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**Spring semester 2008 (February 20<sup>th</sup> - June 4<sup>th</sup>)**

**Class: Wednesday, 10:15-12:00 (B6)**

**Office hours: Wednesday, 12:15-13:15 (B27)**

**Teaching assistant: Wojciech Przychodzeń [wojciechp@tiger.edu.pl](mailto:wojciechp@tiger.edu.pl)**

## **CLASS 2008**

### **Globalization, Transformation and Development**

(Syllabus)

#### **I. Overview of topics**

The class on Globalization, Transformation and Development will focus on the economic aspects of the post-socialist transition to a market economy and democracy as well as on the implications of ongoing globalization for the evolution of post-socialist political, social and economic system. Special attention will be given to these processes in the Central European countries, however they will be considered within the framework of comparative analysis with the experiences of the republics of the former Soviet Union and China. The lecture will deal with both, the theoretical aspects of the post-socialist developments as well as the practical experience of policymaking in these countries.

In the course of history only certain countries were able to grow fast and this happened mainly during the last two centuries. Economic growth and development implies the change, and not always the ruling elites were ready to support the changes necessary for growth to take-off. The changes were possible only when many conditions were met at the same time: technological progress, political leadership and strong institutions. Under certain circumstances there was neither significant economic growth, nor social development and at the beginning of the 21<sup>st</sup> century majority of countries still remain underdeveloped or less advanced. What are the prospects for their further growth and what are the strategies that might lead to sustainable development?

Globalization seems to be the most important feature of the contemporary economy. It changes the manner in which particular regions are participating in the world economic game. Information and technology, capital and money, goods and services, and still growing masses of people flow between the countries more freely and vigorously than ever. Actually, the significance of borders in the contemporary world is declining and the market for capital, as well as goods and certain services, is becoming strongly integrated into a single global market.

However, globalization – including free trade and capital transfers – is causing several problems too. The issues of the growing inequality and the pace of growth of underdeveloped

economies (lagging behind more advanced industrial countries recently even more than two or three decades ago) are of great importance. This is also a main factor contributing to growing anti-globalization sentiments and movements. What should be the response of the policies – and the way of their coordination on transnational scale – to the new challenges brought in by globalization? What is the role of international organizations with this regard? What can and should the NGOs do to this end?

The newcomers into this global game are the emerging markets of the postsocialist countries in East Central Europe, the former Soviet Union and Asia. They consist of a large region from Central Europe to South Eastern Asia, which encompasses vast resources and altogether almost 500 million people. Additionally, in China the process of economic reforms has gained momentum and this large economy – with another 1.3 billion people – is more and more involved in the globalization endeavour, especially since China has joined the World Trade Organization and is contributing to the world GDP already close to 15 percent. In the future, if transition is managed in a reasonable way, one can expect these regions to become the fastest growing parts of the world economy, as China has been already for last two and half decade. Such chance creates a set of specific challenges for the policymakers.

The postsocialist transition is a historical event leading from a centrally planned system to an open market economy. Simultaneously the process of democratization takes place. The ongoing political, social, cultural and economic changes are of paramount importance not only for the countries directly engaged in these complex transformations, but for their partners worldwide as well.

Economic transition is a gradual process, consisting of liberalization and stabilization, institution building and microeconomic restructuring. It takes time and is costly, both in financial and social terms. However, the time span necessary for successful market transformation can be limited and the costs can be mitigated, if only transition strategies are designed properly, as it has happened during certain periods of time in Poland, however not only.

The all of the postsocialist countries are already on the path of durable growth and sustainable development. Not yet all of the transitional countries have been able to overcome the pre-1989 level of production and consumption. Majority of them has been involved, for several years, in the great transitional depression. What political and economic forces are behind severe contraction and failures in some countries and what are the political institutions, economic policies and business strategies behind the successful developments elsewhere? Why the Polish economy was growing so fast in 1994-97 and then was brought almost to stagnation in 2001 and the first half of 2002, being able to take off again only since the second half of 2002 and in 2003? And why the economy has slowed down again after 2004? What is due to indispensable business cycle fluctuations and what is the outcome of executed policies?

