**The Political Economy of Reforms**

(Based on the post-communist countries transition)

CEU

*Instructor:* Ivan Mikloš

**Course description**

The seminar will provide an in-depth understanding of the centrally planned economies in communist countries, how they worked, what were common features and differences among them, what kind of reform attempts were done and finally why and how they collapsed. Later the course will discuss and search process of the post-communist transition, different approaches used in this process as well as different results.

The course will mainly be focused on political economy of reforms. We will discuss also technical content of reforms, but even more effort and time we will spend on explaining political dimension of reforms in conditions of liberal parliamentary democracy. Today in any country of the world, not only in the post-communist countries, economic reforms are much more political than technical challenge, therefore experience from successful reformers, as well as laggards, could be interesting and useful not only from the historical perspective but as well as for the future.

**Objectives and learning outcomes**

By the end of the course, students will understand what works and what doesn’t in the process of proposing and implementing reforms, they will be able to recognize real systemic changes and reforms and marketing pro forma “reforms”, they will understand what are necessary political preconditions for successful systemic change.

**Course structure**

Twelve interactive classes in the 6 weeks will provide enough space for lecturer’s presentation and mutual discussion. Discussed will be not only papers and studying materials but also lecturer’s practical experience and his memories from the central planned economy and communist society as well as his practical personal experience and memories from the managing and advising post-communist reforms in Czechoslovakia, Slovakia, Ukraine, but also some other countries.

**Grading:**

* Student presentation: 40%
* Policy brief: 60%

Student presentation to the topic determined by the lecturer at the beginning of the course. Student should explain the methods and data used as well as state the results and own conclusions. The best presentation consists also from the student’s position to the presented topic. Presentation should last maximum 15 – 20 minutes.

Policy brief will discuss the selected topic analytically but also by giving practical advises and proposals how to deal (prepare, manage, implement, protect and communicate) with the concrete reforms not only from the technical point of view but also politically, to face all technical and political difficulties that usually reformers have to face. Topics will be proposed to the lecturer by the end of February 2022 and the paper should be between 1200 – 1500 words.

**Course outline** (6 weeks, bi-weekly basis with 2 x 100 minutes/week classes on alternating weeks as indicated in the schedule)

1. **Centrally planned economy (CPE), politics and political economy**

**1.a. How it worked and why it was unrepairable**

\* Kornai, János, 1992: The Socialist System: The Political Economy of Communism. Oxford, Clarendon Press (Chapter 15, 22 pgs.)

\* Hayek, Friedrich August von, 1944: The Road to Serfdom. George Routledge and Sons, Ltd. (Condensed version, Pages No. 39-70)

* Kornai, János, 1980: Economics of Shortage. Amsterdam, North Holland Publishing
* Mises, Ludwig von, 1996: Human Action: A Treatise of Economics, 4th revised edition, Fox & Wilkes

**1.b. Common features and differences of the system in individual countries**

\* Kornai, János, 1992: The Socialist System: The Political Economy of Communism. Oxford, Clarendon Press (Chapter 21, 39 pgs.)

* Harrison, Mark, 2017: The Soviet Economy, 1917 – 1991: Its Life and Afterlife. The Independent Review 22, 199 – 206
* Bockman, Johanna, 2013: Markets in the Name of Socialism. Stanford Scholarship Online
* Kornai, János, 1996: Paying the Bill for Goulash Communism. Social Research, Vol. 63, no. 4, 943 – 1040

1. **Collapse of the communist system and central planned economy**

**2.a. How and why it collapsed**

\* Aslund, Anders, 1989: Gorbachev’s Struggle for Economic Reform. Ithaca, NY: Cornell University Press (Introduction, Conclusions)

* Aslund, Anders, 1990: How Small is the Soviet National Income? In The Impoverish Superpower: Perestroika and the Soviet Military Burden, ed. Henry S. Rowen and Charles Wolf Jr., 13-61, 288 – 305, San Francisco, Institute for Contemporary Studies

**2.b. Approaches to transformation, big bang vs. gradualism**

\* Treisman, Daniel, 2014: Political Economy of the Change after Failure of Communism. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 14, 30 pgs.)

\* Murphy, Kevin – Shleifer, Andrei – Vishny, Robert, 1992: The Transition to a Market Economy: Pitfalls of Partial Reforms. In Quarterly Journal of Economics 107, no. 3, 889 – 906

\* Blanchard, Olivier – Dremer, Michael, 1997: Disorganization. In Quarterly Journal of Economics, no. 4, 1091 – 1126

* Balcerowicz, Leszek, 1994: Understanding Post-Communist Transitions. In Journal of Democracy 5, no. 4, 75 – 89
* Murell, Peter, 1992: Evolutionary and Radical Approaches to Economic Reform. In Economics of Planning 25, 75 – 95

1. **Early reformers**

**3.a. Poland and Czechoslovakia**

\* Balcerowicz, Leszek, 2014: Poland: Stabilization and Reforms in Time of Extraordinary and Ordinary Politics. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 1, 28 pgs.)

\* Klaus, Václav, 2014: Czechoslovakia and Czech Republic: The Spirit of Post-Communist Transition and it’s Main Features. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 3, 23 pgs.)

