Semester | Spring 2015  
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Class code | ECON-UB 9271 – 001  
  
Instructor Details | Vilém Semerák, Ph.D.  
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+420 608 152261  
NYU professor’s office in Malé náměstí 2; Thursdays after class or on appointment  
  
Class Details | OWNERSHIP AND CORPORATE CONTROL IN ADVANCED AND TRANSITION ECONOMIES  
Thursdays 17:10 – 18:30, 18:40-20:00  
Location: Kupka classroom  
  
Prerequisites | ECON-UB 1, ECON-UA 10 or ECON-UA 11, Intermediate Microeconomics or Microeconomics (Theory). or equivalent.  
  
Class Description | The subject of the course is to analyze implications of two of the most profound changes to take place in the history of the world and European economies for company environment and efficiency – i.e. implication of (i) the rapid and fundamental change from centrally planned economies to market economies followed by (ii) the integration of those economies into the European Union market and economic space.  

The first part of the course focuses on the concepts of ownership, corporate control, as well as general issues relevant for the relationship between ownership, control, motivation, and performance. In the second part of the course, we will therefore analyze the functioning of centrally planned economies (and of their modern versions: state capitalism).  

The third part will focus on the transition (reform) process, including price and external trade liberalization, exchange rate policy reform and the introduction of currency convertibility, the reform of fiscal and tax frameworks as well as the process of privatization (including its different methods applied in different Central and Eastern European countries (CEE) and consequent corporate restructuring, including the reintroduction of financial markets. Especially the issue of privatization, development of new ownership forms and their effects on efficiency (and financial stability) will be analyzed in detail.  

The final part deals with the current issues (results of the whole process) and with implications of the effects of European integration.  

Desired Outcomes | - Understanding of the shortcomings of traditional microeconomic model of behaviour of firms, especially of the multitude of possible objective functions and interactions between managers and stakeholders.  
- Understanding of the macro and microeconomic causes of failures of centrally-planned economies.  
- Explaining and understanding of the complexity of the economic reforms in CEE; underlining how deep and comprehensive process it has been;  
- Explaining and understanding the lasting effects of the socialist period on their international position and competitiveness of the countries and on managerial structures and preferences.  
- Understand interaction between regulatory changes, privatization, and the structure of financial markets.  
- Understand the causes and effects of corruption in transition economies.  
- Explaining and understanding the effects of EU accession at micro level (companies) and
Failure to submit or fulfil any required course component results in failure of the class.

**Assessment Expectations**

**Grade A:** Exceptional level of accurate, clear and analytical work (both written and oral)

**Grade B:** Very good level of work (both written and oral) but falling short of the highest level

**Grade C:** Satisfactory and sufficiently accurate written and oral work.

**Grade D:** Adequate level of written work but weak as far as own analysis is concerned.

**Grade F:** Muddled, poorly presented written and oral analytical work.

**Grade conversion**

A=94-100  
A-=90-93  
B+=87-89  
B=84-86  
B-=80-83  
C+=77-79  
C=74-76  
C-=70-73  
D+=67-69  
D=65-66  
F= below 65

**Attendance Policy**

Absences only for medical reasons and for religious observance will be excused. To obtain an excused absence, you are obliged to supply either a doctor’s note or corroboration of your illness by a member of the housing staff (either an RA or a Building Manager). To be excused for religious observance, you must contact the instructor and the Associate Director via e-mail one week in advance of the holiday. Your absence is excused for the holiday only and does not include days of travel associated with the holiday. Unexcused absences will be penalized with a two percent deduction from your final course grade for every week of classes missed.
Late Submission of Work

All the duties specified in the assessment components have to be fulfilled until the last class in the semester (mid-term test within the scheduled time). Any other later terms are not accepted.

Plagiarism Policy

According to the Liberal Studies Program Student Handbook, plagiarism is defined as follows:

Plagiarism is presenting someone else’s work as though it were one’s own. More specifically plagiarism is to present as one’s own a sequence of words quoted without quotation marks from another writer, a paraphrased passage from another writer’s work; facts or ideas gathered, organized and reported by someone else, orally and/or in writing. Since plagiarism is a matter of fact, not of the student’s intention, it is crucial that acknowledgment of the sources be accurate and complete. Even where there is no conscious intention to deceive, the failure to make appropriate acknowledgment constitutes plagiarism.

The College of Arts and Science’s Academic Handbook defines plagiarism similarly and also specifies the following:

“Presenting an oral report drawn without attribution from other sources (oral or written), writing a paragraph which, despite being in different words, expresses someone else’s idea without a reference to the source of the idea, or submitting essentially the same paper in two different courses (unless both teachers have given their permission in advance).

Receiving help on a take-home examination or quiz is also cheating – and so is giving that help – unless expressly permitted by the teacher (as in collaborative projects). While all this looks like a lot to remember, all you need to do is give credit where it is due, take credit only for original ideas, and ask your teacher or advisor when in doubt.”

