

Undergraduate Program in Central European Studies

CERGE-EI and the School of Humanities at Charles University



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CEE Economic Growth and Development

Easter Term 2013

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Course page: <http://home.cerge-ei.cz/gurgen/teaching/Growth.html>

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 first part overviews 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. The second part analyses the role of foreign aid and discusses the role of international organizations, such as the World Bank and the IMF. Throughout, the course puts emphasis on the growth experience across the new EU and former Soviet and Yugoslav countries.

Prerequisites: This course mainly addresses to students with an economics background. Students without any economic background are advised to consult professors before enrolling.

GRADING POLICY:

Total grade will depend on:

Final examination	40 per cent
Mid-term examination	30 per cent
Participation	30 per cent
- class activity	10 per cent
- paper	20 per cent
(drafting, presenting, final version)	

REQUIRED READINGS:

- Weil, D.N. (2012). *Economic Growth*. 3rd edition. Boston: Pearson - Addison Wesley.
- 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.
- Guisoa, L., P. Sapienzad, & 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.

Topic	Weil	Auxiliary topic
CEE, Growth, Development, Measures (Ch1&2)	Ch. 1&2	CEE Polit. Geography
Growth Theories, Solow		CEE Linguistics
Solow Model		CEE Religion
Factor Accumulation, Physical Capital and Transition	Ch. 3	
Population, Human Capital and Overeducation	Ch. 4&6	
Productivity and Efficiency	Ch. 7&8	
<i>Midterm</i>		
<i>Easter Break</i>		
Technology, Innovation and Imitation	Ch. 9&10	CEE History: The Empires
Fundamentals: Geography, History, Culture and Religion	Ch. 12	CEE History: The World Wars
Fundamentals: Geography, History, Culture and Religion	Ch. 14&15	CEE History: After Communism
Globalisation, Foreign Investments, Remittances, and Trade	Ch. 11	
Sustainable Development and Future Prospects	Ch. 16	
<i>Final Exam</i>		

Note: There may be some other guest lectures and study visits.

RECOMMENDED READINGS:

- 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*. 2nd 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.