

BOOK REVIEWS

Attilio Stajano

Research, Quality, Competitiveness

European Union Technology Policy for the Knowledge-based Society

Berlin: Springer, 2009, 625 pp. (2nd ed.)

For Europe the magic word is competitiveness. Originally, one of the main aims of the European integration was to close the gap with the US and improve the competitiveness of European companies and economy. Till the early 1970s, it seemed that the aim could be successfully achieved, the market integration in Europe generated dynamism, and seemed enough to make Europe competitive on the world markets. After 1973, Europe had to face growing structural problems, and its position was worsening not only toward the US, but also to its Japanese competitors. It became clear that definite actions should be taken in order to stop and turn this tendency, and the tasks were complex. The competitiveness is therefore a crucial and strategic issue for Europe.

The book of Attilio Stajano is an excellent guide about European and global integration and competitiveness. In light of the above problems, therefore, it has extreme importance. It analyses not only where we stand, but also where we should go and what we should do.

I fully agree with the complex approach of competitiveness, which means that not only products and companies, but countries and regions are competing with each other, and besides the techno-structures (technologies, products and qualities), institutions and regulatory policies are equally important. Competitiveness has broad “subjective” (moral, ethical, political, etc.) components, and they can be crucial at a certain point or moment. The concept of competitiveness is well systematised, and the main factors of competition are properly and thoroughly analysed. The clear presentation of the concepts of competitiveness is important

not only from the points of view of a student textbook, but also for the interested readers and decision makers. It presents a rich and useful material for those who want to research the subject. The only critical remark is that very little is said about the broad disputes on the concepts of competition, and the main theoretical points and views on the topic (from D. Riccardo to M. E. Porter or P. Krugman) are mostly missing.

It is a great value of the book that it gives extremely rich documentation about the state of competitiveness of the European economy, it contains great amount of systematised statistical data, analysis and several case studies on the issue. The weak points and the strengths are well selected and analysed, making a good basis for drawing conclusions. The studies and rankings of main international agencies (World Economic Forum, IMF, European Commission, etc.) in terms of competitiveness are broadly quoted, but the research of the author both in terms of information and methodologically, is a valuable addition to them.

One example is the presentation of differences and weaknesses of the EU to its main competitors. The list is impressive and very instructive: “The standard of living, the provision for health care, unemployment benefits, and pensions; the level of participation in productive activities, the level of female employment, the labour productivity, the mobility in the labour market; the level of education, computer literacy, vocational training, and lifelong learning; the diffusion of information and communication technologies; the technological infrastructures and their relative costs; the level of private and public investments in research and development; the companies’ access to financial markets and their capacity to reorganise, innovate, and face the challenges of globalization and the knowledge-based society; and – last but not least – a regulatory and institutional framework promoting innovation, mobility, investments, and entrepreneurship” (261). The analyses of comparative data give a good indication about the nature and extent of the problems.

It is no doubt that the problems of competitiveness should primarily be addressed by the companies and economic sectors, and the national governments play a crucial role. From the 1980s a massive reconstruction and adaptation program started in the European industrial and services sectors, and the government turned from “negative structural policies” (subsidising and protecting crisis industries) to “positive structural policies” (by re-channelling resources to high-tech and commercially viable sectors, and the support of improving competitiveness).

In Europe, the measures and policies implemented on EU level for increasing competitiveness also were of strategic importance. “This could be achieved through the series of strategic actions, the most relevant of which are the increase in public and private investments in education, lifelong learning, research and in-

novation. These actions cannot be implemented at member state level, since their success depends upon the complementarity and synergy across the Union” (XVI). In fact, the book focuses on the EU policies, and we get a good analysis of what has been done, how the policies and the measures can be evaluated, and what should be done in the future.

There are several directions of the EU action. The book analyses the role of internal market, the EU research policies, the Lisbon Strategy and some related fields (budget or Euro) which have relevance in terms of improving the competitiveness of the Union.

The research and technology policies of the EU and Framework Programs are studied in great details, and these chapters are very informative and instructive, helping to understand the role of EU in the process. The same applies to the chapter on the Internal Markets, although it is rather descriptive than analytical. These policies represent a change to “positive structural policies” on EU level, and their importance could be hardly overestimated. At the same time, I would have been a little more critical about the European Research Policies and the Framework Programmes as well. My impression is that Union expenditures are often fragmented or wasted, and the proper follow up efficiency analysis is missing.

