

## Book Reviews

### **Review of book-series ‘Conditions of Economic Development in Central and Eastern Europe’ (Bedingungen ökonomischer Entwicklung in Zentralosteuropa), edited by J. Hölscher, A. Jacobsen, H. Tomann and H. Weisfeld, Metropolis, 1993-1996.**

The series under review is probably the first one of its kind: no such comprehensive literature, both on theoretical implications and empirical developments, have so far been combined in one series-publication on the economics of transition. In that respect, the series could well be treated as a ‘Handbook of Transition Economics’.

The series covers more than 80 articles and 1500 pages, hence it is impossible to review all contributions. Without denying that other articles are also relevant and worthwhile reviewing, this review will constrain itself on providing an overlook of topics covered and concentrate on the results of the research process, i.e. viewpoints and methods, expressed by the editors predominantly in volume four. This might be the best way to provide the reader of this review with an idea of what to expect from this series.

The series, which accompanied a two-year research project funded by the *Volkswagenstiftung*, finds its readers not only amongst scholars and the interested public, but some of the articles, especially the ones in volumes 2 and 4, are of high theoretical standard and very ambitious indeed: covering an intensive assessment of theories pertaining to the economics of integration and development in general and the economics of transition in particular, the series also attracts scientific experts within the international scientific community. The theoretical approaches are diverse throughout the books and consistently reflect the editors’ opinion of a generally open process of evolving market orders and institutions. Whilst the individual books or even articles can be read individually, the full quality of the series becomes evident when considering the series as a whole. With a narrow geographical focus on the Czech and Slovak Republics, East Germany, Hungary and Poland, the articles assess every possible aspect of transformation of economic systems and their processes of economic development. Unfortunately, only readers who command both German and English languages can enjoy the whole breath of the series: some volumes are written consistently in one language (volumes one and four are in German, volumes three and five are in English) and volume two is a mixed language book.

Volume one, ‘Aspekte des wirtschaftlichen Umbruchs’, is an all-German language volume and presents the proceedings (papers, comments and a general discussion) of an international conference in November 1992, held in Berlin and organised by the editors under the umbrella of the European Commission’s ‘Europatage’ during these days. This volume clearly shows that the conference

induced an intensive exchange of thoughts between Western scientists and such from Poland, the Czech Republic and Hungary. Divided in five parts, the book offers a comprehensive introduction by the editors. The other parts comprise of articles by Ruzena Vintrová, commented by Adalbert Winkler, Dietmar Meyer, commented by Éva Várhegyi and Jens Hölscher and Zbigniew Polanski, commented by Jan Kregel, on the ‘Constitution of Monetary Economies’ in the CSFR, Hungary and Poland; Jana Sereghyová, commented by David Audretsch, Péter Gál, commented on by Barry Eichengreen and Anke Jacobsen, Marian Guzek, commented by Hartmut Scheele on the ‘Regional Aspects and the Integration into the World Market’; Brigita Schmögnerová, Keith Cowling, Katalin Szabó, Tamás Mellár, and Dariusz Grabowski, commented by Maciej Iwanek on the issue of ‘Privatisation’; and Jirí Dvorák, commented by Hans Peter Widmaier, István Ligeti and Láslo Szabó, commented by István P. Székely and Krzysztof Kaczynski, commented by Raimund Dietz on ‘Structural Change and Employment’. This structure already highlights that the book series, right from its start, attempted to cover the economics of transition from a macroeconomic viewpoint and as wide-ranging as admissible. Whilst some of the data in the descriptive parts of the articles are today outdated, revised and historical, their analytical parts are just as valid as ever and prove brilliant expertise from all scientists.

