



Group 17

# **ECONOMIC POLICY SUMMER SCHOOL**

Belgrade, July 6-25, 1998



## OBJECTIVES

One of the main G-17 activities is dissemination of the economic knowledge and influence on the public to become aware that without an adequate solution to the economic problems in the Federal Republic of Yugoslavia there will be neither any progress in other areas, nor efficient integration into



*Mladan Dinkic and Veselin Vukotic:  
Coordinators of the Group 17*

international community. For the last ten years the economic issues have been completely marginalized by politicians, since they have incorporated irrational and populist topics into their programs and activities. Not only that economic issues have not had any role in the voters' behavior, but the economic knowledge has stagnated or even regressed. Paradoxically, all that happened in time when the real GDP decreased for more than a half, while the actual unemployment rate increased over 50%. Lack of adequate economic education has opened the door to populism which falsely promises immediate and painless solutions.

To promote the economic knowledge and the idea of a modern market economy, particularly among the young generation, Group 17 has decided to start up the Summer School of economics. Similar private schools have emerged in East-European countries in transition and accomplished excellent results. Our intention is to establish Economic Policy Summer School which could later be transformed into private economic school and/or Institute. We wish to gather the most talented and most capable young people interested in economics and contribute to their training for future creative work at the University, in the state adminis-



tration (local, republican and federal government, Central bank, various state agencies, etc.), as well as in different private and public financial institutions and companies. In order to achieve high rating and prestige among the local public in a relatively short term, the Economic Policy Summer School will work respecting strict professional criteria, in accordance with international standards, by engaging eminent local and foreign lecturers.

## ORGANIZATION

The School will focus on applied economics and economic policy issues in the process of transition to a market economy. Distinguished local and foreign lecturers will enable us to combine the economic theory and experiences in resolving the concrete economic problems.

*Teaching methods.* The School will combine lectures and seminars, as we think that ex cathedra lecturers only are insufficient, since they do not encourage attendants to actively participate and seldom offer proper answers to all questions. Seminars (discussions) will be an important part of the School, providing direct communication between participants and lecturers. On the other hand, we bear in mind that the School cannot exclusively be based on seminars either, as it could easily slip into talking sessions, without necessary theoretical back up. Therefore, our objective is to combine these two forms of educational process: lectures and discussions through seminars. Additional thematic debates could be organized in separate terms, should the participants express their interest.



*Participants and entrance tests.* The Summer School is designed for young people, up to 35 years of age. The School is open to:

- A/ Young teaching assistants from faculties of social sciences in the FR of Yugoslavia;
- B/ Young specialists from the state administration, financial institutions and companies in private and public sector;
- C/ Graduate and post-graduate students (MA and Ph.D.) from faculties of social sciences;
- D/ Final-year advanced students from faculties of social sciences, expected to graduate till July, 1998.

The School will enroll 30 participants. It will therefore remain relatively small, providing direct contacts of both participants and lecturers. All candidates have to possess an appropriate knowledge in economics and social sciences. They will have to pass 3 entrance tests: 1) economics; 2) general knowledge in culture (including history, geography and political sciences); 3) English language.

The final list of participants will be made upon an interview with those who successfully pass the entrance test, conducted by the School expert team. At the same time candidates will have an intelligence test, which will not influence the final selection and will not be publicly announced, but will serve for internal use only.

*Duration and Venue:* 3 weeks in July 1998 (6th -25th), in the hotel "Belgrade-Intercontinental" Le Club Hall, which will be fully equipped for that occasion with a video/





data projector, overhead projector, sound system, air-conditioning, etc. Lectures will be held Monday through Friday, 7 hours daily, between 9:30-19:00, with a lunch break between 12:30-15:00 and two coffee breaks (in the morning and in the afternoon).



On Saturdays we plan excursions for participants and lecturers (one to Vojvodina province, the other to Sumadija region).

Participants will have two exams at the end: the first one will be a general test, lasting for two hours and comprising all topics. The final exam will be held on July 25. In addition, each participant has to choose one theme and write a short essay (8-10 pages), upon consultations with one of the lecturers, within the quota of maximum 6 essays per one topic. All essays are to be submitted not later than one month after completing the classes. Participants will get two grades: for the final exam and for the essay. The grades will be included into diplomas awarded upon completion of the Summer School. Stating the theme of essay and the name of tutor, the diplomas will be signed by all lecturers.

**Working languages:** Serbian and English, since we have engaged lecturers from Yugoslavia and abroad. The English test is an integral part of the entrance test.

**Topics.** For the first Summer School we plan lectures covering 6 economic areas related to economic policy conducted in the FR of Yugoslavia, while the 7th topic will be: Public Speaking and Presentation Skills.



## ECONOMIC TOPICS:

1. Macroeconomic Policy;
2. Economics and Politics: Public Choice Approach;
3. Privatization and Entrepreneurship in Transition Economies;
4. International Trade and Foreign Investments;
5. Reform of the Banking System;
6. Agricultural Policy and Finances.

## SKILLS:

7. Public Speaking and Presentation Skills.

Economic topics have the total of 90 hours. The approximate relation of lectures and discussions for every subject will be 1.5:1. The timetable is enclosed.

## TIME-TABLE

TOPIC / DAY	J U L Y																
	6	7	8	9	10	13	14	15	16	17	20	21	22	23	24	25	TOTAL
Macroeconomic Policy					3	3	3	3	2	2	2					F	18
Economic and Politics: Public Choice Approach	3	3	3	3												I	12
Privatization and Entrepreneurship in Transition Economies									3	3	4	2	2	2	4	A	20
International Trade and Foreign Investments												4	4	4		L	12
Reform of the Banking System	3	3	3	3	3											E	15
Agricultural Policy and Finances						3	3	3	2	2						X	13
Public Speaking and Presentation Skills	1	1	1	1	1	1	1	1			1	1	1	1	2	A	14



**Fellowships.** The School will charge no tuition. Participants will sign the contracts on fellowships with the School administration, which will bound them to attend the lectures. They will also be provided with the necessary literature for each topic. In addition they will have the Group-17 library fund at their disposal, as well as the possibility to photocopy up to 1.000 pages free of charge. Fellowships for participants from out of Belgrade include the costs of their food and accommodation (with the exception of the category /B/, who will pay for themselves). All participants are entitled to lunch in the hotel "Belgrade-Intercontinental".



**Accommodation.** Foreign lecturers and participants from out of Belgrade will be accommodated in single and double rooms of the hotel



"Belgrade-Intercontinental", on the full-board basis. The Hotel holds De Lux category and it is famous for the perfect service and hospitality. Situated on the left bank of Sava river, it is 5





minutes drive from downtown and 15 minutes drive from airport.

Rooms are furnished to satisfy the highest international standards and provide a maximum comfort to the guests. All rooms are equipped with direct telephone lines, satellite TV, radio, mini bar and air-conditioning system. Room service is available 24 hours, including dry-cleaning and ironing services. The Hotel has two daily restaurants famous for both local and international cuisine and the excellent wine-list. There are also a piano bar and a night restaurant. The Hotel's amenities include one open and 3 covered tennis courts, 2 squash courts, a gym, solarium, sauna, massage parlor and the best swimming-pool in Belgrade.





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*Topic 1*

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**MACROECONOMIC POLICY****Duration:**

6 days (18 hours)

**Principal lecturers:**

*Dusan Vujovic*, The World Bank, USA  
*Miroljub Labus*, Group 17, Faculty of Law,  
Belgrade

**Visiting lecturer:**

*Mladan Dinkic*, Coordinator of the Group 17,  
Faculty of Economics, Belgrade

**COURSE DESCRIPTION**

The objective of the segment is to introduce participants to the standard macroeconomic analysis and policy formulation for short-run stabilization and medium-run economic growth. The segment first introduces the basic macroeconomic accounting, analytical and modeling framework for the analysis and design of macroeconomic policies (days 1-3). Building on these tools and concepts pertaining to the real, fiscal, monetary and the external sector, issues of short- to medium-term macroeconomic adjustment and stabilization programs are addressed in days 4 and 5. Finally, an overview of short and long run growth issues is provided during the final day of the segment including a review of the new growth theory (on endogenous growth models) and empirical results of the worldwide process of economic growth.

Special attention is paid to the policy and institutional requirements of transition economies. Lectures will be supplemented with examples from transition economies and demonstrations of computer-based applied macroeconomic models. A real country case of Yugoslavia will be used extensively throughout the segment both to: (a) enhance the realism of the lectures and analyses presented in the course; and (b) to induce participants to base their policy papers on applied empirical analysis.



