

IR 281: Business and Politics in Eastern and Central Europe

Monday and Wednesday, 12:30-1:45PM

Instructor: Olesya Tkacheva

Office Hours: Monday, 2:00-3:00PM and by appointment

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Course description: This course examines patterns of state-economy interaction in Russian and Eastern Europe under three different regimes: the socialist system, the transition period, and the new global order. Although the geographic scope is limited to Eastern Europe, the course lays out the foundations for analyzing politico-economic challenges brought about by rapid economic and political transformation in other regions as well. We will study how economic actors impacted the formation of political institutions in Eastern Europe and then will illustrate how these institutions have structured the relationships between the state and business groups.

Evaluation:

- Mid-term exam (March 3, 2010): 25%
- Final exam (May 4, 2010 @ 8:30AM): 30%
- A case-study paper and in-class presentation: 25%
Students will be required to write and present a case-study paper (8-10 pages double-spaced). Suggested paper topics are listed in the syllabi below. The paper is due 24 hours before the corresponding lecture and must be posted on the Blackboard.
- Motivated Questions and Attendance: 20%
Students are expected to attend all classes. Missing more than two weeks of classes without a documented and valid reason will result in the failure to receive the grade. Students must write 10 discussion questions about assigned readings of their choice. Discussion questions are due at least 5 hours before the class and must be posted on the Blackboard.

A student cannot receive a grade for the course unless he/she completes all writing assignments.

Recommended Book(s):

Andreas Wenger, Jeronim Perovic, and Robert Orttung, *Russian Business Power: The Role of Russian Business in Foreign and Security Relations* (London & New York: Routledge, 2006).

All other readings are available through the Blackboard under "Course Materials."

Week 1: January 13: Introduction

No readings assigned

January 18: No class (Martin Luther King, Jr. Day)

Part I: Building Blocks

Week 2 (January 20): Classifying Business-Government Relations in Europe and Beyond

Peter Hall and David Soskice, "An Introduction to Varieties of Capitalism." In Hall and Soskice, eds. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, 2001, pp. 1–68.

Andreas Nolke and Arjan Vliggenthart, "Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe" *World Politics* 61 (4): 670-702.

Robert Orttung, Washington, "Business-State Relations in Russia," *Russian Analytical Digest* (August 2006): 2-5.

Week 3 (January 25-27): States and Markets

Hendrik Spruyt, *The Sovereign State and Its Competitors* (Princeton, NJ: Princeton University Press, 1994), Chapters 1, 2, and 8.

Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York, NY: Basic Books, 2001), Chapter 1.

Anna Grzymala-Busse and Pauline Jones Luong, "Reconceptualizing the State: Lessons from Post-Communism," *Politics & Society* 30:4 (December 2002), pp. 529-554.

Douglas A. Yates, "The Theory of the Rentier State," in *Rentier State in Africa: Oil Rent Dependency and Neocolonialism in the Republic of Gabon* (Trenton NJ: Africa World Press, 1996).

Part II: State-Economy Relations under the Socialist System

Week 4 (February 1-3): Incumbent Incentive Structure under the Socialist System

Marie Lavigne, *The Economics of Transition: From Socialist Economy to Market Economy* (New York, NY: St. Martin's Press, Inc., 1995c), Chapters 1-3.

Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York, NY: Basic Books, 2001), Chapters 7 & 8.

Paul R. Gregory, *The Political Economy of the Stalinism* (New York, NY: Cambridge University Press, 2004), Chapters 1, 3, 6, and 11.

Suggested: Andrei Markevich and Ekaterina Zhuravskaya, "Career Concerns in a Political Hierarchy: A Case of Regional Leaders in Soviet Russia," Working Paper 2009 at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1514333.

Week 5 (February 8-10): State-Economy Relations under the Socialist System

Janos Kornai, *The Socialist System: The Political Economy of Communism* (Princeton, NJ: Princeton University Press, 1992), Chapters 15 & 16.

Kari T. Liuhto, "The Transformation of the Soviet Enterprise and Its Management: A Literature Review," ESRC Centre for Business Research, University of Cambridge Working Paper No. 146, available at <<http://www.cbr.cam.ac.uk/pdf/WP146.pdf>>, pp. 1-26.

Ellen T. Comisso, *Workers' Control Under Plan and Market: Implications of Yugoslav Self-Management* (New Haven: Yale University Press, 1979), Chapter 1.

Suggested: Joseph S. Berlinger, *Factory and Manager in the USSR* (Cambridge: Harvard University Press, 1957).

Part III: Political Economy of Transition

Week 6 (February 15-17): Challenges of Transition

Jan Svejnar, "Transition Economies: Performance and Challenges." *Journal of Economic Perspectives* 16:1 (Winter 2002), pp. 3-28.