* Balcerowicz, Leszek, 1995: Socialism, Capitalism, Transformation, Budapest, Central Europe University Press
* Klaus, Václav, 2013: The Post-Communist Transition Should Not Be Misinterpreted. In Economic Affairs 33, no. 3, 386 – 388
* Švejnar, Jan, 1997: Czech Republic and Economic Transition in Central and Eastern Europe. Praha, Academia
* Jonáš, Jiří, 1997: Economic Transition in Czech Republic. Praha, Management Press

**3.b. Hungary and Baltics**

\* Bokros, Lajos, 2014: Hungary: Step Back After Promising Start of Reforms. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 2, 16 pgs.)

\* Laar, Mart, 2014: Estonia: The Most Radical Reforms. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 4, 18 pgs.)

* Bokros, Lajos, 2004: Competition and Solidarity. In Comparative Economic Studies 46, no. 2, 193 – 200
* Kornai, János, 2008: From Socialism to Capitalism, Budapest, CEU Press
* Lieven, Antol, 1993: The Baltic Revolution: Estonia, Latvia, Lithuania, and the Path to Independence. New Haven, CT, Yale University Press
* Hansson, Ardo H., 1997: Macroeconomic Stabilization in the Baltic States. In Blejer, Mario, I. –Skreb, Marko, eds. Macroeconomic Stabilization in Transition Countries. New York, Cambridge University Press

1. **Slovakia, up and down and again the same**

**4.a. Mečiar’s era and its consequences**

\* Mikloš, Ivan, 2008: Slovakia: A Story of Reforms. In ed. Bienkowski, W. – Brada, J.C. – Radlo, M.J.: Growth Versus Security, London, Palgrave McMillan (Chapter 3, 34 pgs.)

* Mikloš, Ivan, 1999: Privatization in Slovakia, Insitute for Public Affairs (IVO)
* Zakaria, Fareed, 1997: The Rise of Illiberal Democracy. In Foreign Affairs, 76, no. 6

**4.b. Dzurinda’s era, reforms and integration**

\* Mikloš, Ivan, 2014: Slovakia: Latecomer Who Succeed. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 6, 28 pgs.)

* Munkhammar, John, 2007: The Guide to Reform, Stockholm, TImbro
* World Bank, 2005: Doing Business 2005: Removing Obstacles to Growth. World Bank, Washington DC

1. **Stagnant examples**

**5.a. Russia**

\* Aslund, Anders, 2019: Russia’s Crony Capitalism. The Path from Market Economy to Kleptocracy. Yale University Press, New Haven & London (Introduction, Chapter 5, Conclusions, 58 pgs.)

* Aslund, Anders, 2014: Russia: Difficult Way to Market Economy. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics
* Gajdar, Jegor, 1999: Days of Defeat and Victory. Seattle, University of Washington Press
* Boycko, Maxim – Shleifer, Andrei – Sishny, Robert, 1995: Privatizing Russia. Cambridge MA, MIT Press
* Vasiljev, Sergej, 1999: Ten Years of Russian Economic Reform: A Collection of Papers. London, Centre for Research into Post-Communist Economies

**5.b. Ukraine**

\* Havrylyshyn, Oleh, 2014: Ukraine: The Best Hope, the Biggest Disappointment. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 9, 26 pgs.)

\* Mikloš, Ivan, 2019: Ukrainian Reforms After Revolution of Dignity. What Was Done, Why Not More and What to Do Next. Kiev, EBRD Press (under preparation for printing), (Chapter 1, 24 pgs.)

* Aslund, Anders, 2009: How Ukraine Became a Market Economy. Washington, Peterson Institute for International Economics
* Deutsche Bank, 1992: The Soviet Union at the Crossroads. Frankfurt, Economics Department, Deutsche Bank AG
* Umrychyna, Emilia, 2013: Why Was Rukh Not More Effective in Pushing Economic Reforms? Toronto University

1. **What mattered the most?**

**6.a. The role of EU integration in post-communist transition**

\* Gros, Daniel, 2014: From Transition to Integration. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 12, 23 pgs.)

* Francois, Joseph – Worz, Julia, 2011: Shifts in International Trade and Value Added from 1995 to 2007: Insights into the Drivers of Growth. In Focus on European Economic Integration 3, 37 – 56

**6.b. Historic, cultural and geographical preconditions for successful reforms**

\* Roland, Gérard, 2014: Post-Communist Transition from the Historical View. In The Great Rebirth: Lessons of the Victory of Capitalism over Communism, ed. Anders Aslund and Simeon Djankov, Washington, Peterson Institute for International Economics (Chapter 13, 25 pgs.)

* Mikloš, Ivan, 2021: Three Models of Post-Communist Transformation and Lessons Learned. In Central European Business Review, vol.10, issue 2. Prague University of Economics and Business
* Hellman, Joel – Jones, Geraint – Kaufmann, Daniel, 2000: Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition. In World Bank Policy Research Working Paper 2444. Washington, World Bank
* Acemoglu, Daron – Robinson, James, 2012: Why Nations Fail? New York, Crown Business
* Gorodničenko, Jurij – Roland, Gérard, 2013: Culture, Institutions and Democratization. University of California, Berkeley, Department of Economics