This study is one in a broader series on the microeconomics of transition economies, edited by Josef C. Brada, ‘…devoted to capturing the “biographies” of firms in transition economies and then drawing from them broader implications that bring life, deeper understanding, and a human face to the process of economic transition’ (ix).

Rather than taking a ‘snapshot’ of sample firms both large and small, Krueger examines them over the years 1994–1999 in Moscow and the hinterlands. Attention is divided among chapters on the Soviet industrial legacy and survival in the transition, on case studies of machinery (machine tool, excavator, metal fabricator), light industry (textile, furniture), consumer durables (watch and tire), food (bread and meat), and on collapse and recovery in enterprise restructuring post-1998. Krueger’s concluding chapter explains what he calls ‘the propensity to restructure,’ defined as ‘…the likelihood that a given enterprise will undertake proactive restructuring…on its way to a market economy’ (p. 3).

Krueger’s methodology and sample selection procedure are presented in an Appendix. To explain a firm’s success in restructuring, as measured by the firm’s average wages – low or falling wages or wage arrears indicate trouble – he investigates ‘…location in the capital, western business training and/or exposure, industry (a proxy for asset specificity), age of the director, and ownership structure and governance’ (p. 174).

Former state-owned enterprises (SOEs) have encountered a bewildering array of changes in ground rules and incentives in the post-Soviet period. For a while, barter and other non-monetary methods came to dominate their commercial relations. There followed price liberalisation, hyperinflation, collapse of currency, privatisation, nonpayment for inputs and outputs, total restructure of the tax system, new competition from imports, emergence of new competitive firms, low levels of liquidity, banking system collapse, and government instability. No wonder output fell by half after 1990.

Krueger provides us an extraordinarily interesting glimpse of the people in the trenches – the managers – rather than political/governmental figures.
His account reveals a vigorous and rational response to a rapidly changing environment. Incidentally, it also demonstrates the willingness of these people to do what came naturally in the Russian context, so to speak, given the opportunities. In various ways, managers and insiders had considerable authority in the transition, ‘…resulting in the vast majority of the enterprises, over 70 percent, being sold to groups of insiders consisting of workers and managers’ (p. 48).

Four elements of the business environment determined managers’ actions and fate: how far the output mix of the former SOEs deviated from that of a similar market-oriented firm; the managerial and physical capital stock relative to that of a similar market-oriented firm; asset specificity (flexibility) of physical capital and managerial stock; and external pressures, such as domestic and foreign competition and the threat of bankruptcy. These conditions generated major regional and industry differences among enterprises. In all cases, ‘…the absence of a normally functioning capital market in Russia is the most essential barrier to former SOE restructuring’ (p. 30). Krueger concludes that ‘…if Russia’s economy is to progress beyond its current state, notwithstanding improvements in the past three years, the decade-long experience of an economy operated more or less independently of the banking sector must end’ (p. 182).

These elements permit Krueger to account for why machinery and light industry did fair to poorly in restructuring, why consumer goods may have been a mixed success, and why food did so well. ‘The unique conditions of Russia’s food industry provide numerous insights into the opportunities available to aggressive and savvy managers. The food industry cases also force a reconsideration of the quality of Russian managers, who, when given the opportunity to succeed, demonstrate exceptional competitive spirit and ability’ (p. 122).

With minor exceptions the descriptions of managerial behavior in post-Soviet industry are quite accessible. In this reader’s view, Krueger’s study might stand as a textbook for American business people who would understand the nature of Russian industrial leadership. Perhaps free copies to the American Manufacturer’s Association are in order, as well as visits to gatherings of business school people! At the same time, this study provides insight into the workings of the process called ‘privatisation,’ a process still controversial because of its economic and political implications. Those unfamiliar with Russian conditions would also benefit from subscribing to daily news articles and commentaries in Johnson’s Research List (www.cdi.org/russia/johnson).

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Comparative Economic Studies