INSTRUCTOR: Prof. Michael Alexeev, Wylie Hall, r.241, tel.: 855-7103, e-mail: malexeev@indiana.edu; URL: http://mypage.iu.edu/~malexeev/

OFFICE HOURS: Wednesday 2:00 p.m. – 3:15 p.m. and by appointment

Course Objectives
The major objectives of this course are (1) to improve your understanding of the workings of markets by (2) examining economic systems that were (and still are) different from a developed market economy and (3) by analyzing the issues of transition from a centrally planned to a market economy.

Readings
There is no real text for the class. Most of the readings are papers published in academic journals. We will, however, use Jim Leitzel, Russian Economic Reform, Routledge: New York, 1995 (hereafter JL) for many topics. This book is out of print, but I put my own copy of it on reserve in the library. I have also scanned and put the relevant parts of it on our website. This syllabus lists only the required readings (highlighted in yellow and marked by ‘*’) and strongly recommended readings. You will find additional references in JL and in my lectures. All of the required readings are either linked to in the electronic version of the syllabus or have been placed in our e-Reserve (http://ereserves.indiana.edu/eres/coursepage.aspx?cid=5550) or both. (In order to access most of the linked papers, you need to use on-campus computer, although some of the papers are linked to their ungated pre-publication working paper versions.) More reading assignments may be added during the semester.

You are expected to have done all assigned reading prior to class meetings, and to be ready to ask and answer questions and participate in the discussion.

Our class web page is at http://mypage.iu.edu/~malexeev/e386home.html that is also linked to from Oncourse. It includes links to the syllabus, reading list, sample exams, handouts and lecture notes. (Lecture notes for the lectures we haven't yet covered in this class are from an earlier year. They might be updated as the semester progresses.) There are also some notes and questions for the in-class discussion there as well.

Special circumstances
If you need classroom/testing accommodations for a disability, contact me outside of class. Present the written supporting memorandum of accommodation from the Office of Disability Services for Students (www.indiana.edu/~iubdss). Requests for accommodations must be made no less than two weeks in advance of need. No accommodation should be assumed until authorized by me.
COURSE OUTLINE
(time allocated for each topic is approximate)

1. (0.5 week) Introduction. The pitfalls of studying reforms.
   * JL, Introduction

2. (0.5 week) Information and coordination in an economic system.
   * JL, Ch. 1 (pp. 15-18)
   * Hayek, “The Use of Knowledge in Society”
   * Farrell, “Information and the Coase Theorem” (you can skip the math)

3. (0.5 week) Resource allocation and incentives in a traditional Soviet-type economy.
   * JL, Ch. 1
   * Grossman, “Notes for a Theory of a Command Economy”
   * Powell, “Plan Execution and the Workability of Soviet Planning”

4. (0.5 week) Pre-reform market behavior.
   * JL, Ch. 2 (pp. 27-29)
     Grossman, "The 'Shadow Economy' in the Socialist Sector of the USSR"
   * Alexeev, “Second economy (unofficial economy)” pp. 1-5

5. (0.5 week) Economic performance of Soviet-type economies; the need for reform.
   * Ernst, Alexeev, Marer, Transforming the Core (hereafter, EAM). pp. 7-17
   * Ofer, “Soviet Economic Growth: 1928-1985” (pp. 1770 -1782)
   * Tabarrok, Alex, "Soviet Growth & American Textbooks"
   * Lipon and Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland” (pp. 75-89; 99-106)
   * Atkinson and Micklewright, “Why Study the Distribution pre-1990?”

MIDTERM 1 (date to be determined)

6. (1 week) Partial reforms.
   * JL, 2 (pp. 29-33)
   * Ericson, "The Classical Soviet-Type Economy: Nature of the System and Implications for Reform"
   * Leitze, “Evasion and the demise of the Soviet Union”
   * Lipon and Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland” (pp. 106-11)
   * Murphy, Shleifer, and Vishny, "The Transition to a Market Economy: Pitfalls of Partial Reforms"
   * Wolf, “The Lessons of Limited Market-Oriented Reforms”
   * Jefferson and Rawski, “Enterprise Reform in Chinese Industry”
   * Wong, “Reform and China’s Underground Economy”

7. (0.5 weeks) The strategy of radical reform: price liberalization, inflation, and financial stabilization.

* JL, Ch. 3
* EAM, pp. 216-35
* EAM, pp. 79-86; 127-133
* Alexeev, Gaddy, and Leitzel, "An Economic Analysis of the Ruble Overhang"
* Lipton and Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland"
* Plessner, "On the Costs of Inflation: Israel's Example"

8. (1 weeks) Privatization and reform of enterprises

* JL, Chs. 5, 6
* Estrin, "Economic Transition and Privatization: The Issues"
* Estrin, “Competition and Corporate Governance in Transition”
* Shleifer, "State versus Private Ownership"
* Buchanan and Yoon "Symmetric Tragedies: Commons and Anticommons;"
* Djankov and Murrell "Enterprise Restructuring in Transition: A Quantitative Survey"
* Weitzman and Xu, “Chinese Township-Village Enterprises as Vaguely Defined Cooperatives"

MIDTERM 2 (date to be determined)

9. (1 weeks) Government in transition (property rights, law enforcement, regulation, corruption)

* JL, pp. 41-45
* Frey and Shleifer, "The Invisible Hand and the Grabbing Hand"
* Hay and Shleifer, “Private Enforcement of Public Laws: A Theory of Legal Reform”
* Johnson, Kaufmann, and Zoido-Lobaton, “Regulatory Discretion and the Unofficial Economy”
* Leitzel, Gaddy, Alexeev, "Mafiosi and Matrioshki"
* Li, “Changing Incentives of the Chinese Bureaucracy”
* Shleifer, "Government in Transition"
* Sleifer and Vishny, “Corruption”
* Posner; Becker, “Economics of Corruption”
* Djankov et al. “Regulation of Entry”

10. (0.5 week) Political economy of reform; winners and losers during transition.

* JL, pp. 55-56; 124-126
* Roland, “The Political Economy of Transition”
* Rodrik, “Understanding Economic Policy Reform”
* Flemming and Micklewright “Income Distribution, Economic Systems, and Transition” (pp. 36-77)
11. (0.5 weeks) Assessment of reforms and prospects for the future.

* JL, 7, 8, Conclusions
* Havrylyshyn, “Is the Transition Over?”
* Svejnar, “Strategies for Growth: Central and Eastern Europe”
  Shleifer and Treisman, “A Normal Country: Russia After Communism”
  Sanfey et al, “Life in Transition: Current Attitudes” (article starts on p. 21)
* Guriev and Zhuravskaya, “(Un)happiness in Transition”
  Guriev and Tsyvinski, “Challenges Facing the Russian Economy After the Crisis”
  Shelburne, “The Global Economic Crisis and the Transition Economies”

FINAL EXAMINATION

Grading

Performance in the course will be evaluated based on two midterm examinations (25% of the grade each), and final examination (50% of the grade). Those who participate in class discussion by asking questions or making comments will be able to increase their final score by up to 10 points (on 100 point scale). The exams will consist of short essays, short definitions, and numerical problems that will draw on the material from the lectures and required readings. Those students who are satisfied with their cumulative grade for the two midterms (you will be informed of what that grade is after the second midterm) can opt out of the portion of the final that covers the material from the first two midterms. Those who opt out will have to take only the portion of the final that relates to the post-midterm 2 material. This shortened version of the final exam will then account for 33.3% of the grade, the cumulative midterm grade will account for 66.6% of the grade. (The students taking only the short version of the final will have one hour to complete the exam.)