

Comparative Economics

JEM167/JPB333/JPB363/JEB103

Spring 2024

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Status of the course: Elective (optional) B.A. course

First lecture and seminar will commence on **Thursday, February 22nd**.

The course will be taught in the traditional way (on-site) during the Spring 2024. No streaming or recording of lectures is planned for this semester.

Similarly, a strictly preferred form of the exams will be the traditional (on-site) forms

Scheduling: **Lectures: 9:30 a.m. – 10:50 p.m. (Thursday, IES 314)**
 Seminar sessions: 11:00-12:20 p.m. (Thursday, IES 314)

Office hours: Tuesdays (3:30 p.m. – 4:30 pm.)
 Office hours will be taking place on Google Meet or Zoom (if online)
 or at room no. 311 (3rd floor, IES).

Introduction:

This course aims to help students get familiar with the major concepts, selected models, and disputes in comparative economics (comparative economic systems). We will discuss different features of main historical economic systems, the effects of their features on economic behaviour of economic agents, and implications for overall performance. Because of the specific economic history of Central Europe, the course focuses on the differences between market economies and the alternatives, such as central planning or Yugoslavian model with worker-managed companies. Causes of the main problems of the alternative systems will be analyzed, as well as problems faced by reformers attempting to achieve transition back to market models. Development of countries with state capitalism and specific features of Chinese and Russian economy will be covered too. Special attention will be paid to informal institutions (corruption and organized crime) and their evolution.

Pre-requisites:

There are no required prerequisites for this course, but it is strongly recommended to the IES undergraduate students to take this course in their final year.

Course objectives:

At the end of the course its students should:

- (i) Understand the basic features of different economic systems,
- (ii) Understand different approaches in analyzing and comparing real economies,
- (iii) Understand main concepts useful for explaining the troubles of centrally-planned economies.
- (iv) Understand the change from central planning (and authoritarian regimes) to market economies (with liberal/illiberal democracies) in Central and East Europe.
- (v) Understand the specific features of current state-capitalism like systems, with the focus on Russian and Chinese economies.

Course outline with dates:

1. Introduction: what is Comparative Economics about. How do we compare economies. Examples. (February 22nd)
2. Dynamics of economic systems. Development of the concept of property rights. Traditional economic systems, New Traditional Economy. Islamic economics. (February 29th)
3. Market economy/variety of market economies. Socialist alternatives: motives, concepts, Socialist calculation debate. **First summary.** (March 7th)
4. Development of applied alternative models. Soviet-styled model of central planning: functioning and problems. (March 14th)
5. Yugoslavian alternative: self-managed firms. Labour-managed firms: theory and performance. (March 21st)
6. Holidays (March 28th)
7. Theoretical explanations of the problems of Soviet and Yugoslavian model. Soft budget constraints. **Second summary and midterm.** (April 4th)
8. Transition back to market: ideas, implementation, early results. GDR as a special case. (April 11th)
9. Focus on privatization: methods, effects on companies, implications for wealth distribution, elites. (April 18th)
10. Chinese economic model: history. **Third summary.** (April 25th)
11. Current Chinese economic model? (May 2nd)
12. Russian turbulent 1990s. Current Russian economic model. (May 9th).
13. India, Vietnam, other interesting cases. **Fourth summary.** (May 16th)
14. Reserved for a possible makeup class or final consultations (May 23rd)

Tentative Dates for Final exams:

May 23rd (regular early option)

May 30th

June 13th

Other options can be provided – depending on the situation.

Grading and related issues:

Continuous work during the course and successful participation in the midterm and final exam are expected from all participants.

Components of the grade:

- Brief summaries / critical evaluations of assigned texts. These will be written during seminar sessions, there will be 4 such sessions during the semester. Each of these will be worth 5% (i.e. their total contribution to grade equals 20 % (points)). They will be taking place in the 3rd, 7th, 10th and 13th week.
- Midterm quiz: 20 % (points) in the 7th week.
- Final test at the end of the semester: 60% (points) - several options/dates will be offered.
 - The test will include
 - A quiz consisting of multiple-choice questions
 - Solution of problem sets, mainly by means of models and graphs. The creative thinking and understanding of the problem (e.g. described by a model), will be graded higher than a mere memorization of facts or formulas.
 - A brief essay on one of several provided topics.

All submitted written work in this course must be original, plagiarism will not be tolerated.

