



*Journal of Economics and Business*  
Vol. V – 2002, No 1 (47 – 65)

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## **Why National Trajectories of Post – Socialist Transformation Differ?**

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### **Abstract**

The paper tries to assess the answers to the great challenge of post-socialism, by concentrating on the transition doctrine and on the institutionalist and evolutionary views. « Economics of transition » were a kind of convergence theory, that was soon criticised by institutionalist and evolutionary theories. The latter have appeared more accurate confronted to the real and complex experience of transformation in various countries. Consequently a qualified transition doctrine was developed in the second half of the 1990. Evolutionary and institutionalist theories have however insufficiently analysed two related problems in the process of systemic change: real discontinuities in various configurations of rules (the "revolutionary" dimension of transformation) and the path-shaping consequences of futurity for various actors, faced with a unique systemic uncertainty, especially in the early period. The paper considers the problem of diversity vs convergence in transformation theories. The country differences have been strongly influenced by national features of the process of organisational, institutional and systemic change. The basis of variety in the national trajectories of post-socialist transformation lies in the enduring national character of the state, of the polity with its underlying social relations and

compromises, and of the legislation (formal institutional rules). Legitimacy remains principally formed and sustained - or questioned - on the national level. Even though the 1990s have been a decade of intensive « globalisation », and the role of external forces has been great indeed on the new emerging capitalisms of the region, the development of the latter has retained a fundamentally national basis.

**KEYWORDS:** transition doctrine, evolutionary theories, transition surprises, formal and informal rules, convergence vs diversity

JEL classification : B2, H0, N0, P5.

## **Introduction**

The twelve years that have elapsed, since the beginning of the post-socialist transformation, represent a unique historical experience of organisational, institutional and systemic change in many countries. This yet unfinished experience has challenged numerous economic theories by confronting them with the task of interpreting and orienting an unprecedented and tremendous process of social and economic transformation.

This paper tries to assess the answers to the great challenge of post-socialism, by concentrating on the transition doctrine and on the institutionalist and evolutionary views. It will also discuss some methodological questions raised by the problem of diversity in national paths of systemic change, a major stylised fact of the first decade of transformation.

## **The transition doctrine and the convergence paradigm**

The transition doctrine was a hodgepodge of various theories and ideas, with a strong antikeynesian and neoliberal bent that had become influential worldwide in the 1970s and 1980s. This included the monetarist view of inflation as the greatest evil possible, new classical rational expectations, some supply-side notions that demand is secondary, and a Hayekian confidence in the self-organization of the spontaneous order of the market. It also included the “Washington consensus” of the time, based on the « holy trinity » of stabilization-privatisation-liberalization. But, the fundamentals of the doctrine were anchored in the neoclassical mainstream tradition, where individual rationality, the equilibrium paradigm and the market-centered efficiency and optimality approach reign supreme. Some important features of this tradition are: the use of static efficiency criteria, an implicitly normative world-view

comparing imperfect historical situations to ideal equilibrium states, and a teleological deterministic conception of change, understood as a path-independent process. These were the true bases of the transition doctrine, which implied the following: a known systemic equilibrium end-point, the «market economy», would strictly determine the shortest (direct) way from the inefficient socialist economy; as the transition state would inevitably be unbalanced and prone to possible reversals, it should be shortened as much as possible. Speed was consequently essential. The strategy was unambiguous about the means: stabilization would abolish the perverse effects of inflation, privatisation would put the incentives right and finally, liberalization would allow competition to operate the needed creative destruction. This made «Economics of transition» a kind of convergence theory. This was even more so true since the international financial organisations, influent actors in the process, naturally adopted an encompassing approach of the system shift of about 25 different countries. The strategy was clear, and – like earlier structural adjustment plans – it had to be essentially the same for all. This attitude was often matched by the strive, in central Europe, for a return to historical «normality».

### **Institutionalist and evolutionary reaction**

Responding to the early hegemony of the transition doctrine, some authors or schools of thought criticized the finalist and big bang approach, stressing the importance of institutions as well as the evolutionary character of economic change in general. While the neoliberal and neoclassical core of the transition doctrine was essential, the criticism camp has been interestingly quite pluralistic, including heterodox schools (e.g. institutionalist and post-keynesian economists, or economic sociologists) but also scholars, referring to the Austrian tradition, to new institutional economics or to information economics.

