

Grzegorz W. Kolodko

The World Economy and Great Post-communist Change
New York: Nova Science Publishers, Inc., 2006, 194 pp.

The book by G. Kolodko represents the analysis of the key aspects of post-socialist transformation. It deals with these issues in the context of the major processes of globalisation, which make the image of the global economy complete. It combines theoretical considerations with a policy viewpoint analysis, due to the author's policy-making experience working as deputy premier and finance minister of Poland. Another important feature of Kolodko's work is a vast, comprehensive discussion of the interactions between technology change and society and the economy also in the world economy and in emerging markets, especially the post-communist ones.

The book is composed of eleven chapters. The structure is built up in a way that, on the one hand, it is easy to follow the main points of the author drawing up relevant conclusions; at the same time, on the other hand, one can find a profound analysis of different aspects of the above mentioned issue provided in subsequent chapters of the book.

In the first chapter “The Lessons to be Learned from the Great Post-Communist Change” the author summarises briefly the principal prerequisites and requirements for a successful transition from a communist, centrally planned economy to a market one. Taking as an example his motherland, Poland and at the same time one of the most successful economies in terms of systemic change, Kolodko provides very practical pieces of advice or lessons as he calls them in the context of the Polish way of economic transformation, pointing out its strengths and weaknesses, shortcomings and achievements.

There are six major lessons to be learned. First lesson states that economic reforms even slowly accomplished are needed to contribute to institution building and, therefore, to substantial structural change. The second lesson distilled from the Polish experience is that in order to initiate and maintain a rapid development, it is necessary to combine two types of policies – system change policy and development policy, aimed at the accumulation and efficient allocation of the capital. The message of the third lesson is precautionary and warns that conflating means of the economic policy with its objectives might result in economic stagnation. Kolodko’s fourth argument is consonant with other professionals’ of this field, namely that institutions matter but so do policies. The fifth lesson to learn reminds us that under the conditions of globalisation there are a lot of development opportunities and development threats, therefore, the task of policymakers is to manage the economy in a way which will allow to enjoy benefits and avoid or reduce threats. The last but not the least lesson is that while doing economic policy one should combine skilfully a technocratic approach with a social dialog and social responsibility.

In the second chapter “Institutions, Policies and Growth” the author continues the discussion launched before regarding the economic growth of post-socialist countries and the prerequisites, which are crucial to sustain the growth. Furthermore, Kolodko substantiates his assumption with the Polish economic development process, which allows him to prove his arguments and illustrate how theory works in practice. At the same time, he pinpoints erroneous policy decisions undertaken in Poland during the period of systemic transformation. The message the author aims to transmit through this section is that a continuous long-term growth is inevitable in its nature if a certain level of maturity of market economy has been achieved. The author reiterates again the necessity of institution building for efficient functioning and development of market economy and the importance of sound economic policy and politics as such.

The third chapter of the book “Globalization and Catching-up in Emerging Markets” is one of the longest and the most substantial section of Kolodko’s work. This chapter analyses the fundamental theoretical issues and prerequisites of the catching-up process in post-socialist countries. Before touching upon the catch-

ing-up as such, the author stresses the point that in order to “catch the train of the economic development and growth” a country should first understand the past meaning that in the contemporary globalised world “the train of progress” circulates regularly comprising technological progress, efficient market economy and political determination, but not all the countries are willing and ready to get in.

From the empirical observations, Kolodko distils a correlation between the development gap and catching-up. First, catching-up is possible when the economic growth in a given country is fast, sustainable and endogenous at the same time. Second, in order to reduce the gap between developed and developing countries it is necessary to have poorer economies develop faster than richer ones. Third, developing countries or emerging markets have to catch up with neighbouring leading economies. The fourth point touches upon the determinants of fast growth which are necessary to maintain sustainable social development and fast economic growth. They are as follows: human capital, financial and real capital, mature institutions, the size of markets, policy quality and geopolitical situation. All these factors are analysed in detail by the author in the last subchapter of the section.

The fourth chapter of the book “Globalization, Transition and Development Prospects” addresses the problems of an appropriate economic policy to be implemented to a particular country in question. Kolodko brings to the picture of the transformation process of post-socialist countries a number of questions to analyse and reflect upon making some conclusions regarding the Polish way of economic transformation.

The fifth chapter “Equity Issues in Post-Communist Transition Economies” deals with the notion “emerging markets” again, but now the author examines emerging markets bearing in mind the position of the post-socialist countries in the international economic arena. Moreover, Kolodko describes the patterns and tendencies of income distribution in the former command economy and analyses the previous income distribution models and asset distribution. Kolodko also addresses the problem of inequality in society making a fundamental claim that it is normal that inequality increases during transition period and the task of policymakers is to shape it in a fashion in order to ease the objectives of transition.

