Contents

Ir	roduction	l
Ti	nothy Lane, Nina Oding and Paul J.J. Welfens	
A	Capital Flows to Transition Economies: Reasons, Risks, and Policy Responses	
Ti	othy Lane, Leslie Lipschitz, and Alex Mourmouras	
1	Introduction	7
2	Capital Flows and their Motivation	3
	2.3 What Limits Capital Flows to Transition Economies?	
3	Policy Responses to Capital Inflows	1
4	Conclusion18	;
Αŗ	pendix: Figures and Tables19)
Re	erences)
В.	Long Term Structural Change and Productivity Growth in Russia	
Ev.	eny Gavrilenkov	
1	Point of Reference29)
2	Strategy for Russia32	•

VI	Contents

3	Economic Growth and the Investment Climate	10
4	Efficiency, Competition, Institutions	13
5	Macroeconomics	15
6	Domestic Demand and Demographics4	19
7	The Widening Technological Gap is a Threat to Russia's Future	53
Re	ferences5	56
C.	Innovation, Growth and Wage Structure in Transforming Economies	
And	dre Jungmittag and Paul J.J. Welfens	
1	Introduction5	57
2	Innovation and Growth: Where do the Transition Countries Stand?5	59
3	Learning by Exports: A Feasible Perspective?	56
4	Learning from Asian NICs	71
5	Structural Change and Wage Structure in a Period of Economic Opening up and Growth	74
6	Conclusions	77
Re	ferences	33
Ap	pendix	35
	Financial Sector and Human Capital in a Long-Term Growt Perspective: The Case of Russia	h
1	Introduction	37
2	The Importance of Financial Markets and Human Capital from Growth Theory Perspectives and Empirical Evidence	

-	
	2.1 Financial Sector and Growth 93 2.2 Human Capital and Growth 103
3	Conclusion and Policy Options
Aj	ppendix111
Re	eferences
Ε.	Structure and Growth of Private Consumption in Russia and East Germany
Ca	athleen Faber and Hans Gerhard Strohe
1	Introduction
2	Statistical Definitions of Private Consumption
3	General Factors Influencing Private Consumption
4	Structure and Growth of Private Consumption in East Germany123
5	Final Consumption in Russia
6	Conclusions
Re	ferences
F.	Labor Market Transformation and Hidden Unemployment in Russia
Nir	na Oding
1	Introduction
2	The Main Features of the Labor Market
3	Employment/ Unemployment Statistics in Russia140
1	Hidden Unemployment
5	Enterprise Behavior and Employment Policy145

VIII Coments	VIII	Contents
--------------	------	----------

6	The Case of St. Petersburg	149
7	Concluding Remarks	152
Re	ferences	153
Αŗ	ppendix	155
	. Principles of Market-Oriented Labor Market Policies hn T. Addison	
1	Introduction	159
2	The Case for Active Manpower Policy	159
3	Active Labor Market Policy in the United States	161
4	Evaluation of U.S. Employment and Training Programs	164
5	Interpretation of the U.S. Evidence	169
6	European Evidence	173
7	Concluding Remarks	176
Re	ferences	178
	Rent-Seeking and Rent-Setting: Government Versus Competition (The Case of St. Petersburg)	
1	Introduction	181
2	Industrial Policy and Rent-Seeking	
3	Rent-Seeking Through Social Merit	
4	The Vesting of Monopoly Power	185
5	Licensing as Rent-Seeking	187

_	
6	Protectionism19
7	Conclusion
R	eferences19
I.	Powerful Groups and Corruption
F	rank Bohn
1	Introduction
2	The Power Index Model
3	Conclusion
Re	eferences
	Regional Dimension of the Market Transformation in Russia uslan Grinberg and Leonid Vardomsky
1	Introduction
2	Nonmarket Characteristics of the Russian Economic Space20
3	Political and Economic Factors of Decentralization210
4	Characteristics of the Economic Policy Pursued by Subjects of the Russian Federation
5	Some Results of Decentralization
6	A Change in the Federal Center's Position and Imperatives of the Regional Policy
7	Political Imperatives of Harmonizing Economic Relations between the Center and Regions

K. l	Foreign	Trade Policies in Transformationa	ı
]	Russian	and Ukrainian Economies	

Olga	Nosova
------	--------

1	Introduction	227
2	Global Capital Movements and Capital Flows	228
3	Foreign Trade Policies in Russia and Ukraine in Transition	234
4	Foreign Trade Policy Instruments	243
Αį	opendix	247
Re	eferences	250
L.	. The Role of Foreign Direct Investment in Transformation	n
Ro	oland Doehrn and Natalja v. Westernhagen	
1	Theoretical Background	251
2	Statistical Background	255
3	Determinants of FDI and Projections for Selected CIS and other Eastern European Countries	259
	3.1. Determinants of FDI 3.2. Projections for Investigated CIS Countries and Eastern European Countries.	259
4	FDI, Capital Formation, and Structural Change	264
	4.1. The Size of Gross Fixed Capital Formation.4.2. The Contribution of FDI to Capital Formation.4.3. Sectoral Aspects.	265
5	Conclusions	272
Re	ferences	273
Αŗ	ppendix	275
M	. Data Appendix	277