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BOOK REVIEW

Caroline Vincensini's, *Vingt ans de privatisations en Europe Centrale - Trois trajectoires de propriété (Twenty years of privatisations in Central Europe - Three ownership trajectories)*, L'Harmattan, coll. Pays de l'Est, 2010, 316 pages, ISBN : 978-2-296-1123-1

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The book shows that more than twenty years after the fall of the Berlin wall, post-socialist transformation still constitutes a stimulating subject of academic studies because of its features. It is both a multidimensional phenomenon and a time-situated event. It is a multidimensional phenomenon because upheavals affect in the same time the economic, social and political spheres of nations. In addition, this event is time-situated: we can observe a moment when transformations reach a critical threshold, which leads to a change in the nature of the system, and a moment when transformations cease from being systemic and become only local. Thus several Central and Eastern European countries, especially those which joined the European Union in 2004, can be considered as out of the stage of post-socialist transformation but still in a stage of institutional and economic convergence with early EU members.

The post-socialist transformation offers a rare opportunity to analyse the dynamics of institutions in a kind of “life-size laboratory” and by this way to challenge existing theories dealing with institutional change. Caroline Vincensini seizes this opportunity by focusing on privatisation processes and outcomes in the Czech Republic, Hungary and Poland. The originality of the book consists in the way of analyzing these transformations, beyond the classical debates on the speed and efficacy of potential privatisation methods. The author proposes a socioeconomic and political approach to highlight the “trajectories of ownership” – which includes both privatisation programs and the emergence of new private enterprises - and understand their divergence/convergence over the time.

Chapters 1 and 2 set the theoretical pillars of the book. By drawing on the works of Douglas North, the book adopts the definition of economic institutions as formal and informal “rules of the game” structured by a property rights arrangement, which influence the behaviour of individuals and organisations. Ownership forms belong to formal institutions and are more difficult to change than organisational rules. The new rules are devised by groups of individuals having a varying bargaining power and objectives, which often leads to conflicts over the distribution of public assets inherited from the socialist period. The strategic actions of these more or less organised groups pave the way for a “path shaping” change of the “path dependant” trajectories of ownership. According to the author, institutional change results from the combined effects of two “validation processes”. Spontaneous validation “refers to the evolutionary idea according to which firms with different ownership forms have different chances of survival, which modifies the proportion between ownership forms” (p.21). However, this does not mean automatically the survival of most efficient firms as inertial processes may distort the selection. Deliberate validation rests on intentional choices of actors (employees, managers, privatisation funds, etc.), even if the outcome may differ from their aims due to a compromise between conflicting interest, often initiated by the State.

Chapters 3, 4 and 5 analyze respectively the ownership trajectories in Poland, Hungary and the Czech Republic, studying public and private ownership, and among private property forms, domestic or foreign, insider (manager or employee) or outsider, privatised or new private. In each country, a main redistributive conflict between actors determined the privatisation methods, which resulted in a specific configuration of ownership forms. For example, the ownership trajectory in Poland was to a large extent determined by the relations between the governments and the insiders of state-owned firms. However, the influence of insiders on the privatisation process was reduced after 1996 and

foreign ownership increased. In Hungary, the main conflict opposed foreign and domestic form of ownership. Parallel to the evolution of privatisation methods favouring one or another of these forms, the new private sector grew faster than in Poland. As for the Czech Republic, its ownership trajectory was marked by the complex consequences of the mass privatisation programme, its main privatisation method, which resulted in a competition between two groups of privatisation funds (public and private) and a cross ownership between firms, funds and banks. The 1997 economic crisis pushed the Czech government to put an end to this perverse dynamics and to clarify the ownership structure by favouring the emergence of strategic (including foreign) investors.

Chapter 6 offers a comparison of the three ownership trajectories by underlining their determinants and variations according to the context. This helps to sketch a global cross picture of the evolution of ownership forms in Central Europe and to discuss some of the initial hypotheses concerning advantages and drawbacks of each privatisation method. In particular, it appears that gradual privatisation methods were easier to implement than expected at the beginning of transition while big-bang programs (such as mass privatisation) initially supported by international institutions and liberal governments showed disappointing outcomes. Finally, chapter 7 refers to stylized facts concerning ownership trajectories and their determinants to draw some general conclusions about the process of institutional change in post-socialist economies. The reader can find answers to questions concerning the convergence of ownership trajectories, the succession of their stages and the permanence of lock-in phenomena. C. Vincensini concludes the book by discussing the relevance of each Central European “model” for countries that are striving to join the EU and to find a virtuous path of economic growth.

The book constitutes an essential reading for those interested in complex processes of post-socialist transformation in Central Europe. It demonstrates that privatisation is undoubtedly a dynamic phenomenon by its very nature and an archetype of institutional change. Thoroughly documented, it not only reconstitutes the main political, economic and social events which have marked the evolution of ownership since 1990 but also shows how socialist past can durably influence national trajectories and actors’ strategies. This historical and comparative approach helps to understand why no privatisation method could be considered as a universal blueprint for success. Various empirical data are used, including an original study of Czech privatisation funds conducted by the author. The numerous tables and figures illustrating the comparison between the countries testify for a noteworthy work of gathering and matching the data (see for example the discussion of the peculiarities of national statistics, p. 242).

The theoretical framework elaborated by C. Vincensini is convincing and shows a good mastery of institutional and evolutionary concepts and their recent developments. Apart from the study of interactions between path dependency and path shaping – whose relevance is now increasingly recognised in academic research on transition – the author proposes stimulating reflections about the concept of “punctuated equilibrium” which was first advanced in biology to explain the development of differences among species. In the book, this concept leads to depict ownership forms as evolving through relatively long periods of stability (equilibrium periods) in their basic patterns that are punctuated by relatively short bursts of fundamental change (revolutionary periods). However, the utility of punctuated-equilibrium theory comes at a price. Interdependencies between different levels of the system’s deep structure mean that clear causal chains and precise predictions will work only in some cases and for some times. The theory predicts a form of systems-level stability, but it is difficult to make point-specific predictions for particular policy issues. With this respect, it could be interesting to pursue the reflection by exploring the role of the recent economic crisis (sketched p. 289-290) on ownership trajectories. Will it lead to a break of previous equilibriums and government policies as observed in the Czech Republic after the 1997 crisis? To what extent will the dynamics of new private sector in each country be slowed down? How will the crisis impact the sectoral specialisation emerging from privatisation programs? These issues and many others which arise in the context of economic upheavals in different geographical areas deserve to be explored by researchers through the lens of institutional approaches. The book of C. Vincensini is an important and promising step in this direction.