“Penalties for plagiarism range from failure for a paper, failure for the course or dismissal from the university.” (Liberal Studies Program Student Handbook)

Required Text(s)

Main literature:


Recommended literature:


Additional sources:

OECD: Corporate Governance Factbook, February 2014


A special website with additional links to literature and data will be available: http://nyu.jingjixue.net/

A Chinese magazine Caixin provides lots of interesting information on Chinese economy, it often attempts to be as open as the situation allows: http://english.caixin.com/ It may serve both as a source of insight on Chinese economy as well as the source of inspiration for case studies/papers and further research.
CERGE-EI library contains one of the best collections of literature on transition in Europe. It is not far from the NYU location, students are encouraged to use this source extensively when working on their own papers.

Transition report of the EBRD: http://tr.ebrd.com/
The Vienna Institute for International Economic Studies: http://www.wiiw.ac.at/
OECD website on corporate governance: http://www.oecd.org/corporate/

Links to other relevant institutions and sources of information are provided on the course website.

As usual, students are encouraged to search for alternative and independent sources of data and inspiration online, but they are also advised to apply a standard critical approach and verify the claims an information they want to use in their own work.

**Introduction to the course:** definition and description of the main content and targets of the course
- Why and how can companies behave differently in different systems/countries?
- Basic information on Czech economy and neighboring countries, and on changes in economic organization in Central and Eastern Europe during 20th century

**Assignment #1:** governance and ownership models (assigned)

**Session 2**
Thursday, Feb 12

**Ownership and control: general view.**
- Corporate governance, corporate control: definitions, measurements, basic principles, typical models
- Environment, individual preferences and international differences.
- Introduction into relevant economic theory: principal agent model

**Assignment #1:** governance and ownership models (assigned)

**Reading:**
- E. Hilt (2008): When did Ownership Separate from Control? Corporate Governance in the Early Nineteenth Century (interesting as historical introduction, includes U.S. evidence)
- Chapter “Corporate Governance Framework” (p. 13-27) from the OECD Corporate Governance Factbook (2014)

**Session 3**
Thursday, Feb 19

**Economics of control, ownership, and performance** - companies, managers, owners, stakeholders
- Principal-agent interaction: additional details
- Empirical analysis of effects of differences in ownership & control: overview of problems

**Reading:** Mueller (2006): Corporate Governance and Economic Performance

**Assignment #1:** due
<table>
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<th>Session 4</th>
<th>Non-market systems: theoretical background, experiments, identified problems</th>
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| Thursday, Feb 26 | **Reading:**  

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<th>Session 5</th>
<th>Central planning: methods, implementation issues, overview of effects on R&amp;D, motivation, efficiency. Special part: input-output methodology</th>
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| Thursday, March 5 | **Reading:** Aslund (2002), chapter 1  
**Assignment #2:** Own experiments with the use of input-output methods for economic analysis |

| Session 6 | Banking and international transactions under central planning  
Labor markets and motivation |
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| Thursday, March 12 | **Reading:** TBA  
**Assignment #2:** due |

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<th>Session 7</th>
<th>Companies and managers under central planning. Economics of soft budget constraints.</th>
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| Thursday, March 19 | **Reading:** Kornai, Maskin, Roland (2003): Understanding the soft budget constraints.  
**Assignment #2:** due |

| Session 8 | Midterm exam (first part of the session).  
The special case of Yugoslavian market socialism: self-managed firms?  
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| Session 9 | Transition Strategies: Components and Policy Choices. Washington Consensus  
Policy choices in early transition (and analysis of their motivation). Liberalization and deregulation. |
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<td>Thursday, April 2</td>
<td><strong>Reading:</strong> Aslund (2013) – chapter 2 &amp; 4</td>
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| Spring Break | April 6-10 |

| Session 10 | Macroeconomic development during early transition: implication for companies and households  
- Transformation recessions (causes, a simple theoretical model of disorganization)  
- Special case of the GDR  
**Reading:**  
- Aslund (2013), chapter 3 & 5 |
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<td>Thursday, April 16</td>
<td><strong>Topic for the final paper due!</strong></td>
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| Session 11 | Privatization: methods, desired outcomes and real effects.  
Case study on effects of Czech voucher privatization. |
Thursday, April 23

Reading:
- Aslund (2002), chapter 6
- E. Kocenda, J. Hanousek (2012): State ownership and control in the Czech Republic
- G. Chen et al. (2009): Does the type of ownership control matter?

Evidence from China’s listed companies

Assignment #3: Methods of privatization in CEE countries

Session 12
Thursday, April 30

Case study: Ponzi funds and Albania
Debate: banking in current China: reformed or not?

Reading:
- C. Jarvis (2000): The Rise and Fall of Albania’s Pyramid Schemes

Assignment #3 due

Session 13
Thursday, May 7


Reading:
- Aslund (2013): chapters 9 & 10

Session 14
Thursday, May 14 (last day of classes)

International effort, EU integration and changes in regulatory environment in Central & Eastern Europe.

Presentations of the papers (second part of the session).

Reading:
- Aslund (2013): chapter 11
- Foo & Witkowska (2011): The Role of Corporate Governance in Transition Countries

Session 15
Thursday, May 21

Final exam (sample exams will be provided).

Papers due on the date of the exam.

Classroom Etiquette

The use of electronics for taking notes, checking up on relevant facts etc. is encouraged. However, the use of electronic devices should be related only to the course and it should not disturb others.
Visit of the Czech National Bank (and of their small museum on the monetary and economic history of the region) is recommended.

A company visit may be organized (not guaranteed yet).