

The author nuances the differences between organizational learning using some cultural dimensions, also. He reaches the conclusion that cultural systems being in the *process of structuring* and the *temporary* ones have a greater ability for organizational learning. In the well-structured and institutionalized systems, a kind of “collective ignorance” of learning manifests. Generally, learning opportunities show up in crisis times, when existing organizing forms become ambiguous.

Even though the author tests his own theory on those three firms (which prove the theory), as readers we put to ourselves two questions. If the organizational learning is a process through which the actors build their internal and external environments, which are the limits of this construction? Someone must not forget that the external environment has components as legislative, informational or political ones, which cannot be entirely built by any company either at national or global level. Otherwise we might fall in the trap of conceptual “imperialism” of organizational learning being everything and everything being organizational learning. The second question is: if the organizational learning is a continuous social practice, do the organizations learn and change permanently and restless? Linked to this there is another trap, that of “continuous learning” leading to an ideal society. Or, the history of human being shows that such an ideal society cannot be built. It is well known that all of such trials failed.

Certainly these two questions do not decrease in any way the exceptional value of the book, which is an essential contribution to the development of organizational learning theory and beyond this theory...!

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## **Jens Holscher, Financial Turbulence and Capital markets in Transition Countries**

This book provides interesting insights into the workings of financial systems in transition countries in the context of global financial crisis. In particular it offers an assessment of the consequences of the financial turbulence during the late 1990s on the emerging financial systems of four countries: Russia, Poland, Czech Republic and Hungary. The book not only captures the diversity of outcomes experienced by these countries, but also offers different perspectives and explanations of the experiences within each country, and in some cases, for example in the examination of the Russian experience, diametrically opposed views are presented.

The book opens with two contextual chapters, the first of which, by Horst Tomann, maps out a broad background for understanding the financial developments and the problems of macroeconomic stabilisation. In particular Tomann explores the relationship between integration and economic development through examining the implications of EU enlargement and draws some conclusions on the role of financial institutions. He raises the question; what role is assigned to institutions in economic development? This is the catalyst for evaluating the role of property rights in a market economy and the deficiencies of institution building in transition economies. Tomann offers an interesting comparison between the new and the old institutional economics, also argues that the implementation of the EU's "acquis" by candidate countries will provide important credibility for CEC governments in their reform programmes. He also concludes with suggesting the "viability of property rights seems to be more important for economic development than the real rate of interest". It would have been interesting to explore this aspect in more depth.

The second contextual chapter, by Stephan Herten and Jens Holscher, addresses the intriguing question of whether transition countries in Central and Eastern Europe should choose the Anglo Saxon type of financial markets of the Rhenish bank based system. The driving hypothesis of this chapter is:

" a strategy in favour of financial liberalisation in emerging market economies of CEC will lead to Anglo Saxon types of financial sectors". Herten and Holscher warn that this will bring chronic short termism and increased vulnerability to speculative attacks with, adverse destabilising effects. The chapter provides interesting insights into the dilemma of corporate governance theory and macroeconomic dimensions of financial systems. The authors attention naturally turns to the bad debt problem endemic in the transitional economies which represents such a key obstacle to progress both in the financial system and the wider economies. Herten and Holscher propose a policy of careful rehabilitation with foreign participation. That is, to pursue a route between the two radical solutions of "free entry" and full rehabilitation. They suggest that a flow solution to the bad debt problem calls for a German type financial system. They also warn that within an Anglo Saxon system of liberalised capital markets a flow solution of the bad asset problem is not feasible and would be more likely to provoke a banking crisis. The authors conclude in favour of a strategy of "semi-liberalisation" in order to use foreign participation to induce learning without giving away financial control.

Turning to the country focus of the book, three chapters are devoted to the Russian financial system, which presents an absorbing contrast of views on the causes and implications of the Russian financial crisis of 1998. Vladislav Semenov frames his discussion of the crisis in terms of two questions.

Firstly, Who is to be blamed not only for this crisis but for the disorientation of the Russian reforms which paved the way for the financial crisis of 1997/98? Secondly, What to do?