## MACROECONOMIC FRAMEWORK: Real, Fiscal, External and Monetary Accounts

### I. National Income and Product Accounts

1. Basic concepts - SNA and MPS methods of compilation
  - 1993 System of National Accounts
  - Key macroeconomic aggregates (GDP, GNI and GNDI)
  - Nominal and real aggregates
  - Basic accounting relationships
    - Problems of measurement
    - Price indices and price developments
2. Issues in transition economies
  - Yugoslavia: National Accounts for 1996; Social Accounts for 1997

### II. Fiscal Accounting and Analysis

1. Measurement of government operations
2. The Government Finance Statistics (GFS) framework
  - Classifying revenues and expenditures
  - Conventional fiscal deficit
3. Fiscal analysis
  - Measures of fiscal imbalance
  - Financing the deficit
    - Sustainability of fiscal deficit
  - Analysis of revenues
    - Elasticities and buoyancies
  - Analysis of expenditures

4. Fiscal sector issues in transition economies
  - Fiscal structure
  - Developments in tax and expenditure policy
  - Yugoslavia: General Government Consolidated Accounts for 1996 and 1997

### III. Balance of Payments Accounting

1. Conceptual framework: Fifth edition of the BOP Manual
  - Compilation and analytical breakdown
2. Analysis of the external position
  - Notions of balance
  - Analyzing the current account (trade balance, services, income, transfers)
  - Capital and financial account and foreign debt
  - Foreign debt stock and debt service
  - Indicators of external debt
  - Sustainability of external debt
  - Foreign direct investment
    - Capital flows
  - Reserves and financing
    - Gross and net reserve assets
    - Reserve adequacy
    - Exceptional financing
3. BOP developments and the exchange rate policy
  - External issues in transition economies
  - Yugoslavia: Aggregated BOP data for 1996 and 1997



#### IV. Monetary Accounts and Analysis

1. Structure of the financial system
  - Monetary authorities' balance sheet
  - Deposit money banks
  - Monetary survey: consolidation of banking-system accounts
2. Monetary Analysis
  - Money market equilibrium
  - Concepts of multiplier and velocity
  - Responses to capital flows: sterilization
3. Special monetary issues in transition economies
  - Yugoslavia: Monetary Accounts for 1997
  - Consolidated Assets and Liabilities of Commercial Banks
  - Net Domestic Assets of the Central Bank
  - Monetary Survey for 1997

#### V. The Flow of Funds: Macroeconomic Interrelations

1. The Basic Identity among National Accounts
  - The savings-investment balance and the current account of the BOP
  - Financial and nonfinancial balances
  - Relations with the Balance of Payments
2. The flow of funds framework
  - Recording conventions
  - Schematic presentation of the flow of funds
  - Use of the flow of funds
3. Special issues in transition economies
4. Flow of Funds Presentation: Using „Macrolinks“

### OPEN ECONOMY MACROECONOMICS

#### I. Theoretical, institutional and empirical framework

1. International financial and monetary system
  - Collapse of the Breton Woods system
  - System of floating exchange rates
  - Macropolicy with floating exchange rates and limited capital mobility
  - International financial markets and macro policy coordination
  - Internationalization of capital markets
  - Conduct of fiscal and monetary policy with capital mobility
  - Monetary and currency unions

#### 2. Macroeconomic Adjustment and Structural Reform

- Macroeconomic objectives (stabilization, growth)
- Linkages between structural reforms and macroeconomic adjustment
- Structural reforms and macroeconomic adjustment in transition economies

#### II. Internal and External Balance

1. Basic Relationships in the open economy
  - National income and product accounts
  - Balance of Payments Accounts
  - Monetary Accounts



## 2. Internal and External Balance

- Analytical approaches to stabilization
- The concept of internal and external balance
- The model of internal and external balance
- Internal and external balance:
- Policy dilemmas
- Expenditure switching and expenditure reducing policies
- Policy coordination and policy assignment problem

**III. The IS-LM Model for Small Open Economies**

1. The IS curve and the goods market equilibrium in the open economy
  - Derivation of the open-economy IS curve
  - Slope and shifts of the open-economy IS Curve
2. The LM curve and the money market equilibrium in the open economy
  - Derivation of the open-economy LM Curve
  - Slope and shifts of the open-economy LM Curve
3. The BP curve and the balance of payments equilibrium in the open economy
  - Derivation of the BP curve
  - Slope of the BP curve and the degree of capital mobility
  - Shifts in BP curve and exchange rate adjustment
4. The IS-LM-BP Model

**III. Macroeconomic Policies in an Open Economy under Alternative Exchange-Rate Regimes and Varying Degrees of Capital Mobility**

1. Fixed exchange rate regime
  - Fiscal and monetary policy under low capital mobility
  - Fiscal and monetary policy under high capital mobility
  - Fiscal and monetary policy under perfect capital mobility
2. Flexible exchange rate regime
  - Fiscal and monetary policy under low capital mobility
  - Fiscal and monetary policy under high capital mobility
  - Fiscal and monetary policy under perfect capital mobility
3. Comparison of macroeconomic policies under fixed and flexible exchange-rate regimes

**SHORT-RUN MACROECONOMIC POLICY****I. Fiscal Policy in a small open economy**

1. The role of government in market economies
  - Alternative definitions of the fiscal deficit
  - Budget financing
  - Inflation tax
  - Fiscal sustainability



2. Revenue issues facing transition economies
  - Tax policy and tax reform issues
3. Expenditure issues facing transition economies
  - Social safety nets
  - Extrabudgetary expenditures
  - Quasi-fiscal operations
  - Restructuring of state enterprises
4. Fiscal policy: Simulations using IS-LM-BP models (under fixed and flexible exchange rate regimes)

## II. External Sector Policies

1. External adjustment
  - Exchange rates and national price levels
  - Exchange rates and interest rates
  - Exchange rates and the balance of payments
2. Foreign exchange markets
3. Exchange rate policy
  - Choice of exchange rate arrangements and regimes
  - Role of the exchange rate in adjustment programs
  - Effects of external capital flows
4. Trade policies
5. External debt policy
6. Yugoslavia: Empirical estimates of exchange rate models

7. External sector policy: Simulations with IS-LM-BP models (under fixed and flexible exchange rate regimes and varying degree of capital mobility)

## III. Monetary policy in a Small Open Economy: Case of Yugoslavia

1. Objectives of monetary policy
2. Analysis of money demand and supply
  - Demand for money function in Yugoslavia
  - Supply of money under different exchange-rate regimes in Yugoslavia
3. Currency substitution
4. Direct and indirect instruments of monetary policy
  - Use of market-oriented instruments for monetary policy
  - Special problems facing transition economies in implementing monetary policy
  - Yugoslavia: Evolution from direct to indirect instruments of monetary policy
5. Financial sector reforms
6. Monetary Policy: Simulations using IS-LM-BP models (under fixed and flexible exchange rate regimes)
7. Inflation: Causes and Consequences
  - Costs of inflation
  - Sources and dynamics of inflation



- Relationship between monetary growth and inflation
- Policy options to stabilize an economy experiencing high or moderate inflation
- Monetary versus exchange-rate based approaches to stabilization

## MACROECONOMIC STABILIZATION PROGRAMS

### I. An Overview of Stabilization Programs

1. Orthodox money-based stabilization programs
2. Exchange-rate-based stabilization programs
3. Heterodox multiple-anchor stabilization programs

### II. Inflation and Short-Run Dynamics

1. Alternative models of the inflationary process
  - Monetarist models
  - Structuralist models
2. Dynamics of monetary and exchange-rate rules
3. Analytics of disinflation programs

### III. Issues of Credibility in Stabilization Programs

1. Sources of credibility problems
  - Internal consistency
  - Time consistency
    - Policy sequencing
    - Policy coordination

- Reputation of the stabilization team
  - Professionalism
  - Rules vs. discretion
- Macro data availability and transparency
- Openness and commitment to international institutional and policy standards
- Domestic institutional commitment
- Independence of the Central Bank

### 2. Macroeconomic crisis and speculative attacks

- Macroeconomic and institutional fundamentals vs. transitory problems
- Models of internal and external speculative attacks

### IV. Issues in Designing and Implementing Stabilization Programs in Transition Economies

1. Underdeveloped institutional structure (financial markets and instruments)
2. Ineffectiveness of indirect monetary instruments
3. Unstable inflationary expectations and behavioral patterns
4. Significant variability and instability in the velocity of money circulation
5. Low level of monetization and widespread use of domestic money substitutes (significant dollarization and arrears)
6. Lack of credibility and poor reputation of stabilization teams