I fully share the concept of the author on the Lisbon Program. It is an important and strategic answer of the Union to the challenges of new technologies and globalisation. It is also a relevant answer, and the analysis of the author is a great contribution to understanding the importance of the program and promoting its implementation. Many feel that Lisbon is a set of contradictory objectives: global competitiveness based on IC technologies and knowledge based society, dynamic growth (improved macro-performance by tackling problems of employment), sustainability of development (environment), and social inclusion (European Social Model) which are incompatible and irreconcilable, and they cannot be fulfilled. The example of Scandinavian countries proves the opposite, and efforts should be made in that direction also in other countries. As it is presented, “the strategy was formulated resting on three pillars: preparing the ground for the transition to a competitive, dynamic, knowledge-based economy; modernising the European social model by investing in human resources, and combating unemployment and social exclusion; reconciling economic growth with the environment-friendly use of natural resources” (224–225).

The analysis of the issue is well-balanced, and the recommendations are well founded. “The author sees three major weaknesses in the Lisbon Strategy: the lack of involvement of stakeholders in its dirigistic conception; the lack of focus because of non-converging objectives of all the policies involved; and the lack of rewards and sanctions” (225). I would add that there was a lack of public and academic (at the beginning no serious research was related) attention, the financial

support was inadequate (on the national level and EU budgets as well), and the attraction of private investors was missed.

I support the proposals: “To attain the objectives of the Lisbon Agenda, the European Union needs to accelerate the development process of sciences, technology, training, and innovation, and plan a different allocation of financial resources” (149).

“Prospect for a recovery may arise from the inversion of the trend: from an increase in private and public investments in education, training and research; from the alignment of national research policies to the research policies of the most advanced countries of the Union; and from the recovery of the delay in the accomplishment of the e-Europe Community program, which aims to diffuse the Internet and to *electrify* companies, trade, and public administration” (149).

One more remark on the Lisbon Agenda: It originally focused primarily on the EU15, and the enlargement was taken into account only later. I should add, still not entirely. Lisbon works with lots of EU averages and national rankings, but the North-South, and the West-East divisions of the Union are not seriously considered. The focus is on competitiveness, and it is often separated and contrasted with cohesion. That is a wrong approach. I am convinced that cohesion and convergence are crucial factors of improving global competitiveness of the Union, and these objectives should be much more connected and coordinated.

In summary, one of the greatest value of the study that it gives relevant and proper recommendations what we should do here in Europe in order to remain in the mainstream of human history and development. The points are clear, and the focus is on the main issues and the recommendations are good.

Some key sentences in this direction:

“The European Union is a region with a high cost of labour and high health care and social security costs. Expenditures for wages, social services, training, health care and protection of environment can only be partly compensated for by high productivity, the elimination of customs barriers, and currency exchange costs, and a high level of efficiency in public administration (where efficiency is the norm). Success in competition in worldwide markets depends on the ability to highlight the superiority of European services and products on the basis of their quality, design, innovative content, and capacity to meet the demand of an evolving market. Quality-based supremacy is a way of reconciling a high living and high European wages with the maintenance of competitiveness of European services and products” (127).

“EU future competitiveness depends on five factors: research intensity and quality, development of human resources, ITC investments, business reorganization, and access to financing” (131).

“We argued that the EU, in order to maintain its share in the global market, ensure sustainable growth and employment, and face the knowledge-based society, should invest in education, training, lifelong learning, research, and innovation; and improve ITC infrastructures, diffusion, and literacy. We argued that the lifelong learning is funda-

mental, not only for the competitiveness, and economic prosperity of the EU, but also for social inclusion, employability, active citizenship, and the personal fulfilment of people. Individuals must be able to update and complement their knowledge, competences, and skills throughout life” (262).

“As we said at the very beginning of this book, energy and technology continue to be essential for economic growth, but growth is now conditioned by two other factors: information and knowledge. While energy is limited and can be used only once, information is widely available and overabundant and can be used by several users at the same time. The new challenge is managing and exploiting information and structuring it into knowledge that can support a new approach to sustainable development and trigger an improvement in the quality of life” (218).

