# The CEU course syllabus

# Reforming and Stabilizing Economies (A comparative economic policy analysis)

Instructor: Marek Dabrowski

## Course description

This course offers students comparative knowledge on various strategies in macroeconomic stabilization and reforming economies in response to macroeconomic and financial crises, economic stagnation caused by the inefficiency of economic systems, political turmoils, war and conflicts, adverse economic and political shocks, etc. It analyses policy experience in various geographical regions: Central and Eastern Europe (CEE), former Soviet Union (FSU), East, South East, and South Asia, Middle East and North Africa (MENA), Subsaharran Africa (SSA), and Latin America and Caribbean (LAC) region. The course focuses on emerging-market economies, i.e., middle-income countries, which opened to trade and financial flows in the 1990s and 2000s. One class will be devoted to the experience in CEE and FSU countries transitioning from a centrally planned economy to a market system. The course agenda also includes the impact of globalization on conditions in which economic policy is conducted on a national level, again with a focus on emerging-market economies.

The course will have an interdisciplinary character. The main focus will be economic analysis with political science and international relations elements. More specifically, it will include questions of the economic history of the 20th and early 21st century, comparative analysis of economic and political systems, the political economy of policy reforms, macroeconomic policy, microeconomic policy, social policy, trade policy and economic integration, and global and regional governance.

## Objectives and learning outcomes

By the end of the course, students will understand the economic, political economy and political determinants of policy reforms, and advantages and disadvantages of alternative reform strategies and their outcomes. They will also learn about the interlinks between economic and political reforms and the impact of global economic and financial integration on national policymaking.

## Course structure

Twelve interactive classes paired into six meetings will provide enough space for the lecturer’s presentation and mutual discussion. In addition to the course’s materials, the instructor will also present his personal experience from designing and co-managing the economic transformation of Poland in 1989-1993 and advising in more than twenty countries of the FSU, CEE, and MENA regions.

## Grading:

* Student attendance of the course: 30%
* Written exam: 70%

The written exam will have a test form and require answering 40 questions, four possible answers each, and only one correct answer. The exam is scheduled for the week following the last class.

# The course outline (6 meetings, weekly basis with 2 x 100 minutes/ week classes as indicated in the schedule)[[1]](#footnote-1)

## Thematic block 1

## Reforming and stabilizing economies – economic, political economy and political challenges

1. Circumstances leading to the necessity of reforms and stabilization programs (conflicts and wars, domestic political changes, the inefficiency of economic systems/ policies, macroeconomic instability caused by domestic and external factors, populism, etc.)
2. Agenda of economic reforms (most frequent components)
	1. Macroeconomic stabilization
	2. Domestic and external liberalization
	3. Ownership changes, privatization and enterprise restructuring
	4. Institutional and legal reforms
	5. Reforming social policy and social safety nets, fighting poverty and excessive inequality
	6. Developing and reforming technical and social infrastructure
3. The political economy of reforms
	1. A political window of opportunity for reform and its practical use
	2. Building pro-reform coalitions
	3. Reform speed and sequencing
	4. Compensating losers
4. External anchoring/ support to reforms
	1. The role of external anchors and support (financial aid, economic integration, technical assistance, policy conditionality)
	2. The Bretton Woods institutions (IMF, World Bank, WTO)
	3. Regional development banks
	4. Bilateral assistance
	5. Regional integration blocs, in particular, the role of the EU
5. The importance of democracy and political reforms
	1. Interrelation between a market economy and democracy (historical trends, contemporary picture)
	2. How a market economy helps democracy and vice versa?
	3. Interrelation between economic and political reforms during the post-communist transition
	4. Authoritarian drift in the early 20th century – its causes and impact on economic policies and economic systems