## V. Lessons from Hyperinflation Episodes and Stabilization Programs in Yugoslavia

1. Hyperinflation of 1989 and the heterodox stabilization of 1990
2. The real causes and consequences of the great hyperinflation of 1992/93
  - The grey issue of money
  - Organization of the foreign currency black market
  - Para-state banks (so-called pyramid schemes)
3. Stabilization programs in 1994/95
4. Comparisons with Latin American experiences with hyperinflation and stabilization programs

## ECONOMIC GROWTH AND STRUCTURAL REFORMS

### I. Models of Stabilization and Growth

1. The IMF financial programming model
  - Macroeconomic adjustment and growth: Policy objectives and trade-offs
  - Monetary approach to the BOP
  - Macroeconomic accounts: consistency framework
  - Forecasting the Principal Macroeconomic Sectors (real, fiscal, monetary and balance of payments)
    - Baseline Scenario

- Identification of adjustment issues
  - Choice of program objectives
- Design of Adjustment Programs
    - Time horizon
    - Adjustment versus financing
    - Fiscal policy content in an adjustment program
    - Monetary policy content and instruments in an adjustment program
    - External sector policy content in an adjustment program
    - Conditionality and Fund support for adjustment programs

### II. Models of Capital Accumulation and Growth

1. The worldwide phenomenon of economic growth
2. Determinants and sources of economic growth: Lessons from experience
  - Factors of economic growth
  - Sources of economic growth
3. Economic Growth: Theory and facts (I)
  - Models of economic growth
  - Capital accumulation and growth
  - The World Bank RMSM macroeconomic growth framework
  - Models with substitution: Solow model
  - Neoclassical growth model and beyond



- Accounting for technical progress: Exogenous growth models
- 4. Economic Growth: Theory and facts (II - the new growth theory)
  - Endogenizing technical progress
  - Rebelo's AK model: Eliminating diminishing returns to capital
  - Roemer's constant returns to capital model: Learning by doing
  - Other endogenous growth models:
    - Accumulation of human capital through education (Lucas);
    - Increasing returns due to specialization (Roemer)
    - Infrastructure (Barro)
- 5. Accounting for differences in economic growth: Overview of empirical studies
  - Macroeconomic stability and economic growth
  - Trade regime, exchange rates and economic growth
  - Reviving Economic Growth: through Trade promotion
  - Import substituting industrialization based growth (or import substitution-based growth)
  - Debt-based growth
  - Openness and outward orientation: export-led growth

## READINGS

1. Agenor, P.-R. and P.J. Montiel: „Development Macroeconomics”, Princeton Univ. Press, 1996.
2. Barro, R.J. and X. Sala-i-Martin, Economic Growth, McGraw Hill, 1995.
3. Caves, R.E., J.A. Frankel and Jones R.W.: „World Trade and Payments”, 6th edition, Harper Collins, 1993.
4. Dornbusch R. and F.L.C.H. Helmers: „The Open Economy: Tools for Policy Makers in Developing Countries”, EDI Series in Economic Development, The World Bank, Oxford University Press, 1988.
5. Mankiw N.G.: „Macroeconomics”, Second edition, Worth Publishers, 1994.
6. Ouanes A. and S. Thakur: „Macroeconomic Accounting and Analysis in Transition Economies”, IMF Institute, 1997.
7. Sachs J.D. and F.B. Larrain: Macroeconomics in the Global Economy, Prentice-Hall, Inc. 1993.
8. System of National Accounts, Eurostat, IMF, OECD, OUN, World Bank, 1993.



*Resource persons***DUSAN VUJOVIC***Date & place of birth*

July 22, 1951 – Pozarevac, Serbia, Yugoslavia

*Education**Post-doctoral*

1989 University of California, Berkeley, Economics

*Ph.D.*

1984 University of Belgrade, 1984, Economics

*M.Sc.*

1977 Graduate School of Economics, University of Belgrade, *Development Economics*

*B.A.*

1974 Faculty of Economics, University of Belgrade, Economics

*Current positions*

1992- Senior Economist, The World Bank, Washington D.C., Macroeconomic Policy and Management, Economic Development Institute (EDIMP)

*Main teaching and course management responsibilities:*

- Key responsibility for EDIMP's training program for trainers and government officials in economics,

macroeconomic policy and transition issues in Russia, Ukraine, Belarus, Moldova, Georgia, Armenia, Eastern and Central Europe;

- Director of introductory programs in market economics and financial analysis organized under the auspices of Joint Vienna Institute (JVI) featuring two cycles of 8-11 week courses a year in Moscow, Kiev, Tashkent and Prague;
  - Director of and Main Lecturer in two EDI's courses („Trade policy and International Trade Regimes” and „Managing Transition”) delivered as segments in the phase-two Comprehensive Course in applied market economics organized twice a year at the JVI in Vienna jointly by the IMF Institute, EDI of the World Bank, BIS, and OECD.
  - Director of EDI's specialized training programs for government officials in macroeconomic management and policy in Ukraine, the Russian Federation, Belarus, Moldova, and the Caucuses;
  - Director of EDI's specialized courses in Foreign Trade Policy and WTO Accession and Public Expenditure Analysis for the transition economies;
  - Principal EDI reviewer of the World Bank programs in Ukraine;
- 1992- Visiting Researcher, Department of Agricultural and Resource Economics, University of California, Berkeley
- 1997 Visiting Professor, Development Economics, International Development Studies, Eliot School of International Affairs, George Washington University



**Work experience**

- 1992-95 Visiting Professor, (Associate Professor 1990-92; Assistant Professor 1984-90; Teaching assistant 1975-79), Development Economics, Faculty of Economics, University of Belgrade
- 1990-92 Research Associate and Visiting Scholar, Department of Agricultural and Resource Economics, University of California, Berkeley
- 1985-92 Senior Economic Advisor and Director of the Yugoslav CGE Macromodeling Project, Institute for Statistics, Federal Statistical Office, Belgrade
- 1983-92 Consultant, World Bank, Washington D.C.  
Research Advisor, Economic Institute, Belgrade

**Selected publications****(forthcoming and recent books and research papers)**

- 1998 *Institutions, History and Policies in Transition: An Empirical Analysis of Transition Economies in Eastern and Central Europe and the Former Soviet Union*, (with I. Adelman), Manchester: Edward Elgar (forthcoming).
- 1998 *Theory of Economic Development* (University Textbook in Serbo-Croatian – Teorija privrednog razvoja), Faculty of Economics, University of Belgrade (forthcoming).
- 1998 *Economic Growth during Transition: Case Study of the Czech Republic*, EDI, World Bank, (forthcoming).
- 1998 *Transition Macroeconomics: Lessons from Stabilization Programs in Transition Economies*, (with R. Agenor, C. Denizer and N. Gueorguiev), EDI, World Bank (forthcoming).
- 1997 „The Transition of the Centrally Planned Economies in Eastern and Central Europe and the Former Soviet Union to Market Economies and their Economic Integration” (with I. Adelman) in Amnon Levi Levermore editor: *Handbook on Globalisation of the World Economy*, Manchester: Edward Elgar.
- 1996 *Economic Stabilization and Public Expenditure analysis: Case Study of Ukraine*, EDI, World Bank.
- 1994 "Designing Gradual Transition to Market Economy" (with I. Adelman and P. Berck) in M. Dewatripont and V. Ginsburg editors: *European Economic Integration: A challenge in a Changing World*, Amsterdam: North-Holland.
- 1991 "Adjustment under Different Trade Strategies: A Mean-Variance Analysis with a CGE Model of the Yugoslav Economy", (with I. Adelman, P. Berck and M. Labus) in Jaime de Melo and Andre Sapir editors: *Trade Theory and Economic Reform: North, South and East - Essays in Honor of Bela Balassa*, Cambridge: Basil Blackwell.
- 1991 *Designing Foreign Assistance Programs for Eastern Europe* (with I. Adelman), Economie Applique.
- 1990 *General Equilibrium Modeling*, (with M. Labus), (original title in Serbo-Croatian: "Opsta privredna ravnoteza"), Federal Statistical Office, Belgrade.



*Main research fields*

- Problems of long-run economic growth in transition economies of the former Soviet Union and Eastern Europe;
- Macroeconomic stabilization and economic restructuring in transition economies.