Volume two, ‘Wirtschaftliche Entwicklung und institutioneller Wandel’, published in 1994, focuses on a theoretical assessment of the properties of transition economics. It includes articles by authors such as Dieter Cassel and Thomas Apolte on timing and sequencing of the transition process, Hajo Riese with his particular focus in transition studies on income creation as a problem of economic development, Stefan Voigt on possible implications of the Austrian perspective on transformation issues, Waltraud Schelkle on the particular market constellations during economic reforms, Claus Thomasberger on aspects of the establishment of a monetary constitution, Jens Hölscher on experiences from the German post-war experience, Ingo Walter on the design of financial institutions in transformation economies, Wendy Carlin and Peter Richthofen on the same topic whilst focussing on the special case of East Germany, Adalbert Winkler on the option of an East European Payments Union, Michael J. Koop the efficiency issue associated with privatisation, Jan A. Kregel on Russian privatisation, Gunnar Heinsohn and Otto Steiger assess eight thesis on ownership and systemic transformation, Stephan Herten on perceptions of wage policy within the framework of locational competition in Europe, Jürgen Müller and Alexander Dyck on the management transfer into the new *Bundesländer*, Hans Peter Widmaier and Frank Schulz-Nieswandt on the issue of social policy.

What is particularly enchanting about this book is that it avoids paradigmatic streamlining and features multiple theoretical approaches and analytical methods, ranging from Hayek to Schumpeter, from welfare economics to post-

Keynesianism and in particular the contemporary Berlin-school. The reader can subsequently expect some interesting controversial bits in this volume. Volume two might be of particular interest to the reader not only because of the theoretical focus of articles, but also because it highlights the importance of development economics and the economics of integration as the two foundations for a sound analysis in transition economics. Such insight is not often to be found in related publications of that early time. Unfortunately, volume two, together with volumes one and three, have already sold out. A second edition of that particular volume would certainly be worthwhile.

Volume three, 'Field studies on Transition', features exclusively articles from distinguished researchers from Eastern Europe, including Milan Guba and Michaela Skolková, Ákos Balassa and Zbigniew Polanski on 'Monetary Policy and Financial Systems'; Marian Guzek, Tamás Mellár and Brigita Schmögnerová on 'Privatisation' and Jana Sereghyová, Brigita Schmögnerová with K. Mikušová, J. Košta and L. Marčičiaková, and Ádám Török on 'International Trade and Structural Change'. Their position as 'insiders' grants them access to specific knowledge of the 'state of affairs' in the region and therefore enables the authors to describe developments in their economies at a very high level of precision. Again, it covers all important fields for a macroeconomic assessment of transition economics, namely monetary policy and evolving financial systems in post-socialist economies, the problem and task of privatisation, trade policy and reorientation in Central East Europe, and finally structural change and policy pertaining to that in the Czech Republic and Hungary. The reader will find of particular interest that this volume presents a questionnaire covering research-leading questions in respect to transition economics which appear to have served as guide-line to the authors when having been appointed to edit their articles. It is particularly striking that the vast majority of questions are still as relevant today as they were at the time the questionnaire had been compiled.

Volume four, 'Elemente einer Entwicklungsstrategie', is perhaps the most challenging volume in the series from a theoretic point of view and was designed to present the results of the project after two years of research. Here, the editors themselves venture to sum up the most important elements of a development strategy for post-socialist economies. The theoretical breath of the articles, however, yields beyond a pure transition economics-focus: Hans Weisfeld's paper on 'Stabilisation and Development' assesses theoretical approaches on monetary integration, to make his case for the design of viable exchange rate regimes that serve as a vehicle for monetary stabilisation, the latter being conditional for economic development. His scepticism leads him to reject optimum currency area and credibility approaches, and leads him to advocate fiscal and income policies as supplements for monetary stabilisation.

Anke Jacobsen, in her article, revisits the latest additions to the New Trade and New Growth Theories to conclude that integration, as held by the ‘free trade paradigm’, does not necessarily promote convergence. This seems particularly relevant in the case of transition economies as small and little developed, yet already considerably open economies. In contrast, active trade policy could submit the ‘management’ of integration, i.e. the pace and the structural pattern of liberalisation, to the overriding aim of economic development.