## Recommended literature

* Roland, G. (2002) ‘The Political Economy of Transition.’ *Journal of Economic Perspectives*, Vol. 16, No.1, pp. 29-50. <https://www.aeaweb.org/articles/pdf/doi/10.1257/0895330027102>
* Balcerowicz, L. (1994) ‘Understanding Post-communist Transitions.’ *Journal of Democracy*, Vol.5, No.4, October
* Gros, D. (2014) ‘From Transition to Integration. In: Aslund, A. and Djankov S. (eds.) *The Great Rebirth: Lessons of the Victory of Capitalism over Communism*. Washington: Peterson Institute for International Economics (Chapter 12)
* Barro, R. (1994): *Democracy and Growth*, NBER Working Paper, No. 4909, October, <http://www.nber.org/papers/w4909.pdf>
* Gable, S. (2005) ‘The effect of democracy on different categories of economic freedom.’ *European Journal of Political Economy*, Vol. 21, No. 4, pp. 967-980. DOI: 10.1016/j.ejpoleco.2004.11.005
* Dabrowski, M. (2021) ‘The Antidemocratic Drift in the Early 21st Century: Some Thoughts on its Roots, Dynamics and Prospects.’ *Central European Business Review*, Vol. 10, Issue 2, pp. 63-83, June. <https://cebr.vse.cz/pdfs/cbr/2021/02/04.pdf>

## Thematic block 2

## Post-communist transition in Central and Eastern Europe and the former Soviet Union

1. History of centrally planned economies
	1. Ideological and historical roots of a centrally planned economy in the Soviet Russia/ Soviet Union (Marx-Engels-Lenin critique of capitalism and their vision of the society ‘free of exploitation’, experience of the economic management during the WWI, Bolshevik revolution and civil war in Russia, war communism, New Economic Policy, Stalinist industrialization and collectivization)
	2. Characteristics of the centrally planned economy (CPE) in its ‘classical’ Stalinist version (the late 1920s-1953); its significant inefficiencies
	3. Changes in the CPEs after Stalin’s death in the Soviet Union and other countries of the Soviet bloc
	4. ‘Market socialism’ and attempts at its implementation in Yugoslavia, Hungary, Czechoslovakia and Poland
	5. Attempts of economic reforms during the ‘perestroika’ period in the Soviet Union (1987-1991)
	6. The collapse of the CPE – economic and political factors
2. Post-communist transition – agenda and most significant challenges
	1. Agenda of economic and political reforms during the transition (an overview)
	2. Macroeconomic stabilization
	3. Privatization
	4. Political reforms
	5. Transition strategies and their political economy motivations
	6. Interrelation between economic and political changes
	7. The role of the European integration
3. Results of economic and political transition in the region (a cross-country comparison)

## Recommended literature

* Leonard, C.S. (2023) ‘The Soviet Economy (1918-1991).’ In: Dabrowski, M. (ed) The Contemporary Russian Economy. A Comprehensive Analysis, Cham: Palgrave Macmillan. <https://link.springer.com/chapter/10.1007/978-3-031-17382-0_4>
* Gaidar, Y. (2007) ‘The Soviet Collapse: Grain and Oil.’ *On the Issue*, April, American Enterprise Institute, <https://www.aei.org/wp-content/uploads/2011/10/20070419_Gaidar.pdf>
* De Melo, M., Denizer, C., Gelb, A., Tenev, S. (2001) ‘Circumstances and Choice: The Role of Initial Conditions and Policies in Transition Economies.’ *World Bank Economic Review*, Vol. 15, Issue 1, pp. 1-31, <http://documents.worldbank.org/curated/en/111401468149391542/pdf/773440JRN020010cumstance0and0Choice.pdf>
* Roaf, J. et al. (2014) *25 Years of Transition: Post-Communist Europe and the IMF* Washington, DC: International Monetary Fund. <https://www.imf.org/external/region/bal/rr/2014/25_years_of_transition.pdf>
* Dabrowski, M. (2023) ‘A limping transition: the former Soviet Union thirty years on.’ *Essay* 01/2023, Bruegel, Brussels, <https://www.bruegel.org/sites/default/files/2023-02/Transition%20in%20the%20FSU_essay%20140223%20HB.pdf>

