

## CEE Economic Growth and Development

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### OUTLINE OF THE COURSE:

For years, the countries of Central and Eastern Europe are among the fastest growing economies in the world. At the same time the growth paths of CEE economies are very diverse: While some are on growth equilibrium, the others seem to be in the process of transition and development. These phenomena open a series of questions: Why are some countries poor while others are rich? What are the main driving forces and determining factors behind economic growth? What is the role of political and economic institutions in the development process? How can international and foreign aid foster growth and development? These questions are of central interest to policy makers, international organizations and other interested parties as well as academics.

The course 'CEE Economic Growth and Development' is designed to address the above-mentioned questions in view of the theory and empirics of Economic Growth. The course consists of two parts. The course offers an overview of the facts of growth and presents the main theories that try to account for them. Special attention is given to understanding the central role of institutions in this process. Throughout, the course puts emphasis on explaining how well said theories are able to account for the growth experience of CEE countries.

**Prerequisites:** This course is mainly geared towards students with an economics background. We will base our analyses on simple mathematical models, so familiarity with algebra and calculus is strongly recommended. Students without any economics background are advised to consult the professor before enrolling. More precisely, prospective students need to have passed the following courses (or at least have the knowledge at the given level):

Intro coursework in Calculus (AP Calculus is accepted)

**GRADING POLICY:**

Final examination	40%
Midterm exam	30%
Quizzes and class participation	10%
Two home assignments	20%

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

#### **UPCES Academic Integrity Policy**

Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

#### **UPCES Non-Discrimination/Harassment Policy**

The UPCES program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristic, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

#### **UPCES Diversity Policy**

UPCES fully embraces diversity and strives to create a safe and welcoming environment for students from all backgrounds. Prague is a wonderfully diverse community and UPCES is no different. All students should feel at home while studying abroad and UPCES will do its utmost to make sure that becomes a reality. Although unique challenges may arise, we believe that students from all walks of life will encounter wonderful opportunities for enrichment as they explore a new culture while studying abroad.

**REQUIRED READING:**

Weil, D.N. (2012). *Economic Growth*. 3<sup>rd</sup> edition. Boston: Pearson - Addison Wesley.

**RECOMMENDED READING:**

Acemoglu, D., S. Johnson, & J. Robinson. (2005). Institutions as the fundamental cause of long-run growth. Chapter 6 in P. Aghion & S.N. Durlauf (Eds.) *Handbook of Economic Growth*.

Awokuse, T.O. (2007). Causality between exports, imports, and economic growth: Evidence from transition economies. *Economics Letters*, 94, 389–395.

Estrin, S., J. Hanousek, E. Kocenda, & J. Svejnar. (2009). The effects of privatization and ownership in transition economies. *Journal of Economic Literature*, 47, 699-728.

Campos, N.F., & F. Coricelli, (2002). Growth in transition: What we know, what we don't, what we should. *Journal of Economic Literature*, 40, 793–836.

Lamo, A. & J. Messina. (2010). Formal education, mismatch & wages after transition: Assessing the impact of unobserved heterogeneity using matching estimators. *ECB WP Series 1215*, 1-39.

Roland, G. (2010). *The Long-Run Weight of Communism or the Weight of Long-Run History*. UNU-WIDER WP 2010/83.

Guiso, L., P. Sapienza, & L. Zingales. (2003). People's opium? Religion and economic attitudes. *Journal of Monetary Economics*, 50, 225–282.

European Bank for Reconstruction and Development. (2008). *Transition Report 2008: Growth in Transition*. London: EBRD.

International Monetary Fund. (2010). *Europe: Building Confidence*. Regional Economic Outlook.

*Note:* The list is subject to changes. There will be class notifications and links for any additional reading will be posted on the website.

**Topics:**

UPCES Orientation Lecture Series	
CEE, Growth, Development, Measures (Ch1&2)	Ch. 1&2
Growth Theories, Solow Model	
Factor Accumulation, Physical Capital and Transition	Ch. 3
Population, Human Capital and Overeducation	Ch. 4&6
Productivity and Efficiency	Ch. 7&8
Technology, Innovation and Imitation	Ch. 9&10
Fundamentals: Geography, History, Culture and Religion	Ch. 12
Fundamentals: Geography, History, Culture and Religion	Ch. 14&15
Globalization, Foreign Investments, Remittances, and Trade	Ch. 11
Sustainable Development and Future Prospects	Ch. 16
<i>Final Exam</i>	

*Note:* There may be some guest lectures.