**MIROLJUB LABUS***Date & place of birth*

February 28, 1947 - Mala Krsna, Serbia, Yugoslavia

*Education*

*Ph.D.*

1978 Economics, University of Belgrade

*M.Sc.*

1975 Economics, University of Belgrade

*B.A.*

1970 Law, Faculty of Law, University of Belgrade

*Current positions*

1971- Faculty of Law, University of Belgrade, currently full-time Professor of Economics

1993- Fellow of the Economics Institute, Belgrade

*Work experience*

1986-94 Senior Advisor, Federal Statistical Office, Belgrade

1984 Visiting Assistant Professor, Department of Economics, Cornell University, Ithaca, N.Y.

1983 Fulbright Lecturer, Program on Participation and Labor-Managed Systems, Cornell University, Ithaca, N.Y.

1970-71 Attorney-in-Law

*Posts*

1992-96 Member of the Federal Parliament of Yugoslavia, Committee on Monetary Policy

1994-97 Vice-president of the Democratic Party

1994- Editor of the „Economic Barometer”, Economics Institute Belgrade

1990-96 Editor of the „Economic Trends”, Federal Statistical Office, Belgrade

1996- Member of the Standing Committee on Economic Affairs, Sarajevo,  
United Nations Development Program Consulting

1987-91 Federal Government of Yugoslavia

1996 National Bank of Yugoslavia

1996-97 UNDP

1997 The World Bank



*Selected books (in Serbian)*

- 1995, 97 *Foundations of Economics* (2 editions), Jugoslovenska knjiga, Belgrade.
- 1992 *Foundations of Political Economy*, (with D.Soskic), Nomos, Belgrade.
- 1991 *Current Political Economy*, Nomos, Belgrade.
- 1990 *General Equilibrium Modeling*, (with D.Vujovic), Federal Statistical Office, Belgrade.
- 1987 *Social or Collective Property Rights*, Naucna knjiga, Belgrade.

*Main research fields*

- General equilibrium modeling;
- Time-series analysis;
- Demand for money;
- Privatization.

**MLADJAN DINKIC***Date & place of birth*

December 20, 1964 • Belgrade, Serbia, Yugoslavia

*Education*

- M.Sc.
- 1993 Faculty of Economics, University of Belgrade, Economic development/Efficiency of resource use
- B.A.
- 1988 Faculty of Economics, University of Belgrade, Economic development/Cost-benefit analysis

*Current positions and work experience*

- 1993- Assistant Professor in the field of Theory and Planning of Economic Development, Faculty of Economics, University of Belgrade
- 1997- Founder and leader of the Group 17 who produced the Program of Radical Economic Reforms in Yugoslavia
- 1990-93 Teaching Assistant, Faculty of Economics, University of Belgrade

*Books (in Serbo-Croatian)*

- 1995, 96, 97 *The Economics of Destruction* (5 editions), Stubovi kulture, Belgrade.



1994 *Measuring Economic Efficiency of Resource Use*, Ekonomska politika, Belgrade.

### *International specialization and seminars*

- Nov., 97 USA, Cornell Law School, John M. Olin Visiting Scholar
- March-July, 97 Italy, International Center for Economic Research, Turin
- Oct., 1996 Belgium, Limburgs Universitair Centrum, Faculteit Toegepaste Economische Wetenschappen, Diepenbeek
- Sept.r, 1996 Germany, Bergakademie Freiberg - Fakultät für Wirtschaftswissenschaften, Freiberg
- March, 1996 USA, USIA visitor program

### *Main research fields*

- High inflation and shadow financial markets
- Public sector deficits and its macroeconomic implications
- Measuring efficiency of resource use (on the macro and on the project level)

## *Topic 2*

### ECONOMICS AND POLITICS: PUBLIC CHOICE APPROACH

#### Duration:

4 days (12 hours)

#### Principal Lecturer:

*Henri Lepage*, Executive Director,  
Institute EURO 92, Paris, France

#### Visiting Lecturer:

*Mart Laar*, MP and former Prime-minister  
of the Republic of Estonia

### COURSE DESCRIPTION

*Public choice is a relatively new branch of economics which focuses on the political market place and is now widely considered essential to anyone who hopes to make convincing arguments about the way politics works. It rests on three basic postulates: methodological individualism, homo economicus, and politics as*



exchange, and is often associated with formal mathematical modeling. However, in view of the fact that even the very notion of public choice could possibly be unknown to our participants, since it has not been taught at Yugoslav universities at all, this course will try to develop intuitive understanding of the concepts underlying this approach. While the first four parts of the course will be devoted to the introduction of the basic methodological issues and theoretical concepts, the parts V - VIII will focus on policy making examples, mainly drawn from real life political experience of our second lecturer, the distinguished economist and ex-prime minister of Estonia.

### **I. An introduction to the methodology of public choice**

- A. Preference and choice. Arrow's theorem
- B. Collective rationality. Majority voting
- C. Rights and justice. Utilitarian judgements

### **II. The logic of collective action**

- A. Public goods and market failure
- B. Free rider problems
- C. The model of collective action
- D. Political parties, pressure groups and interest groups

### **III. Politicians and the Constitution**

- A. The origins of the state
- B. Electing politicians. The problem of choosing politicians
- C. The Costs of providing public goods through a collective decision-making process
- D. Constitutional protection against external costs and costs of power abuse
- E. Methods of electing legislators

### **IV. Voters and elections**

- A. The rational voter hypothesis
- B. The median voter theorem
- C. The voters' paradox: agenda manipulation and strategic voting
- D. Inefficiency of majority rule
- E. Vote trading and efficiency

### **V. The economics of democracies and autocracies**

- A. Dictatorship vs. democracy
- B. Inefficiency of choice via bureaucracy
- C. A model of bureaucratic demand and supply
- D. Describing the budgeting outcome in a bureaucratic society

### **VI. Rent seeking**

- A. Example 1: The pure monopoly
- B. Example 2: The import tariff



- C. Example 3: Politicians as rent seekers
- D. Example 4: Recipients of services and taxpayer groups as rent seekers

## VII. Privatization

- A. The tendency to delay privatizations
- B. The political importance of gainers and losers
- C. Breaking up government-sponsored monopolies

## VIII. Political business cycles

- A. Elections, wages and inflation
- B. Political determinants of fiscal expansions and adjustments
- C. Failure of coalition governments in their fiscal adjustment attempts
- D. Political cycles and growth

## READINGS

1. Olson, Mancur (1982): „The rise and decline of nations: economic growth, stagflation and social rigidities „, New Haven, Conn.: Yale University Press;
2. J.C.Pardo and F.Schneider (1996): „Current issues in public choice«, Edward Elgar (Ashgate);
3. Craven, John (1992): «Social Choice«, Cambridge University Press;
4. D.C.Mueller (1989): „Public Choice II«, Cambridge University Press;
5. J.Patrick Gunning (1998): „Understanding democracy. An introduction to public choice«, <http://web.nchu.edu.tw/~gunning/pat/votehm/cont.htm>; Nomad Press, Taiwan
6. Bruno S. Frey (ed.), „Political Business Cycles«, International Library of Critical Writings in Economics, no.79



*Resource person*

**MART LAAR**

*Date & place of birth*

April 22, 1960 • Viljandi, Estonia

*Education*

M.A.

1994 Tartu University

B.A.

1983 Tartu University, major in history

*Current positions*

1992- Member of Riigikogu (Estonian Parliament)

Member, Riigikogu Commission on Economics

Chairman, Estonian-German Parliamentary Friendship Group

Chairman, Jaan Tonisson Institute

Member, Tallinn City Council; Chairman, PPU faction

Founding Member, Carnegie Endowment Network on Economic Reform

Board, Pro Patria Union (PPU)

Member, PPU Council on Foreign Policy and Inter-party Relations

1986- Leader, Board of Historians, Estonian Heritage Foundation

*Work experience*

1992-94 Prime Minister of Estonia

1995-96 Chairman, Riigikogu Pro Patria Union faction

1992-95 Chairman, National Coalition Party, Pro Patria

1992 Chairman, electoral alliance Pro Patria

1992 Member, Constitutional assembly

1990-92 Member, Estonian supreme Council

1990-93 Member, Congress of Estonia and Estonian Committee

1989 Founder, Estonian Christian Democrat Union

1986-90 History Teacher, 24th Secondary School, Tallinn



### Topic 3

## PRIVATIZATION AND ENTREPRENEURSHIP IN TRANSITION ECONOMIES

### Duration:

7 days (20 hours)

### Principal Lecturers:

*Jan Winiecki*, University of Frankfurt/Oder,  
former Executive Director of the EBRD,  
London

*Branko Milanovic*, The World Bank,  
Washington

### Visiting Lecturer:

*Veselin Vukotic*, University of Podgorica,  
Montenegro

## COURSE DESCRIPTION

The objective of the course is twofold: to help the students understand better the economic and political advantages and drawbacks of various privatization strategies, and second, make them think more seriously about what should be the optimal approach to use in Yugoslavia. The course will review the theory and practice of privatization in transition economies. It will address the question as to why privatization is undertaken at all (what are the likely economic benefits of privatization). Next, it will consider various privatization strategies: privatization by vouchers, sales to insiders (employees and managers), sale to outside investors, and assess their various advantages and disadvantages - including political acceptability of each. Finally, it will review the experience of the key East European countries (Russia, the Czech Republic, Hungary and Poland) as well as of some former Yugoslav republics (Slovenia, Macedonia) and assess the relevance of their approaches for privatization in Yugoslavia.