## Thematic block 3

## Economic reforms in China and other Asian countries

1. Economic history of China since pre-industrial times (the largest economy in the world until the early 19th century, followed by a more than century of decline, partial colonization, war with Japan and civil war)
2. Economic policies in the Maoist era (copying a Soviet model, the Great Leap Forward, Cultural Revolution) and their socioeconomic results
3. Economic reforms of Deng Xiaoping and his successors (since 1978)
4. Specifics of Chinese market transition (differences between Chinese transition as compared to CEE and FSU)
	1. The low starting level of development, under-industrialization, ample underutilized labour resources in agriculture and rural areas
	2. Low public expenditures on social policy and social services
	3. Autocratic political system (continuation of the political monopoly of the Communist Party of China [CPC])
	4. Reform gradualism determined by political constraints within CPC
	5. Limits of market-friendly autocracy
5. Results of the Chinese transition
6. Contemporary challenges of the Chinese economy
	1. Demographic barrier
	2. Environmental challenges and challenges related to the ‘green’ transition
	3. Social and urbanization challenges
	4. Financial fragility
	5. Increasing controlling role of the CPC under President Xi Jinping
	6. Increasing geopolitical conflict with the United States, and resulting trade tensions
7. Economic reforms in other former centrally planned economies in Asia (Vietnam, Laos, Cambodia, Myanmar, Mongolia)
8. Economic reforms in India
	1. Brief economic history from the pre-industrial era until independence (1947); the role of the British colonial rule
	2. The economic system and economic policies in the first decades of independence (1947-1991)
	3. Macroeconomic crisis in 1991 and the resulting reforms
	4. Economic reforms since 2014
	5. Remaining economic, social and institutional challenges
9. The role of regional integration (ASEAN, CPTPP, RCEP)

## Recommended literature

* Sachs, J.D., and Woo, W.T. (1997) ‘Understanding China’s Economic Performance.’ *NBER Working Paper*, No. 5935, <http://www.nber.org/papers/w5935.pdf>
* Woo, W.T. (2011) ‘China’s economic growth engine: The likely types of hardware failure, software failure and power supply failure.’ *BOFIT Discussion Papers*, No. 8/2011, <http://www.suomenpankki.fi/bofit_en/tutkimus/tutkimusjulkaisut/dp/Documents/DP0811.pdf>
* Dabrowski M. (2020) ‘Transition to a market economy: A retrospective comparison of China with countries of the former Soviet block.’ *Acta Oeconomica*, Vol. 70, Issue S, pp. 15-45, 16 October, [https://events-files-bpm.hse.ru/files/95001A02-CDFB-425C-97A1-B6BB05E615FC/[15882659%20-%20Acta%20Oeconomica]%20Transition%20to%20a%20market%20economy\_%20A%20retrospective%20comparison%20of%20China%20with%20countries%20of%20the%20former%20Soviet%20block.pdf](https://events-files-bpm.hse.ru/files/95001A02-CDFB-425C-97A1-B6BB05E615FC/%5B15882659%20-%20Acta%20Oeconomica%5D%20Transition%20to%20a%20market%20economy_%20A%20retrospective%20comparison%20of%20China%20with%20countries%20of%20the%20former%20Soviet%20block.pdf)
* Ahluwalia, M.S. (2002) ‘Economic Reforms in India Since 1991: Has Gradualism Worked?’ <http://planningcommission.nic.in/aboutus/speech/spemsa/msa008.doc>
* Swaminathan S. Anklesaria Aiyar (2016) ‘Twenty‐Five Years of Indian Economic Reform: A Story of Private-Sector Success, Government Failure, and Institutional Weakness.’ *CATO Institute Policy Analysis*, No. 803, 26 October, <https://www.cato.org/publications/policy-analysis/twenty-five-years-indian-economic-reform?queryID=634dbb5fb0d28e3b1cc49a83dd132ef4>