The most common critical attitudes towards the transition doctrine have been in regards to its history oblivion and search for speed. Where the transition mainstream expressed its end-state polarisation and, in some cases, a *tabula rasa* view of post-socialist change as a companion to shock therapy and mass privatisation, institutionalist analysts stressed the legacies of the past, the dangers of revolutionary types of voluntaristic social upheavals, and generally championed gradualism in the realm of institutional change. It seemed that a new controversy between «teleologists» and «geneticists» was taking place, echoing the debate that had taken place in the Soviet Union around 1930. The role of re-emerging long-term historical trends was thus underlined (Berend, 1996), as well as the influence of the final period of former socialist systems

(Kornai, 1990; Murrell, 1993; Poznanski, 1995) and of the various political «extrication paths» from the communist regime (Stark, 1992).

Some Austrian styled economists denounced the «constructivist» fallacy of the attempt to build capitalism in a symmetrical fashion to the former construction of socialism. Douglass North (1994) stated that, in most countries, it had been easy to change the formal constraints but that enduring informal rules were more resilient, so that the real evolution would surely differ from the expected outcomes.

A common theme in anti-finalist theories of change is the centrality of the *process* concept in spite of the *equilibrium* concept. Change is viewed by them rather as an unfolding process in historical time, where cumulative and circular causation is at work, irreversible transformations occur, and surprises and unexpected outcomes are plenty. In this point of view, the conventional term of “transition” is judged as too deterministic and often changed for the term “transformation”. Or the term “transition” is understood in its very general sense of the systemic shift from socialism to capitalism.

The Chinese experience was very often considered, in institutionalist theories of transformation as a strong challenge to the transition doctrine. In fact, in China, the prolonged reform process was based on a pragmatic attempt of the unreformed communist regime to accelerated economic modernisation. It had then gradually evolved into a cumulative institutional and systemic process of change that was accompanied by high and enduring growth, and also an exceptional increase in income per head. The whole Chinese story was questioning the basic tenets of the mainstream dogma: the unsustainability of any partial reform to the socialist economy, the perversity of gradual change, the futility of trying to jump over a chasm in several leaps, (later) the inescapable character of the «transitional recession», etc. (Chavance, 2000b)

### **Twists and turns of real history**

A great number of unexpected developments, or « transition surprises », have questioned the preemptory self-confidence of the initial transition doctrine. Prediction failures, when dealing with wide scale epochal changes, should not be judged as a problem per se, however, the positivist tradition in mainstream economics views accurate predictions – rather than realistic hypotheses – as a genuine test of scientificity. The most troubling surprise was the « transitional recession » or, to use a less euphemistic and more accurate formulation, the « post-socialist great depression », that touched all transforming countries. In the first years following stabilisation and liberalisation, the expected « supply

response » proved to be everywhere negative rather than positive. The industrial collapse of former East Germany, was another significant surprise - although it exceptionally benefited from wholesale institutional transfer and considerable and prolonged budgetary funding from the former West Germany. Other worrying trends were the difficulties and delays in privatisation. Mass privatisation programs in the Czech Republic and Russia were a success in terms of speed, but resulted in disturbing configurations in terms of distribution of ownership or corporate governance. A frequent trend observed in numerous countries was the extension, in the process of privatisation, of employee (or manager) ownership, a problematic result in the eyes of mainstream economics. Important financial and banking crises (Bulgaria, Czech Republic and Russia) occurred. A striking diversity of macroeconomic and institutional change pathways became evident, with strongly different emerging national forms of post-socialist capitalisms. At a more aggregate level, the trajectories of central European economies on one hand and of Russia and Ukraine on the other were cumulatively diverging. The weakening of the state, the barterisation and the mafia-isation of significant parts of the latter economies, with an enormous increase of inequality and poverty, contrasted with the trend of recovered positive growth and relative state capacity of the former. Meanwhile China and Vietnam continued their gradual cumulative reforms (moreover opposed to standard prescriptions) under communist rule, and experienced lasting growth, external opening and increases in the average standard of living. (A comparison of these three stylised trajectories is given, in annex). Some political surprises also occurred in the 1990s, such as the electoral victories of former communist parties transformed into socialist parties. An ensuing surprise being that this did not reverse the strategy of transition to capitalism and the economic policies followed until then, but on the contrary, consolidated them.

