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Review of Radical Political Economics

Transition Economies: transformation, development and society in Eastern Europe and the former Soviet Union
Aleksandr V. Gevorkyan. Oxford:Routledge, 2018. 292 pages

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3 **Transition Economies: transformation, development and society in Eastern Europe and**
4 **the former Soviet Union**
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11 For researchers who work on post-Soviet and transition economies, this book comes as a
12 fresh breeze. The debate on the heritage of the Soviet Union and state socialism has been for
13 too long discharged as an unfortunate political experiment and archived as a “failure” of
14 history. However, we can’t explain the current tensions of contemporary nation states and
15 their socioeconomic crises away from their past. This book is much needed on the
16 bookshelves of those who want to understand how historical experiences can inform state-
17 market relationships and dynamics of capital accumulation at the start, during and at the end
18 of the Former Soviet Union (FSU). By offering a complex interdisciplinary analysis of an
19 under-investigated region of the world, the book invites reflection on prescriptions
20 formulated to implement the transition to market of centrally-planned economies, and to
21 revive the debate around the causes and mechanisms of that transition. In addition, it informs
22 the debate on comparative economic systems across time and space.
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27 The historically-informed and politically-aware approach of the book leads to a further
28 contribution, which is the lucid ex-post evaluation of the reforms implemented after the
29 collapse of FSU across Eurasia in the early 1990s. The book underlines that “big-bang”
30 reforms, in their varieties, symbolize the consecration of mainstream economic theories
31 through the so-called “Washington Consensus.” Those reforms focused on the privatization
32 of State Owned Enterprises, price liberalization, and macroeconomic stabilization.
33 Disregarding historical, institutional, and economic specificities, the reform package imposed
34 what was essentially a one-size-fits-all solution for the entire FSU region. These reforms
35 wanted to ensure that *value* and property rights could be individualized and freely exchanged,
36 and thus efficiently allocated in the market and society through the price mechanism. The
37 ideology of free-market and individual freedom was blindly embraced as the alternative to
38 the alleged inefficiency, repression, and corruption of the top-down approach of state
39 socialism. The book unpacks the mechanisms of this transition by factoring in the benefits
40 and costs involved in it.
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45 However, the Washington Consensus also advocated for a distinctive model of value
46 creation, based on following (as opposed to challenging) natural comparative-advantage and
47 liberalization of foreign trade (Lo 2013). Few authors have explored in depth the growth
48 dynamics and outcomes of those last decades (i.e., Bennett, Estrin, and Urga 2007; Kornai,
49 Maskin, and Roland 2003). *Transition Economies* fills this gap. Gevorkyan picks up the few
50 but rigorous research works that argued that the challenges of the former Soviet transition
51 were way too complex for the solutions proposed, and that those challenges could not be
52 addressed simply by turning these economies into market-oriented economies overnight.
53 Thus this book coherently illuminates the limitations of those market reforms through
54 comprehensive empirical evidence.
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58 The book develops three main analytical contributions: the first advances a simple but not
59 obvious argument, namely that to understand the complexities of transition and
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3 transformation in the FSU and Eastern Europe it is important to acknowledge that events are
4 part of a continuum and are embedded in their historical and geographical specificities. In
5 order to set up these premises, the book analyzes country-specific challenges and varieties of
6 transformation over the past decades. The analysis shows that these regions in reality contain
7 very heterogeneous historical, geographical, cultural, and religious realities, which
8 contributed to shape twenty-nine different economic policies. For instance, an important
9 distinction is made about countries that are, as the result of path-dependent policies, still
10 relying on primary commodity export. Indeed, understanding the origin of certain economic
11 structures is a crucial step to understand the challenges of social and economic transformation
12 today.
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16 Another very good discussion developed in this section of the book is about the concept of
17 *transition* versus *transformation*, and the inadequacy of the former in describing complex
18 patterns of change. The book rightly points out the fact that *transformation* entails a much
19 more complex and multidimensional process of institutional change within both market and
20 society (Tool 1994). In this respect, it also denounces the inadequacy of neoclassical theories
21 based on market equilibrium and production possibility frontiers in first, explaining the
22 challenges of change of transition economies, second, in assessing institutional change, and
23 third, formulating sensible policy recommendations.
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27 The second contribution of the book is to thoroughly analyze mechanisms of production,
28 exchange, and distribution during the Soviet era and after the Soviet collapse. It tracks back
29 the history from the Russian revolution to the fall of the Berlin wall. It goes back and tracks
30 the history of the push for collectivization and industrialization happening in the 1928–1932
31 period, and it rightly emphasizes that those economic policies affected the socio-economic
32 institutions of today.
