



Transition economics. Transformation, development, and society in Eastern Europe and the former Soviet Union

by Aleksandr V. Gevorkyan, Oxon, UK & New York, US, Routledge, 2018, 272 pp., £120.00 (hardback), ISBN: 9781138831124, £36.99 (paperback), ISBN: 9781138831131, £17.50 (ebook), ISBN: 9781315736747

John Marangos

To cite this article: John Marangos (2020): Transition economics. Transformation, development, and society in Eastern Europe and the former Soviet Union, Eurasian Geography and Economics, DOI: [10.1080/15387216.2020.1738950](https://doi.org/10.1080/15387216.2020.1738950)

To link to this article: <https://doi.org/10.1080/15387216.2020.1738950>



Published online: 10 Mar 2020.



Submit your article to this journal [↗](#)



View related articles [↗](#)



View Crossmark data [↗](#)

BOOK REVIEW

Transition economics. Transformation, development, and society in Eastern Europe and the former Soviet Union, by Aleksandr V. Gevorkyan, Oxon, UK & New York, US, Routledge, 2018, 272 pp., £120.00 (hardback), ISBN: 9781138831124, £36.99 (paperback), ISBN: 9781138831131, £17.50 (ebook), ISBN: 9781315736747

I am very pleased to review Gevorkyan's excellent and timely book, *Transition Economics*, a topic that has substantially fallen behind in research and policy development, especially after a number of Eastern European countries joined the European Union. I hope Gevorkyan's book will re-ignite, and deserves to re-ignite, further research into the topic with the hope of making "transition" economics a permanent feature of economic and social research. I placed the word "transition" in vertical commas, as I am in agreement with the author that the word is a misnomer of the actual process of reforms in Eastern Europe and the former Soviet Union after the collapse of centrally administered socialism. Transition implies a movement, usually in a straight line, from A to B. The term does not at all reflect the multifaceted nature of economic and social reforms required for the establishment of a market based economic system. As such, "transformation" is an appropriate term, which I advocated since the start of the "transition", in agreement with the author (xiii).

Why should we still study the "transition-transformation" process in Eastern Europe and the former Soviet Union? The author is adamant, as I am, because the scars of the "transition-transformation" process as it was implemented remain, and will always remain, affecting future economic and social developments in the region. The "transition-transformation" process in Eastern Europe and the former Soviet Union is an ongoing transformation (xiii), as the process is dynamic and never-ending. The practice of the past of lumping together all "transition" economies into one and applying the "one-size-fits all" approach is not acceptable and applicable anymore, as pointed out by the author that: "To some degree, there was a perception of uniformity – sameness – from within the socialist 'family' (even despite the social protest movements). That also seemed to be a common perception for many outside observers of the 'socialist bloc'" (123). The author breaks away from this catastrophic perception of the past regarding the "transition-transformation" process. The wealth of information and data, nowadays, do not provide any excuse to avoid studying the "initial conditions" of each "transition" economy. The book exploits this wealth of experiences in the form of concise tables and figures to differentiate between economies, policies and outcomes of the "transition" process.

History is important, because it shapes the initial conditions of each "transition" country, differentiating the "transition" process. The author does an exceptional job in offering the reader a concise but not burdensome history of the region, "a historical teaser" (49) from the Russian Empire to the Soviet Union, the war economy and post-World War II reconstruction in the USSR, and from war to the common market, all of which are linked with the collapse of the centrally administered model and setting up the "initial conditions" per "transition-transformation" economy. In addition, I was excited to

read, Part IV The human Transition Still happening, the human face of the transition, in studying poverty, income inequality, labor migration and diaspora potential, areas of study that are scattered across the literature and often ignored by researchers. The author does an outstanding job in linking the human factor with the “transition” process, highlighting the need to study not only the economic but also the social transformation of the region. The book ends with the “roaring 2000s and the present” validating the all-round argument that the “transition” and “post-transition” process is all but different, ongoing and dynamic.

Allow me to point two issues that have come to my attention that need further elaboration based on my research. The first issue concerns the shock therapy model of transition and the second concerns the link between transition, shock therapy, and the Washington Consensus. Regarding the demarcation of transition strategies between the shock therapy model of transition and the gradual model of transition it appears that the distinction is not clear cut. In my paper Marangos (2004), “Was shock therapy really a shock?”, I demonstrate that the shock therapy model of transition included gradual policies, and strangely enough, the gradual model of transition included shock therapy policies (Marangos 2005). The short-lived nature of the shock therapy model of transition has nothing to do with the model as such as the supporters of the model argued. Governments that implemented shock therapy were not able to sustain the reform program since they lost power after the first term as a result of unfavorable electoral results. The new governments implemented gradualism. Thus, the democratic political process was inconsistent with the longevity of the implementation of the shock therapy process. The shock therapy supporters hoped that this inconsistency could be avoided by the visionary actions of the leaders of mature market economies and the responsibility assigned to the international financial institutions to stabilize the emerging market economies. Actually, the problems associated with the reform process were political, not economic. Thus, economic aid was mainly political aid required to support the frail governments that implemented the shock therapy process in a democratic environment. The shock therapy model assumed large debt cancellations and large financial assistance in the form of grants and long-term loans. Instead, foreign aid was substantially below the necessary amounts. The purpose of foreign aid was to reduce the cost to individuals in continuing to apply shock therapy, and at the same time, maintaining support for the government. Support for the governments implementing the shock therapy process was very high initially but started to deteriorate when the social cost increased. The result was that governments, which implemented shock therapy, lost power after only one term in office and the reform process was disgraced. Sachs (1991, 31) was adamant with regard to the need of financial aid provided externally: “Passing through the valley of tears requires first and foremost, political leadership, and second, enough social consensus to sustain a stable set of policies. But even Moses and the Israelites would not have made it through the wilderness without some manna from heaven. External assistance can be vital in the perilous first years of change. And Moses did not face reelection for forty years (though he certainly faced a leadership challenge at the base of Mt. Sinai)”.