### 1. Theory of privatization

- A. Differences in the objective functions (maximands) of the firms controlled by shareholders, managers and politicians
- B. Why to privatize?
- C. What are the economic efficiency gains?



## II. Original political debate, economic reality and policy preferences in post-communist economies in early transition

- A. The impact of communist legacy and political economy importance of privatization
- B. Policy preferences, historical legacy, and privatization choices

## III. Various approaches to privatization

- A. Mass or voucher privatization
- B. External privatization: sale to outside investors
- C. Internal privatization: sale to insiders, workers and managers
- D. Advantages and disadvantages of the three approaches in terms of speed of privatization, money received and justice (political acceptability)

## IV. Archetypal privatization choices

- A. Czech citizens' (i.e. 'outsiders') privatization
- B. Hungarian direct sale privatization
- C. Polish public sale privatization
- D. Russian 'insiders' privatization
- E. Real world privatizations as combinations of the 'ideal' types
- F. A tale of surprises or privatization realities • nowhere privatization reality was matching privatization preferences and plans

## V. The two mass privatizations: Czech and Russian

- A. Similarities and differences in the execution and eligibility criteria
- B. Differences in outcomes: who controls the firms now in Russia and the Czech republic?
- C. The role of investment funds
- D. Concentration of shareholding in Russia
- E. What capitalism is emerging in Russia
- F. Privatization and declining government revenues in Russia

## VI. External privatization under three governments (Hungary) and a combination of all privatization types (Poland)

- A. Why did Hungary alone (with East Germany and Estonia) follow only 'external' privatization
- B. How much money did Hungarian privatization make?
- C. The example of privatization of Hungarian telecom.
- D. Foreign direct investments: are they related to the form of privatization chosen?
- E. Different privatization types in Poland: by capital, by liquidation, finally mass privatization only in 1995.
- F. Role of National investment funds



- G. Role of insiders: why insider privatization was not so strong in Poland (despite Solidarity) and was strong in Russia where trade unions are weak?

## VII. The expansion of the generic private sector: successes more by default than by design

- A. The case of Poland or the superiority of eliminating barriers to entrepreneurship over privatization activism of the state
- B. A short overview of other cases of relatively successful performance of the generic private (entrepreneurial) sector
- C. Some conclusions about the preconditions of and policies conducive to the success of the entrepreneurial sector
- D. Entrepreneurial way of thinking
- E. Entrepreneurship in transition • the case of Yugoslavia
- F. How to support entrepreneurship in Serbia and Montenegro

## VIII. Lessons for Yugoslavia

- A. Is being late in privatization an advantage or disadvantage?
- B. What can we learn: pitfalls to avoid, lessons to apply
- C. Political constraints to privatization in Yugoslavia, differences between Serbia and Montenegro

## READINGS

1. Jan Winiecki • „Privatization in East-Central Europe: Avoiding Major Mistakes”, in: *The Emergence of Market Economies in Eastern Europe*, ed. by Ch. Clagugus and G.C. Rausser, Blackwell, Cambridge, Mass. 1992.
2. Jan Winiecki • „Polish Mass Privatization Programme: The Unloved Child in a Suspect Family”, in *An Initial Assessment*, OECD, Paris, 1995.
3. World Bank (1996), Chapter 3 in *From Plan to Market: World Development Report 1996*, World Bank, Washington, pp. 44-65.
4. Edward L. Glaesner and Jose A. Scheinkman (1996), "The Transition to Free Markets: Where to Begin Privatization.", *Journal of Comparative Economics*, 22, 1996.
5. Farid Dhanji and Branko Milanovic, (1991), "Privatization in Central and East Europe: Objectives, Constraints and Models of Divestiture", in P. Marer and S. Zecchini (eds), *The Transition to a Market Economy*, vol. 2, Special Issues, Paris: OECD, 1991, pp. 13-43.
6. Alexander Bim (1996), „Ownership and Control of Russian Enterprises and Strategies of Stockholders”, *Communist Economies and Economic Transformation*, No.4 (December), vol. 8, pp. 471-500.
7. John S. Earle, Saul Estrin and Larissa L. Leshchenko (1996), "Ownership Structures, Patterns of Control, and Enterprise Behavior in Russia" in *Enterprise*



- Restructuring and Economic Policy in Russia, Economic Development Institute, World Bank, 1996, pp. 205-252.
8. Philip Hanson (1997), „What Sort of Capitalism is Developing in Russia?” *Communist Economies and Economic Transformation*, vol. 9, No. 1, pp. 27-42
  9. Michal Mejstrik (1997), „The Emergence of Institutional Owners: The Role of Banks and Nonbanking Financial Institutions in the Privatization of the Economy and the Banks”, in Michal Mejstrik (1997), *The Privatization Process in East-Central Europe: Evolutionary Process of Czech Privatization*, Dordrecht, Boston, London: Kluwer Academic Publishers.

### *Resource persons*

#### JAN WINIECKI

#### *Date & place of birth*

Jun 21, 1938 - Sopot (Free City of Danzig)

#### *Education*

##### *Habilitation*

1978 Warsaw University, International Political Economy

##### *PhD*

1971 Warsaw University, LL.D., Public Administration

##### *B.A.*

1964 Warsaw University, Law and Administration

1957 Main School of Planning and Statistics, Warsaw,  
Foreign Trade

#### *Current positions*

1994- Professor and Chair, International Trade and Finance, Department of Economic, Viadrina, European University, Frankfurt/Oder, Germany

1995- Vice-president, Polish Society of Market Economists

#### *Work experience*

1991-93 Executive Director, European Bank for Reconstruction and Development, London



- 1990-95 President, Adam Smith Research Centre, Warsaw
- 1990-91 Associate Professor, Department of Microeconomics (Institute of Production) and International Business School, Aalborg University, Denmark
- 1990 Member of President Walensa's Political Advisory Council
- 1985-89 Economic Advisor to (underground) „Solidarity” Leadership
- 1986-90 Associate Professor (Dozent), Department of Economics, Catholic University of Lublin
- 1983-84 Associate Professor (Dozent), Institute of Management, Polish Academy of Sciences, Warsaw
- 1973-82 Associate Professor (Dozent), Department of International Economics, Polish Institute of International Affairs, Warsaw
- 1972-73 Head, Economic Policy Research Unit, Centre for Scientific, Technical, and Economic Information, Warsaw

#### *Positions in collective academic bodies*

- Member of Advisory Council, Centre for International Trade Policy Studies, London
- Member of International Advisory board of „Studies in Comparative and International Development” (quarterly)
- Member of Editorial Board of „Post-Communist Economies”

- Member of Scholarly Council, Institute for Market Economics, Gdansk
- Member of Scholarly Council, International Centre for the Study of Economic Reform (ICRET), Moscow

#### *Selected books*

- 1997 *Political Economy of Communist Reform and Post-Communist Change*, Nova Science Publishers, Commack, N.Y.
- 1997 *Institutional Barriers to Poland's Economic Development: The Incomplete Transition*, Editor, Routledge, London.
- 1996 *Five Years after June: the Polish Transformation*, Editor, CRCE, London.
- 1995 *Polish Mass Privatization Programme: The Unloved Child in a Suspect Family*, in: „Mass Privatization: an Initial assessment”, OECD, Paris.
- 1993 *Macroeconomics of Transition in East Central Europe*, Ed. by J. Winiecki and Andrzej Kondratowicz, Routledge, London.
- 1993 *Post-Soviet Type Economies in Transition*, Avebury Press, Aldershot.
- 1992 *Privatisation in Poland: A Comparative Perspective*, J.C.B. Mohr, Tübingen.
- 1992 *Structural Legacy of the Soviet-Type Economy*, (with E.D. Winiecki) CRCE, London.
- 1992 *Privatization in East-Central Europe: Avoiding Major Mistakes*, in: „The Emergence of Market Economies



- in Eastern Europe", (Ed. by Ch. Clague and G. C. Rauser), Blackwell, Cambridge, Massachusetts.
- 1991 *Resistance to Change in the Soviet Economic System*, Routledge, London.
- 1988 *The Distorted World of Soviet-Type Economies*, Routledge, London (translated into Spanish and Japanese).
- 1987 *Economic Prospects: East and West*, CRCE, London.

