M.Sc. in Social Sciences in Comparative Public Policy and Welfare Studies

University of Southern Denmark, Odense

# The Political Economy of Transition in Europe:

# From the Collapse of Socialism to the Global Financial Crisis

Reading Material

MCPE07329_0000[1]

Igor Guardiancich

**Practical organization**

Weeks 6-22, starting on 4 February 2015 and finishing on 27 May 2015

**Classes: Wednesday 8-10 in room U144**

Responsible teacher: Igor Guardiancich

The presence of the (\*) implies that the readings are mandatory and that they have been uploaded onto BlackBoard.

**Lecture 1: 4 February, Week 6**

**Introduction to the Political Economy of Transition in Europe**

**Part I: From Socialism to Democracy, from Central Planning to a Market Economy**

**Lecture 2: 11 February, Week 7**

**The Rise and Fall of Socialism in Central and Eastern Europe**

\*Bunce, V. 1999. *Subversive Institutions: The Design and Destruction of Socialism and the State*. Cambridge: Cambridge University Press, pp. 1-19 and 127-64.

Crampton, R. 1997. *Eastern Europe in the Twentieth Century – And After*. London: Routledge.

**Lecture 3: 18 February, Week 8**

**The Old System and the Inevitability of Its Collapse**

Balcerowicz, L. 1995. *Socialism, Capitalism, Transformation*. Budapest: Central European University Press.

\*Barr, N. (ed.) 2005. *Labor Markets and Social Policy in Central and Eastern Europe: The Accession and Beyond.* Washington, DC: The World Bank, 1-29.

\*Kornai, J. 1992. *The Socialist System: The Political Economy of Communism*. Oxford: Claredon Press, pp. 32-130.

**Lecture 4: 25 February, Week 9**

**Stabilization, Liberalization and Privatization**

\*Åslund, A. 2007. *How Capitalism was Built: The Transformation of Central and Eastern Europe, Russia and Central Asia*. Cambridge, UK: Cambridge University Press, 29-181.

Åslund, A., P. Boone, S. Johnson, S. Fischer, and B. W. Ickes. 1996. How to Stabilize: Lessons from Post-Communist Countries. *Brookings Papers on Economic Activity* 1996 (1): 217-313.

Orenstein, M. A. 2001. *Out of the Red: Building Capitalism and Democracy in Postcommunist Europe*. Ann Arbor, MI: University of Michigan Press.

Sachs, J. 1994. Life in the Economic Emergency Room. In *The Political Economy of Policy Reform*, edited by J. Williamson. Washington, DC: Institute for International Economics, 503-523.

**Part II: The Political Economy of Transformation**

**Lecture 5: 11 March, Week 11**

**The Backlash of Losers or Winners Take All?**

\*Hellman, J. S. 1998. Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics* 50 (2): 203-234.

\*Roland, G. 2002. The Political Economy of Transition. *Journal of Economic Perspectives* 16 (1): 29-50.

\*Stark, D., and L. Bruszt. 2001. One Way or Multiple Paths: For a Comparative Sociology of East European Capitalism. *American Journal of Sociology* 106 (4): 1129-1137.

**Lecture 6: 18 March, Week 12**

**Institutions and Polarization: Why Certain Countries Are More Successful than Others?**

\*Frye, T. 2010. *Building States and Markets after Communism.* Cambridge, UK: Cambridge University Press, 1-47.

\*Gehlbach, S., and E. J. Malesky. 2010. The Contribution of Veto Players to Economic Reform. *The Journal of Politics* 72 (4): 957-975.

Lewis, P. G. 2001. *Political Parties in Post-Communist Eastern Europe*. London and New York: Routledge.

**Part III: Europe and Transnational Actors**

**Lecture 7: 25 March, Week 13**

**Europeanization and the (Long) Fifth Enlargement**

Barnes, I., and P. Barnes. 2010. *Enlargement. In European Union Politics*, 3rd ed., edited by M. Cini. Oxford: Oxford University Press, 418-435.

\*Grabbe, H. 2002. European Union Conditionality and the Acquis Communautaire. *International Political Science Review* 23 (3): 249-268.

\*Schimmelfennig, F. 2008. *EU Political Accession Conditionality after the 2004 Enlargement: Consistency and Effectiveness*. Journal of European Public Policy 15 (6): 918-937.

Sedelmeier, U. 2010. Enlargement: From Rules for Accession to Policy Towards Europe. In *Policy-Making in the European Union*, edited by H. Wallace, M. A. Pollack and A. R. Young. Oxford: Oxford University Press, 401-429.

**Lecture 8: 8 April, Week 15**

**The Quest for the Economic and Monetary Union**

De Grauwe, P. 2007. *Economics of Monetary Union. 7th Edition.* Oxford: Oxford University Press.

\*Dyson, K. 2007. Euro Area Entry in East-Central Europe: Paradoxical Europeanisation and Clustered Convergence. *West European Politics* 30 (3): 417 - 442.

\*Epstein, R. A., and J. Johnson. 2010. Uneven Integration: Economic and Monetary Union in Central and Eastern Europe. *Journal of Common Market Studies* 48 (5): 1237-1260.

\*Pisani-Ferry J. 2012. The Euro Crisis and the New Impossible Trinity. *Bruegel Policy Contribution*, Issue 2012/01.

**Lecture 9: 15 April, Week 16**

**The Role of Transnational Actors**

Deacon, B., and P. Stubbs. 2007. Transnationalism and the Making of Social Policy in South East Europe. In *Social Policy and International Interventions in South East Europe*, edited by B. Deacon and P. Stubbs. Cheltenham, UK and Northampton, MA: Edward Elgar, 1-21.

