

UNITED STATES NAVAL ACADEMY ECONOMICS DEPARTMENT

COURSE SYLLABUS

COURSE NUMBER: FE 486R **SUMMER 2001**
COURSE TITLE: ECONOMIES IN TRANSITION: THE RUSSIAN
ECONOMY
INSTRUCTORS: Prof J. Eric Fredland,
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Office: Nimitz 70. Hours by appointment
TERM DATES: 25 Jun 2001 - 20 July 2001
MEETING TIMES: 0800 to 1500
SITE: Nimitz #36 (25-29 June; 16-20 July)
People's Friendship University of Russia (PFUR),
Moscow (30-June – 15 July)

I. COURSE DESCRIPTION: This course examines the economics of the transition from a non-market, Communist/socialist, economy to a market, capitalist, economy being made by Russia. Both macroeconomic and microeconomic issues will be discussed. The first part of the course, presented at USNA, will provide background on Transition Economics in general and on Russia and the Russian transition experience. The second two weeks of the course will be presented, in English, by Russian economists at PFUR in Moscow. These classes will provide a detailed examination of the transition process in Russia. Trips to industrial/financial sites will be included. The final week of the course, at USNA, will involve post-mortem discussion of what was learned in Russia, and work on term papers.

II. COURSE REQUIREMENTS: Read the assignments carefully prior to class meetings. You should become familiar with the essentials of Transition Economics and with the Russian Economy prior to departure from the United States. You will get much more out of your classes in Russia, and will also be much better representatives of the Academy, if you are diligent during the first week of the course. There will be a 50 minute examination on Friday, 29 June. While in Russia you must keep a daily journal, making notes of your observations related to the economy and the daily lives of citizens. You should also take notes during class presentations in Russia. You will submit your journal for a grade at the end of the

course. After your return from Russia, there will be a 50 minute examination on Tuesday, 16 July. A term paper is due by COB Friday 20 July. The length of the final product should be approximately 10 typed-written pages, double-spaced, using one-inch margins and 12-pitch font. Furthermore, it must have a title page, table of contents page and bibliography. From the start of the course, you should be thinking about a suitable topic. We will distribute a list of suggested topics for those who do not wish to come up with a topic on their own. You will, of course, be responsible for everything covered. If you have questions, do not hesitate to come see either of us for EI. Professor Fredland is the economics “expert,” but it is Lt Traore who really knows Russia and the Russian economy. She has “been there, done that,” having lived in Tcherkassy, Ukraine in 1988 and in Moscow, Russia from 1989 to 1994. Come to class prepared. Be on time. Conduct yourself in a professional manner. The final course grade will be determined using the following measurements:

Examinations:	25%	
Travel Journal:	25%	
Paper:		50%
Total:	100%	

III. COURSE OUTLINE AND READING

1. Introduction

Features of a Communist/Socialist economy

Bradley Schiller, Ch 37, “The New Capitalist Revolutions: Russia, China, Cuba,” The Economy Today, 8th ed. (New York: McGraw Hill) 2000, pp. 746-761

Why did Socialist economies collapse?

Oliver Blanchard, Ch 26 “Transition in Eastern Europe,” Macroeconomics 1st ed. (Upper Saddle River, NJ: Prentice-Hall) 1997, pp. 531-534 only

2. Transition to Market Economies - Strategy, Progress, and Lessons Learned

Transition strategy - the key elements of transition

“Transition Economies: An IMF Perspective on Progress and Prospects,” International Monetary Fund Issues Brief, November 3, 2000. www.imf.org

Stanley Fischer and Ratna Sahay, “Taking Stock,” Finance and Development, September, 2000 www.imf.org

Why has output declined during transition?

Richard Layard, "Why So Much Pain? An Overview," in Peter Boone, Stanislaw Gomulka, Richard Layard, eds. Emerging from Communism, ((Cambridge MA: MIT Press) 1998 pp. 1-5 only

"Big Bang" vs. gradualism in privatization

Janos Kornai, "Making the Transition to Private Ownership" Finance and Development, September, 2000, www.imf.org

Macroeconomic issues

Michael Kaser, "Escape Routes from Post-soviet Inflation and Recession," Finance and Development, June, 1999, www.imf.org

3. The Russian Case

Some Facts

U.S. Department of Commerce, International Trade Administration, "Russia: Fact Sheet," May 2001, www.ita.doc.gov

U.S. Department of Commerce, International Trade Administration, "BISNIS Commercial Overview - Russia, Part I - Economic Profile" May 2001, www.ita.doc.gov

Some pessimistic views

Jeffrey Taylor, "Russia is Finished" The Atlantic Monthly, May 2001 p 35 - 52

Marshall Goldman, "Reprivatizing Russia," Challenge, May-June, 2000, pp. 28-43

Some optimistic views

Daniel Treisman, "Blaming Russia First," Foreign Affairs, November/December 2000, p. 146-155

Andre Nesterenko, "The Modernization Challenge Facing President Putin" Finance and Development, September, 2000, www.imf.org

Padma Desai, "Interview with Yegor Gaidar" Challenge, May-June, 2000, pp 5-27

Supplementary Reading

The following are a few useful additional readings. These are all fairly readable for undergraduates. They include good background readings for a variety of term papers.

Journal of Economic Perspectives, Volume 5, Number 4, Fall 1991

This issue contains a symposium on economic transition in the Soviet Union and Eastern Europe. There are 11 papers on various aspects of the reform process (for example, a paper on agriculture; a paper on credit markets; a paper on why limited reform - such as was tried in the Soviet Union in the 1980's - didn't work very well) There are also seven papers on specific countries - but none on Russia.

Journal of Economic Perspectives, Volume 10, Number 2, Spring 1996

This issue contains a symposium entitled "Transition from Socialism." There are four papers assessing progress to that point.

Finance and Development, various issues

This is the quarterly magazine of the IMF, from which a number of articles are assigned in this course. Issues with multiple papers on transition economies include September 2000, June 1999 and September 1998, but other issues contain articles as well.

Joseph Stiglitz, "Quis Custodiet Ipsos Custodes" Challenge, November-December 1999, pp. 26-67

A somewhat pessimistic view of the transition process to this point by one of America's foremost economists. Excellent discussion of the importance and difficulty of restructuring to provide adequate corporate governance. Well worth reading. Long bibliography.

IV. CLASS MEETING AND EXAMINATION SCHEDULE: During the first week, class will meet in N36. A medical brief is scheduled for Tuesday, 26 June at 1400. A trip to the Russian Embassy is scheduled for Wednesday, 27 June 2001. We will leave USNA at 0930 and be back NLT 1630. First examination will be on Friday, 29 June. On 30 June we leave USNA at 1830 for Dulles Airport where we will fly to Moscow via Paris on Air France. The next two weeks class will meet Monday through Friday from 0900 to 1600 at the People's Friendship University of Russia (PFUR) in Moscow. During the last week, class will again meet in N-36. Second examination will be administered on Tuesday 16 July.

V. ACADEMIC HONESTY: You are permitted and encouraged to collaborate on homework assignments. However, you must be the originator of all required work unless told otherwise.