The crucial question deals with the compatibility of democratization and marketization. Do they facilitate each other, or are these two processes involved in some contradictions? Is the emerging democracy enhancing the emerging market, or is it making this process even more difficult? Hence, does democratization help the shift towards recovery and growth? What is the political economy of this relationship and what have we learned already in the last 20 years since the Polish Round Table and the fall of the Berlin Wall?

The fundamental questions that will be addressed during the course are:

- what works and why and what fails and why in transition and development policies (as these are two different policies that must be coordinated) in the post-socialist countries?
- what are the political implications of the economic results of transition thus far?
- what are the prospects for the first decades of the 2000s?
- what policies are the means to the ends to move from stabilization to growth?
- how to sustain high rate of growth after transitional contraction?
- how to catch-up with advanced economies in the long run during the 21<sup>st</sup> century?
- how to take advantage of the process of globalization to raise the rate of growth of transition economies?
- what are the implications of the integration with the European Union for the East Central European economies?

## II. Essential readings

1. Fukuyama, Francis (2004). "State-Building. Governance and World Order in the 21<sup>st</sup> Century", Cornell University Press, Ithaca, New York.
2. Kolodko, Grzegorz W. (2000a). "From Shock to Therapy. The Political Economy of Postsocialist Transformation", Oxford-New York: Oxford University Press.
3. Kolodko, Grzegorz W. (2000b). "Post-Communist Transition. The Thorny Road", Rochester, NY, and Woodbridge, Suffolk, UK: University of Rochester Press.
4. Kolodko, Grzegorz W. (2002). „Globalization and Catching-up in Transition Economies”, Rochester, NY, and Woodbridge, Suffolk, UK: University of Rochester Press.
5. Kolodko, Grzegorz W. (2003a). "Globalization and Catching-up in Emerging Market Economies", chapter 1, pp. 3-46, in: Kolodko (2003a) (ed.), "Emerging Market Economies. Globalization and Development", Aldershot, UK – Burlington, VT, Ashgate. See also: "Globalization and Catching-up in Emerging Market Economies", WIDER Discussion Paper, WDP No. 2002/51 (May)  
[www.tiger.edu.pl/english/kolodko/working.htm](http://www.tiger.edu.pl/english/kolodko/working.htm)  
or  
[www.wider.unu.edu/publications/publications.htm](http://www.wider.unu.edu/publications/publications.htm)
6. Kolodko, Grzegorz W. (2003b). "Structural Reform and Economic Growth in 2002-03"  
[www.tiger.edu.pl/english/aktualnosci/report\\_en.pdf](http://www.tiger.edu.pl/english/aktualnosci/report_en.pdf)
7. Kolodko, Grzegorz W. (2005), "Institutions, Policies and Growth", chapter 1, pp. 3-26, in: Kolodko (2005) (ed.), "The Polish Miracle. Lessons for the Emerging Markets", Aldershot, UK – Burlington, VT, Ashgate. See also:  
[www.tiger.edu.pl/kolodko/artykuly/RPE.V\\_VI\\_2004.pdf](http://www.tiger.edu.pl/kolodko/artykuly/RPE.V_VI_2004.pdf)
8. Kornai, Janos (2002). "The Role of the State in a Post-Socialist Economy", Distinguished Lectures Series, No. 6, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw  
[www.tiger.edu.pl/publikacje/dist/kornai.pdf](http://www.tiger.edu.pl/publikacje/dist/kornai.pdf)

9. Lin, Justin Yifu (2005). "Lessons of China's Transition from a Planned Economy to a Market Economy", Distinguished Lectures Series, No. 16, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw  
[www.tiger.edu.pl/aktualnosci/lin-15.12.2004.pdf](http://www.tiger.edu.pl/aktualnosci/lin-15.12.2004.pdf)
10. Alexander Nekipelov (2004). „Public Preferences and their Role in Shaping Russian Economic Development”, Distinguished Lectures Series, No. 15, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw  
[www.tiger.edu.pl/english/publikacje/dist.htm](http://www.tiger.edu.pl/english/publikacje/dist.htm)
11. North, Douglass C. (2002). "Understanding Economic Change and Economic Growth", Distinguished Lectures Series, No. 7, Leon Kozminski Academy of Entrepreneurship and Management, Warsaw  
[www.tiger.edu.pl/publikacje/dist/north.pdf](http://www.tiger.edu.pl/publikacje/dist/north.pdf)
12. Stiglitz, Joseph E. (1998). "More Instruments and Broader Goals: Moving towards the Post-Washington Consensus", WIDER Annual Lectures, 2, Helsinki: UNU/WIDER (January)  
[www.wider.unu.edu/publications/publications.htm](http://www.wider.unu.edu/publications/publications.htm)
13. Stiglitz, Joseph E. (2002). "Globalization and Its Discontents", New York and London: W. W. Norton & Company, chapter 5, "Who Lost Russia?", pp. 133-65.