Semenkov offers a number of reasons explaining the crisis, but argues two main factors interacted with the internal weakness of the economy that finally brought the financial and credit sector to a critical point: firstly the excessive orientation of the balance of payments and currency reserves on energy and raw materials exports; and secondly, the massive attraction of non residents' resources to the GKO market – “hot money”. He also argues that the world financial crisis acted as a catalyst for the internal negative tendencies and mistakes. The whole system, Semenkov argues, built up on an artificial stability of the exchange rate and the state debt market was vulnerable to even relatively small shocks. The second part of the chapter offers a package of measures and principles needed to reform and strengthen the financial system. But he warns that the plan of action, most of all, needs the political will and vision of the authorities. Semenkov concludes by suggesting that if not now then later much more radical measures will need to be taken, such as total nationalisation of banks, natural monopolies and vital enterprises, “closing” the country and enhance law and order by force.

The two following chapters , by Thomas Line and by Adalbert Winkler, are highly critical of Semenkov's analysis and solutions. Thomas Line focuses on the fundamental internal problems that prompted the crisis and in turn reviews the following dimensions to the problem: the budget deficit and the failure to impose a hard budget constraint, the weakening banking sector, excessively restrictive exchange rate policy, the promotion of more competition in former state owned enterprises and the provision of the right incentives for economic agents.

Adalbert Winkler's diagnosis of the causes of the crisis and proposed reforms also differs radically from Semenkov. He does not advocate increased government intervention, particularly at the micro level. In fact Winkler identifies some key lessons from the crisis of August 1998. It showed, he argues, that a country cannot achieve monetary stability unless fiscal policy is sound. Another key lesson, according to Winkler, is that a country experiencing overall economic instability with a regime of fixed exchange rates and minimal capital controls will sooner or later face a deep crisis, as no one is capable of acting as lender of last resort to stop a run on the national financial system by foreign investors.

By contrast to the Russian experience, Zbigniew Polanski's chapter points out that Poland was one of a few transition countries that remained relatively unaffected by the world wide financial turbulence of the second half of the 1990s. He explores the nature of the impact of the global turbulence on Poland and examines the policies adopted to assess the factors contributing to the

relative stability of its economic development. He concludes that while Poland is not immune to world wide developments but appropriate macroeconomic and institutional policies have substantially reduced their negative impact. The international impact of global crises, according to Polanski, has been transmitted more through trade linkages in the case of Poland.

In the following chapter, Alexander Karmann offers a critical review of Polanski's contribution and focuses on three main questions: are there leading indicators of event risk?; what explains Poland's immunisation?; and are gradualism and control a good policy method? Karmann goes on to slightly modify Polanski's interpretation of the Polish experience.

Turning to the experience in the Czech Republic, Frantisek Turnovec provides a short overview of the results and implication of the mass privatisation programme and examines the subsequent post- privatisation depression of the Czech republic. Curiously, this chapter makes few direct linkages to the central theme of the book . However , Claudia Buch broadens the perspective and argues that the ownership pattern in the Czech financial system is a key factor behind the financial market developments. She offers interesting insights on why microeconomic factors matter?; why external liberalisation matters?; and finally draws some key lessons from the specific Czech Republic experience.

Bruno Schonfelder offers some provocative reflections on both Turnovec and Buch's contributions and , in addition criticises some currently held views on the Czech reforms.

Roman Matousek and Anita Taci provide an interesting chapter on the assessment of costs and benefits of small and medium commercial banks within the Czech banking sector. Their analysis shows that in addition to the limitations in the banking sector and its relations with the real economy, problems arise from a more general nature related to the overall financial sector and its institutions.

The last country section of the book examines the Hungarian experience with a comprehensive reflection on macroeconomic stabilisation and the financial sector crises and reforms in the 1990s by Adam Torok. Some thoughtful critical appraisal on Torok's chapter are supplied by Johannes Stephan and Uwe Vollmer.

Stephen Frowen closes the book with interesting overview of the discourse from the contributors and highlights some useful area for future research and challenges that lie ahead , not least with potential future membership of the euro. All in all , the book supplies a range of interesting studies on the financial systems of the selected countries in transition and makes a creditable contribution to knowledge in this field. A book to be recommended to researchers and students of transition international financial economics.

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