Grading scale (based on the weighted average score):

A ... 91 – 100

B ... 81 – 90

C ... 71 – 80

D ... 61 – 70

E ... 51 – 60

F ... 0 – 50

Credits and their Explanation:

Number of credits: 6

Intensity of the course: 4 hours a week, i.e. 2 hours of lectures/ 2 hours of seminar work in the period of February through the first week of May.

Literature:

Textbooks covering comparative economics more systematically:

J. Barkley Rosser & Marina v. Rosser: Comparative Economics in Transforming World Economy, second or third edition. MITPress.

Paul R. Gregory and Robert C. Stuart: *Comparing Economic Systems in the Twenty-First Century*. Cengage Learning, 2003

Books on selected economic models or countries (selected chapters will be used):

Peter A. Hall & David Soskice (eds.): *Varieties of Capitalism*. Oxford University Press, 2001. – selected chapters

Anders Aslund: *Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy*. Yale University Press, 2019

Yuen Yuen Ang: *China's Gilded Age: The Paradox of Economic Boom and Vast Corruption*. Cambridge University Press, 2020

Anders Aslund: *How Capitalism Was Built*. Cambridge University Press, 2nd edition, 2012

Thomas Orlik: *China: The Bubble that Never Pops*. Oxford University Press. 2020

Papers:

Acemoglu, D. and Robinson, J.A., 2008. Paths of economic and political development.

Becker, S.O., Mergele, L. and Woessmann, L., 2020. The separation and reunification of Germany: Rethinking a natural experiment interpretation of the enduring effects of communism. *Journal of Economic Perspectives*, 34(2), pp.143-71.

Berman, K.V. and Berman, M.D., 1989. An empirical test of the theory of the labor-managed firm. *Journal of comparative economics*, 13(2), pp.281-300.

Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., 2003. The new comparative economics. *Journal of comparative economics*, 31(4), pp.595-619.

Dore, R., Lazonick, W. and O'sullivan, M., 1999. Varieties of capitalism in the twentieth century. *Oxford Review of Economic Policy*, 15(4), pp.102-120.

Ericson, R.E., 1991. The classical Soviet-type economy: Nature of the system and implications for reform. *Journal of Economic perspectives*, 5(4), pp.11-27.

Estrin, S., 1991. Yugoslavia: The case of self-managing market socialism. *Journal of Economic Perspectives*, 5(4), pp.187-194.

Estrin, S., Hanousek, J., Kočenda, E. and Svejnar, J., 2009. The effects of privatization and ownership in transition economies. *Journal of Economic Literature*, 47(3), pp.699-728.

Von Hagen, J., Strauch, R.R. and Wolff, G.B., 2001. East Germany: Transition with Unification, Experiments, and Experiences. MI Blejer and M. Škrebeditors, *Transition: The first Decade*, Massachusetts Institute of Technology, Cambridge, pp.87-120.

Hayek, F.A., 2009. The use of knowledge in society. In *Knowledge management and organizational design* (pp. 7-15). Routledge.

Huang, Y., 2011. Rethinking the Beijing consensus. *Asia policy*, (11), pp.1-26.

Kornai, J., Maskin, E. and Roland, G., 2003. Understanding the soft budget constraint. *Journal of economic literature*, 41(4), pp.1095-1136.

- Li, X., Brødsgaard, K.E. and Jacobsen, M., 2010. Redefining Beijing consensus: ten economic principles. *China economic journal*, 2(3), pp.297-311.
- Mlčoch, L., 2004. 1.3 The Reverse Control Pyramid of the Socialist Economy. This study was reviewed by: Doc. Milan Tuček, CSc., p.49.
- Milhaupt, C.J. and Zheng, W., 2014. Beyond ownership: State capitalism and the Chinese firm. *Geo. LJ*, 103, p.665.
- Olson, M., 2022. 2 Big Bills Left on the Sidewalk: Why Some Nations Are Rich, and Others Poor. In *Making Poor Nations Rich* (pp. 25-53). Stanford University Press.
- Song, Y., 2014. What should economists know about the current Chinese hukou system?. *China Economic Review*, 29, pp.200-212.
- Temin, P., 1991. Soviet and Nazi economic planning in the 1930s. *Economic History Review*, pp.573-593.
- Treisman, D., 2010. "Loans for Shares" Revisited. *Post-Soviet Affairs*, 26(3), pp.207-227.
- Mafianomics: How Did Mob Entrepreneurs Infiltrate and Dominate the Russian Economy?
- Williamson, J., 2002. Speeches, testimony, papers did the Washington Consensus fail. Institute for International Economics.

The updated/corrected version of the reading list as well as additional materials are available on a special Moodle website (password will be provided during the first session).