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35 Through a meticulous historical analysis—which collects and systematizes a huge amount of
36 secondary social, economic, and historical data on capital, migration, employment, industrial
37 development, and FDI—the book illustrates the missed opportunities and the undesired
38 transaction and economic costs that shock therapies, through voucher privatization,
39 liberalization, and rapid marketization, had on those countries. For example, it meticulously
40 describes how and why market reforms led to a collapse of aggregate output of more than 40
41 percent from the “pre-reforms” era. It discusses how, while inequality increased, income per-
42 capita decreased and still has not recovered. However, it also methodically describes the
43 deterioration of living standards and the social crisis that emerged as result of the sudden
44 closure of public services provision in health, education, housing, and work. It offers a
45 balanced analysis of why big-bang privatization policies failed to meet the promises of
46 efficiency and effective economic redistribution. It discusses the rationale of why it is wrong
47 to treat the vested interests of those economies as homogenous economic agents that only
48 suffer “soft budget constraints.” The book emphasizes that those economic agents were
49 embedded in a complex institutional, cultural, and economic system that could not be
50 dismantled and replaced overnight. Last but not least, Gevorkyan argues that power
51 relationships should be made explicit when analyzing economic transition.
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57 The book touches upon the concept of *competitiveness*, a crucial driver of the capitalistic
58 mode of production, in various ways. It shows that the lack of market competition in the
59 Soviet Union was criticized and conceptualized in a vacuum, yet it provided the leitmotif for
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3 drastic ahistorical reforms. This is a crucial point which could be discussed further especially
4 in relation to the social and political crisis that neoliberal market capitalism faces nowadays.
5 On the one hand, there is the idea that market competition supremacy has legitimized the
6 dichotomy of state versus private accumulation with drastic consequences for wealth
7 redistribution and society wellbeing. On the other hand, the illusion that through private
8 competition efficiency will prevail has been not only refuted by reality, but it has been
9 pursued at the cost of societal equity and justice.
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12 Having said that, through those chapters it is clear that a classless society was a just mirage
13 during the Soviet Union. The book pursues a very honest intellectual exercise by discussing
14 the role of the *nomenklatura* in following unfair practices and rent-seeking behaviors both
15 during and after the Soviet era. It explains that elites kept control of economic assets through
16 disruptions and false reconversions, with no clear or consistent direction of institutional
17 change.
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20 The third analytical contribution of the book focuses on the market transition, and continues
21 to assess the varieties of solutions and the contemporary challenges in Russia, Eastern
22 Europe, and Central Asia. It also well describes the geopolitical tensions that led to a
23 reshuffling of the various state positions at the end of the Soviet Union, in particular by
24 looking at the new influences of Western players including the European Union.
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27 The level of analysis of the book is clearly centered at the macro level. This choice has both
28 benefits and costs: it allows for a wide overview of the trends across the Eurasia region.
29 However, sometimes it misses precious insights at the meso and micro level. For instance,
30 when discussing the rural-urban divide in Central Asia, a regional specialist could notice that
31 the low level of urbanization is in some countries not only due to “traditional ties” as
32 logically assumed in the book, but rather to a top-down system of government regulation on
33 internal migration which still forbids free movements to the cities.
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36 Second, because of the breadth of the data, sometimes the analysis remains descriptive and
37 fails to untangle the deeper structural power relations in their contextual specificity. For
38 instance, how the mechanisms of socioeconomic stratification affected relations of
39 production at the sectoral level remain unexplored. Obviously this would require a country-
40 level analysis looking at the class structure and pattern of social differentiation specific to a
41 certain context, so the book sets the basis for further research on this important chapter of
42 history.
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46 Third, the book shows a clear effort in gathering empirical evidence to feed the much-needed
47 discussion on post-Soviet transition. However, it is recognized that, especially in Central
48 Asia, secondary data and databases are very scattered and often constructed based on
49 estimation. The lack of exhaustive secondary data for the large part of Caucasus and Central
50 Asia is the reason why some sections tend to remain Russia-centric and include interesting
51 but fragmented details about the peripheral Central Asia or central Europe on, for instance,
52 productivity or sectoral changes.
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55 In conclusion, the author succeeds in arguing his case for a reopening of the debate on so-
56 called “transition” economies, which for too long has been monopolized by one version of
57 the story, namely the Washington Consensus. This book is a rare and precious attempt to
58 contextualize those reforms within the political and ideological framework of the early 1990s.
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3 It shifts the balance of the debate to a more empirically-informed analysis and less neoliberal-
4 driven narrative on transition economies in Europe and Asia. By doing that, it sets the basis
5 for potential new theorizations, which could better grasp the specificity of these post-socialist
6 economies during the contemporary capitalistic development.
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