I found the book extremely interesting, full of useful information, facts and data about the state of the European economies and societies (geography, demography, economic structures and performances, main patterns of international cooperation and living standards) and its competitive position in global economy. The development of the European integration, and the most important events related to it are properly presented and stressed. The survey of the economy of the new member countries and the main competitors is not only informative, but could be a good guidance for decision-makers as well.

It is an interesting question how and in what respect EU could be a model (democratic, social, environmental, or quality) for other integrations and regions, whether it could be a norm-setter, and how it should exert its impacts. It is a highly recommended reading for those who care about the future of Europe and it is strongly advised for consideration for policy-makers.

Tibor Palánkai

Andrzej K. Koźmiński

How It All Happened. Essays in Political Economy of Transition

Warsaw: Difin, 2008, 244 pp.

Andrzej K. Koźmiński is inviting his readers for a travel through recent history. The purpose of this journey, however, is not simple nostalgia, but rather a confrontation with the past and a critical reflection upon the present. The book, published by Difin, a Warsaw-based publishing house, is a selection of his eleven earlier writings. The earliest piece in the book comes from 1982, while the most recent one was written in 1997. The common thread in these papers, which cover the preceding and the successive years of the regime change, is their goal – to provide an extensive and systematic evaluation of the most interesting and challenging events of the end of the 20th century.

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The collection of studies has its obvious strengths and weaknesses. On the one hand, it offers an opportunity for summary and retrospection for the author. From the reader's perspective, however, the circa 250 pages provide ammunition to confront the author with his previous convictions and fears, and, in certain cases, to make him account for his misjudgements. This is exactly where the danger of such a collection of studies lies: the reader involuntarily treats the material as if it had been written only very recently, thereby expecting the author to be aware of something he could not have known about at the time of writing. Accordingly, this review focuses on how innovative and insightful the given pieces were at the time of their conception. It should be noted, though, that most of the articles are fundamentally innovative and insightful, even if a certain apprehension towards sudden changes can be detected in them. Generally speaking, Koźmiński's works reflect a strong conviction that social discontent triggered by swift changes can be regressive in its effect, a feature that has not been wholly unprecedented in Poland, the author's country of origin.

In the early period of the regime change, Dewatripont – Rolland (1996) critically noted that the ratio of theory to policy oriented papers in transition economics is painfully low. Nonetheless, it can be stated that even within the scope of a single article, Koźmiński had aimed at a balance. The volume paints the picture of an author who dedicated an enormous amount of energy to unfold and explain the inner contradictions and limits of the centrally-planned economy, and to clarify that the reform of the socialist system could not be a real alternative to the total elimination of the system.

Nevertheless, in the period of 1982–1997, Koźmiński persistently argued for (and conspicuously believed in) gradualism. The unpredictability of change and the probable disadvantages (e.g., increase in income inequality, political instability, social resistance, etc.) urged him to advocate reforms, and later on, a change of system that minimised the costs and distributed the benefits among a significant portion of the population. He consistently supported coalition-building and emphasised the power of consensus. With hindsight, we now know of course that in reality CEE, and especially Poland, followed the transition Koźmiński had considered ideal only partially. In his "Introduction", he acknowledges that the change was much faster and more intensive than he had ever imagined. The swiftness and extensiveness of the change, however, were all in vain, he writes, as socialism is still ripe in the region, even twenty years after the regime change. In the words of János Kornai (1992), "the germs of socialism" are still present in people's thinking, as part of the social subconscious and culture.

The volume is made up of two parts. In the first one, entitled "General Outlooks", Koźmiński guides the reader through topics such as the paradigm of the socialist economic system, the dichotomy of market and state, the anatomy of

change, shock therapy versus gradualism, and the matters of privatisation and consumer rights. The second part applies a much more restricted focus by concentrating on Poland and the Polish reform and regime change.

The selection of the articles and the determination of their order are definitely the result of a conscious process. Koźmiński paid a great deal of attention to start with more general pieces, so as to give a framework to the volume. His very first study ("The Rise and Fall of the Socialist Economic System"), written in 1991–1992, convinces the reader that Koźmiński is one of the few economists who not only lived in the former system, but also had a clear understanding of its *modus operandi* and contradictions. This piece can, in fact, be considered as a second introduction, since it covers every single one of those features that are investigated in the successive pieces. He presents the socialist system from a historical and analytic perspective with the self-confidence of an insider. Somewhat surprisingly – and compared to other authors – he scrutinises the New Economic Policy of the 1920s with great dedication and meticulous detail.

