

Book Reviews

Ole Nørgaard, Economic Institutions and Democratic Reform. A comparative Analysis of Post-Communist Countries, in the "Economies and Societies in Transition" series, edited by Edward Elgar, Cheltenham, UK• Northampton, MA, USA, 2000

The excellent series "**Economies and Societies in Transition**" continues with a major contribution to the analysis of dramatic transformations taking place in the latest decade, in post-communist countries, that of Ole Nørgaard.

His book's *basic ambition* is to explain the *causal relations* between democratization and economic institutions change in these countries. The explanatory approach of the study starts from *two questions*. The first one is why some, but not other countries have been able to establish economic institutions that are conducive to economic growth, welfare and consolidation of democracy? The second question is why some countries were better and faster in disentangling economically dysfunctional institutions and replacing them with those of a market economy, stimulating for growth, welfare and democracy consolidation? The initial answers to these questions became the two major *assumptions* of the book. The first assumption is that economic institutions determine economic growth and welfare, but politics mediates this determination. The second one is that even though the market economy is the most efficient economic order so far invented, its performance is also determined by politics (there is no market economy, in general).

In the core of his study, Ole Nørgaard places the *economic institutions' changes*. These changes are seen as interweaving with two associated outcomes of the reform: economic growth and welfare on one hand and democracy, on the other hand. This is in fact, the basic *explanatory model* of the entire study. This model is detailed at two *analytical levels*: the first one focuses on the *structural variables exogenous to the reform process* (the initial conditions and the external environment) and the second, on the *reform strategy*.

As the author repeatedly says, the mentioned explanatory model has the ambition of *being applicable to all democratic systems*, East and West, North and South. 20 post-communist countries, not tormented by war and divided in three *zones* (countries belonging to the *former Soviet Union* and *Mongolia*; the *Baltic states*; *Central and Eastern Europe* countries) were selected as empirical base of the study. The *reasons* of selecting them are the following: 1) all pass a "natural experiment", unique for the social sciences; 2) prove to confront the same constraints and dilemmas as other countries with emergent democracies and markets (from Eastern Asia, Latin America and Africa) and 3) are strongly

differentiated through initial conditions and external variables of their institutional change.

The book's *structure* is designed in such a way that serves the mentioned methodological framework. The eight chapters' content is shortly presented bellow.

The *first chapter*, "**Emerging Democracies and the Market**" is dedicated to the study's basic assumptions, goals and definitions. The main *conclusion of this chapter is that the success of a country's economic development does not depend so much on its global resources (as the standard textbooks argue), but on its institutional infrastructures that favor production (over corruption)*. Thus, the author sets in the core of his approach, the *paradigm of institutional change*.

The *second chapter*, "**Finding the building blocks and Draft Designs**" exposes the basic concepts and definitions, the research design that guided the subsequent search for causal models. If the institutional change is the basis of a society's development success, then, logically, the author considers institutions as the *rules of the game in a society*. Starting from this, he develops the *conceptual building blocks* of the answers to the two questions concerning the differences in economic institutions' change in 20 post-communist countries. These concepts reflect the system of economic institutions change *determinants*: the initial conditions, external environment and affiliated political interest and actors; the opportunity space following the demise of the old regime; political institutions and state capacities; the reform outcomes. In explaining the system of these determinants, the author employs the *comparative method*, using the fundamental hypothesis that the intra-system relationship between variables is identical across the "most different systems" and that the generated partial theories hold universal value across time and space. In other words, the specific development patterns can be drawn from other cases across time and space. The focus of this approach is on *nomothetic variables*, assumed to be universally valid in time and space.