### III. Optional readings

1. Blanchard, Olivier (1997). "The Economics of Post-Communist Transition", New York: Oxford University Press.
2. EBRD (2005). "Transition report 2005. Business in Transition", London: European Bank for Reconstruction and Development.
3. Fan Gang (2003). „The Dual-Transformation of China: Past 20 Years and 50 Years Ahead”, in: Kolodko (2003a), "Emerging Market Economies. Globalization and Development", chapter 7, pp. 169-185.
4. Robert A. Mundell (2002). "The International Financial Architecture. The Euro Zone And Its Enlargement in Eastern Europe", Distinguished Lectures Series, No. 1, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw  
[www.tiger.edu.pl/publikacje/dist/mundell.pdf](http://www.tiger.edu.pl/publikacje/dist/mundell.pdf)
5. World Bank (2002). „Globalization, Growth and Poverty: Building an Inclusive World Economy”, the World Bank, Oxford University Press, Washington DC  
[http://econ.worldbank.org/prr/structured\\_doc.php?sp=2477&st=&sd=2857](http://econ.worldbank.org/prr/structured_doc.php?sp=2477&st=&sd=2857)

### IV. Requirements

1. Research paper of about 2,000 words due on May 28<sup>th</sup>, 2008.
2. Active class participation.

## V. Issues, schedule and readings

1. **Overview of the course** (February 20<sup>th</sup>)
2. **The fall of centrally planned economy and its implications for the postsocialist transformation** (February 27<sup>th</sup>)  
Kolodko (2000a). "From Shock to Therapy...", chapters 1 and 2, pp. 9-66, and chapter 3.3, pp. 80-84.
3. **Globalization and postsocialist transformation. The feedback** (March 5<sup>th</sup>)  
Kolodko (2001). „Globalization and Transformation. Illusions and Reality”, TIGER Working Paper Series, No. 1 (January)  
[www.tiger.edu.pl/kolodko/working/Globalization%20and%20Transformation.%20Illusions%20and%20Reality.pdf](http://www.tiger.edu.pl/kolodko/working/Globalization%20and%20Transformation.%20Illusions%20and%20Reality.pdf)  
Kolodko (2002). „Globalization and Catching-up in Transition Economies”, Rochester, NY, and Woodbridge, Suffolk, UK: University of Rochester Press, chapter 1 and 2, pp. 1-6.
4. **The economics of post-socialist transformation** (March 12<sup>th</sup>)  
Kolodko (2000a). "From Shock to Therapy...", chapter 4, pp. 85-118, and chapters 6, 7 and 8, pp. 143-91.
5. **The Washington consensus and the role of international organizations** (March 19<sup>th</sup>)  
Kolodko (2000a). "From Shock to Therapy...", chapter 5, pp. 119-40, and chapter 12, pp. 270-317.  
Stiglitz (1998). "More Instruments and Broader Goals: Moving towards the Post-Washington Consensus", WIDER Annual Lectures, 2, Helsinki: UNU/WIDER (January).  
[www.wider.unu.edu/publications/publications.htm](http://www.wider.unu.edu/publications/publications.htm)
6. **Savings, capital formation and foreign direct investments in transition economies** (April 2<sup>nd</sup>)  
Kolodko (2000b). "Post-Communist Transition...", chapter 4, pp. 123-53  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=183496](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=183496)
7. **The role of institution-building in post-socialist change** (April 9<sup>th</sup>)  
North (2002). "Understanding Economic Change and Economic Growth", Distinguished Lectures Series, No. 7, Leon Kozminski Academy of Entrepreneurship and Management, Warsaw  
[www.tiger.edu.pl/publikacje/dist/north.pdf](http://www.tiger.edu.pl/publikacje/dist/north.pdf)  
Kolodko, Grzegorz W. (2005), "Institutions, Policies and Growth", chapter 1, pp. 3-26, in: Kolodko (2005) (ed.), "The Polish Miracle. Lessons for the Emerging Markets". See also:  
[www.tiger.edu.pl/english/kolodko/artykuly.htm#in\\_english](http://www.tiger.edu.pl/english/kolodko/artykuly.htm#in_english)
8. **The new role of state and the size of government** (April 16<sup>th</sup>)  
Kolodko (2000a). "From Shock to Therapy...", chapter 10 and 11, pp. 229-69.

