

ECON 380-003: Economies in Transition

Syllabus: Spring 2013
MWF: 8:30 a.m. – 9:20 a.m.
Location: Robinson A247

Instructor: John W. Welborn
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Office Hours: by appointment

COURSE DESCRIPTION

This course will examine the process of transition from a non-market economy to a market economy. The first half of the course will focus on (a) the pathologies of a central planning, including resource misallocation, incentive distortion, and rent seeking behavior, and (b) the relative strengths of a functioning price system and market institutions. The second half of the course will examine how these theoretical concepts apply to the largest transition economies: (a) China and (b) the former Soviet Union countries, including Russia.

COURSE OBJECTIVES

Students should complete the course with an understanding of:

- How prices embody information.
- How institutions shape incentives.
- What “economic freedom” means.
- How resource allocation occurs in markets and non-markets (including firms).
- The 20th Century “war of ideas” between planning and markets.
- How Chinese gradualism contrasts with the “shock therapy” of the former USSR.

PREREQUISITES

Microeconomic Principles (ECON 103) and Macroeconomic Principles (ECON 104).

REQUIRED BOOKS

- 1) Hayek, Friedrich A. 2007. *The Road to Serfdom: Text and Documents -- The Definitive Edition*. Chicago, IL: University Of Chicago Press.
- 2) De Soto, Hernando. 2003. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York, NY: Basic Books.
- 3) Åslund, Anders. 2007. *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia*. Cambridge, UK: Cambridge University Press.
- 4) Huang, Yasheng. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge, UK: Cambridge University Press.
- 5) Coase, Ronald and Wang, Ning. 2012. *How China Became Capitalist*. UK: Palgrave Macmillan.

RECOMMENDED BOOKS

- 6) Kornai, Janos. 1992. *The Socialist System: The Political Economy of Communism*. Princeton, NJ: Princeton University Press.
- 7) McCloskey, Deirdre. 1999. *Economical Writing*. Second Edition. Long Grove, IL: Waveland Press, Inc.
- 8) Acemoglu, Daron and Robinson, James. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York, NY: Crown Business.

GRADE COMPOSITION

1. Class participation 30%
2. Research paper proposal 15% (Due by noon EST on Friday, March 8)
3. Research paper presentation 15% (Starting Monday, April 15)
4. Final research paper 40% (Due by 11:59 p.m. EST on Wednesday, May 8)

GRADE REQUIREMENTS

1. **Class participation** grades will be based on oral answers to questions distributed several days before class. All questions will cover material from the required readings. I will call on one student at random to answer each question. If that student is unable to answer the question, then other students may volunteer an answer. The purpose of class participation is to motivate discussion and attendance. While there may be no single “correct” answer for many questions, points will be given based on the following criteria:

2 points: Student answers the question clearly and succinctly, demonstrates a grasp of the reading material, and makes a sincere effort to participate.

1 point: Student makes an effort to answer the question, but does not demonstrate a grasp of the material.

0 points: Student does not answer the question, fails to show they have read the material, or is absent from class.

Final participation grades will be the sum of daily participation points divided by all possible points. For each student, I will drop the two lowest scores.

2. **Research paper proposals** are due by noon EST on Friday, March 8. The proposal should be approximately one page and should contain a clear research question, a research plan for answering that question, and potential sources.
3. **Research paper presentations** will take place during the final two class sessions. Presentations should be no longer than 5-7 minutes. Students will be evaluated on the quality, clarity, and precision of their presentation. Details to follow later in the term.

4. **Final research papers** may be on any topic related to economies in transition. Students are encouraged to apply the concepts discussed in class to a research question or program of their choice. The expected length is 1500 – 2000 words, including text and notes, double spaced with one inch margins. The paper should look and read like an academic journal article and include an abstract, references, and a word count. The paper must be submitted electronically by 11:59 p.m. EST on Wednesday, May 8. No extensions will be granted. The originality and quality of the research are most important, but attention will also be given to composition, grammar, and style. Details to follow later in the term.

GRADING SCALE

A+	98+	B+	88-89	C+	78-79	D+	68-69		
A	93-97	B	83-87	C	73-77	D	63-67	F	<60
A-	90-92	B-	80-82	C-	70-72	D-	60-62		

ACADEMIC INTEGRITY

GMU is an Honor Code university; please see the University Catalog for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt (of any kind) please ask for guidance and clarification.

ENROLLMENT

Students are responsible for verifying their enrollment in this class. Schedule adjustments should be made by the deadlines published in the Schedule of Classes (see <http://registrar.gmu.edu>).

Last Day to Add Classes:	January 29, 2013
Last Day to Drop (No tuition penalty):	January 29, 2013
Last Day to Drop (33% tuition penalty):	February 12, 2013
Last Day to Drop (67% tuition penalty):	February 22, 2013

After February 22, 2013, withdrawing from this class requires the approval of the dean and is only allowed for non-academic reasons. Undergraduate students may choose to exercise a selective withdrawal. See the Schedule of Classes for selective withdrawal procedures.

GMU EMAIL ACCOUNTS

Students must use their Mason email accounts—either the existing "MEMO" system or a new "MASONLIVE" account—to receive important University information, including messages related to this class. See <http://masonlive.gmu.edu> for more information.

OFFICE OF DISABILITY SERVICES

If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 993-2474. All academic accommodations must be arranged through the ODS. <http://ods.gmu.edu>

OTHER USEFUL CAMPUS RESOURCES

WRITING CENTER: A114 Robinson Hall; (703) 993-1200; <http://writingcenter.gmu.edu>

UNIVERSITY LIBRARIES: "Ask a Librarian"; <http://library.gmu.edu/mudge/IM/IMRef.html>

COUNSELING AND PSYCHOLOGICAL SERVICES (CAPS): (703) 993-2380;
<http://caps.gmu.edu>

COURSE OUTLINE

Unit	Topic	Reading/Viewing
1	Introduction	Syllabus
2	Economic Freedom	Economic Freedom of the World Index, www.freetheworld.org .
3	Why prices matter	Friedrich Hayek, 1945, "The Use of Knowledge in Society," <i>The American Economic Review</i> 35:4, 519-530, http://www.econlib.org/library/Essays/hykKnw1.html .
4	The Battle of Ideas	The Commanding Heights, "Part I: The Battle of Ideas," http://www.pbs.org/wgbh/commandingheights/ .
5	Central planning vs competition	Friedrich A. Hayek, 2007, <i>The Road to Serfdom: Text and Documents -- The Definitive Edition</i> .
6	Government behavior	Janos Kornai, 1986, "The Soft Budget Constraint," <i>KYKLOS</i> 39:1, 3-30.
7	Why institutions matter	Hernando De Soto, 2003, <i>The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else</i> .
8	China	Ronald Coase and Ning Wang, 2012, <i>How China Became Capitalist</i> .
9	The Agony of Reform	The Commanding Heights, "Part II: The Agony of Reform."
10	The Eastern Bloc and the USSR	Åslund, Anders, 2007, <i>How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia</i> .
11	China, part 2	Yasheng Huang, 2008, <i>Capitalism with Chinese Characteristics: Entrepreneurship and the State</i> .
12	The New Rules of the Game	The Commanding Heights, "Part III: The New Rules of the Game."
13	Miscellaneous Topics	Various academic articles
14	Research Presentations	