Chapter three, "**The Research Agenda: Old Ideas in New Bottles**" identifies the alternative approaches of the issue under study. The basic concept of this chapter is *transitology*. Transitology is perceived as a result of intersection between post-sovietology, development studies, political theory and economic theory. The author describes the ways of approaching the institutional change in post-communist countries in these theories. Post-communist transition differs from other major shifts from one type of society to another one at least through the following properties: 1) is a total transformation of all aspects of society; 2) demands simultaneous democratization and marketization; 3) it is nonviolent. Through a synthesis of alternative approaches employed by the three types of capitalism when changing economic and political institutions (Anglo-Saxon, West European and East Asian) the author offers a guide of strategic options for

post-communist countries' reformers. The reform's main *dilemmas* are still the following: "Shock therapy or gradualism?" and "Competition (between elites) or participation"? The issues related to the reform's scope, phasing and pace get specific solutions, based upon the answers to these dilemmas.

In the *fourth chapter*, the "**Institutional Strategies and their Outcomes**" are analyzed. Institutional strategies are defined as *choices related to the institutional reform's scope, phasing and pace*. A strategy's success is measured mainly through its capacity of generating changes with *minimum of social costs*. The issue of measurement is essential in this chapter. The designs an excellent apparatus, measuring "the transition indices" used by EBRD and World Bank. Based upon these indices the post-communist countries are divided in *four echelons*. Most of them are moving forward, but with different phasing, scope and pace. The scope and pace of the reforms largely meet the theoretical expectations, according to which stabilization and liberalization (phasing) are primarily associated with fast pace and with comprehensive institutional changes. The reform costs analysis (inflation, decrease of GDP, increase in poverty and in inequality) led to three *causal models*. When dealing with institutional strategies, these models take into account: 1) the social costs; 2) elites interests; 3) the correlation between elites interests and social costs.

The *fifth chapter*, "**Context or Institutional Strategies: The Role of First Order Initial Conditions**", describes the context of institutional strategies from the "first order initial conditions" perspective. Shortly, these are the *structural legacies of the incumbent socialist system* that differentiated post-communist countries in the process of institutional change. The author identifies two *structural factors* coming from the socialist pattern of development: "distortion" (change constrains) and "modernization" (change opportunities). They are measured with nine variables. After processing the data about these variables, the author describes four "clusters" of countries, having different levels of distortion and, respectively, modernization. Then the two factors are used as *independent variables* in order to predict the reform pace and scope inflation, GDP and poverty.

Chapter six approaches the "**Transcending the Structural Constrains of Socialism**". The author explains why some countries were granted better opportunities that enabled them to transcend the structural constrains of socialism, while others failed to avail themselves of opportunities provided by favorable initial conditions. The goal of this chapter is to discover the *resources that increase the countries' opportunities* to overcome the structural constrains embedded in their initial conditions. These resources were found when analyzing the 1) dynamics of civil society's institutions and popular mobilization; 2) elite continuity and 3)-democracy and liberalism.

In the *seventh chapter*, "**The Agents of Institutional Change**" are analyzed. *Overachievers* are compared with *underachievers* for the purpose of explaining

why some countries have been able to change their economic institutions *more than predicted*, while others have not. In the case of overachievers the success was a consequence of a specific combination of factors, such as: previous statehood, contagion of ideas from a close neighbor, the existence of a change team and the vision of UE membership.

The *eighth chapter*, “**Emerging Markets – and Democracy**” tuns back to the basic concepts of the book, this time having the context understood. Essentially two issues are analyzed: 1) the impact of alternative strategies on democracy’s consolidation and 2) the study’s conclusions applicability on other regions and types of transitions. Post-communist transition is an extreme form of changes happened in other regions and regimes. Three main *lessons* could be learned from it: 1) The economic and social costs generated by the first order initial conditions in conjunction with institutional strategies constrain the actors options for institutional strategies. 2) Fast and comprehensive reforms are followed by economic growth and poverty decline only in the presence of democratic conditions. 3) The most important lesson of the study is that there is no a universally applicable pattern of economic reforms. The dual goal of democracy and market asks for taking into account the specificity of the major effects of economic reform in each country on democracy.

The book ends with the issue of *further research need*. The author shows he omitted some factors influencing the capacity of institutional change and which are on his agenda for future research. In our view, the most important of them is the social capital of each country.