The second article ("Market and State in Centrally Planned Economies"), from 1990, provides a graphic presentation of the battle between the market and the state as two coordinatory-regulatory mechanisms. Unlike the previous study, in which the author provided a unified and coherent account of the socialist economic system, he now focuses on the dissimilarities within the system, which vary according to how much role is given to the state or to the market in economic regulation. Three main types of centrally-planned economies are detected: (1) the centralised Stalinist system, (2) the partly decentralised parametric system, and (3) the market-driven socialist economy (64). The reform movements, emerging at the end of the 50s and reaching their zenith in 1968, are not placed, perhaps surprisingly, into category (3), but rather into category (2) for two main reasons. Firstly, decentralisation was given more emphasis over marketisation; and secondly, "the standard of living of the population is given much more attention by central planners in order to avoid a political and social crisis" (67). According to Koźmiński, besides the NEP, only Hungary of the mid-80's and later Poland, had a market-driven socialist economy, where market allocation mechanisms dominated.

The analytic evaluation of this transition process is the subject of the next two articles ("Macrochanges in Macro Organizations: The Case of Socialist Economies" and "From Innovative to Systemic Change: The Transformation of Communist Systems"). The former, written in 1989, attempts to give a new conceptual framework to the events of the change, but without the knowledge of an unambiguous end, and aims to formulate a general typology of the changes. The chosen framework is organisation theory, or more precisely, the concept of organisational change. Accordingly, "economic reform is considered as a change involving im-

portant modifications of the values, objectives, structures and rules of behaviour of the economic agents acting within the system” (84).

While it is commendable that the author tries to present the change in a new perspective and he also points out its cyclical regularity, the value added of these attempts is probably less than what would be expected. In fact, the two articles somewhat replicate what had already been offered in his previous ones. (What is admittedly different, however, is the methodology of the analysis.) This fact is further underlined by the fourth article (from 1990), which was written in the heydays of the transformation. Koźmiński’s aim here was to reflect on the fact that “the very identity of the system changed” (99). Mostly, however, this work can be interpreted as the continuation of the previous (third) study (without which, in fact, it would be fairly hard to understand this piece, as it applies the former study’s concepts and methodology). The question is, nevertheless, clear: to what degree is the total change of the system a necessary corollary of the former reform-cycles? Together with his co-author, Krzysztof Oblój, he insightfully recognises that there was no way back to the Stalinist model at the end of the eighties (that is, regressive change was excluded), as the previous system used up all of its resources, not only losing its legitimacy, but also forfeiting its institutional and social structure that used to be its basis. What kind of capitalism should come next? – he asks. Koźmiński’s response to this question might seem a little too simplistic – for the reader of the present, at least. He saw two potential alternatives: South Korean authoritative capitalism, which after a time would get civilised; or the welfare states of Scandinavia. Today we know that neither of these models came true in CEE. Most probably, few regret the former, but many would have wished for the latter.

The next work (“Restitution of Private Property: Re-privatization in Central and Eastern Europe”, from 1997) deals with the regime change itself, more precisely, with one of its crucial topics; property change. Perhaps this is the first article in the volume whose argumentation may trigger dissent in the reader. This is because Koźmiński advocates a special form of privatisation: reprivatization or, in other words, the restitution of property rights. While arguments such as historical justice (which surmounts its symbolic and emotional significance) or the relatively quick revitalisation of the middle class are still considered acceptable, it is very dubious whether reprivatization is really the adequate method of denationalisation from the perspective of effectiveness.

An interesting perspective is taken in the next article, which evaluates the socialist system first and the change of the system next from the consumers’ side (“Consumers in Transition from the Centrally Planned to the Market Economy”). This study, in a certain respect, is a follow-up to the previous ones, as it differs only in its focus. Surprisingly enough, it is also this piece that defines shortage

economy and repressed inflation, as well as their operation the most clearly. One of the most noteworthy observations here is that the consumer is seen not simply as a victim of the system, but rather as the chief cause of why it is difficult – or nearly impossible – to adopt market price mechanisms (where the promise of cheap bread disappears).

