

Politics of Economic Reform in Central and Eastern Europe

PLSC 410 - Fall 2005

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Class meeting time:

Tuesday 9:30-11:20, ESC 110

Office hours:

Monday 3:00-5:00, or by appointment

Course Description

The unexpected collapse of communism in Central and Eastern Europe in 1989 ushered in a triple transition: political, economic and social. This course deals with the politics and dilemmas of creating a functioning market economy in the context of dramatic political and social change. In order to appreciate the formidable challenges that the newly democratic regimes were facing at the outset of the reform process, the course first analyzes the economic and political nature of the socialist system, its reform attempts, as well as the causes of its final collapse. The seminar then engages prominent interdisciplinary debates concerning optimal way of “building” capitalism, drawing on literatures from political science, economics and sociology. The debates considered pertain to privatization, restructuring, and the role of the state in the economy and in the transition process. While the readings devote much attention to the domestic politics of economic and state reform, the course also examines the central role that the European Union accession process plays in setting the reform agenda. The final part of the course analyzes the social consequences of economic reform and discusses the institutionalization of social space.

Course Requirements

1. Class Participation - 20%
2. Reader Responses - 35% – one page reflection on the readings (10 required), emailed by 3 p.m. the day before class
3. Country outline and 10 min. presentation in week 4 (group project) - 10%
4. Final Research Paper (15 p.) or take-home final exam (12 p.) - 35%

Readings

The following books can be purchased at the Yale bookstore (also on reserve at CCL):

János Kornai. 1992. *The Socialist System*. Princeton: PUP

Jeffrey Sachs. 1993. *Poland's Jump to the Market Economy*. Cambridge: MIT Press

George Schöpflin. 1993. *Politics in Eastern Europe*. Oxford: Blackwell Publishers

The remaining readings are in the course packet, available for purchase at RIS at: www.yale.edu/ris/sub_docsvcs_coursepkts.html (also on reserve at CCL).

Course Schedule

Week 1 (Sept. 6): Introduction to the Course

Week 2 (Sept. 13): Central Planning and Economics of Shortage

János Kornai. 1992. *The Socialist System*. Princeton: PUP, pp. 62-103, 110-127, 140-148, 228-261, 333-359

George Schöpflin. 1993. "The 1960s: Reform and Failure," and "The 1970s: The Onset of Decay," in *Politics in Eastern Europe*. Oxford: Blackwell Publishers, pp.127-186

Week 3 (Sept. 20): Reform Attempts and Perestroika

János Kornai. 1992. *The Socialist System*. Princeton: PUP, pp.383-460, 474-512, 529-564

George Schöpflin. 1993. "The 1980s: Towards Collapse," in *Politics in Eastern Europe*. Oxford: Blackwell Publishers, pp.186-223

Recommended (on reserve at CCL):

Erzsebet Szalai, "Integration of Special Interests in the Hungarian Economy: The Struggle between Large Companies and the Party and State Bureaucracy." *Journal of Comparative Economics*, June 1991, Vol.15, No. 2, pp. 284-303

Week 4 (Sept. 27): Extrication from Communism

*****Country presentations (10 min.) and outlines due*****

Ivan Szelényi, Balazs Szelényi. 1994. "Why Socialism Failed: Toward a Theory of System Breakdown." *Theory and Society*, Vol. 23, No.2, pp.211-231

J.F. Brown. 1991. "Gorbachev's Policy Revolution," in *Surge to Freedom*, Durham: Duke University Press, pp.45-70

George Schöpflin. 1993. "The End of Communism in Central and Eastern Europe," in *Politics in Eastern Europe*, pp.224-255

Jadwiga Staniszkis. 1991. "'Political Capitalism in Poland.'" *EEPS*. Vol.5, No.1, pp. 127-141

Gale Stokes. 1993. "The Glorious Revolutions of 1989," in *The Walls Came Tumbling Down*, pp.131-167

Suggested country-specific readings (on reserve at CCL):

Ivo Banac, ed. 1992. *Eastern Europe in Revolution*. Ithaca: Cornell University Press
 J.F. Brown. 1991. *Surge to Freedom*. Durham: Duke University Press
 Jon Elster, ed. 1996. *The Roundtable Talks and the Breakdown of Communism*. Chicago: University of Chicago Press
 Timothy Garton Ash. 1999. *The Magic Lantern*. New York: Vintage Books
 Juan Linz and Alfred Stepan. 1996. *Problems of Democratic Transition and Consolidation*.
 Stephen Whitefield, ed. 1993. *The New institutional Architecture of Eastern Europe*. Hampshire: Macmillan

Week 5 (Oct. 4): Initial Reforms: Neoliberalism and Its Critics

Jeffrey Sachs. 1993. *Poland's Jump to the Market Economy*. Cambridge: MIT Press
 Peter Murrell. 1992. "Evolutionary and Radical Approaches to Economic Reform." *Economics of Planning*. Vol.25, pp.79-95
 Alice Amsden et al. (eds.). 1994. "From Pseudo-Socialism to Pseudo-Capitalism," and "The Black Box of State-Owned Enterprise," in *The Market Meets Its Match*. Cambridge: Harvard University Press, pp.1-16, 52-78
 David Stark and László Bruszt. 1998. "Markets, States and Deliberative Associations," in *Postsocialist Pathways*. Cambridge: CUP, pp.109-136
 Gérard Roland. 2000. *Transition and Economics: Politics, Markets and Firms*. Cambridge, Mass: The MIT Press, p. 327-346