The next chapter “Transition to a Market System: Gradualism Versus Radicalism” summarises the policy options that are generally conducted with the view to ruin and overcome the centrally planned system, as well as evaluates the influence of transition on inequality. To be more precise, the author suggests the definition of the term “transition” from his standpoint reiterating that it encompasses several processes. The author argues that empirical cases show that the dilemma whether to choose pure gradualism or radicalism is unlikely to exist. The radical approach to economic transition with contradict elements. Kolodko makes another important point

this chapter, claiming that economy is highly developed on political course and the level of democratic maturity. However, democracy is not necessarily a “supporter” of economic development. The cultural aspect is another important factor, which might determine the specific nature of institutions created and even the so-called market culture.

The seventh chapter called “2025: Two Histories of Economic Growth” looks at the economic growth through the lenses of the Polish history of socio-economic development attempting to make predictions about future possible scenarios of it. The author having examined the Polish route of transformation has crystallised four pillars for further progress and catching-up over the long-term. They include, first, rapid growth along with equitable distribution relations and special attention to ecological considerations. The second pillar is the policy of more equitable distribution. The third one is the profitable integration in the globalised economy through international division of labour. The fourth is efficient state, implying a state that reduces its direct involvement in economic processes but is engaged successfully in efficient institution building, formation of human capital, development of hard infrastructure, stimulating socially, financially, ecologically sustainable growth.

To sum up, although the components of sustainable and successful development mentioned by the author are worked out for the Polish prospects, it is worth mentioning that this experience can be applied to the countries with similar model of development or at least for those which are at a similar stage of their life cycle. The next chapter is dedicated to “Structural Reform and Economic Growth in Poland” where the author describes the period from 2001 till 2002, which is characterised by the recession of Polish economy, and the new trend starting from the year 2003 when the way of certain structural reforms was chosen. Kolodko provides some empiric data, which reflect the results of the economic reforms having been implemented on the Polish soil.

Chapter nine “The New Economy and the Old Problems” brings into picture the next argument of the author, namely that the transformation of a centrally planned economy to a market one has been a success in many post-socialist countries. However, despite the achievements of “new economies”, there are some problems to handle which are not new or were unknown in the previous decades, that are quite familiar, such as insufficiently developed market institutions, unemployment, poor management quality, etc.

In this chapter the author also examines new trends and innovations in the present globalised world, namely Internet and e-technologies, which have increased the opportunities of mankind. Economics on micro-, macro- or global levels does not lag behind where the Web facilitates and accelerates a wide range of economic transactions and even political processes.

The next chapter “E-Economy and Prospects for Fast Growth in Post-Communist Countries” continues discussing the issue of technological innovation, in particular the Internet and the technological possibilities. It entails facilitating the development of post-socialist countries, and provides a brief overview of the current process of globalisation in the context of the Internet age, the growing role of the so-called Web-economy.

The last chapter “The Great Post-Communist Change and the Uncertain Future of the World” represents a summary of the reflections touched upon in this book. The chapter refers again to the process of globalisation, which is characteristic of our era. In the light of this process the future of developing countries or so-called “new markets” is quite ambiguous, because due to the complexity of the phenomenon itself, it brings about not only positive yields but a number of difficulties and even threats. In this chapter, Kolodko evaluates the consequences of globalisation as well as pros and cons of this evolving process attempting to make assumptions about the place of the countries of Central-Eastern Europe and other post-socialist countries in the global economy.

The book provides a good descriptive and explanatory picture of the transition period, gives important observations in the form of lessons in the very beginning of the book and recommendations all over his work as well as outlines the prospects for further development of the post-socialist countries. The theoretical discourse combined with concrete empirical facts serve as a dominant logic flow throughout the book, thus demonstrating the compatibility between theory and practice. The charts and the tables throughout the book contribute to a better understanding of the facts and figures of the issues examined.

The arguments are well organised and supported by relevant examples and the latest data, thus carrying a strong convincing power. The author’s way of argumentation is clear and easy to follow, so it does not have a well-targeted audience and has been written for a wide range of readers. Due to the simplicity of the language, it proves to be a useful reading not only for the professionals, but also for those interested in the issues in question.

The book may gain even more interest, because it touches upon present circumstances that shape the present and future development of the countries in question. The author created a comprehensible, equilibrated and insightful book that is worth reading.

However, it is important to mention that although the book was finished and published in 2006, some figures do not reflect the reality (tendencies and trends) of the present day, which implies that a reader might be advised to consult more recent statistical data in order to clarify the issue as well as to compare and make correspondent conclusions about the evolutionary nature of the transformation period.

Although Kolodko's book analyses extensively only Polish experience, the book might be interesting for the purposes of policy-making in other countries of the ex-socialist group, which are less successful in surpassing the soviet legacy for the time being, such as Ukraine, Belarus, Moldova, etc.

This book was published in English and Russian. The fact that this book was published abroad testifies the relevance of the problems arisen in the book and demonstrates a great interest in the reflections and arguments as well as the way of argumentation the author presents among economists and the representatives of the other sciences.

Inha Khisamutdinava