## BRANKO MILANOVIC

### *Date & place of birth*

October 24, 1953 – Paris, France

### *Education*

*Ph.D.*

1987 Faculty of Economics, University of Belgrade

### *Current positions and work experience*

- 1984- Principal Economist, The World Bank, Washington D.C., Research Department, Transition Economics Division
- 1996- Visiting Professor, John Hopkins University, Washington D.C., School for Advanced International Studies, [Course taught: Economics of Transition]
- 1979-84 Researcher in the Institute of Economic Sciences, Belgrade

### *Books*

- 1998 *Income, Inequality and Poverty during the Transition*, Washington D.C.: The World Bank.
- 1997 „Trade Liberalization, Privatization, and Restructuring Incentives" (with Arye L. Hillman, Manuel Hinds, and Heinrich W. Ursprung) in Assaf Razin and Hans-Jurgen Vosgerau (Eds), *Trade and Tax Policy, Inflation and Exchange Rates: A Modern View*, Berlin, New York: Springer Studies in International Economics and Institutions.
- 1992 *Transition from Socialism in Eastern Europe: Domestic Restructuring and Foreign Trade*, edited with Arye Hillman, Washington D.C.: The World Bank.
- 1991 „Privatization in Central and East Europe: Objectives, Constraints and Models of Divestiture", (with F. Dhanji), in P. Marer and S. Zecchini (eds), *The Transition to a Market Economy*; vol. 2, Special Issues, Paris: OECD.
- 1990 *Economic Inequality in Yugoslavia* (in Serbo-Croatian), Belgrade: Ekonomika.
- 1989 *Liberalization and Entrepreneurship: Dynamics of Reform in Socialism and Capitalism*, New York: M.E. Sharpe (translated into Russian, Referendum, Moscow, 1993).



**VESELIN VUKOTIC***Date & place of birth*

August 5, 1949 • Podgorica, Montenegro, Yugoslavia

*Education*

Ph.D.

1980 Faculty of Economics, University of Belgrade

M.Sc.

1977 Faculty of Economics, University of Belgrade

B.A.

1971 Faculty of Economics, University of Podgorica

*Current positions*

- Full-Time Professor, Faculty of Economics, University of Podgorica
- Senior Research Fellow, Institute of Social Sciences, Belgrade
- Director, Postgraduate Studies (Entrepreneurial Economics), Faculty of Economics in Podgorica
- Director, Board of the Montenegrin Fund for Development (managed the process of privatization)
- Adviser to the Montenegrin Capital Market (Montenegrin Stock Exchange)

*Work experience*

- 1989-92 Minister for Privatization and Entrepreneurship, Federal Government of the SFR Yugoslavia
- 1990-92 Chief Executive of the Yugoslav Agency for Privatization and Development of Enterprises
- 1989-92 Member of the Federal Government Expert Team for Economic Reform and Development
- 1986-89 Minister for Development, Government of Montenegro
- 1986-89 Member of Board of the Montenegrin Academy of Science and Art
- 1988 Member of the Yugoslav Commission for Economic Reform
- 1981-89 Professor Assistant, Faculty of Economics, University of Podgorica
- 1973-81 Assistant Professor, Faculty of Economics, University of Podgorica

*Books*

- 1992 *Privatization and Entrepreneurship*, IDN, Belgrade
- 1993 *Economic Reform - the Road to Free Market Economy*, IDN, Belgrade
- 1995 *Macroeconomic Balance and Modeling*, Faculty of Economics, Podgorica
- 1996 *Entrepreneurship*, Faculty of Economics, Podgorica
- 1997 *Property Rights and Freedoms*, IDN, Belgrade



## Topic 4

# REFORM OF THE BANKING SYSTEM

### Duration:

5 days (15 hours)

### Principal Lecturer:

*Jonathan Macey*, Director, John M. Olin  
Program in Law & Economics, Cornell  
Law School, USA

### Visiting Lecturer:

*Radovan Jelasity*, Deutsche Bank, Germany

## COURSE DESCRIPTION

The aim of this course is, first, to present an overview of the economic purposes of a banking system in a modern economy, second, to stress the importance of restructuring of banking sector in transition countries, and third, to bring in some practical examples from a foreign bank's perspective by comparing the experiences from different countries in Central and East Europe.

Special attention will be paid to: 1) the role of a competitive banking system in promoting economic growth; 2) the relationship between the economic role of banks and the economic role of stock exchanges, 3) the regulation of banks by government and 4) appropriate ownership structures for banks. In most transition countries, even those with a good banking infrastructure and a large segment of good banks, a two-track process has evolved, with large and growing differences between weak and strong banks. Whatever the banking reform approach taken, weak banks have moved very little beyond central planning. In transition economies three problems are associated with slow progress of weak banks: overconcentration, preferential treatment by governments, and limited entry for new banks.

## I. Banking system in a modern economy

- A. The role of a competitive banking system in promoting economic growth
- B. The economic role of banks vs. economic role of stock exchanges
- C. The regulation of banks by government (deposit insurance, capital adequacy, prudential regulation)
- D. What is the appropriate ownership structure for banks?



## II. Economic analysis of banking structure and the management of financial institutions

- A. The bank balance sheet
- B. Basic operation of the bank
- C. General principles of bank management

## III. Characteristics of banking systems in transition economies

- A. Ownership of banks and the privatization process
- B. Regulation of banks
- C. Performance of the banks
- D. Credit activity

## IV. Main problems of banking systems in transition economies

- A. Rehabilitation and restructuring of banks
- B. Plans for future reform of the banking system
- D. Obstacles to speedier bank rehabilitation: lack of funds, macroeconomic instability, lack of political willingness to pursue restructuring

## V. Discussion session: Theory and practice of bank restructuring

- A. Bank privatization: case of Bank Handlowy, Warsaw
- B. Why privatize a bank?

- C. What are the major short and long-term ends of the government?
- D. What are the different experiences gained in neighboring countries?
- E. Basics of risk analysis with special emphasis on the banks in East-Central Europe

## READINGS

1. Jonathan R.Macey and Geoffrey P.Miller, „Corporate Governance and Commercial Banking: a Comparative Examination of Germany, Japan, and the United States” 48 Stanford Law Review, (1995);
2. Jonathan R.Macey and Geoffrey P.Miller, „Banking Law and Regulation”, 1997, 2nd edition, aspen law and business / Little Brown, publishers;
3. Frederic S.Mishkin, „The Economics of Money, Banking and Financial Markets”, 5th edition;
4. S.Kawalec, A.Nieradko and C.Stypulkowski, „ Bank Privatization • Case of Bank Handlowy w Warszawie SA”.



*Resource persons***JONATHAN R. MACEY***Date & place of birth*

May 8, 1955

*Education*

J.D.

1982 Yale Law School, USA;

Article and book Review Editor, Yale Law Journal

A.B. *cum laude*

1977 Economics, Harvard University

*Current Positions*

- J.DuPratt White Professor of Law, Cornell University, Ithaca, N.Y., USA
- Director, John M.Olin Program in Law and Economics, Cornell Law School [Subjects: Corporate Law; Securities Regulation; Banking Regulation; Corporate Finance; The Economics and Regulation (Public Choice)]

*Other*

1996 Ph.D. (Law) honoris causa Stockholm School of Economics

1995 Paul M.Bator Award for Excellence in Teaching, Scholarship and Public Service awarded by the University of Chicago Law School Chapter of the Federalist Society

*Selected Consulting Experience and Sponsored Research*

- ITT Board of Directors;
- New York Stock Exchange;
- Toronto Stock Exchange;
- Texas State Department of Banking;
- Wyser-Pratt, Inc.;
- Salomon Bros. Smith-Barney;
- Dow Chemical.

*Books*

- 1998 *Macey on Corporation Laws* (2 volume treatise), Aspen Law and Business;
- 1993 *Costly Policies: State Regulation and Antitrust Exemption in Insurance Markets* (with Geoffrey P.Miller), The AEI Press;
- 1993 *Svensk Aktiebolags Ratt I Omvandling: En Rattsekonomisk Analys* (Swedish Corporate Law in Transition: A Law and Economics Analysis), published in Swedish and English, SNS Forlag;
- 1992,97 *Banking Law and Regulation: Cases and Materials*, (with Geoffrey P.Miller), first edition: Little



Brown and Co., second edition: Aspen Law and Business;

1992 *Third Party Legal Opinions: Evaluations and Analysis*, Prentice Hall Law and Business;

1991 *Insider Trading: Economics, Politics and Policy*, The AEI Press;

1992 *An Introduction to Modern Financial Theory*, The American College of Trust and Estate Council Foundation.

