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Review Of "Privatization In The Transition To A Market Economy: Studies Of Preconditions And Policies In Eastern Europe" By J. S. Earle, R. Frydman, And A. Rapaczynski

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Review

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Privatization in the Transition to a Market Economy: Studies of Preconditions and Policies in Eastern Europe. Eds. John S. Earle, Roman Frydman and Andrzej Rapaczynski. New York: St. Martin's Press, 1993. vii, 221 pp. Index. Tables. \$45.00, hard bound.

The nine studies in this volume deal with the initial conditions of privatization, the policies followed in four nations and the special roles of the stock market and foreign capital. Five of the essays deal with Hungary, two with Poland, two with Czechoslovakia and one with Romania. The manuscripts were closed around the beginning of 1992 so that a number of interesting recent developments are not discussed.

The editors introduce the book with a provocative proposition: those nations, such as Czechoslovakia and Romania, that followed a more orthodox communist road have been better positioned to carry out radical and aggressive privatization programs than nations such as Hungary and Poland, where the managers of the state enterprises had more decision-making autonomy during the communist period. The former nations have been able to employ voucher schemes or to employ mutual-fund type institutions to maintain a broad ownership base; the latter nations have placed the greatest emphasis of their reform programs on auctions, sales to foreigners, corporatization of state enterprises with either no private ownership or else ownership dominance by insiders (managers and workers) of the enterprise. The cases of East Germany and the Soviet Union, not to mention the economically less developed communist nations such as Albania, China or others, required their proposition to be modified so as to take in more varied experiences.

I found many of the essays quite informative—particularly those by Laszlo Urban and Jan Mladek. My major frustration in reading this book is that I wanted the authors to dig more deeply into their topic. Most of the essays, however, do contain many useful nuggets of information and analysis. Of particular interest are the discussions of the administrative and political problems encountered during the privatization process. The authors also draw from a variety of materials that are not readily available so that readers can gain a taste of the debates on privatization issues in the four nations.

Nevertheless, the book bears all the marks of a rush job. The various authors have different frameworks of analysis so that major issues raised by one author with regard to one country receive no attention by those writing about other nations. Much of the discussion about preconditions goes over well trod ground and more descriptive materials than are necessary. Most importantly, many of the critical issues concerning privatization receive little or no attention at all, for instance, the phasing of restructuring and privatization, the distributional impact of various types of privatization programs, the manner in which the new private enterprises are nurtured by the government, the degree to which ownership of the enterprises is concentrated or dispersed, and the impact of this on the behavior of the managers.

In any edited volume, individual authors like to wander off on their own; and in this book the editors were not tough enough to knock heads together in order to force them to follow the same analytic framework so that a set of issues could be delineated that could be systematically examined for the four nations. In the introduction it would have also been useful if the editors had presented several summary tables so that readers could see the relative importance of different types of privatization programs and in which sectors the different programs were carried out in the different countries. If readers are willing to take the effort to make their own synthesis, the book has much to offer.

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Hungarian Foreign Policy: The Experience of a New Democracy. By Joseph C. Kun. *The Washington Papers*, 160. Westport: Praeger, 1993. xxi, 168 pp. Index. \$42.95, paper.

It is axiomatic that relations between states are governed by self-interest. The uneven distribution of power leads to another asymmetry, in the degree that states rely on