At the beginning of the 2000s, a reasonable assessment of the transition doctrine could be as follows. The case of central Europe and the Baltic States is controversial: in some respects it has vindicated the mainstream approach, in others it has refuted it. We have an example of such a controversy in the paradigmatic Polish experience (see e.g. Balcerowicz, 1995; Kolodko, 2000). In the case of Russia, the transition doctrine has been a grand failure – something even the former IMF director Camdessus has reluctantly admitted. As for the case of China, transition doctrine has been faced with a rather aberrant experience according to its basic tenets, which has actually, in many economic dimensions, contrasted positively with the rest of the post-socialist world.

## The qualified transition doctrine

Faced with this variety of experiences and critiques, in the second half of the 1990s, the initial doctrine was gradually reformulated into a “qualified” transition doctrine. It partially incorporated some of the previous heterodox ideas about: the role of the state and the significance of law; the importance of institutions; the actual diversity of national paths of change; the political and social legitimacy of systemic transformation, etc. The chief economist of the World Bank, himself, formulated a very harsh criticism of the «Washington consensus» applied to the transition (Stiglitz, 2000). In some cases, the frontier between the mainstream approach and its institutionalist or evolutionary critics became thin or fuzzy. But most often the qualifications introduced remained limited, and sometimes even cosmetic.

For instance, we can read in the EBRD *Transition Report 2000*, that «one important lesson from the experience of the past decade has been that there is no unique process or «time-line» of transition from central planning under communism to a unique, easily identifiable, familiar form of market capitalism under democratic political institutions. (...) It seems a safe prediction that most of the EBRD’s countries of operation will develop their own distinct brand of capitalism.» (EBRD, 2000, pp. 3-4). After this welcome clarification, the *Report* extensively discusses the evolution of EBRD’s «transition indicators», where the advance of each country, since 1994, has been measured out on a scale from 1 to 4+ in a few selected dimensions (private sector share of GDP, price liberalization, financial institutions reform...). National economies thus implicitly appear as more or less advanced, or late, on this unidirectional scale. How can such a teleological and normative approach of deterministic convergence to an ideal equilibrium end-state be reconciled with the reported “lesson” acknowledged by the EBRD, remains unclear? This is actually a caricatured expression of the qualified transition doctrine, which only pays lip-service to alternative views. Any genuine comparative analysis of the process of change in different countries is thus prevented. Interdependencies between various institutional and organizational modes of transformation that result in emergent «distinct brands of capitalism», remain hidden. Moreover, the lack of a systemic approach is an obstacle to understanding how and why so-called virtue in one given dimension of change may be linked to perversity in another dimension. This approach seems even crudest than the old unilinear theory of «stages of economic development» (Rostow, 1960), that postulated a pre-determined single road for any national trajectory of modernisation, but nevertheless acknowledged different qualitative successive phases in the process.

### **Some limits of evolutionary theories: discontinuity and futurity**

The evolutionary approach should not be limited to the classical effects of the past on the present, but should also look on to two, decisive and related, factors. The first is the importance of ruptures, discontinuities and radical novelty. The second is the role of «futurity».

As noted above, institutionalist theories in economy generally stress the role of evolutionary change, the concept of *process* and the notion of cumulative causation. The importance given to historical sequences, to real continuities that lie beneath partial changes, the accent put on the limited character of local transformations, have conferred to their criticism of the transition doctrine a genuine accuracy. However these theories have been mainly developed to analyse gradual and evolutionary changes: in this respect they are limited when used to understanding wide systemic upheavals like the post-socialist transformation (or symmetrically, the initial formation of socialist systems). They often lack a concept of crisis, or of revolution. Although they deal with mutations and innovations, they generally do not consider large structural upheavals of big systems. Schumpeterian economics is more likely to consider these revolutions, from a technological or organizational point of view. What is actually needed is a notion of institutional and organisational revolution, as a part of an evolutionary theory of economic change (cf. Dockès, 1998).