Joel Hellman, "Winners Take All: The Politics of Partial Reform in Post-Communist Transitions," *World Politics* 50:2 (January 1998), pp. 203-234.

Gerald Roland, "Synthesizing Lessons from Transition," in *Transition and Economics: Politics, Markets, and Firms* (Cambridge, MA: The MIT Press, 2002).

Irina Denisova, Markus Eller, Timothy Frye, and Ekaterina Zhuravskaya, "Who Wants to Revise Privatization? The Complementarity of Market Skills and Institutions," *American Political Science Review* 103:2 (May 2009), pp. 284-304.

Suggested Topic for Student Presentation: Evaluating the Success of Reforms

Week 7 (February 22-24): Rebuilding the State in Eastern Europe

Ann Grzymala-Busse, *Rebuilding Leviathan: Party Competition and State Exploitation in Post-Communist Democracies* (Cambridge: Cambridge University Press, 2007), Chapters 1 & 3.

Kathryn Stoner-Weiss, *Resisting the State: Reform and Retrenchment in Post-Soviet Russia* (New York: Cambridge University Press, 2006), Chapters 1, 3 & 5.

Lucan A. Way, "Authoritarian State-Building and the Source of Regime Competitiveness in the Fourth Wave," *World Politics* 57:2 (January 2005), pp. 231-61.

Suggested: Timothy Frye, *Brokers and Bureaucrats: Building Market Institutions in Russia* (Ann Arbor: University of Michigan Press 2000).

Week 8 (March 1-3): Feeding the Post-Communist State

Thane Gustafson, *Capitalism Russian-Style* (Cambridge, MA: Cambridge University Press: c 1999), Chapter 9.

Gerald M. Easter, "Politics of Revenue Extraction in Post-Communist States: Poland and Russia Compared," *Politics & Society* 30:4 (December 2002), pp. 599-627.

Pauline Jones Luong and Erika Weinthal, "Contra Coercion: Russian Tax Reform, Exogenous Shocks and Negotiated Institutional Change," *American Political Science Review* 98:1 (February 2004), pp. 139-152.

Scott Gehlbach, *Representation Through Taxation: Revenue, Politics, and Development in Post-Communist States* (Cambridge MA: Cambridge University Press, 2008), Chapters 1, 2 & 5.

Suggested Topic for Student Presentation: "Tax System Reforms in Eastern Europe"

Suggested:

Hilary Appel, "Politics and the Flat Tax in Post-Communist Europe," Paper Presented at the APSA meeting, September 2009.

Mikhail Pryadilnikov, Citizens (and Tax Inspectors) Against the State: Tracking Changes in Attitudes towards Tax Compliance in Russia, 2001-2008," Paper Presented at the APSA meeting, September 2009.

Marc P. Berenson, "Does Political Culture Matter? Deciphering the Whys of Ukrainian Tax Compliance in Relation to Poland and Russia," Paper Presented at the APSA meeting, September 2009.

March 3: Midterm Exam (in-class)

March 8-10: No Classes (Spring Break)

Weeks 9-10 (March 17-25): Protecting Property Rights and Enforcing the Rule of Law

Timothy Frye, "Original Sin, Good Works, and Property Rights in Russia," *World Politics* 58:4 (July 2006): 479-504.

Kathryn Hendley, "Business Litigation in the Transition: A Portrait of Debt Collection in Russia." *Law and Society Review* 38:4 (2004):305-347.

A.Lambert, K.Sonin, and E. Zhuravskaya, "Are Russian Commercial Courts Biased? Evidence from a Bankruptcy Law Transplant," *Journal of Comparative Economics* 35:2 (2007): 254-277.
Timothy Frye and Ekaterina Zhuravskaya, "Rackets, Regulation, and the Rule of Law," *Journal of Law, Economics, and Organization* 16:2 (2000): 478-502.

Suggested Topic for Student Presentation: “A Case Study of the Yukos Affair”

Suggested: Timothy Frye, “Credible Commitment and Property Rights: Evidence from Russia,” *American Political Science Review* 98:3 (August 2004): 453-66.

Week 11 (March 29-31): Post-Communist Corruption and Informal Practices

Daniel Treisman. 2007. “What Have We Learned About the Causes of Corruption from Ten Years of Cross-National Empirical Research?” *Annual Review of Political Science* 10 (June 2007): 211-244.

Alena V. Ledeneva, *How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics And Business* (Ithaca, NY: Cornell University Press, 2006), Chapters 1 & 8.

Dmitry Gorenburg, “The Role of Corruption in Russian Politics: Editor's Introduction,” *Russian Politics and Law* 47:4 (July-August 2009): 3-7.

Svetlana Barsukova, “Corruption Academic Debates and Russian Reality,” *Russian Politics and Law* 47:4 (July-August 2009): 8-27.