## Thematic block 4

## Economic reforms in the Middle East and Africa

1. Colonial legacies in the Middle East and Africa
	1. Consequences of violent colonization and the slave trade
	2. Territorial divisions established by colonial rulers, not reflecting history and ethnic and religious map ⇒ source of internal and external conflicts, failed states
	3. Extractive institutions
	4. Structural monocultures (dependence on the export of a single or a few mineral or agricultural commodities)
	5. Underdevelopment of manufacturing and services
	6. Underdeveloped infrastructure, low health and education standards
2. Post-colonial policies and economic and political systems
	1. Autocratic and repressive political systems
	2. The rivalry of great powers during the Cold War
	3. Nationalization (expropriation of foreign owners) and etatism
	4. Protectionism, import substitution
	5. Macroeconomic imbalances; episodes of high inflations
	6. Aid dependence; several debt write-offs
3. Specific features of the Arab and African ‘socialisms’ and their comparison with the Soviet- and Chinese-type socialism
	1. Similarities in the political sphere
	2. Some differences in the economic sphere (existence of private sector in agriculture, small industry, trade and services, more free prices, partial external openness)
4. Changes in economic and political systems in the 1990s and 2000s
	1. Progress in democratization (in Subsaharran Africa [SSA])
	2. End of some conflicts in SSA ⇒ the peace dividend
	3. Gradual market reforms (price liberalization, current account convertibility, trade liberalization, reducing the role of state monopolies, privatization, opening to FDI, land reforms, financial sector reforms, etc.)
	4. Commodity boom (until 2014 and since 2021)
	5. Lower inflation, higher growth
5. The missed opportunities of the Arab Spring
6. Economic and social challenges in the Middle East and Africa
	1. Ongoing conflicts
	2. Returning autocratic regimes
	3. Poverty and income inequality
	4. Poor health and education standards (except in Gulf countries)
	5. Gender inequality
	6. Poor infrastructure
	7. Poor business climate and governance
	8. Continuous protectionism in several countries
	9. Dependence on commodity prices
	10. Chinese investment penetration
	11. Fiscal imbalances, repeating public debt crises
	12. Large-scale energy subsidies, in particular, in the Middle East and North Africa (MENA)
7. The limited role of regional and sub-regional integration (PAFTA, Agadir Agreement, AfCFTA, ECOWAS, SADC, IGAD, COMESA, FTAs with the EU)

## Recommended literature

* Dabrowski, M., and Dominguez-Jimenez, M. (2021) ‘Economic crisis in the Middle East and North Africa.’ *Bruegel Policy Contribution*, Issue 02/2021, <https://www.bruegel.org/wp-content/uploads/2021/01/PC-02-2021.pdf>
* Collier, P., and Gunning, J.W. (1999) ‘Explaining African Economic Performance.’ *Journal of Economic Literature*, Vol. XXXVII, March, pp. 64-111, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.199.9687&rep=rep1&type=pdf>
* Ordu, AU (ed.) (2023) *Foresight Africa: Top Priorities for the Continent in 2023*, Africa Growth Initiative at Brookings, <https://www.brookings.edu/wp-content/uploads/2023/01/foresightafrica2023_fullreport.pdf>

## Thematic block 5

## 5a Economic reforms in Latin America

1. Socioeconomic, political and intellectual roots of Latin American populism
	1. High income and wealth inequalities
	2. Presence of resource rents
	3. Dependency theory and ‘heterodox’ economics
2. Episodes of populist policies in Latin America in the 1970s and 1980s
3. Negative consequences of populist policies in socioeconomic and political spheres
	1. High inflation and hyperinflation
	2. Balance-of-payments, public debt and banking crises
	3. Economic stagnation/ recession
	4. The pauperization of societies (the poor were most heavily affected)
	5. Undermining fragile democracies ⇒ military and civilian dictatorships
4. Economic and political reforms in the 1980s and 1990s
	1. Macroeconomic stabilization
	2. Domestic and external liberalization
	3. Privatization (including infrastructure)
	4. Pension reforms
	5. Land reforms
	6. Democratization in the political sphere
5. The contemporary and future economic and social challenges in Latin America
	1. Slow growth
	2. Commodity dependence
	3. Remaining autocratic regimes (Cuba, Venezuela, Nicaragua) and imperfect democracies in many others
	4. Continuation of macroeconomic instability (Argentina)
	5. Poverty and income inequality
	6. Unsatisfactory health and education standards
	7. Poor business climate and governance
	8. Dependence on commodity prices
6. The role of regional integration projects (MERCOSUR, CARIFORUM, Andean Community, USMCTA, FTAs with the US and EU)