As institutionalist analyses of *path-dependency* have rightly stressed, it is correct to state that the weight of the past has often been underrated in the mainstream approach. However it remains true that the role of anticipations, of *futurity* (to quote Commons), has frequently been decisive in actual transformation trajectories. The *path shaping* role of expectations (Hausner, Jessop, Nielsen, 1995), or the role of “anticipated institutions” (Federowicz, 2000), understandably stressed by Polish researchers, the creative individual and collective actions based on *futurity*, must not be underestimated in the experience of national paths of change, be they perverse, positive or even virtuous. While refusing the equilibrium end-state approach, this factor should be acknowledged. Post-socialist systemic change implies that particular elements of the national economic system - their reciprocal relations and interdependencies, the totality of the system and its very nature, and even the environment of the system - are all transformed in a relatively short period. In such a (limited) time, individual and collective actions are faced with a new type of uncertainty, *systemic* uncertainty. Individuals and organisations often fall back on given routines and habits, on previously learned behaviour or relations, but they also rely on anticipations of the emerging order, or of short-

term opportunities. And these very anticipations have creative, often unexpected, sometimes self-fulfilling, consequences.

One more thing to be stressed, is the ambivalence of legacies. Some act as constraints on accelerated change, others on the contrary facilitate transformation. Some have deleterious consequences, others produce beneficial outcomes. Any assessment of such complex and evolving role of the heritage of the past has to take into account the «historical specificity» of a national or regional path of transformation, and the role of contingent events, rightly stressed by the *path-dependence* approach. This points a methodological question about an encompassing theory of transformation. Different generalisations have been attempted in this direction but they have often appeared problematic, as they can easily be refuted by one or more national counter-examples. To draw some «general lessons» from the transformation process, as observed so far, the challenge of diversity has to be faced, and inductive analysis of the variety of national experiences to be done. If not, the risk will be important, to wrongly generalise one specific or partial experience, or period, without dealing with historical specificity as a necessary component of general theorisation.

The transition doctrine, in its original or qualified form, has been fond of success stories that were supposed to exemplify the beneficial consequences of such or such of its theses. But these stories were more often than not modified or reversed, producing surprising changes of assessments – but seldom convincing analyses of their causes. We first observed the Polish “exemplary” shock therapy, resulting in an unexpectedly slow privatisation and a surprising electoral comeback of reformed communists. We then witnessed the bold Russian liberal attempt, praised by various authorities or specialists (Aslund, 1995; Layard, Parker, 1996), tragically give rise to a grand failure (Sapir, 1998). We have also seen the initial «Czech miracle» (good macro-economic performance, fast mass privatisation, low unemployment) inverted after 1997 in the very example of what ought not to be done, ... Simultaneously, great efforts were made to avoid any substantial comparison between the apparently paradoxical Chinese (and Vietnamese) experiences and the evolution of Eastern Europe and the former Soviet Union, or to minimise their originality and predict their inevitable future «convergence» with the Eastern European evolution (Sachs, Woo, 1994 ; 2000).

### **Formal and informal rules in systemic change**

The relation between formalisation and informalization processes in systemic change appears as highly complex, at any rate more complex than most theories

would acknowledge. The transition doctrine implied that clear (i.e. formal) rules, following those of the standard model of the market economy - such as well-delineated property rights, a proper corporate and trade legislation - would suffice to put incentives right and give rise to economic agents' appropriate behaviour. But this eluded the fact that economic systems are based on a two levelled, highly complex and interdependent configuration of rules: the institutional level and the organisational level, respectively above and within organisations (Chavance, 2001). Systemic transformation creates differential reconfiguration of various levels of rules, with different temporalities of change and numerous frictions for individuals and organisations. The change of formal rules, especially constitutive rules, is of great consequences, but does not represent the totality of the transformation process. Its effects depend on two complementary changes: in the quality of the enforcement of formal rules, and in informal rules.

