
LÁSZLÓ CSABA’S *The New Political Economy of Emerging Europe* is one of the major volumes summarizing the Central and Eastern European economic transition of recent times. By looking at the past seventeen years, Csaba puts together statistics (chapter three) and formulates his own theoretical approach (chapter four) first. This lays down the foundations of subsequent chapters dealing with specific aspects of the transition process, discussed in global and European contexts. The last chapter summarizes the most important arguments of the volume, providing a theoretically well-founded, state-of-the-art political economy approach to the ‘great transformation’ of the late twentieth and early twenty-first centuries.

Csaba’s theoretical approach is embedded in some empirically underpinned normative assumptions about the principles of political democracy, an externally opened, globalized market-economy, as well as the process of European integration. Analytically, his approach can be characterized as an institutionally oriented political economy approach based on a broad set of statistically collected macroeconomic data. Methodologically, Csaba is first of all a comparatist: judgements and conclusions are systematically embedded in comparisons of national and regional economies throughout time and geographical location. He himself, describing his own approach, argues that ‘the empirically based comparative methodology evolves toward a neo-institutionalist synthesis’ (p. 393).

Csaba diligently documents the varying transition paths of Central and Eastern Europe and compares the divergent institutional and economic consequences of policy decisions. He leaves little doubt about the principal role of externally reinforced requirements of the global economy and the EU. Transition paths, at least in the luckier and more successful cases, have been determined by such external anchors. Yet, he also emphasizes the importance of domestic ownership of policy reforms if structural adjustment is to prevail in the long run. Comparing new Central European EU-member states tells a great deal about this: whereas most economies of the region have been growing fast and catching up impressively, others — most notably Hungary since 2001/2002 — have got off the fast-track convergence path because of an unreasonable degree of fiscal expansion and the lack of institutional safeguards against it. Which is to say, in other words, that external anchors can only be effective if domestic actors learn to interiorize them. Or, as Csaba puts it, ‘transnational processes themselves are not decisive. It is the way local politics interacts with these that shape the outcomes in the longer run, and not only in the economy’ (p. 109). Hence, local politics (understood as national politics by Csaba) have to ensure the decoupling of business and politics, provide opportunities for foreign direct investments, and introduce efficient corporate governance regulations, hard budget constraints and the rule of law. To achieve this, a country has to allow an important role for strategic investors during privatization, inviting transnational corporations and establishing institutionally well-designed market structures. The better a country is in
adopting such a policy mix, the faster it catches up with Western core economies. The only question that remains is whether or not there is any room for institutional variation within these essentially uniform developmental rules.

Csaba’s institutionally informed comparative political economy approach can certainly explain a lot, but of course it cannot explain everything. The unique example of Slovenia, which has been the first — and so far the only — Central European member state of the Economic and Monetary Union, cannot be described as a particularly open country vis-à-vis FDI and external institutional influence. Contrary to the dominant regional pattern, for instance, the Slovenian banking sector has still been overwhelmingly controlled by domestic shareholders, principally the government. Moreover, the degree of domestic control in Slovenian manufacturing industries is comparatively very high. (A number of strategically important manufacturing firms have not been taken over by strategic investors.) Could this imply that a relatively developed state can afford to resist globalizing pressures much more than the less developed ones? Perhaps yes.

Another question relates to the problem of ex-Soviet states, apart from the three Baltic ones. In these cases, external anchors of the EU do obviously play a much more limited role and their political economies are still mostly determined by the regionally dominant Russia. Transition pathways under such circumstances are certainly shaped in another way. As we know from a sizeable scholarship, an abundance of natural resources is usually more of a curse than a blessing from the point of view of long-term economic development, and the question remains how to break the vicious circle of underdevelopment without Western-type external anchors. We do not know exactly, answers Csaba, but the experience of successful late industrializers, such as Mexico, Korea or Israel, reinforces the role of external openness, the strategic importance of internationally competitive manufacturing sectors, as well as the necessity of Western-type institutional endowments such as security of ownership rights and the rule of law.

A key part of such a developmental strategy is a state characterized by strong administrative and legal capacities, and exhibiting major regulatory functions as emphasized by the literature on policy reforms. Such a state is able to resist attempts at capturing it by private actors or vested interests, yet keeps itself out of most market transactions. This is labelled a core state by Csaba (p. 112), following the concepts of James Buchanan and Mancur Olson. Only such a state can effectively establish, operate and monitor markets of goods and services, and maintain internal security, the rule of law and market competition. This is a relatively small (in terms of GDP-proportionate redistribution) but administratively strong state constrained by constitutional checks and balances.

This is, of course, nothing else but the dominant Western developmental trajectory of the post-war era. In this sense, catching-up implies the adoption of a Western-type institutional framework, whether in Central and Eastern Europe, East Asia or Latin America. Consequently, there is not much sense talking about post-Communist transition as such any longer: Central and Eastern Europe develops (or not) just like any other developing (or
stagnating) part of the global economy. Development paths seem to converge within limited institutional variety and the most effective institutional solutions seem to be essentially uniform. Well, it might sound a bit boring, but the good news is that — with more or less adjustment efforts, depending on the structure of physical and human endowments of the national economy — any country can follow suit.

The new, extended version of the volume adds two chapters to the original 2005 edition. Both of them deal with the mechanisms and future perspectives of the EU: chapter nine reinterprets ‘rules-based behaviour in Europe’ with particular emphasis on rules-based fiscal policies; whereas chapter ten provides ‘post-crisis perspectives on the future of the EU’, focusing on, among other questions, issues of enlargement. The two new chapters serve well the original purpose of the book: providing a theoretically well-established, institutionally focused political economy approach to the transformation of Central and Eastern Europe, and reinterpreting it in a European and global context.

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