Kolodko (2002a). „Globalization and Catching-up in Transition Economies”, Rochester, NY, and Woodbridge, Suffolk, UK: University of Rochester Press, chapters 6 and 7, pp. 31-50.

Kornai (2002). “The Role of the State in a Post-Socialist Economy”, Distinguished Lectures Series, No. 6, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw

[www.tiger.edu.pl/publikacje/dist/kornai.pdf](http://www.tiger.edu.pl/publikacje/dist/kornai.pdf)

Fukuyama (2004). “State-Building. Governance and World Order in the 21<sup>st</sup> Century”.

**9. The dilemma of efficiency *versus* equity and the issue of social exclusion in post-socialist societies** (April 23<sup>rd</sup>)

Kolodko (2000a). “From Shock to Therapy...”, chapter 9, pp. 192-225

Kolodko (2000b). “Post-Communist Transition. The Thorny Road”, chapter 3, pp. 87-121

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=183495](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=183495)

**10. Regionalism *versus* globalization and the European Union enlargement** (April 30<sup>th</sup>)

Nuti (2001). “Not ‘just another accession’”, Distinguished Lectures Series, No. 3, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw

[www.tiger.edu.pl/publikacje/dist/nuti.pdf](http://www.tiger.edu.pl/publikacje/dist/nuti.pdf)

**11. The Russia’s market transition and its implications** (May 7<sup>th</sup>)

Kolodko (2000a). “From Shock to Therapy...”, chapter 3.2, pp. 74-80.

Stiglitz (2002). “Globalization and Its Discontents”, New York and London: W. W. Norton & Company, chapter 5, pp. 133-65.

Nekipelov (2005). „Public Preferences and their Role in Shaping Russian Economic Development”, Distinguished Lectures Series, No. 15, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw

[www.tiger.edu.pl/english/publikacje/dist.htm](http://www.tiger.edu.pl/english/publikacje/dist.htm)

**12. The political economy of China’s way to a market economy** (May 14<sup>th</sup>)

Kolodko (2000a). “From Shock to Therapy...”, chapter 3.1, pp. 69-74.

Lin, Justin Yifu (2005). “Lessons of China’s Transition from a Planned Economy to a Market Economy”, Distinguished Lectures Series, No. 16, Leon Kozminski Academy of Entrepreneurship and Management (WSPiZ), Warsaw

[www.tiger.edu.pl/aktualnosci/lin-15.12.2004.pdf](http://www.tiger.edu.pl/aktualnosci/lin-15.12.2004.pdf)

**13. The Polish transformation and integration into the global economy** (May 21<sup>st</sup>)

Kolodko and Nuti (2000b), “The Polish Alternative: Old Myths, Hard Facts, and New Strategies in the Successful Transformation of the Polish Economy”, in Kolodko (2000b), “Post-Communist Transition. The Thorny Road”, chapter 1, pp. 5-56

[www.tiger.edu.pl/kolodko/working/wider/WIDER\\_1997.pdf](http://www.tiger.edu.pl/kolodko/working/wider/WIDER_1997.pdf)

or [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=170889](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=170889)

Kolodko (2003b). “Structural Reform and Economic Growth in 2002-03”

[www.tiger.edu.pl/english/aktualnosci/report\\_en.pdf](http://www.tiger.edu.pl/english/aktualnosci/report_en.pdf)

- 14. Globalization and catching-up in transition economies (May 28<sup>th</sup>)**  
Kolodko (2000a). “From Shock to Therapy...”, chapters 13 and 14, pp. 321-55.  
Kolodko (2003a). “Globalization and Catching-up in Emerging Market Economies”, chapter 1, pp. 3-46, in: Kolodko (2003a) (ed.), “Emerging Market Economies. Globalization and Development”.
- 15. Summary and conclusions from the debate (June 4<sup>th</sup>)**