## RADOVAN JELASITY

### *Date & place of birth*

February 19, 1968 - Baja, Hungary

### *Education*

M.B.A.

1993-95 Concentration in Finance and Marketing, University of Illinois at Chicago, USA

B.S.

1987-92 Marketing, College of Economics, University of Belgrade, Yugoslavia

1990-91 Goethe-Institute Mittelstufe Diploma for German, Volkshochschule Passau, Germany

### *Current position and work experience*

1997- Relationship Manager, Deutsche Bank AG, Frankfurt, Headquarters Corporate and Institutional Banking, Department for Central and Southeast Europe

1995-96 Trainee, Deutsche Bank AG, Frankfurt Branch, Corporate Banking Department

1994-95 Research Assistant, University of Illinois at Chicago, Graduate Professional Business Program

1992-93 Assistant Manager, Vega-Impex, Kft., Foreign Trade Company, Budapest, Hungary

1991, '92 Summer Intern, Siemens AG, Product Management Department, Munich, Germany

### *Selected presentations*

October, 1997 *Hungarian and Croatian Bank Rehabilitation: A View from a Foreign Bank*, Belgrade, Yugoslavia

May, 1997 *Deutsche Bank Group in Central and South-east Europe*, Belgrade, Yugoslavia, seminar organized by Deutsche Bank and the Association of Yugoslav Banks about current developments in trade finance and clearing systems in Europe.



## Topic 5

# INTERNATIONAL TRADE AND FOREIGN INVESTMENTS

### Duration:

3 days (12 hours)

### Principal Lecturer:

*Enrico Colombatto*, Director, ICER,  
Faculty of Economics, Turin, Italy

## COURSE DESCRIPTION

*The purpose of the course is to explain why trade policies are still fashionable, despite widespread agreement about their dangers. Students will be introduced to the basic concepts relevant in the international-trade context, as well as to the main trade-policy theories. Part of the course will also be devoted to explaining international capital flows and the link between trade openness and growth.*

1. Is trade theory relevant?
  - Trade theory and trade policy
  - Comparative Advantage
  - "New" trade theories
2. How trade policy works (and whom it benefits)
  - The static and dynamic costs of trade barriers
  - Tariff and non-tariffs barriers to trade
  - The role of the GATT/WTO
3. Trade Policy - why so popular?
  - Traditional views on trade policy
  - An institutional approach
4. Free trade and growth. What causes what?
  - The trade-openness and growth literature
  - The role of institutions
  - Issues on economic and political freedom
5. On the role of foreign investment
  - The standard theory about the foreign investment and the role of multinational companies
  - What moves foreign capital in; and out.

## READINGS

1. S. Power, "The Origins of the Heckscher-Ohlin Concept", *History of Political Economy*, 19, 2, 1987, pp. 289-298



2. T. Bensen, B. Elmslie, "Rethinking International Trade Theory: A Methodological Appraisal", *Weltwirtschaftliches Archiv*, 2/128, 1992, pp.249-265.
3. P. Krugman, "What Do Undergrads Need to Know About Trade?", *American Economic Review*, May 1993, pp. 23-26 (Papers and Proceedings)
4. J. Bhagwati, "Protectionism", *Mit Press*, 1988
5. R. Pomfret, "International Trade", *B. Blackwell*, 1991
6. D. Salvatore (ed.), "Protectionism and Welfare", 1993, *Cambridge University Press*
7. E. Colombatto, "Protectionism in Developed Countries: Too Much or Too Little", in K. Leube et al. (ed.), *An Austrian in France*, *La Rosa Editrice*, Torino, 1997, pp.103-120
8. Th. Willett, "The Public Choice Approach to International Economic Relations", *Virginia Political Economy Lecture Series*, March 1995
9. Ph. Steiner, "Vilfredo Pareto et le protectionnisme", *Revue Economique*, 5, Septembre 1995, pp.1241-1262.
10. J. Frenkel, D. Romer, T. Cyrus, "Trade and Growth in East Asian Countries: Cause and effect?", *NBER WP n. 5732*, August 1996.
11. Levine, Renelt, "A Sensitivity Analysis of Cross-Country Growth Regressions", *American Economic Review*, 82, 1992
12. Olson M., "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor", *J. of Economic Perspectives*, 10, 2, Spring 1996, pp. 3-24.
13. A.Przeworski, F. Limongi, "Political Regimes and Economic Growth", *J. of Economic Perspectives*, 7, 3, Summer 1993, pp.51-69
14. S. Borner, A. Brunetti, B. Weder, "Political Credibility and Economic Development", *Millan*, 1995
15. J.E. Campos, H. Root, "The Key to the Asian Miracle, the Brookings Institutions", *Washington D.C.*, 1996
16. D. Rodrik, "Getting Interventions Right: How South Korea and Taiwan Grew Rich", *Economic Policy*, April 1995
17. D. Rodrik, "TFPG Controversies, Institutions, and Economic Performance in East Asia", *NBER WP 5914*, February 1997



*Resource persons*

**ENRICO COLOMBATTO**

*Date & place of birth*

July 16, 1954 • Turin, Italy

*Education*

Ph.D.

1983 London School of Economics

M.Sc.

1978 London School of Economics

B.A.

1977 Laurea in Economia e Commercio,  
Faculty of Economics, University of Turin

*Current positions*

1995- Full-Time Professor of Economics, Faculty of Economics, University of Turin [Courses taught: Microeconomics, International Economics, Trade Theory and Policy (postgrad.)]

1990- Director of ICER (International Centre for Economic Research)

1992-95- Visiting Professor, University of Aix-Marseille, postgraduate courses in Trade Theory and Policy

1998- Visiting Professor, Faculty of Economics, University of Podgorica (postgrad.)

1996- Member of the Academic Advisory Board, International Institute "Austrian School of Economics", Vienna

1996- Head of the area "Economics" for the "Statuti Generali del Piemonte" (Regional Assembly)

1995- Member of the Senate of the University of Turin

1994- Member of the Mont-Pelerin Society

*Work experience*

1994, 96, 97 Professor at the Summer Institute of International and Comparative Law (Cornell and Paris I/Sorbonne/ Universities joint programme);

1994, 96, 97 John M. Olin Fellow/Scholar in Law and Economics, Cornell University;

1980-95 Lecturer (1980-82), Assistant Professor (1983-88), Associate Professor (1988-95), Faculty of Economics, University of Turin

1994-96 Member of the Board of the COMPAGNIA DI SAN PAOLO;

1990-93 Executive Director of BANCA PROVINCIALE LOMBARDA;

1986-94 Consultant at the Union of the Piedmontese Chambers of Commerce;

1990-94 Member of the Board of CSA (Centre for African Studies);

1988-91 Consultant at the OECD Development Centre, Paris



1986-89 Senior Research Officer, Agnelli Foundation, Turin

1988, 89 Senior Associate Member, St. Antony's College (Oxford)

1988 Visiting Research Fellow, Queen Elizabeth House (Oxford)

1986-87 Economic Advisor to the Italian State Secretary for Industry and Trade

1978-79 Part-time Lecturer in Applied Economics, Polytechnic of North London

#### *Selected books*

1996 *The Rational Foundations of Economic Behavior*, (ed. with K. Arrow, M. Perlman, Ch. Schmidt), MacMillan, London.

1992 *Growth and Foreign Trade in LDCs*, UTET Libreria, Torino.

1989 *Different Developing Countries in the World Economy* (co-author), Fondazione Agnelli, Torino.

1988 *The NICs and the Italian Economy in the Future*, (co-author and edit-or), Fondazione Agnelli, Torino.

1984 *The Economics of East-West Trade*, Etas Libri, Milano 1984.

1983 *The Economics of Trade Between Italy and the CMEA Countries*, Camera di Commercio, I.A.A di Torino.

