



Book Review

Beyond Transition. Development Perspective and Dilemmas

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Ashgate: Aldershot, Hants, UK, 283pp.

Comparative Economic Studies (2006) **48**, 183–185. doi:10.1057/palgrave.ces.8100130

Beyond Transition is a collection of 18 papers presented at a conference convened in 2003 by the Center for Social and Economic Research (CASE), the Warsaw-based research and policy advisory organisation. The conference, held at Falenty near the Polish capital, was attended by 240 participants from Central and Eastern Europe, the Transcaucasus, Central Asia, Western Europe, and the United States. Their topic was the approaching end of ‘transition’, defined as ‘a movement away from one institutional system or policy design [central planning] to another [market]’ (p. xv) in the post-communist countries. The Central European and Baltic middle-income and democratic-capitalist countries were leading reformers and by 2004 had also joined the European Union (EU). These early reformers are increasingly facing developmental challenges, which ‘do not differ fundamentally from those experienced by other developed and developing [market-oriented] economies’ (p. xv). At the level of theory, then, transitional economics morphs into macro and development economics.

Somewhat less advanced on the same path are the Balkan countries like Bulgaria, Romania, and Croatia. In the 12 lower- or lower-middle income economies of the Commonwealth of Independent States (CIS), where reform has been wanting, one finds a thin layer of ‘distorted capitalisms and highly imperfect democracies’ (pp. xv–xvi) – actually more economically contorted and politically blemished today than they had been at the time of the Falenty get together, in my opinion.

The 18 chapters of the collection are bundled into five thematic packages. The first six chapters deal with monetary policy, exchange rates, and euroisation. In the part devoted to labour markets in Central and East Europe, Jan Svejnar finds those arrangements to be as flexible and functional there as in wealthier OECD and EU market economies. Olivier Blanchard graces this section with a thoughtful disquisition on designing labour market institutions. In the next part, the efficiency and equity problems of national tax systems are assessed, including the need to resist the venerable temptation that afflicts politicians to use tax revenues to prop up hobbling firms and



industries ('sensitive sectors') in the name of picking the winners (subsidised inefficiency). Tax treatment for small firms, and tax system and performance effects on foreign direct investment are also included.

The fourth part deals with corporate rules and governance, including the role of privatisation, institutional measures to improve competition and capital markets, protection of shareholder rights, and the importance of the legal framework. The fifth and last concerns the question of how EU enlargement might influence other post-communist countries, Russia and the other CIS ones in particular. Kalman Mizsei worries, and justly so, about the EU candidacy of Romania, which in 2002 was 77th out of 102 countries on Transparency International's Corruption Perceptions Index (2.6 out of 10, which is squeaky clean). Consideration of Romania and other Balkan countries – such as Bosnia and Herzegovina, Croatia, and Serbia/Montenegro – brings up the question of speed and geopolitical limits of expansion – a matter insufficiently addressed in this volume as well as in Brussels. Where are the rationally feasible – not euphoric – outer borders of EU enlargement beyond which cultural tolerance cracks and disintegrates?

In a foreword, Polish Finance Minister Leszek Balcerowicz reminds the conferees – national and international civil servants among them – to be mindful of the importance of liberalisation and the need for a limited state, 'which focuses on the protection of basic individual liberties, including economic ones' (p. xxiii), while not crowding out voluntary cooperation, civil society as we call it, and by implication, to be wary of the emergence, rule by rule, regulation by regulation, of a new tentacled superstate high on edicts. He seems to be suggesting we keep mathematical and econometric fireworks in their place as useful methods to see more precisely, while looking at transition and development problems like the Slavic god Światowid, from four sides. 'Mainstream economics in general has only recently started to rediscover the fundamental role of institutional variables (framework systems) in explaining differences in growth.' This despite the availability of 'older and newer nonorthodox research.' (p. xxiii). Almost all the contributors to this volume have taken this injunction to heart. Analysis is not overly symbolic, and the level of argumentation is uniformly high, barring a hiccup here and there. The occasional 'on one hand and on the other' makes one think of the French question: 'it works in practice, but will it work in theory?' By and large, jargon is kept under control. Moreover, it is a pleasure after all these years to read so many well-trained Central and East European economists, perfectly at ease in Western economic theories, articulate, perceptive, and informative notwithstanding years of cramming Marxist scientific scalawagry.



Unlike many conference compendia, this book is a must read for anyone interested in transition and post-transition economics. Nonetheless, one feels obliged to point to an initial intellectual flaw easily overlooked in the atmosphere of Euroenthusiasm that prevailed before the French and Dutch votes on the EU Constitution. It consists in the unquestioning and uncritical acceptance by the Falenty conventioners of the necessity and desirability of 'convergence' toward and 'integration' in the EU – the quicker the better! The *acquis communautaire* (80,000 pages of regulations from on high) and the full range of pan-EU institutions, including invasive leftish industrial policies and more than a touch of protectionism have been thought up in Brussels by elitist bureaucrats not much given to paying attention to the *vox populi*. French President Jacques Chirac's disdainful advice to the Central and East European accessionists to 'shut up' about European foreign policy was hardly an invitation to reasoned discourse. By assuming a leading role the French may desire to rekindle the flames of *grandeur* that went out around the time of Jena. In fact, the longer-term reasons for joining the nonconfederal communion, as presently conceived, vary across European countries. Fear of a resurgent Russia is one. For others immersion in the Union may be an act of symbolic expiation for wrongs committed against their neighbours in the century just passed. These diverse motives do not cohere with the insistent official calls for single-minded convergence. It is good for thinkers and politicians to take the time to consult and listen to their constituents as they put together their theories and policies, if only to avoid the shock of demoralising popular rejections.

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