**SUGGESTED READING:**

Mitra, S., et al. (2007). *The Caucasian Tiger: Sustaining Economic Growth in Armenia*. Washington, D.C.: The World Bank.

Glaeser, E.L., R. La Porta, F. Lopez-de-Silanes, & A. Shliefer. (2004). Do institutions cause growth. *Journal of Economic Growth*, 9, 271-303.

Jones, C.I. (2002). *Introduction to Economic Growth*. 2<sup>nd</sup> edition. New York: Norton & Co.

Aghion, P., & P. Howitt. (1999). *The Economics of Growth*, Cambridge: MIT Press.

Sabirianova Peter, K., J. Svejnar, & K. Terrell. (2009). Distance to the Efficiency Frontier and Foreign Direct Investment and Spillovers. In J. Kornai, L. Matyas, & G. Roland (Eds.). *Corruption, Development, and Institutional Design*. London: Palgrave Macmillan.

Thießen, U. (2007). *The Impact of Fiscal Policy on Economic Growth: Analyses and Options for Transition Countries*. Baden-Baden: Nomos.

Easterly, W. (2003). Can foreign aid buy growth? *Journal of Economic Perspectives*, 17(3), 23-48.

- Pritchett, L. (2000). Understanding patterns of economic growth: Searching for hills among plateaus, mountains and plains. *World Bank Economic Review*, 14(2), 221–250.
- Garmel, K., L. Maliar, & S. Maliar (2008). EU eastern enlargement and foreign investment: Implications from a neoclassical growth model. *Journal of Comparative Economics*, 36, 307-325.
- Gray, C., T. Lane, & A. Varoudakis. (Eds.) (2007). *Fiscal Policy & Economic Growth: Lessons for Eastern Europe and Central Asia*. Washington, D.C.: The World Bank.
- European Bank for Reconstruction and Development. (2006). *Institutions, Markets and Economic Performance: What Drives Growth in the Transition Countries?* London: EBRD.
- European Bank for Reconstruction and Development. (2006). Japan Research Program Papers. Available at: <http://www.ebrd.com/country/sector/econo/jrp.htm>
- Bloom, D.E., D. Canning, & J. Sevilla. (2003). Geography and poverty traps. *Journal of Economic Growth*, 8, 355-378.
- Spagat, M. (2006). Human capital and the future of transition economies. *Journal of Comparative Economics*, 34, 44–56.
- Rodrik, D., A. Subramanian, & F. Trebbi. (2004). Institutions rule: The primacy of institutions over geography and integration in economic development. *Journal of Economic Development*, 9, 131-165.
- Sachs, J.D. (2003). Institutions Don't Rule: Direct Effects of Geography on per Capita Income. NBER WP9490.
- Chousa, J.P., H.A. Khan, D. Melikyan, & A. Tamazian. (2005). Assessing institutional efficiency, growth and integration. *Emerging Markets Review*, 6, 69– 84.
- Barro, R.J., & R.M. McCleary. (2003). Religion and Economic Growth across Countries. *American Sociological Review*, 68, 760-781.
- Cartinescu, N., M. Leon-Ledesma, M. Piracha. (2009). Remittances, institutions, and economic growth. *World Development*, 37(1), 81–92.
- Rodriguez, F., & J.D. Sachs. (1999). Why do resource-abundant economies grow more slowly? *Journal of Economic Growth*, 4, 277-303.
- Eicher, T.S., & T. Schreiber. (2010). Structural policies and growth: Time series evidence from a natural experiment. *Journal of Development Economics*, 91, 169-179.
- Beck, T., & L. Laeven. (2006). Institution building and growth in transition economies. *Journal of Economic Growth*, 11, 157-186.
- Tiusanen, T., & A. Karhu. (2009). *Twenty Years of Post-Communist Transition in Europe*. Lappeenranta University of Technology NDRC Publication 56.