

Syllabus

Research Seminar, GPS, Spring 2018

From Autocracy to Autocracy: The Transition of Central and East European Countries from Socialism to Democracy and Market Economy – Lessons to Be Learnt for Other Developing Countries

Instructor: Ivan Major

Visiting professor

GPS

Office hours: Th 2:00 p.m.–2:50 p.m.

Office: GPS 3128

e-mail: imajor@ucsd.edu

Lectures: Th 11:00 a.m.–1:50 p.m.

Location: RBC 1401

Course Objectives

The collapse of the socialist system in Central and East European (CEE) countries—including the member states of the former Soviet Union and East Germany (GDR), too—came as a surprise even for a large number of Western politicians and analysts in 1990-1991. However, the disintegration of the Soviet Block had deep roots in the economy and in these countries' social institutions and structure. We start this course by addressing the following question: what were the main features of the CEE socialist countries and why did their socialist system fail?

After the dismantle of the Soviet Block in the late 1980s and early 1990s, most of the CEE countries swiftly jumped on the band-wagon of Western democracy and the market economy based on private property rights. Citizens of these countries had very high hopes that the transformation of their formerly socialist system to a democratic capitalist society will result in their freedom and liberty, in better living standards and in the CEE countries' integration in the community of advanced Western countries. It has been 27-28 years now that the transition—or transformation—of these countries began. They created the basic institutions of parliamentary democracy, they privatized the formerly state-owned companies, but most of them are still far away from West European countries or from the US and Canada with regard to their level of economic, political and social development. Our next question to be answered is: did the transformation of these countries fail or had we been too optimistic about the speed and depth of the transition process?

About a dozen of the CEE countries have been admitted to join the European Union (EU) since 2004 with the expectation that West European democracies can assist and foster the political and economic development of these CEE countries. However, what we have been witnessing recently is the increasing tensions and conflicts between the EU's West European and CEE member countries. Nationalism, racism and political extremism has become a dominating factor in several CEE countries, along with more and more authoritarian political regimes. These adverse developments “infected” some West European countries, too. Our third question is: what were the results of the unfolding and strengthening of these negative trends? In addition,

will the CEE countries be able to dismantle the EU? We need to reach back to “ancient times”—to the East European regimes before World War II—in order to better understand the current political “culture” of these countries.

Recent research has shown that people’s trust in their country’s legal, political and market institutions and in each other, as well as their willingness to cooperate with social institutions or with each another has a significant impact on the countries’ economic performance, political stability and social values. This course would offer students a better understanding of how the above mentioned and deep-rooted social institutions are related to a country’s economic and social performance.

The course would pursue a complex approach based on economics, sociology and political science to better understand the decisive factors of economic, political and social development of the CEE countries. We shall rely on and conduct empirical as well as theoretical analysis within the framework of theoretical models, and we shall use the tools of statistical econometric analysis. We shall compare and contrast the main trends of the CEE countries’ economic and political transformation with recent developments in China, Vietnam, Cuba and some Middle Eastern and Latin American countries.

Course Outline

The course would be based on lectures and in-class discussions among students, moderated by the instructor. Students would also be required to prepare team presentations about pre-assigned topics.

Topics to be covered:

- Socialism in Europe and in other parts of the world – in historical perspective
 - The Bolshevik revolution in 1917 – the birth of the Soviet Union
 - The occupation of CEE by the Soviet Union after World War II
 - Revolution in China in 1949 – Mao Zedong
 - Socialism in Vietnam, Cuba, Chile and in Nicaragua
 - Socialism in CEE and the “Welfare state” in Western Europe.
- One-party (communist party) rule – its roots and consequences
- The centrally planned economy
- The transition period in CEE: why and how did it start?
- From one party rule to pluralistic party system and parliamentary democracy
- The historical heritage of the CEE countries from before World War II
- Economic transformation: privatizing the state-owned assets and companies’ restructuring
- The CEE countries’ economic performance between 1990 and 2017
- Social hierarchy, dictatorship and autocracy in CEE countries

- The role of trust, cooperation and decisions' time horizon in CEE and in other parts of the world
- Successive crises within the EU – the role of CEE member countries
- Migration across Europe and from Eastern to Western Europe
- What can other developing countries learn from the CEE experience?

Required readings

Course reader – online on TritonEd

Recommended readings

O'Reilly (2012), *International Migration and Social Theory*. Palgrave-MacMillan.

Sassen, S. (1999), *Guests and Aliens*. New York, N.Y.: The New Press.

Lectures and presentations

Each class will start with a presentation based on the topic that had been covered in previous classes. Then the lecture will follow. Lecture notes will be available from the course's website at <http://tritoned.ucsd.edu>.

Presentation and Outline

You are required to hand in your preparatory work as a detailed outline of your presentation. Papers, presentations and discussion will help you apply the sophisticated tools that the course offers.

Presentations should not run longer than 10–15 minutes. You are encouraged to use a slide show presentation. Please send your slides to me by email before the day of your scheduled presentation. Each presentation will be followed by a discussion. The outline of your presentation should not be longer than 5 pages double-spaced. It will be due at the beginning of class on the day of your scheduled presentation.

Grading

Letter grades will be based on your presentation, your mid-term essay (max. 10 pages), and on your final paper (max. 15 pages). You need to submit your midterm essay and your final paper in print on the due date that is given under “Class Schedule” below.