Vadim Volkov, “Violent Entrepreneurship in Post-Communist Russia” *Europe-Asia Studies* 51:5 (1999): 741–754.

Suggested Topic for Student Presentation: “Fighting Corruption in Eastern Europe: What Works and What does not?”

Suggested: Boris Begovic, “Corruption in Serbia: Causes and Remedies,” William Davidson Institute Policy Brief # 27 (2005), at http://www.wdi.umich.edu/files/Publications/PolicyBriefs/2005/Begovic_Boris_27w.pdf.

Part III: Business-Government Interaction in Post-Transition Period

Week 12: (April 5-7): Business Political Activism

Philip Hanson & Elizabeth Teague, “Big Business and the State in Russia,” *Europe-Asia Studies* 57:5 (2005): 657 – 680.

Andrey Yakovlev, “The Evolution of Business-State Interaction in Russia: From State Capture to Business Capture,” *Europe-Asia Studies* 58:7 (2006):1033-1056.

William Pyle, “Collective Action and Post-Communist Enterprise: The Economic Logic of Russia’s Business Associations,” *Europe-Asia Studies* 58 (2006): 491-521.

Sergei Guriev and Andrei Rachinsky, "The Role of Oligarchs in Russian Capitalism," *Journal of Economic Perspectives* 19:1 (2005): 131-150.

Week 13 (April 12-14): Shaping Political Processes

Stanislav Markus, "Capitalists of All Russia, Unite! Business Mobilization Under Debilitated Dirigisme," *Polity* 39:3 (2007):277-304.

Scott Gehlbach, Konstantin Sonin, Ekatherina Zhyravskaya, "Business Candidates," *American Journal of Political Science, Forthcoming*

John A. Gould and Yaroslav Hetman, "Market Democracy Unleashed? Business Elites and the Crisis of Competitive Authoritarianism in Ukraine," *Business and Politics* 10:2 (2008): 1-33.

Kathryn Stoner-Weiss, *Local Heroes: The Political Economy of Russian Regional Governance* (Princeton NJ: Princeton University Press, 1997), Chapters 1, 4, & 6.

Dmitry Zimin, "The Role of Russian Big Business in Local Development," *Eurasian Geography and Economics* 48:3 (2007): 358-376.

I. Slinko, E. Yakovlev, and E. Zhuravskaya, "Laws for Sale: Evidence from Russia," *American Law and Economics Review* 7:1 (2004): 283-318.

Suggested:

M.V. Kurbatova, C.N. Levin, and N.F. Aparina, "Business-Government Interaction at the Municipal Level: Practices in Kemerovskaya Oblast," (in Russian), *Ekonomicheskaya Sotsiologiya* 6 (2): 50-68, available at http://ecsoc.hse.ru/data/562/588/1234/ecsoc_t6_n2.pdf.

Week 14 (April 19-21): Energy Policy and Big Business

William Zimmerman, "Russian National Interests, Use of Blood, Treasures, and Energy Price Assessments Compared, 2008-2009," *Post-Soviet Affairs* 25:3 (2009):185-209.

Robert Orttung, "The Role of Business in Russian Foreign and Security Relations," in Wenger, Perovic, Orttung, eds., *Russian Business Power: The Role of Russian Business in Foreign and Security Relations* (New York: Routledge, 2006).

Andreas Wenger, Jeronim Perovic, and Robert W. Orttung, eds., *Russian Business Power: The Role of Business in Foreign and Security Relations* (New York: Routledge, 2006), one of the Chapters 3-7.

Oksan Bayulgen, "Foreign Investment, Oil Curse, and Democratization: A Comparison of Azerbaijan and Russia," *Business and Politics* 7: 1 (2005):

Suggested: Gordon Hughes, "The Energy Sector and Problems of Energy Policy in Eastern Europe," *Oxford Review of Economic Policy* 7:2 (1999): 77-98.

Mert Bilgin, "Geopolitics of European natural Gas Demand: Supplies from Russia, Caspian and the Middle East," *Policy Studies* 37:11 (2009): 4482-92.

Suggested Topic for Student Presentation: Gazprom and Russia-Ukraine Gas Dispute

Week 15 (April 26-28): International Actors in Domestic Politics

Nathan Jensen, "The Multinational Corporation Empowers the Nation-State," *Perspectives on Politics* 3: 3 (September 2005), pp. 548-551.

Daniel Triesman and Hongbin Cai, "Does Competition for Capital Discipline Governments? Decentralization, Globalization, and Public Policy," *American Economic Review* 95:3 (June 2005): 817-830.

L. McCann, "Globalisation and post-socialist development: The Tatarstan Variety of Capitalism," *Post-Communist Economies* 16:3 (September 2004): 349-362.

May 4: Final Exam @ 8:30AM