\*Epstein, R. A. 2006. Cultivating Consensus and Creating Conflict: International Institutions and the (De)Politicization of Economic Policy in Postcommunist Europe. *Comparative Political Studies* 39 (8): 1019-1042.

Epstein, R. A. 2008. *In Pursuit of Liberalism: International Institutions in Postcommunist Europe.* Baltimore, MD: Johns Hopkins University Press.

\*Orenstein, M. A., S. Bloom, and N. Lindstrom (eds). 2008. *Transnational Actors in Central and East European Transitions*. Pittsburgh, PA: University of Pittsburgh Press,

Orenstein, M. A. 2008. *Privatizing Pensions: The Transnational Campaign for Social Security Reform*. Princeton, NJ: Princeton University Press.

**Lecture 10: 22 April, Week 17**

**Beyond the EU Borders: The Neighborhood Policy towards the East**

Bunce, V., M. McFaul and K. Stoner-Weiss (eds). 2010. *Democracy and Authoritarianism in the Postcommunist World*. Cambridge: Cambridge University Press.

\*Kelley, J. 2006. New Wine in Old Wineskins: Promoting Political Reforms through the New European Neighbourhood Policy. *Journal of Common Market Studies* 44 (1): 29-55.

\*Schimmelfennig, F., and H. Sholtz. 2008. EU Democracy Promotion in the European Neighbourhood: Political Conditionality, Economic Development and Transnational Exchange. *European Union* *Politics* 9 (2): 187-215.

**Part IV: Capitalism, Social Welfare and the Impact of the Crisis**

**Lecture 11: 29 April, Week 18**

**Varieties of Capitalism in Central and Eastern Europe**

\*Adam, F., P. Kristan, and M. Tomšič. 2009. Varieties of Capitalism in Eastern Europe (With Special Emphasis on Estonia and Slovenia). *Communist and Post-Communist Studies* 42 (1): 65-81.

\*Bohle, D. and B. Greskovits. 2012. Capitalist Diversity on Europe’s Periphery. Ithaca, NY: Cornell University Press, 1-54.

\*Hall, P., and D. Soskice. 2001. An Introduction to Varieties of Capitalism. In *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, edited by P. Hall and D. Soskice. Oxford:Oxford University Press, 1-69.

**Lecture 12: 6 May, Week 19**

**Rebuilding a Welfare State in Central and Eastern Europe**

Barr, N. (ed.) 2005. *Labor Markets and Social Policy in Central and Eastern Europe: The Accession and Beyond.* Washington, DC: The World Bank.

Bonoli, G. 2003. Two worlds of pension reform in Western Europe. *Comparative Politics*: 399-416.

Cook, L. J. 2007. *Postcommunist Welfare States: Reform Politics in Russia and Eastern Europe*. Ithaca, NY and London: Cornell University Press.

\*Guardiancich, I. 2011. The Survival and Return of Institutions: Examples from Pension Reforms in Central, Eastern and Southeastern Europe. *West European Politics* 34 (5): 976-996.

\*Kornai, J. 1997. Editorial: Reforming the welfare state in postsocialist societies. *World Development*, *25*(8), 1183-1186.

Kornai, J., S. Haggard, and R. R. Kaufman, eds. 2001. *Reforming the State: Fiscal and Welfare Reform in Post-Socialist Countries*. Cambridge, UK and New York: Cambridge University Press.

\*Wagener, H-J. 2002. The Welfare State in Transition Economies and Accession to the EU. *West European Politics* 25 (2): 152-174.

**Lecture 13: 13 May, Week 20**

**The Impact of the Financial Crisis**

\*Carmassi, J., D. Gros, and S. Micossi. 2009. The Global Financial Crisis: Causes and Cures. *Journal of Common Market Studies* 47 (5): 977-996.

\*Dietrich D., T. Knedlik and A. Lindner. 2011. Central and Eastern European Countries in the Global Financial Crisis: A Typical Twin Crisis? *Post-Communist Economies* 23 (4): 415-432.

\*Drahokoupil, J., and M. Myant. 2010. Varieties of Capitalism, Varieties of Vulnerabilities: Financial Crisis and its Impact on Welfare States in Eastern Europe and the Commonwealth of Independent States. *Historical Social Research* 35 (2): 266-295.

**Lecture 14: 20 May, Week 21**

**Where Do We Stand Now?**

\*Darvas, Z. 2015. The Convergence Dream 25 Years On – Half of the Former Communist Countries Did Not Converge to Advanced EU Countries from 1989-2014. [Available at: <http://www.bruegel.org/nc/blog/detail/article/1528-the-convergence-dream-25-years-on/?utm_content=buffer13c15&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer+%28bruegel%29>].

\*Guardiancich, I. 2015. Slovenia: The End of a Success Story. When a Partial Reform Equilibrium Turns Bad. *Europe-Asia Studies*, forthcoming.

\*Kornai, J. 2015. Hungary’s U-Turn.*Prepublication Working Paper*, mimeo.

\*Milanović, B. 2014. For Whom the Wall Fell? A Balance-Sheet of Transition to Capitalism. [Available at: <http://glineq.blogspot.dk/2014/11/for-whom-wall-fell-balance-sheet-of.html>].

\*Shleifer A., and Treisman D. 2014. Normal Countries. The East 25 Years After Communism. [Available at: <http://www.foreignaffairs.com/articles/142200/andrei-shleifer-and-daniel-treisman/normal-countries>].

**Lecture 15: 27 May, Week 22**

**Summing up, Q&A**