Douglass North (1994, 1997) has criticized the mainstream approach as relying exclusively on the change of formal institutions, thus forgetting the strong inertia of informal institutions and the role of enforcement characteristics. The qualified transition doctrine partially conceded this lack as being a mistake, admitting the importance of cultural legacies, and even insisting (quite late) on the «rule of law» (Sachs, Pistor, 1997). However, North's stress on the different temporality of change in formal and informal constraints, which is in tune with a traditional institutionalist argument stressing the hysteresis of habits or routines, is one-sided. Gradual change or discontinuous innovation in informal rules is often observed within stable or rigid formal rules. In the case of radical systemic transformation (or crises, or wars) the change in informal rules, either institutional or organisational rules, may in given instances be relatively fast, and sometimes faster than the change in formal rules.

A variety of changing configurations of rules at different levels or for different actors, and of accompanying learning processes, has emerged in the transformation process, contributing to the diversity of aggregate (national) paths of change. At one end we find new formal rules, accompanied by a strong enforcement process and new complementary informal rules, giving rise to a rather coherent configuration. At the other end, we have new formal rules that have remained cosmetic – resulting from a weak or absent enforcement and of development of contradictory informal rules - this leading to the emergence of an incoherent configuration. Between these two extremes, prevails a great diversity of evolving figures of rules, with many divergent configurations characterised by weak enforcement and relatively autonomous informal rules. In some cases, informal rules were inherited from the past, but more often, were newly formed.

In summary, leaving aside the question of the complementarity of formal rules in wider configurations, and considering only the relation between formal rules on the one hand, and accompanying informal rules as well as enforcement of formal rules on the other, we see emerging different typical ideal figures:

<b>Configuration</b>	<b>Formal rules</b>	<b>Informal rules</b>	<b>Enforcement of formal rules</b>
Coherent	A	Complementary	Strong
Divergent	B	Autonomous	Attenuated
Incoherent	C	Conflictual	Weak

Examples of these different types of figures, we will simply enumerate. A “coherent configuration” is approximately the case with corporate law in central Europe. “Divergent configurations” we have seen emerge with the Czech voucher funds, the Hungarian “recombinant networks” (Stark), or the extension of barter in Russia and Ukraine. “Incoherent configurations” were observed in the development of tax evasion or inter-entreprise arrears in various countries, as in the case of corporate law in Russia during and after privatisation, or obviously in instances of criminalisation of economic activities.

**Convergence or extended diversity?**

Highly contradictory but entangled forces have been at work in the process of systemic transformation (Chavance, Magnin, 2000). Some of these forces promoted institutional and macro-economic convergence between different countries; e.g., the common socialist systemic heritage, the initial consensus to follow well-tried organisational and institutional solutions and to avoid any experimentation in this field. We can further mention the following multidimensional imitation of advanced western economies, the impulse to join the European union (for part of these countries), the trade integration with the West (especially EU), the influence of international organisations and of their “conditionality”, the powerful globalisation trends (extension of financial markets and of their efficiency criteria, foreign direct investment by large multinational corporations, or the influence of western consulting firms)... Other forces accentuated differences or divergences between nations; e.g., the diversity in initial conditions resulting from the history of socialist economies, the variety of institutional external influence (US, German, British, French, Russian...) in different fields, the variations in the social and political scene (political forces and evolutions), the diverging strategies and policies followed by successive governments in different societies, and principally idiosyncratic

institutional bricolage, or the spontaneous adaptation and transformation of imitated institutions according to nationally specific societal contexts (*Id.*).

The overall consequences of these contradictory forces have been mixed, but it is safe to say, as observed earlier, that diversity has prevailed. We will here by mention a few of these mixed consequences. For instance, it is a stylised fact of the first decade of transformation that from a macroeconomic point of view « economic divergence and increasing disparities in per capita income » have prevailed in the group of transforming countries as a whole; on the other hand some convergence has taken place within three subgroups, central Europe and the Baltic states, south-east Europe, and the CIS countries. While the overall trend for transition economies has been a growing divergence from the average GDP per capita of European union, the central European group has been an exception with a small convergence in the years 1991-2000 (ECE, 2000, p. 181). If we turn to structural change in the last decade, we can observe that large scale de-agrarianisation, de-industrialisation and tertiarisation have dominated everywhere; but a considerable diversity in the national patterns of industrial restructuring and of trade trends with the EU remains (Hungary, the Czech Republic and Slovenia have increased their specialization advantages in R&D -, skill - and capital - intensive areas; Bulgaria and Romania have kept the specialization profile typical of less developed countries; Poland occupies an intermediate position) (Landesmann, 2000). And finally, we see that emerging national capitalisms, or “institutional matrixes” (to quote North), have strongly differed and sometimes even contrasted, in the post-socialist world. Financial markets have gradually developed in Poland and Hungary, while they faced a severe crisis in the Czech republic (McDermott, 2000) and Russia, different “ownership trajectories” have formed (Vincensini, 2002), etc.

