

Book Reviews

The Political Economy of Asian Transition from Communism. By Sujian Guo. Aldershot: Ashgate Publishing, 2006. 222 pp. £50.00 hb.

Over the last couple of decades, there have been significant changes in the political, economic and developmental strategies of Asian countries to ensure a decent standard of living for their citizens. The publication of this book is thus timely. It provides a lucid account of the transition from state socialism in five communist countries (China, North Korea, Laos, Vietnam and Cambodia). Moreover, it compares their experience with that of Russia and Eastern Europe.

There are two schools of thought pertaining to the nature of transition. The shock therapist favours the simultaneous introduction of reforms in all sectors, as seen in the big-bang approach to transition in Eastern Europe in the early 1990s which led to an unexpectedly large and persistent reduction in output growth. In contrast, the gradualist approach introduced in the five Asian countries resulted in a significant rise in economic growth, except in North Korea. Indeed, China is often cited as the leading example of the successful gradualist approach. The choice of reform policy in the Asian countries has been constrained by the leadership's perception of the need for higher economic growth and for maintenance of the power of the communist party, and is based on the interplay of politics and economics.

Following the historical background to transition in Chapter 2, Chapter 3 identifies the major factors contributing to the transition across these Asian countries and the reasons for the reforms. All five countries had close ties with the Soviet Union in the early stages of their communist development and followed the Soviet model of agricultural collectivisation, prioritisation of heavy industry, state ownership, central planning and state monopoly of foreign trade. They therefore faced similar structural problems and economic difficulties, largely contributing to the reforms of the early 1980s. Chapter 4 sheds light on the strategic choice resulting from the interplay between state and market, and explores the interaction of politics and economics in determining the variations in outcome. The pace and direction of reform in all five countries have clearly been shaped by a decade of discontent, disagreement, debate and balance between reformers and conservatives along the three main dimensions, which has resulted in a phased, experimental and dual-track pattern of transition. One thing to be learned from the Asian transition is that support for reform can be obtained by introducing step-by-step reforms if the reformers are in a relatively weak political position, whereas a strong pro-reform government can succeed with a big-bang reform strategy.

In Chapter 5, Guo makes a real attempt to assess the impact of transition by considering some key indicators of market socialism. He argues that Cambodia has made the most significant progress towards a market economy and North Korea the least. However, he rightly points out that few of the economies can be characterised as free-market economies because of the dominance of public ownership overall. Apart from Cambodia, a hybrid or mixed economy has emerged during the transition phase in which the socialist public sector co-exists and competes with a rising private sector in a

political, economic and cultural context defined and controlled by the communist government. Problems in market reform and finding viable solutions to them are examined in Chapter 6. In the transition from state-based to market-based socialism, the restructuring of property rights has become the main task in Asian communist countries. In contrast, the transition economies of Eastern Europe and Russia have shown that fully fledged privatisation does not guarantee the efficient use and allocation of resources and fails to achieve economic efficiency and productivity as expected by neoclassical economists. Guo himself suggests a new model, a trustee of state property (TSP) regime, for achieving both higher economic growth and efficiency.

This book is well organised and is essential reading for those engaged in devising new policy frameworks for the transitional economies of the world. The author has made a tremendous attempt to present the whole story of transition in a lucid manner and deserves much credit.

Naresh Chandra Sahu
Thapar University, Patiala, India