From a *theoretical perspective*, Ole Nørgaard’s book is a major contribution to development of transitology in general, of post-communist one, in particular. From a *pragmatic perspective*, it is an essential and challenging lecture for political scientists and politicians, economists, sociologists, civic actors, public servants and officials from international institutions. If all of those involved in the battle for democracy will read this book, the democracy will be less threatened. Through his study, Ole Nørgaard is a great defender of democracy.

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**Restructuring Networks in Post-Socialism
Legacies, Linkages, and Localities
Herausgegeben von Gernot Grabher, David Stark
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Die wissenschaftliche Begeisterung für die Entwicklung im Osten Europas ist vorüber. Nüchterne Analysen haben wieder die Oberhand gegenüber postulativen Einschätzungen gewonnen.

Auch das von Gernot Grabher und David Stark herausgegebene Buch „Restructuring Networks in Post-Socialism“ gehört zu diesem neuen Typus. Es behandelt den ökonomischen und sozialen Wandel in den Ländern Ungarn, Polen, Rußland, Tschechische Republik und in den neuen Bundesländern. Die Perspektive ist institutionalistisch-evolutionstheoretisch ohne diesen „Institutionalismus“ nun immer besonders analytisch hervorzuheben. Die im Untertitel genannten drei Begriffe „legacies“, „linkages“ und „localities“ kennzeichnen die Grundorientierung der meisten Beiträge in diesem Sammelband. Es geht um Erbschaften des Staatssozialismus, deren Beseitigung und Umbau, es geht um neue und alte Netzwerke von Unternehmungen und um regionale Clusterbildung.

Ein knapper, grundlegender Artikel von den Herausgebern leitet den Band ein. „Organizing Diversity: Evolutionary Theory, Network Analysis, and Post-socialism“. Er weist die eindimensionale Sichtweise auf die Erbschaften zurück, derzufolge diese lediglich als den notwendigen Transformationsprozess obstruierende Elemente zu betrachten sind. „Instead we aim to highlight the dual potential of legacies to block and to support transformation“ (6). Vielfalt statt Suche nach ‚one-best-way-Lösungen‘ produziere bessere Adaptionen an den rapiden Wandel, so die Autoren.

Dem programmatisch gehaltenen Einleitungskapitel folgen dann drei eher allgemeine Kapitel von David Stark, ‚Recombinant Property in East European Capitalism‘, von Gerald A. Mc Dermott, ‚Renegotiating the Ties that Bind. The Limits of Privatization in the Czech Republic‘ und Gernot Grabher, ‚Adaptation at the Cost of Adaptability? Restructuring the Eastern German Regional Economy‘.

Dann wird in empirisch sehr gehaltvollen Kapiteln über neue Unternehmensformationen in Rußland, in Ungarn (2), in Polen, der tschechischen Republik und in Ostdeutschland berichtet. Dabei werden die Vielfalt der organisatorischen Formen und deren unterschiedliche Antworten auf unterschiedliche Umweltkontexte herausgearbeitet, wird der Einbettung der Formen in lokale und regionale Kontexte nachgegangen. Die räumliche Referenz ist dabei in der Regel die jeweilige nationale Ökonomie.

Kapitel über die politische Steuerung der Transformation bilden den dritten Teil des Buches. In ihm charakterisiert Peter Rutland die Antinomien der

osteuropäischen Privatisierung, behandelt Wolfgang Seibel die Treuhandanstalt als staatlichen Steuerungsversuch der ostdeutschen Restrukturierung und berichten Chris Pickvance und Hellmut Wollmann über die Transformation lokaler Verwaltungen.

Insgesamt handelt es sich um ein nützliches Buch für die Spezialisten der Transformationsforschung, das einige über den Zeitpunkt seiner Entstehung hinausweisende Einsichten enthält und folglich nicht so schnell veralten dürfte, wie viele andere empirisch orientierte Momentaufnahmen zur mittel- und osteuropäischen Transformation.

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