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Kolodko, Grzegorz W. From *Shock to Therapy: The Political Economy of Postsocialistic Transformation*. Oxford University Press, Oxford, 2000. xii + 457 pp. Notes. References. Tables. Appendices. Index. £48.00.

From its title this is clearly a polemical book. The author, a former First Deputy Premier and Minister of Finance, of Poland from 1994-97 and the architect of the 'Strategy for Poland', which has made that country one of the main success stories of the transition process, provides a highly readable and sensible critique of the so-called 'Washington consensus' on the recipe for transformation of former Soviet-type economies. Kolodko's account of the process and its lessons attempts to transcend the Polish experience. He compares it with the generally less successful results not only in the European and post-USSR 'transition economies' but also with the markedly different transformational experiences of China, Vietnam and the non-socialist Asian economies, such as the ASEAN and South Asian countries. Some of these comparisons are a bit wide of the mark, reflecting a tendency of the author to accept official statistics at face value, whereas a deeper knowledge of local conditions might have suggested a bit more caution. This is true of Croatia, for example, whose comparative economic 'achievements' (in Kolodko's eyes) would be news to Croatian citizens, who have recently sacked the successors of the regime of the late President Tudjman largely because of its glaring economic failures.

Nevertheless, Kolodko has many useful things to tell us about the necessary conditions for successful transition. For one thing, he emphasizes that a distinction must be made between transition policy and developmental strategy. Transition is a process, not a goal in itself. The goal of the process is to attain sustainable growth which will benefit the society as a whole, not merely the early-bird 'spontaneous privatizers' and the gurus of the IMF and the World Bank. For another, while Kolodko sees a generally positive and, indeed, essential role for these institutions, especially in the early stages of transition, he is far less congratulatory of their stereotyped recommendations and the 'conditionally' of their financial assistance.

He is a strong proponent of a more gradual, institution-building approach to the achievement of *liberalization, stabilization and privatization*, the three pillars of the IMF-sponsored strategy for post-socialist transformation.

Acknowledging the need for the three processes, Kolodko argues that if their speedy implementation results in serious economic recession - as has almost always been the case - then there is something wrong with the recipe. And given the need for public support for transition in the newly democratized political systems, governments which do not adopt a more appropriate developmental strategy fairly early in the process will not long be in office to implement their policies. The recent upsurge in support for left-wing parties throughout the

post-socialist countries suggests that Kolodko is quite right. Even in relatively successful Poland the left seems about to stage something of a comeback, as the social costs of transformation, globalization and the forthcoming integration into the EU are becoming more apparent to a population that has been remarkably tolerant of the sacrifices it has had to make to achieve the results attained so far.

Kolodko, a moderate centre-leftist, illustrates the dilemmas facing the responsible reformer in these transition countries. He obviously chafes at the often gratuitous advice of the 'Breton Woods' institutions, but he recognizes that they set the rules for the only game in town and basically accepts (perhaps sometimes too willingly) the parameters laid down. On the other hand, he perceives certain social and even economic benefits under the old socialist institutional system, which could have been enlisted to ease the transition. His analysis of the old system and where it went wrong under the megalomaniacal dominance of Soviet leaders is a valuable contribution to our understanding of the past and present in the region. Thus, he is an exponent of a strong role for the state in planning and facilitating the transformation, totally rejecting the 'no-policy-is-the-best-policy' approach of the early Western gurus of transformation. He sees market failure as a problem not only in the transitional economies, but most of them, in the rush to follow IMF advice, have done little to build an effective institutional base to guide the desired market relationships as in the advanced economies.

Kolodko is particularly emphatic on the need to 'commercialize' - i.e., rationalize and improve corporate governance of - state-owned enterprises prior to their privatization. Had this strategy been followed in Russia, he points out, some of the distortions, fraud and theft which have kept the Russian transformation process - despite a high level of privatization - in a state of suspended animation, could have been avoided. (For some strange reason Kolodko seems to be much more impressed with the Chinese and Vietnamese strategy for transforming SOEs.)

He has similar caveats concerning foreign investment. He recognizes that only the advanced economies have the surplus savings required for the adequate development of the transition economies. However, as the experience of the Asian meltdown of 1997 shows, short-term speculative and portfolio investment may do more harm than good; therefore, he favours foreign direct investment with a longer time horizon. But most of all, he would like to see stronger governmental regulation of capital flows and the sectoral direction of foreign investment. One suspects he would have approved of the approach adopted by Malaysian Prime Minister Dr Mahathir Mohammed, which evoked such international condemnation at the time, but which seems to have been successful in limiting the damage of capital haemorrhage.

In short, this is one of the best treatments of the transformation process thus far available. There is much in the argument and the interpretation of the data presented with which the informed reader may disagree. (The book contains some sixty-six pages of tables of selected economic statistics for the twenty-six European and post-Soviet transition economies for 1990 - 1998 and projections for the future.) But with remarkably few exceptions there is little of both that does not warrant serious consideration, including the various recommendations and alternatives which the author provides in place of the nefarious 'Washington consensus'. From this standpoint alone the book is worth having in one's library.