### **National emerging capitalisms in an era of europeanisation and globalisation**

These country differences have been strongly influenced by national aspects of the process of organisational, institutional and systemic change. The basis of variety in the national trajectories of post-socialist transformation lies in the enduring *national* character of the state, of the polity - with its underlying social relations and compromises - and of the legislation (formal institutional rules). Legitimacy remains an issue formed and sustained – or questioned – mostly on a national level. Even though the 1990s have been a decade of intensive «globalisation», the role of external forces influencing greatly the new capitalisms emerging in the region, their development has retained a fundamentally national basis. For many countries of central Europe or former Soviet Union, the end of socialism has also meant the recovery of national

sovereignty. Post-socialist economies thus bring their contribution to the renewed national variety of capitalist systems (Magnin, 1999), which is, on a world scale, paradoxically conspicuous (Boyer, 2001).

### **European tropism: should similarity grow?**

The explicit objective of integrating the European Union, accompanied by the implementation of the enormous (and evolving) body of *acquis communautaire*, represents a genuine force of institutional convergence for candidate countries in the pre-accession period. It acts as a form of conditionality pushing systemic change in a similar direction. Nevertheless the very process of enlargement is also a source of diversity. Rule-absorption is differentiated and gives rise to various hybridisation processes, or discrepancy between formal and informal rules. Behind the general consensus about integration, we find no clear agreement among member states of the UE about the road to be followed or the consequences to be expected of this process. Even though a majority, or a powerful minority, supports the principle of enlargement, among candidate countries – as among existing member states -, public opinion and political elites are divided on the subject. The enlargement is bound to change the EU itself. And the diversity of national economies within it will be extended, not reduced (a positive development, probably). Europeanization, along with other forces, as notably globalisation, has conditioned and redefined the differences between European capitalisms, including the latecomers; it has not abolished them, and will not abolish them in the near future.

### **Organisational and institutional variety**

We can observe, in emerging capitalisms, national forms and paths of change at two related but distinct levels: the institutional and the organisational level. Different countries thus exhibit different structures of capital ownership, diverse relations between industry and the financial system, and different forms of corporate governance. They also show diversity in types and populations of enterprises, styles of business or financial groups.

Recent developments in institutional and evolutionary economics have stressed the role of institutional complementarities, in general (David, 1997; Amable, 2000; Aoki, 2001), and that of systemic coherence in great systems (Kornai, 1992). It should be added that in emerging capitalist economies in the post-socialist world, the strong evolving complementarity of organisational configurations in the national sphere, is a related and complementary cause of path-dependent diversity. Such complementarities are the origin of the irreducible variety of capitalist economies in the modern period, and they

remain principally (although not exclusively) based on interdependencies formed at the national level. Due to emergence of interdependencies and complementarities that have evolved historically in various countries, in a given historical period, there is no «one best way» or unique organisation or institution that can prevail or be independently «selected» by competitive forces, or imposed by hegemonic powers.

The notion of organisational complementarities can be compared to the concept of organisational isomorphism developed by institutional sociologists dealing with Asian types of capitalism in order to analyse intrasocietal similarities and intersocietal variation in organisations (e.g. business networks). «Organisations in a common institutional environment begin to look like each other as they respond to similar regulatory and normative pressures, or as they copy structures adopted by successful organisations under conditions of uncertainty.» (Orrù, Biggart, Hamilton, 1997, p. 153)

National specificities observed in the evolution of organisations - such as firms, business groups, banks, investment funds, farms, generally validate path-dependent approaches. North's (1990) insight about the interaction between organisations and institutions - the former taking advantage of the opportunities resulting from the latter, and also trying to alter them with time, rightly stresses the co-evolution process between them. The notion of institutional complementarity or interrelatedness should be extended to organisational complementarities and, beyond, to complementarity between organisations and institutions.