The first part of the volume ends with probably one of the most powerful pieces: “Transition from Planned to Market Economy: Hungary and Poland Compared”. Its strength is demonstrated by the fact that even those who have previously not shown any interest towards transition economics will most probably enjoy reading it, and even experts in comparative economics will find new ideas in it, too. Despite the obvious similarities between the two countries, Koźmiński highlights the dissimilarities instead, emphasising that Hungary and Poland applied radically different strategies in their transition to a market economy. As Poland was characterised as the stereotype of regressive change in the previous studies, it becomes evident now why Leszek Balcerowicz, the godfather of the Polish reform package, opted for shock therapy, thereby preventing the communist comeback at any cost. Accordingly, the shock therapy did not serve purely economic goals, but, indirectly, political ones, too. The chapter gives an excellent summary of the Hungarian and Polish programs of the early years of the transition, not hiding the author’s more favourable opinion about the Hungarian solution.

Subsequently, it is easy to say that Koźmiński was probably overly critical toward the transition strategy his country had chosen, while he overestimated the Hungarian way – especially if one considers that Hungary also introduced its austerity package in March 1995. While the author cannot be criticised for something that he had not known, it can nevertheless be pointed out that it would have been more adequate to place this chapter before the previous two, since it could have concluded the topics of the socialist system and the regime change, and, at the same time, it would have been a brilliant introduction to the issues of re-privatisation and consumer behaviour.

The first study of the second part of the volume, “Reforming Socialist Economy: Polish Perspective” from 1988, does not really go further in respect to what was already stated in the previous writings. Its merit lies more in its systematic evaluation of Polish socialism and reforms, stressing again that changes were followed in each case by a restoration. The article, therefore, is relevant as it poses as a background study for the next two writings, “The Economic Reform” and “Continuity and Discontinuity in the Transformation from the Command-distributive to the Parametric Management System of the Economy”. These are the earliest articles of the collection, dating from 1982 and 1983, respectively. In “The Economic Reform”, the author makes it clear that, as opposed to the 1956 and 1970

reform-cycles, the third wave of the Polish reforms (1981–1982) cannot come to an end as the previous ones, because a return to the traditional economic management system is no longer possible (201). Koźmiński stands for the enforcement of economic effectiveness and the promotion of people who also speak this language. He finds it important to ensure large social support for the reforms, imagining an ever-widening coalition (which conviction has remained unchanged in his most recent article from 1997).

“Continuity and Discontinuity...” turns to the political dimension, highlighting why the biggest obstacle to economic change is politics itself: “no change of a management system appears to be viable unless the traditional ‘philosophy’ of planning is abandoned” (226). Koźmiński is not satisfied with the parametric system, which, while it does improve the quality of the management, stays the same in its very essence. He firmly believes in the market-based system as the only real “innovative system”, using his previously introduced term. At the same time, this writing is sensitive to the political economy of the reform, that is, it points out that any move toward the market-based system may trigger an increase in social inequality, the erosion of the former sense of security, etc.

“Shaping the structure of the market should, first, create favourable circumstances for free competition” (211) – the closing study of the volume might have started with these words, if they had not been already said in an article of his ten (!) years earlier: “The Economic Reform” (from 1982). Still, this statement perfectly expresses that Koźmiński’s attitude to reform, transition, and modern market economy did not change with the passing of time. In the period delineated by the articles chosen into the volume (i.e., from 1982 to 1997), he was a consistent, socially sensitive supporter of the market, and represented the view that the market is not simply the mechanism of changes dictated by demand and supply, but a meta-institution that should be the result of prudent construction. In this chapter (“The Main Issues of Industrial Policy for Poland”, 1992), however, it is Koźmiński’s practical side that prevails.

While it is a fact that this volume is not an easy bed-time reading, it is still worth dedicating our time and energy to it. And certainly not for the sake of nostalgia. With the self-confidence of an insider, the author presents the challenge that was posed against the countries of this side of the world, and the reasons that led to the change of this system in a pleasant style and clear language. In his explanations he gives ample role to the concept of path-dependency. According to his conviction, regime change and the events of today can only be digested by understanding the features and logic of the socialist system, as we all – in Central and Eastern Europe – carry its legacy in our cognition and cultural behaviour.

István Benczes

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Kiichiro Yagi – Satoshi Mizobata (eds)

Melting Boundaries. Institutional Transformation in the Wider Europe

Kyoto: Kyoto University Press, 2008, 376 pp.