## Recommended literature

* Dornbusch, R., and Edwards, S. (1991) ‘Macroeconomic Populism in Latin America.’ *NBER Working Paper*, No. 2986, <http://www.nber.org/papers/w2986.pdf>

## 5b Summary of emerging-markets reforms

1. Emerging-market economies before reforms
	1. Extensive price controls and subsidies
	2. Multiple exchange rates
	3. Trade protectionism
	4. Import-substitution industrialization
	5. Large public sector
	6. Restrictions on FDI
	7. In some cases, excessive militarization
2. Outcomes of bad policies
	1. Slow growth/ recessions
	2. High inflation/ hyperinflation
	3. Sometimes physical shortages of goods
	4. Low external competitiveness
	5. Structural distortions
	6. Over employment in a public sector/ public enterprises
3. Major economic reforms (the so-called Washington consensus)
	1. Macroeconomic stabilization
	2. Price liberalization
	3. Currency convertibility
	4. Trade liberalization
	5. Privatization
	6. Opening to FDI
	7. Financial sector reform
	8. Targeted social assistance
4. Political transition
	1. The transition from authoritarian regimes and unstable democracies to more stable democracies
	2. Reforms of public administration and judiciary
5. Outcomes of reforms
	1. Higher growth
	2. Poverty reduction
	3. Lower inflation
	4. FDI inflow
	5. Structural diversification, including market-driven industrialization
	6. Higher competitiveness
6. Remaining vulnerabilities
	1. Commodity dependence
	2. High dollarization (‘original sin’)
	3. Poor business climate, corruption, nepotism, state capture, organized crime, insecure property rights, etc
	4. Remaining restrictions on foreign capital
	5. Incomplete political transition
	6. Recurrence of populism/ authoritarian drift

## Recommended literature

* Williamson, J. (2004) ‘A Short History of the Washington Consensus.’ <http://www.iie.com/publications/papers/williamson0904-2.pdf>

## 5c Macroeconomic and financial crises in emerging markets

1. Definition and typology of financial crises
2. Causes of financial crises (domestic and external)
3. Theoretical models of currency crises
4. Twin or triple crises
5. Episodes of emerging-market financial crises
	1. Latin American debt crisis in the 1980s
	2. Emerging market crises in the 1990s and early 2000s
	3. Crises caused by the collapse of commodity prices in 2014-2015
6. Anti-crisis policies

## Recommended literature

* Dabrowski M. (2019) ‘Can emerging markets be a source of global troubles again?’ *Russian Journal of Economics*, Vol. 5, Issue 1, pp. 67-87, <https://rujec.org/article/35506/download/pdf/295039>

## Thematic block 6

## 6a impact of financial globalization on national macroeconomic policy

1. Capital mobility and balance-of-payments management
2. Capital mobility and monetary policy
3. Capital mobility and fiscal policy
4. International cooperation in the area of macroeconomic and regulatory policies

## Recommended literature

* Dabrowski M. (2023) ‘Financial globalization, financial regulation and macroeconomic policy.’ in Dallago, B., and Casagrande, S. (eds.) *The Routledge Handbook of Comparative Economic Systems*, 1st edition, London: Routledge, Chapter 27 (pp. 519-537), <https://doi.org/10.4324/9781003144366>

## 6b Global and European macroeconomic and financial crises in the 21st century and their consequences

1. The global financial crisis (2007-2009)
2. European financial crisis (2010-2015)
3. COVID-19 pandemic and economic response (2020-2021)
4. Global inflation (2021-2023)

## Recommended literature

* Friedman, M. (1968) ‘Inflation: Causes and Consequences. First Lecture.’ In: Friedman, M. *Dollars and Deficits: Inflation, Monetary Policy and the Balance of Payments*, pp. 21-46. Englewood Cliffs, New Jersey: Prentice-Hall, <https://miltonfriedman.hoover.org/internal/media/dispatcher/271018/full>
1. There will be two meetings in the first week of the course, and the break in the week of May 1-5. [↑](#footnote-ref-1)