### **Final remark**

Diversity in national trajectories of post-socialist transformation has represented a major stylised fact of more than a decade of change. Diversity is a central question, but also a challenge (Delorme, 1994), for institutionalist and evolutionary theories trying to eschew the «barren universality» of the (fading) mainstream tradition and to face *theoretically* the problem of «historical specificity» in Economics (Hodgson, 2001).

**Stylised trajectories in the first decade  
of post-socialist transformation : a comparison**

		Euro-centered social-liberalism (Central Europe)	Depressive state crisis (former Soviet Union)	High growth gradualism (Asia: China, Vietnam)
	Mode of disaggregation of the institutional base (exit from socialism)	Sudden break (destruction of the political pillar)	Sudden break (destruction of the political pillar)	Gradual change (erosion of the ownership pillar, ideological accomodation)
Politics and the state	Political evolution	Democratic consolidation, alternating coalitions	Sham democracy	Authoritarianism (monoparty) with elements of informal pluralization
	Legitimacy of the State	Rather strong	Weak	Rather strong
	Administrative and tax capacity of the State	Rather strong	Weak	Rather strong
	Corruption, criminality	Extension, but limited	High	Significant
	Regional differentiation	Limited (small countries)	Very high, tendency to fragmentation	High but no fragmentation
	Institutional change (new formal rules, legislation)	Wide-scale and fast change ; rules rather hard but unstable	Wide-scale and fast; soft rules, very unstable	Wide-scale but gradual; semi-hard rules but limited formalism
	Privatization of the economy (privatization of states assets ; extension of new private enterprises)	Rather fast, legitimate enough	Fast, very low legitimacy	Gradual, no "large scale privatisation" of state assets
<i>Institutional and organizational change</i>	Emerging ownership forms	Multiples forms: insiders ownership, investment funds, banks,	Insider ownership, financial-industrial groups	Large expansion of "non-state" but not strictly private forms, fuzzy border between private

		State. Frequent cross-ownership, fuzzy property rights		and public ownership
	Organizational change	Strong expansion of private SMEs (often micro-enterprises), restructuring of former SOEs	Limited expansion of private SMEs, slow restructuring of former SOEs	Strong expansion of “non-state” SMEs, slow restructuring of former SOEs
	Networks	Reshaped and transformed in the new environment	Resilient, expanded role as a coordination mechanism	Reshaped but significant role in emerging capitalist forms

	Growth	Initial depression of about 3 years followed by resumption of fragile but lasting growth	Prolonged depression (cumulative reduction of GDP of about one half)	High and lasting growth
	Unemployment	Fast initial increase, stabilization near “European” levels	Low registered unemployment (but actual level higher : 10-15%), growing	High actual level
Macroeconomic trends	Inflation	High initial surge in prices, followed by decrease of inflation rates, but still relative high levels	Prolonged mega-inflation followed by decrease to unstable levels. High proportion of economic barter	Middle-range inflationist tendencies
	Opening to the international economy	Fast reorientation of trade to the West (mainly EU). Significant FDI in manufacturing, but concentrated in advanced countries	Foreign trade strongly affected by depression. Low level of FDI, concentrated in energy sector	Gradual but intensive opening, strong expansion of foreign trade. High level of FDI in manufacturing
	Inequality, poverty	Big increase of inequality and poverty in the	Explosion in inequality, high level of poverty	Increase of inequality, reduction of

		early transformation, followed by relative decline		absolute poverty
Social tendencies	Demography	Decline in fertility, increase in morbidity (also deterioration of HDI index in most cases)	Decline in fertility, increase in morbidity, sharp increase in mortality, decline of life expectancy (deterioration of HDI index)	(Increase of HDI index)
	Social protection for wage-earners	Socialised (externalised from enterprises). Significant level of protection, decreasing	Still partially internalised in large enterprises. Low level of protection	Internalised in large enterprises, gradual externalization. Low level of protection
	Relation between political and economic elites	Differentiation	Strong overlapping	Overlapping, partial differentiation

SMEs : small and medium enterprises

SOEs : state-owned enterprises

FDI : foreign direct investment

HDI : human development index

Source : Chavance (2000a)

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