Jens Hölscher’s article is concerned with a rather unusual question: does privatisation really matter that much in the transition process, is it really the ‘cornerstone of transition’? Whilst institutional economics does not in the general case hold that private ownership would *per se* guarantee higher efficiency over public ownership. Rather, a variety of conditions have to apply to reach that conclusion. In contrast, the Berlin-school, embeds private ownership as a constituting category into the successor economic system by stressing the strive for profit as engine for growth. Hölscher subsequently pleads for a long-term strategy aiming at the installation of conditions for Schumpeterian entrepreneurial activity; privatisation as such loses its importance.

The co-authored paper by Horst Tomann and Oliver Scholz holds that structural change in post-socialist economies is a paramount condition for economic development, as the conditions for the allocation of resources have changed dramatically: vertically integrated firms have to be disentangled to promote inter-firm division of labour, as has the price regime to undergo fundamental changes. Such profound adjustment necessitates some kind of social securitisation of citizens, especially since the old institutions pertaining to that task have eroded as a result of intensifying competition.

The last volume in the series features the proceedings of the second and last conference as closing event of the research project, and was held in Berlin in 1995. It closes the circle of research into transition economics, conducted by the experts involved over a period of more than 2 years. Most of the scientists from the first conference also presented papers or comments for the second one. New to the group were Roger Sudgen, who presents a joint article with Keith Cowling and the distinguished Michael Kaser, who’s article assesses integration and homogeneity in the transition economies. A comparison of the two conference volumes clearly shows a distinct shift towards the twin areas of integration and institutional change. This newly evolving focus was held to be the paramount fields of future research into the economics of transition.

Whilst this book series had been closed with the publication of volume five, two of the editors, Jens Hölscher and Horst Tomann set out to establish a new series on “Studies in Economic Transition” with Macmillan Press, Basingstoke and St. Martin’s Press, New York, which shows that a new field of economic research has emerged within the international community of economic sciences.

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**Herman W. Hoen (1998): The Transformation of Economic Systems in Central Europe, Cheltenham: Edward Elgar**

Hoen's work approaches system transformation in Central-East Europe within the tradition of political economy. In its empirical parts the book reviews transformation processes in the Czech and Slovak Republics, Hungary and Poland. Apart from these three chapters the book offers four theoretical chapters and starts off with reflections on a theory of economic transformation. This chapter serves as introduction and distincts three different approaches: The neoclassical school of economic thought, which interprets transformation as 'invisible jump'. Secondly the post-keynesian approach, which looks at transformation as an open process and 'unpredictable journey', and thirdly, the Austrian school, which addresses transformation as case of creative destruction of a planned economy. Hoen maintains reservations against all the three approaches and claims that the conventional line of the strategic debate between 'gradualism' and 'shock therapy' is misleading. He points out that due to political as well as technical reasons in particular the process of institution building needs time. Following this outline the next chapter focuses on the interdependence of external economic relations of transition countries and the transformation to market economies. Hoen makes clear that successful transformation depends on integration into the world market. In particular he points out the restoration of mutual trade relations. Here one would have welcomed some more emphasis on monetary integration, which is the precondition for sound integration. In this respect the book seems to be finalised a bit too early as the author could not reflect the recent balance-of-payment and financial crisis of the Czech Republic, which should definitely be included, if a second edition of the book were to come. Hoen takes up again the issue of the external performance of transition economies after three chapters on the countries under review. Here again the exchange rate as the determining and constraining factor of external competitiveness is neglected. Strange enough for the author's approach, he presents his findings within a neo-classical framework of 'rent-seeking', although in a political economy fashion. The concluding chapter on a reconsideration of different transformation strategies continues this line of argument. Although Hoen is a sharp criticist on conventional wisdom and the debate between 'gradualists' and 'shock therapists' in particular, he falls short to come up with an own strategic proposal. This shortcoming is understandable due to the complex nature of transformation, but nevertheless leaves the reader with some hint of disappointment after the authors lucid analysis. Perhaps it should be taken as an appeal to the academic community to try harder in progressing in transition research, as the book as such is recommended to everybody active in this field.

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