This volume is an outcome of the international conference *The Wider Europe: Institutions and Transformation* held at the University of Kyoto on 24–26 November 2005. The book is a collection of 17 essays. The majority of the contributors are from Japan, but from various universities, and, interestingly, among them are two researchers originating from Central-Eastern European countries. The European participants include scholars from France, Hungary, Bulgaria and Romania. Clearly, participants from countries enlarging the European Union dominate among Europeans, which was the intent of the organisers of the conference, as is implicitly made clear in the editors' introduction to the volume.

“Old boundaries have melted but the new borders of European integration have yet to be fixed” (xiv). To assess the situation of the European integration, insights both from “inside” and “outside” are necessary, and the composition of the participants reflect this.

The topic of the conference is approached in an institutional analysis framework, emphasising how the effects of integration interacted with the formation of new formal institutions and with the prevailing informal institutions in the accessing countries. The volume, probably following the agenda of the conference, revolves around three major themes, by providing a balance between specialised topics and theory within each of them: (1) measuring institutional transformation, (2) the wider Europe and transformations in market institutions, (3) the wider Europe in social and regional institutions.

What make this volume valuable are two things. First of all, the contributions cover a wide variety of issues that must be investigated when it comes to EU enlargement. Frankly, I can think of no related topic or specific problem that could have been added to those discussed here. Second, while the book reflects a thorough editing, meaning that the papers form a logical line, which gives coherence to the book, each piece can also be read separately, i.e., the reader can make a choice in selecting topics of interest without sacrificing any value.

Since it is impossible to give a detailed account of all the 17 contributions to this volume, I will provide only a short overview of some subjectively selected papers, hoping that my review will make many read the whole book.

The five essays of the first thematic bloc are concerned with general issues in the field of institutional changes related to the European integration. Kiichiro Yagi's (University of Kyoto) paper entitled "European Economic Integration from the Viewpoint of Institutional Economics" provides a very good introduction to the whole topic covered by papers in the first part of the volume. On the one hand, he introduces the concept of dual process, in which transition and integration are linked to one another, suggesting that the integration process is best seen as a continuation or accomplishment of transition. On the other hand, he argues that both exogenous and endogenous elements are important in both institutional change processes. Based on these insights, he develops a framework for an understanding of the evolution of institutions during the transition: in a four-dimensional context one axis refers to the exogenous-endogenous character of the institutional change, the other to the goal oriented – initial condition oriented character of institutional evolution. This framework serves as a basis for that of the integration process, where integration-diversification and divergence-convergence are the aspects under analysis. At the end of the day, what is especially useful in this essay is the author's dynamic approach itself, which allows us to analyse the dilemmas of the integration process through a different lens than is usually the case.

In his paper "Formal and Informal Rules in Post-Socialist Transformation" Bernard Chavance (University of Paris 7) follows the route paved by Kiichiro Yagi, by analysing the relationship between formal and informal institutions from a historical perspective. Particularly, Chavance was concerned with clarifying questions concerning the variety of transformational paths of post-socialist countries. What makes his contribution especially interesting is the fact that the issue of informal institutions has rather been neglected when examining the transition and post-transition process. However, we know from the New Institutional Economics (e.g., North 1990 or Williamson 2000) that formal institutions are embedded in informal institutions; that is, informal institutions should be considered constraints as regards the transformation of formal ones. In addition, according to Pejovich's (1999) famous interaction thesis, if informal rules are not in harmony with (new) formal rules the resulting conflict raises the transaction cost of transition. To put it differently, in those countries where informal institutions did not support the new formal institutions the transition did not bring about good results. Bearing in mind these insights, Chavance analyses the interdependence of formal and informal institutions in successive periods of post-socialist institutional change, which leads him to conclude that the great variety of the national trajec-

ries in system change must be attributed to a significant difference in informal institutions.

László Csaba (Central European University, Budapest) examines the conditions of EU enlargement in his essay entitled “Balance Sheet and Prospects of EU Enlargement: A Great Success Story or the Last Nail in the Coffin of the EU?” The paper, as promised in the title, provides us with an assessment of the dilemma reflected in the subtitle, which is the fact that the enlargement “should count among the major success in European integration” (46), while also being a source of crisis. The author gives a thorough account of the pre-enlargement situation of the EU, the factors explaining the 2005 crisis and the “benefits” of the crisis. The very detailed analysis of the enlargement issue and the accurate listing of the influencing factors of future prospects make this contribution unique, and valuable for both academia and policy-makers.

