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Book Review

[Book Review of] Russian economic reform at risk, Anders °Aslund (ed.) : London, Pinter, 1995

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some interesting pieces of evidence on individual policy areas are given, the empirical part of the book is rather scattered and unsystematic. Some statements would even warrant a more detailed analysis. The statement that the investment strategies of Czech investment funds are control-oriented (p. 17), for example, is somewhat at odds with other observations which find a rather passive attitude of investment funds towards the corporate control of firms. Also, the description of the Russian central bank during 1992/93 as being independent (p. 73) can certainly be debated. The space limitations that the authors were subjected to did probably not allow to go into much detail on these issues. It is thus even more unfortunate that concrete references are largely missing. Also, as a guide to further readings, it would be useful to have the individual parts of the book identified by the names of the authors.

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Claudia M. Buch

Åslund, Anders (ed.), *Russian Economic Reform at Risk*. London, New York 1995. Pinter and St. Martin's Press. VIII, 212 pp.

This book will be of interest to those seeking to understand the evolution of Russian economic reform. It contains ten papers presented in June 1994 at the annual conference on Russian economic reform organized by the Stockholm Institute of East European Economics. At the time of the conference, these papers by prominent Russian reformers and Western advisors were highly topical. As I write this review in August 1996, events in Russia have evolved rapidly. Therefore I take a selective look at papers that contribute to two issues that remain as important today as they were in 1994.

The first issue concerns the politics and political economy of macroeconomic reform. In his wide-ranging comments, *Boris G. Fedorov*, finance minister until January 1994, offers a strong view on Western aid: "However paradoxical it may seem, the experience of the last five years ... reveal(s) that the greater the assistance, the less the desire to reform" (p. 15). At the same time, Fedorov emphasizes that it was only cooperation with the IMF and G-7 that brought many economic issues to the day-to-day attention of state leaders. In that sense, international assistance did play an important educational role. Unfortunately, Fedorov does not say whether he thinks state leaders would have listened to the IMF or G-7 had it not been for the money that was on offer.

The opposite view is taken by *Jeffrey D. Sachs* who argues that more active involvement by the West along with more financial assistance under strict conditions would have been necessary and sufficient conditions for macroeconomic stabilization. In actual fact, however, bad policy advice from the IMF, especially urging the Russian government for far too long to maintain the ruble zone with other CIS countries, exacerbated inflation. Unfortunately, the book does not tell us whether Fedorov and Sachs discussed their diverging views.

Instead, the papers by *Sergei A. Vasiliev* and *Anders Åslund* emphasize, in different ways, how reformers in the government were held back from pursuing reforms more vigorously in 1992 and 1993 by their overly pessimistic judgements of their own power relative to the power of sectoral lobbies. The idea that a few individuals could have effected rapid systemic transformation, if only their perceptions had been correct, contrasts sharply with the view held by prominent economic historians including Douglass C. North that, in general, institutional change is an incremental process at best: the relevant institutional framework of an economy consists not only of formal institutions (laws and other regulations), but also of many informal norms which change only slowly in response to external circumstances. Although the book does not explore this, perhaps the evolution of Russian economic reforms since 1991 would constitute an interesting case study of how changes in formal and informal institutions interacted to produce a particular path of systemic transformation.

The second issue of enduring interest covered in the book concerns the impact of transformation on the population. Here, the paper by *Judith Schapiro* on the Russian mortality crisis and its causes deserves special attention. Schapiro argues that the increase in crude death rates through 1993 cannot be explained away as a statistical artifact, but represents an increase in mortality virtually unprecedented in modern times in the absence of war or famine. Schapiro finds that the key factor pushing up death rates is increased stress, reflected by a particularly large increase in death from cardiovascular diseases.

A comparison with other economies in transition shows that from 1989 through 1993 mortality rose especially sharply in countries without decisive policies for the transformation of the political, economic, and social system, such as Russia and Ukraine. Apparently, fundamental uncertainty about the future and an absence of strategies for coping with such uncertainty were a prime cause of stress. By contrast, Slovakia experienced little change in mortality during this period, and the Czech Republic even registered a decline. Schapiro concludes cautiously that, although the increase in mortality is serious, it will be reversed once the future course of the society and the economy become more predictable, and once people develop strategies to cope with the greater uncertainty that life in a market economy inevitably brings along.

Matthias Lücke

Baldwin, John R., *The Dynamics of Industrial Competition: A North American Perspective.* Cambridge, Mass., 1995. Cambridge University Press. 466 pp.

In this stimulating contribution to the field of empirical industrial economics research, John R. Baldwin takes a closer look at the internal dynamics of manufacturing industries. He describes the process of entry, growth, decline and exit of firms and works out certain empirical relationships between this process and the characteristics of the respective industry in which it is taking place. The book builds on a panel dataset constructed from the annual Canadian Census of Manufacturers of the years 1970–82. This dataset enables the author to track the performance of every single plant over time. It also indicates, by specific firm codes, to which firm the plant belongs.

As separate aspects of the dynamics of industrial competition, the author differentiates between *greenfield entries and closedown exits*, where firms enter a specific sector by building new plants or where they exit by closing down all their plants, *merger entries and divestiture exits*, where firms enter by taking over control of existing plants or exit without closing down their plants, and *the rise and fall of incumbents* that already exist in their sector and that may grow and decline internally through the growth and decline of plants already under their control or externally by increasing or decreasing their