Presentation and outline	20%
---------------------------------	------------

In-Class Discussion	20%
Midterm essay	25%
Final paper	35%

Grading Scale

< 50 point	F
51–54 points	D
55–59 points	C–
60–64 points	C
65–69 points	C+
70–74 points	B–
75–79 points	B
80–84 points	B+
85–89 points	A–
90–94 points	A
95–100 points	A+

I'll also use a curve in calculating your grade based on the class's average.

Schedule of Class

Week 1

April 5, 2018

Introduction 1

- A Brief history of socialism in Europe, in the former USSR and in Asian and Latin American countries.
- The political, economic and social structure of CEE countries before transition.

Readings:

- Nove, A. (1991), *Economics of Feasible Socialism Revisited*. London, UK: Routledge.
- Collected Papers (see on TritonEd).

Week 2

April 12, 2018

Introduction 2:

Collecting data and information on your research subject

- Literature review
- Analyzing data
- Simple Analytical Methods

More advanced Analytical Methods

- Theoretical models and model testing
- Forecasting the future based on your existing data and on your model.

Readings:

- Lave, Ch. A. and March, J. G. (1993), *An Introduction to Models in the Social Sciences*. University Press of America.
- Wooldridge, Jeffrey (2013). *Introductory Econometrics, A modern approach*. South-Western, Cengage learning.
- Major, I. (2008), Technical efficiency, allocative efficiency and profitability of Hungarian small and medium-sized enterprises. A model with frontier functions”, *Europe-Asia Studies*, **60** (8), 1371–1396.

Presentations

- The History of CEE.
- The Socialist System – One Party Rule, Central Planning and Political Oppression.

Week 3

April 19, 2018

Politics, Tradition and Social Values – How Are They Interrelated?

Readings: Collected Papers (see on TritonEd)

Presentations

- CEE Countries before World War II – the Roots of Nationalism, Racism and Paternalism.

Week 4

April 26, 2018

The Centrally Planned Economy: the “Shortage Economy”, Investment Cycles vs. Business Cycles

Readings

- Kornai, J, *The socialist system. The political economy of communism*, Princeton University Press, Princeton, 1992.
- Jánosy, F, *The end of the economic miracle: appearance and reality in economic development*, Michigan University, International Arts and Sciences Press, 1971.
- Heng-fu Zou (1991), “Socialist economic growth and political investment cycles.” *European Journal of Political Economy*, 7 (2), 141-157.

Presentations

- Economic and Social Development in CEE Based on Actual Data – How to Analyze Long-Term Trends?

Week 5

May 3, 2018

The First Years of Transition in CEE – “Masterplans” and Reality

Economic Reforms in Asian and Latin-American Countries

Readings

- Major, I. (1993), *Privatization in Eastern Europe: A Critical Approach*. Cheltenham, UK and Northampton, US.
- Blanchard, O.J., Froot, K.A., and Sachs, J.D. (1994, 2007), *The Transition in Eastern Europe*, Volume 1, 2, Chicago, Il. : The University of Chicago Press.
- Frydman, R. and Rapaczynski, A. (1994), *Privatization in Eastern Europe – Is the State Withering Away?*

Your Midterm Essay is due on May 3, 2018 at the beginning of class.

Presentations

- The Centrally Planned Economy before and after the Reforms in the 1960s

Week 6

May 10, 2018

Economic Development in CEE Countries between 1990 and 2017

Readings

- Balcerowicz, L. (1995), *Socialism, Capitalism, Transformation*. Budapest: CEU Press.
- Major, I. (editor and co-author) (1999), *Privatization and Economic Performance in Central and Eastern Europe – Lessons to be Learnt from Western Europe*. Cheltenham, UK and Brookfield, US: Elgar, 1999.
- Major, I. (1999), “The Transforming Enterprise”, *Comparative Economic Studies*, **XLI**, (2–3), 1–49.
- Kornai, J. (2008), *From Socialism to Capitalism*. Budapest: CEU Press.

Presentations

- How Did Political and Economic Transformation Begin in CEE?

Week 7

May 17, 2018

Politics, Institutions, Culture and Social Services in CEE Countries after 1990.

Readings

- Major, I. (1991), “Private and Public Infrastructure in Eastern Europe” *Oxford Review of Economic Policy*, **7** (4), 76–92.

Presentations

- Political and Social Factors in CEE Countries

Week 8

May 24, 2018

The Role of Trust, Cooperation and Decisions’ Time Horizon in CEE and in Other Parts of the World

Readings

Major, I. (2016), “Trust, Cooperation and Time Horizon in Economic Decisions – An International Comparative Analysis.” *Journal of Economics and Public Finance*, **2** (2), 373–401.

Presentations

- Economic Development in CEE between 1990 and 2017

Week 9

May 31, 2018

Successive Crises within the EU – the Role of CEE Countries in the Crises

- The Main Reasons of the Crises
- The Role of CEE Member Countries in the Crises
- Migration across Europe and from Eastern to Western Europe

Readings

- Major, I. (with King, R. and Marian, C.G.) (2016), “Anticommons, the Coase Theorem, and the Problem of Bundling Inefficiency.” *International Journal of the Commons*, **10** (1), 244–264.

Presentations

- Trust, Cooperation and Time Horizon in Economic Decision-Making in Different Parts of the World

Week 10

What Can Other Developing Countries Learn from the CEE Experience?

June 7, 2018

Readings

- .

Presentations

- Crises in the EU during the Past 25 years

YOUR FINAL PAPER IS DUE ON JUNE 14, 2018