece of the transition? Why is it so difficult?

Required reading:

- Estrin, Hanousek, Kocenda & Svejnar (2009)

Week 10
Class Return to the world market

Opening up of the closed economies; How to make up for the lost Comecon markets? What was it internal and external convertibility of currency?

Required reading:

- Lavigne (1999), chapter 6
- Evan (2004), chapter 4.4
Week 11
Class  The longest transition – reforms of Chinese economy since 1978

China reforms are the slowest of all reforming countries. Why? What is yet to be done with China economy?

Required reading:

• Angresano, chapter 17
• Hofman & Wu (2009)

Week 12
Class  CEE countries 20+ years of Transition; when is it over?

Who was successful and who was not and why?

Required reading:

• Evan (2004), chapter 4.2
• Lavigne (1999), chapter 6

Week 13
Class  Final Exam Week

Presentation of projects, Review and consultations

Final Exam

Course Materials
Readings

Required Reading

Books (selected chapters):


Papers:


Recommended Reading