On the relationship between transition, shock therapy and the Washington Consensus, the author states: “Though it was not initially designed for the post-socialist transition, the ‘consensus’ was quickly brought into the transition reforms context” (18). The author is not alone in arguing such link. It is argued that the Washington Consensus policies were implemented in the form of shock therapy under the principle of “one-size-fits-all” to transition economies (Cross and Strachan 2001, 182; Kolodko 1999, 4–5, 22; Stiglitz 2003, 141). Meanwhile, in my paper, Marangos (2007)

“Was Shock Therapy Consistent with the Washington Consensus?” I discover that the shock therapy process in transition economies was not identical to either the original version or the neoliberal version of the Washington Consensus. Interestingly, Williamson (2007) commenting on my paper states “This short comment on the article by John Marangos welcomes the author’s care in distinguishing alternative concepts of the Washington Consensus and distinguishing them in turn from the idea of shock therapy”.

On the issue of “In sharp critique of the transition period of reforms, Stiglitz (2000, 2003) unleashes full-force against simplified interpretations of the Washington Consensus methodology and mediocre results of early transition years” (153). The Post-Washington, as proposed by Stiglitz (1998) is not an effective alternative as it also suffers more or less by the same inadequacies of the Washington Consensus. The debate between Stiglitz supporting the Post-Washington Consensus and Williamson defending the Washington Consensus is quite confusing and does not offer any insights between the two “alternative” programs. Obviously, as there appears to be no common point of agreement. This is because the debate was unfocused. The reference point, ideas and proposals of the Washington Consensus were produced as a result of the dismal Latin American experiences with state intervention; while the reference point, ideas and proposals of the Post-Washington Consensus are drawn from the East Asian miracle. The participants of the debate were talking to each other but not listening to each other, as they were talking within a different context. Each had in mind the historical experience of a particular region that was not relevant to other regions. In other words, as the applicability of the Washington Consensus was context specific, so the alternative view and proposal, the Post-Washington Consensus, was also context specific. The protagonist and the critic of the Washington Consensus were talking past each other. The worldview of the Washington Consensus and the Post-Washington Consensus may not be applicable to all societies. It appears that the differences between the influential critic of the Washington Consensus and the supporter Washington Consensus are not black versus white, but rather a shade of gray.

Overall, Gevorkyan’s exceptional effort is a serious attempt to bring the “transition” process back from the dead. I highly recommend the book and applaud the method, analysis and conclusions. A must read for students and scholars of international development. In concert, I hope that the “transition’ economics field regains the much-needed interest and respect. Gevorkyan’s book contributes to my wishful thinking.

References

- Cross, Rod, and Douglas Strachan. 2001. “Three Pillars of Conventional Wisdom.” *Review of Political Economy* 13 (2): 181–200. doi:10.1080/09538250120036637.
- Kolodko, Grzegorz Witold. 1999. *Ten Years of Postsocialist Transition: The Lessons for Policy Reform*. Washington, DC: World Bank, Development Economics Research Group.
- Marangos, John. 2004. “Was Shock Therapy Really a Shock?” *Journal of Economic Issues* XXXVII (4): 943–966.
- Marangos, John. 2005. “A Political Economy Approach to the Neoclassical Gradualist Model of Transition.” *Journal of Economic Surveys* 19 (2): 263–293. doi:10.1111/joes.2005.19.issue-2.
- Marangos, John. 2007. “Was Shock Therapy Consistent with the Washington Consensus?” *Comparative Economic Studies* 49 (1): 32–58. doi:10.1057/palgrave.ces.8100176.
- Sachs, Jeffrey David. 1991. “Crossing the Valley of Tears in East European Reform.” *Challenge* 34 (5): 26–32. doi:10.1080/05775132.1991.11471532.
- Stiglitz, J. (2000), “Whither reform: Ten years of transition” in B. Pleskovic and J. Stiglitz (eds) Annual World Bank Conference on Economic Development. Washington: World Bank. pp.27-56

Stiglitz, Joseph Eugene. 1998. "More Instruments and Broader Goals: Moving Towards the Post-Washington Consensus, Wider Perspectives on Global Development." Wider Annual Lecture, United Nations University, Helsinki, London, January 7.

Stiglitz, Joseph Eugene. 2003. *Globalization and Its Discontents*. New York: W. W. Norton.

Williamson, John. 2007. "Shock Therapy and the Washington Consensus: A Comment." *Comparative Economic Studies* 49 (1): 59–60. doi:[10.1057/palgrave.ces.8100177](https://doi.org/10.1057/palgrave.ces.8100177).

John Marangos
Department of Balkan, Slavic and Oriental Studies, University of Macedonia,
Thessaloniki, Greece
Hellenic Open University

 marangosjohn@gmail.com

© 2020 John Marangos

<https://doi.org/10.1080/15387216.2020.1738950>