Week 6 (Oct. 11): Politics of Privatization

Gérard Roland. 2000. *Transition and Economics: Politics, Markets and Firms*. Cambridge, Mass: The MIT Press, p. 229-250
 David Stark and László Bruszt. 1998. "The Privatization Debate: From Plan to Market or from Plan to Clan?" and "Path Dependence and Privatization Strategies," in *Postsocialist Pathways*. Cambridge: CUP, pp.51-105
 Mitchell Orenstein. 2001. *Out of the Red*. Ann Arbor: The University of Michigan Press, pp.1-24, 128-144
 Roman Frydman and Andrzej Rapaczynski. 1994. "Insiders and the State," in *Privatization in Eastern Europe: Is the State Withering Away?* London: CEU Press, pp. 141-167

Andrew Barnes. 2003. "Comparative Theft: Context and Choice in the Hungarian, Czech, and Russian Transformations, 1989-2000." *EEPS*. Vol.17, No.3, pp.533-565

Week 7 (Oct. 18): Politics of Restructuring

Irena Grosfeld and Gérard Roland. 1996. "Defensive and Strategic Restructuring in Central European Enterprises." *Journal of Transforming Economies and Societies*. Nr. 3-4 (a copy will be e-mailed)

Robert E. Kennedy. 1997. "A Tale of Two Economies: Economic Restructuring in Post-Socialist Poland." *World Development*, Vol.25, No.6, pp.841-865

Joel Hellman. 1998. "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions." *World Politics*, Vol. 50, No.2, p.203-34

Nathan Jensen. 2003. "Rational Citizens Against Reform. Poverty and Economic Reform in Transition Economies." *Comparative Political Studies*. Vol.36, No.9, pp.1092-1111

Ákos Róna-Tas. 1998. "Path Dependence and Capital Theory: Sociology of the Post-Communist Economic Transformation." *EEPS*, Vol. 12, No.1, pp.107-131

Martin Myant. 2003. *The Rise and Fall of Czech Capitalism*. Northampton: Edward Elgar, pp.1-9, 262-267

Week 8 (Oct. 25): Reforming the State and Redefining its Role in the Economy

Jacek Kochanowicz. 1994. "Reforming Weak States and Deficient Bureaucracies," in Joan Nelson, (ed.), *Intricate Links: Democratization and Market Reforms in Latin America and Eastern Europe*. New Brunswick: Transaction Publishers, pp. 195-225

Anna Grzymała-Busse and Pauline Jones Luong. 2002. "Reconceptualizing the State: Lessons from Post-Communism." *Politics and Society*. Vol.30, No.4, pp.529-554

Anna Grzymała-Busse. 2003. "Political Competition and the Politicization of the State in East Central Europe." *Comparative Political Studies*. Vol.36, No.10, pp.1123-1147

Timothy Frye and Andrei Shleifer. 1997. "The Invisible Hand and the Grabbing Hand." *American Economic Review*. Vol.87, No.2, pp.354-358

Gerald McDermott. 2002. *Embedded Politics. Industrial Networks and Institutional Change in Postcommunism*. Ann Arbor: The University of Michigan Press, pp.1-27

Shale Horowitz and Martin Petráš. 2003. "Pride and Prejudice in Prague: Understanding Early Policy Error and Belated Reform in the Czech Economic Transition." *EEPS*. Vol. 17, No.2, pp.231-265

Week 9 (Nov. 1): The Effects of European Union Accession

Grzegorz Ekiert and Jan Zielonka. 2003. "Introduction: Academic Boundaries and Path Dependencies Facing the EU's Eastward Enlargement." *EEPS*, Vol.17, No.1, pp.4-23

David R. Cameron. 2003. "The Challenges of Accession." *EEPS*, Vol.17, No.1, pp.24-41

Heather Grabbe. 2002. "European Union Conditionality and the *Acquis Communautaire*." *International Political Science Review*, Vol.23, No.3, pp. 249-268

Anna Grzymała-Busse. 2003. "Formal Demands, Informal Responses: The EU and State Reform in Candidate Countries." Manuscript, pp.1-23

Anna Grzymała-Busse and Abby Innes. 2003. "Great Expectations: the EU and Domestic Political Competition in East Central Europe," *EEPS*, Vo.17, No1, pp. 64-73

Christian W. Haerpfer. 2002. "European Identity, Enlargement and Support for Democracy," in *Democracy and Enlargement in Post-Communist Europe*. London: Routledge, pp.109-141

Barbara Lippert, Gaby Umbach and Wolfgang Wessels. 2001. "Europeanization of CEE executives: EU Membership Negotiations as a Shaping Power." *Journal of European Public Policy*. Vol. 8, No.6, pp.980-1012

Recommended:

Enlargement of the European Union Guide to the Negotiations Chapter by Chapter
<http://www.europa.eu.int/comm/enlargement/negotiations/chapters/negotiationsguide.pdf>

An overview of all the information available on the European Commission's Enlargement website:
<http://europa.eu.int/comm/enlargement/overview.htm>

European Commission. Directorate-General Enlargement, Directorate D - Co-ordination of Negotiations, Pre-accession and Financial Instruments. *General Assistance Document 2003*, Brussels, 9 April 2003
http://europa.eu.int/comm/enlargement/pas/phare/pdf/gad_2003_general_part.pdf

Report on the results of the negotiations on the accession of Cyprus, Malta, Hungary, Poland, the Slovak Republic, Latvia, Estonia, Lithuania, the Czech Republic and Slovenia to the European Union prepared by the Commission's departments
http://www.europa.eu.int/comm/enlargement/negotiations/pdf/negotiations_report_to_ep.pdf

Week 10 (Nov. 8): Impact of Foreign Direct Investment (FDI)

Anna Pollert. 1999. "Western Capital in Central Eastern Europe" in *Transformation at Work*. London: Sage Publications, pp. 111-129

Miklós Szanyi. 1998. "Experiences with Foreign Direct Investment in Eastern Europe." *Eastern European Economics*, Vol.36, No.3, pp. 28-48

Bartłomiej Kaminski, Beata Smarzyska. 2001. "Integration into Global Production and Distribution Networks through FDI: the Case of Poland." *Post-Communist Economies*, Vol.12, No.3, pp. 265-288

Marc Ellingstad. 1997. "The Maquiladora Syndrome: Central European Prospects," *Europe-Asia Studies*, Vol. 49, No.1, pp.7-21

J.E.M. Thirkell et al. 1998. "Foreign Ownership and its Consequences" in *The Transformation of Labour Relations*. Oxford: OUP, pp. 137-158

Klara Sabirianova, Jan Svejnar, and Katherine Terrell. 2005. "Foreign Investment, Corporate Ownership, and Development: Are Firms in Emerging Markets Catching Up to the World Standard?" William Davidson Institute Working Paper Number 734, January, pp.1-5 and 25-28; available at:
<http://www.bus.umich.edu/KresgeLibrary/Collections/Workingpapers/wdi/wp734.pdf>

Week 11 (Nov. 15): Social Dimension of Transition

Hermine Vidovic. 2002. "Labor Market Trends in Central and Eastern European Countries" in Bernard Funck and Lodovico Pizzatio (eds.), *Labor Employment, and Social Policies in the EU Enlargement Process*. Washington, D.C.: The World Bank p. 27-44

Nicholas Barr. 2001. "Reforming welfare states in post-communist countries" in Lucjan T. Orłowski (ed.), *Transition and Growth in Post-Communist Countries*, p. 169-219

Zoltan Barany. 2000. "The Socio-economic Impact of Regime Change in Eastern Europe: Gypsy Marginality in the 1990s." *EEPS*, Vol.14, No.2, p. 64-113

Éva Fodor. 1997. "Gender in Transition: Unemployment in Hungary, Poland, and Slovakia." *EEPS*, Vol.11, No.3, pp.470-500

Susan Gal and Gail Kligman. 2000. "Forms of States, Forms of 'Family,'" in *The Politics of Gender after Socialism*. Princeton: PUP, pp. 63-90

Week 12 (Nov. 29): Civil Society and Social Dialogue

Marc Morjé Howard. 2003. *The Weakness of Civil Society in Post-Communist Europe*. Cambridge: CUP, pp.16-30, 146-163

Susan Gal and Gail Kligman. 2000. "Arenas of Political Action," in *The Politics of Gender after Socialism*. Princeton: PUP, pp. 91-108

Grzegorz Ekiert and Jan Kubik. 1998. "Contentious Politics in New Democracies: East Germany, Hungary, Poland, and Slovakia, 1989-93." *World Politics*, Vol.50, pp. 547-81

Elena Iankova. 2002. *Eastern European Capitalism in the Making*. Cambridge: CUP, pp.1-30

Anna Pollert. 1999. "Trade Union Politics and Worker Representation" and "Developments in Industrial Relations," in *Transformation at Work*. London: Sage Publications, pp. 133-176

Stephen Crowley and David Ost (eds.). 2001. "The Surprise of Labor Weakness in Postcommunist Society," in *Workers After Workers' States*, New York: Rowman and Littlefield Publishers, Inc., pp.1-12

David Ost. 2000. "Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities." *Politics and Society*, Vol. 28 No.4, pp.503-530

Suggested Readings (on reserve at CCL):

Carola Frege. 2000. "The Illusion of Union-Management Cooperation in Postcommunist Central Eastern Europe." *EEPS*, Vol.14, No.3, pp. 636-660

David Ost and Marc Weinstein. 1999. "Unionists Against Unions: Toward Hierarchical Management in Post-Communist Poland." *EEPS*, Vol. 12, No. 1, pp.1-33

*****If you choose the research paper option, the papers are due by the end of the exam period, i.e., December 17th*****