1982 *Disoccupazione Giovanile: Spezzare il Cerchio*, Bdl-Le Monnier, Firenze, (translated into English as „Nation-wide social service: a proposal for the '80s", The London School of Economics)

#### *Topic 6*

### AGRICULTURAL POLICY AND FINANCE

#### **Duration:**

5 days (13 hours)

#### **Principal Lecturer:**

*Neil Harl*, Director, Center for International Agricultural Finance, Iowa State University, USA

#### **COURSE DESCRIPTION:**

*The course will focus upon the necessary elements for efficiently agricultural policy conducting in the market economies. The course will emphasize the institutional structure needed in a market economy with particular emphasis on structures needed for agricultural finance and credit. The course will address the transitional problems in agricultural policy and finance in moving from an centrally directed economy to the market economy.*



**I. Agricultural Law in an Market Economy**

- Property
- Transferring Title to and Interests in Real Property
- Lending with Personal Property as Collateral
- Contracts for the Sale of Products
- Negotiable Instruments
- Examples of different agricultural forms

**II. Agricultural Policies and Instruments**

- The Role of the Government in Agricultural Finance
- System of subsidies (the relationship between target price and cash market price)
- Tariff and non-tariff protection of agricultural activities
- Subsidized lending and loan guarantees

**III. Sources of Agricultural Credit**

- Banks
- Insurance companies
- Credit unions
- Farm Credit System
- Federal Government
- Suppliers
- Short-term, intermediate and long-term agricultural credits

**IV. Bankruptcy**

- Overview of the U.S. Farm Debt Crisis of the 1980s
- Exemption of farmers from involuntary bankruptcy
- Debt restructuring
- Discharge of indebtedness

**V. External costs of agricultural production**

- Dealing with cost externalities in the context of environmental protection
- Role of regulations
- Use of economic incentives

**VI. Organization of agricultural businesses**

- Developing capitalization structures
- Options available
- Developing a system for information extension to farmers, small businesses and consumers

**READINGS**

1. „Manual for School of Banking, Credit and Finance“, CIAF, Iowa State University, 1997
2. „Principles of Agricultural Law“, Agricultural Law Press, Eugene, Oregon, by Roger A. McEowen and Neil E. Harl



*Resource person***NEIL E. HARL***Date & place of birth*

October 9, 1933 - Appanoose County, Iowa, USA

*Education**Ph.D.*

1965 Economics, Iowa State University, U.S.A.

1961 Juris Doctor (law), The University of Iowa, U.S.A.

*B.A.*

1955 Iowa State University, U.S.A.

*Current positions*

1976- Charles F. Curtiss Distinguished Professor in Agriculture and Economics, Iowa State University, U.S.A.

1990- Director, Center for International Agricultural Finance, U.S.A.

*Work experience and selected awards*

1997 Charles A. Black Award, Council of Agricultural Science and Technology

1995 Distinguished Service to Iowa Agriculture, Iowa Chapter-American Society of Farm Managers and Rural Appraisers

1993 Elected Chair, Technical Assistance Advisory Committee, Office of Technology Assessment, United States Congress

1993 Regents Award for Faculty Excellence, Iowa State Board of Regents

1992 Elected Vice Chair, Technical Assistance Advisory Committee, Office of Technology Assessment, United States Congress

1992 Board of Directors, American Agricultural Economics Association Foundation

1991 Fellow, Iowa State Bar Foundation

1991 President's Award, Iowa State Bar Foundation

1989 Member of Executive Board, US West Communications

1989 Academic Fellow, American College of Trusts and Estates Counsel

1987 Superior Service Award, U.S. Department of Agriculture

1987 Discussion Leader of the Year Award for 1986, Nebraska Society of Certified Public Accountants

1987 Fellow, American Bar Foundation

1986 Farm Leader of the Year, Des Moines Register (first one given)

1986 Named Fellow, American Agricultural Economics Association

1986 Iowa Distinguished Service Award, State of Iowa



- 1984 Distinguished Service Award, American Agricultural Editors Association
- 1984 Distinguished Service Award, American Agricultural Law Association (first one given)
- 1983 Elected President, American Agricultural Economics Association
- 1980 Elected President, American Agricultural Law Association
- 1979 Member of Advisory Group, U.S. Commissioner of Internal Revenue
- 1979 Elected to Executive Board, American Agricultural Economics Association
- 1976 Distinguished Undergraduate Teaching Award, American Agricultural Economics Association

### *Selected books*

*Farm Estate and Business Planning* (13th ed., Supp.1997), Doane Agricultural Services;

*Legal and Tax Guide for Agricultural Lenders* (1984, Supp.1987), Century Communications, Inc.;

*Agricultural Law Manual* (1985, Supp. 3 times annually through 1997), Agricultural Law Press;

*Principles of Agricultural Law* (1997, Supp.1998), Agricultural Law Press;

*Agricultural Law*, 15-volumes (1981, Supp. 3 times annually through 1997), published by Matthew Bender & Co.

### *Main research fields*

- Economic and legal aspects of farm finance
- Organization of the farm firm, taxation and estate planning



### Topic 7

## PUBLIC SPEAKING AND PRESENTATION SKILLS

### Duration:

15 days (15 hours)

### Public Speaking:

*Ljubivoje Tadic*, The National Theatre,  
Belgrade

### Presentation Skills:

*Aleksandar Kostic*, Faculty of Philosophy,  
Belgrade

### PUBLIC SPEAKING TOPICS:

1. History of rhetoric and great orators: political, military, court formal oration
2. Voice: diction, breathing, technique
3. Voice: intensity, melody, tempo, pauses
4. Circumstances of speech: who, where, when, how

5. Structure of speech: acts which lead the basic thought
6. Psychology and energy: stage fright, fear, concentration, relief and relaxation
7. Verbal dimension of communication: everyday and public
8. Powers of speech and listening
9. Discussions: persuasion and conviction, a possibility to win in discussions
10. Exercises and improvisations: an element of confession, short verbal statements
11. Exercises and improvisations: speech on free and given themes.

### PRESENTATION SKILLS

The aim of this subject is to improve certain techniques which proved efficient in scientific and business presentation. Program is basically practical. All participants take active part as presenters of materials they chose themselves.

1. Scene performance
2. Organization of transparency films and slides
3. Structure of presented material
4. Practical work



*Resource persons*

**LJUBIVOJE TADIC**

*Date & place of birth*

1960 – Novi Sad, Vojvodina/Serbia, Yugoslavia

*Education*

B.A.

1984 Faculty of Drama and Arts, University of Belgrade;  
also studied philosophy and Serbian language.

*Current position and work experience*

1994- Leading Actor, National Theatre, Belgrade

1994- Principal Lecturer in rhetoric in Belgrade Open School

1984-94 Actor in the National Theatre, Belgrade (played over 40 roles in theatres and on TV stations in Belgrade, Novi Sad and Sarajevo)

1996,97 Leader and editor of the program during the 3-months winter demonstrations against electoral fraud in Serbia (November'96-March'97)

1996,97 Lecturer in camps of Democratic Party Youth

**ALEKSANDAR KOSTIC**

*Date & place of birth*

1947 – Belgrade, Serbia, Yugoslavia

*Education*

Ph.D.

1983 University of Connecticut (Storrs), psychology

M.A.

1981 University of Connecticut (Storrs), psychology

B.A.

1976 Department of Psychology, University of Belgrade

*Current positions and work experience*

1992- Professor Assistant, Department of Psychology, University of Belgrade

1996- Head of the scientific board, Institute of Psychology, Belgrade

1989- Head of the Laboratory for Experimental Psychology at the Department of Psychology, University of Belgrade

1985- Engaged in Haskins reading project sponsored by NIH grants, Yale University, New Haven, U.S.A.

1981-83 Research Assistant at Haskins Laboratories on problems related to reading and processing of grammar, Yale University, New Haven, U.S.A.

1981-92 Teaching Assistant, [Course taught: General Psychology], Department of Psychology, University of Belgrade

1977-79 Research assistant, Institute of psychology, Belgrade



## SCHOOL ADMINISTRATION

Director of the School is

- **MLADJAN DINKIC** (G-17 coordinator, Faculty of Economics, Belgrade).

School Board members are:

- **VESELIN VUKOTIC** (G-17 coordinator, Faculty of Economics, Podgorica),
- **BRANKO MILANOVIC** (G-17 member, the World Bank, Washington D.C.),
- **DUSAN VUJOVIC** (G-17 member, the World Bank, Washington D.C.),
- **MIHAIL ARANDARENKO** (G-17 member, Faculty of Economics, Belgrade).



Left:  
Mladjan Dinkic, Mihail  
Arandarenko, Suzana Mrgic  
and Veselin Vukotic

Right:  
Suzana Mrgic,  
Business secretary

Business secretary of the School is Suzana Mrgic, responsible for the entire administrative work and business correspondence with candidates, participants and lecturers. She can be contacted for all further information related to the School.

Entrance tests will be prepared and conducted by the expert team:

- **MIHAIL ARANDARENKO**, Faculty of Economics, Belgrade (economics),
- **PANTA KOVACEVIC**, Faculty of Philosophy, Belgrade (general knowledge in culture);
- **ANA PESIKAN**, Institute for Psychology, Belgrade (the intelligence test and interview with candidates);
- **TATJANA DJUROVIC**, Faculty of Economics, Belgrade (English language).

The School will also engage two assistants during July.