Nikolay Nenovsky’s (University of World and National Economy, Sofia) contribution “Monetary Convergence on the Road to European Monetary Union: Conceptual Issues for Eastern Europe” in the second thematic section dealing with transformation in market institutions analyses the question of monetary convergence, which is certainly a hot topic. He gives a theoretical account of the problem, presenting in detail the limitations of the traditional monetary convergence theory based on the Optimal Currency Area theory and arguing for a new concept of monetary convergence. As Nenovsky argues, monetary convergence should come closer to its initial goal of being a means to an end, rather than an end itself. Accordingly, the whole issue is best approached in an institutional context. He offers arguments in favour of adopting a form of institutional monetary competition, which involves subjecting Eastern European Countries’ (EEC) monetary regimes to partial institutional competition before Euro adoption. The argumentation is accompanied by empirical evidence based on an assessment of the EEC monetary regimes and their effectiveness.

Besides monetary institutions, corporate governance issues are of crucial importance as regards changes in market institutions. Dimiter Ialnazov (University of Kyoto) and Satoshi Mizobata (University of Kyoto) analysed this broad issue from a viewpoint of different countries. Ialnazov, originating from Bulgaria, was not surprisingly interested in examining “Europeanisation and the Evolution of Corporate Governance in Bulgaria”. He analyses the impact of the EU on the evolution of corporate governance institutions in Bulgaria. Ialnazov gives a detailed account of the two major factors identified as shaping the Bulgarian trajectory of corporate governance, namely the importation of formal institutions (e.g., company law and securities laws) from the West and mass privatisation. As the adaptation to new formal rules coming from outside was, in general, a crucial problem

in each post-socialist country, the author's aim to examine firms' reaction behaviour to these is justified. Accordingly, five types of adaptation (exit, disregard, formal compliance, voice, and acceptance) are distinguished and described. Overall, we are given a detailed picture of the Bulgarian state of corporate governance.

Satoshi Mizobata chose Russia as an example for investigation in his paper entitled "Europeanisation and Corporate Reforms in Russia" which can serve, in many respects, as a comparison with the Bulgarian case. However, Europeanisation may seem at first glance puzzling in relation with Russia. The author, while recognising and even clearly identifying the peculiarities of Russian corporate governance provides a convincing argumentation as regards how and to what extent the EU affected the way corporate reforms took place in Russia, making a kind of spontaneous Europeanisation. Nevertheless, a detailed account of "keeping the Russian way" in corporate governance led the author to the conclusion that despite Europeanisation Russian corporate behaviour is very distinct from Western corporate behaviour. And what is more, Mizobata rightly emphasises the danger of the superficial institutional harmonisation due to the Europeanisation of Russia, by referring to interest groups' behaviour.

The third part of the volume is devoted to issues concerning social and regional institutions, including the problems of the welfare and tax systems, social policy, environment, neighbourhood policy and border questions. Clearly, the questions discussed here are wide-ranging, and of course, connected to one other in various ways. In each of them, the socialist past, both in political and economic terms proves to be the key determining factor, as is also argued by the authors.

Eric Magnin (University of Paris 7) deals with the first issue of the above in his paper "Post-Socialist Transformation of Welfare and Tax Systems and the Issue of Performance in New EU Member States". His primary concern is an investigation of what type of welfare and tax systems have emerged in the post-socialist EU member states; that is, what type of capitalism they headed for. After demonstrating transformations in the welfare and tax systems in the accession countries phase by phase, his focus is on identifying strategies these countries have followed, implying that there is a divergence of national trajectories. As Magnin argues, more or less two strategies can be distinguished: the one recommended by various international agencies, gravitating to the Anglo-Saxon model, and another path-dependent evolution towards the continental model. However, it is also made clear that irrespective of the chosen strategy, the tax systems in the accessing countries are wrestling with numerous difficulties such as tax evasion, informality, etc.

All in all, there is no single European model, as emphasised also by Mizobata in his Conclusion to this volume, and in addition, even Western Europe has to go

through institutional changes due to global challenges. That is, there is road ahead for Europe as a whole.

Judit Kapás

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