

On March 29, **Oleh Havrylyshyn** (International Monetary Fund) presented his newly published book, *Divergent Paths in Post-Communist Transformation: Capitalism for All or Capitalism for the Few?*, at the Munk Centre for International Studies. The book was largely written at CERES last year, when Dr. Havrylyshyn was a visiting scholar. The book is a valuable source for those studying democratic and market reforms in the post-communist region. It is the first to look comprehensively at all twenty-seven post-communist countries and analyze their democratic and economic performance during a decade of transformation.

The collapse of the Soviet bloc and communism as its major ideological force initially led to popular euphoria about the future of the region. However, it soon became obvious that some countries were much more successful in their political and economic transformation than others. Central Europe and the Baltics have become fully liberal societies with developed market economies, whereas most of the CIS states are still muddling through the frozen transition under the heavy control of the oligarchic regimes. In his book, Dr. Havrylyshyn provides his answer why this has been the case. He addresses the two major topics of disagreement among the political economists who study the region — the optimal way of conducting market reforms (gradualism versus the “big bang” approach) and the compatibility of democratization and market reforms.

Dr. Havrylyshyn takes the amount of social pain as an important criterion for evaluating the success of transition. He argues that the moderately reformed countries (the majority of the CIS states) experienced the biggest social pain: vested interests in these countries have been working towards creation of “capitalism for the few” and concentrating ownership in the hands of the selected elites. He calls such states the “oligarchic societies.” On the other hand, the fastest and farthest reforms have led to the least social pain (Central Europe and the Baltic states). The results of Dr. Havrylyshyn’s research suggest that market and political liberality complement rather than exclude each other.

The book explains the divergent outcomes of transition in various post-communist states through a “navigation model.” The model consists of several components: uncharted waters (too much debate and delay about how to conduct reforms lead to slow and partial reforms, and postpone adjustment); pirate raids (rent seekers are stronger where the old elite survives and even stronger if reforms are slow and partial); and safe havens (rent-seeking can be mitigated through global integration). Dr. Havrylyshyn emphasized the importance of the EU as a powerful instrument for ensuring commitment to dual liberal reforms in the case of the Central European and Baltic states. The book concludes that the commitment to dual liberal vision by both leaders and the populace is a key to success of transition. A strong middle class anchored by small business can reduce the power of the oligarchs in the CIS states.

Although the book is written about the specific region — the former Soviet Union and its satellites — the thorough and thoughtful analysis of its reform experience that it offers would be helpful in applying to other regions of the world facing similar challenges. The CERES community looks forward to welcoming Dr. Havrylyshyn back in the next academic year for another term as a visiting scholar.

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PowerPoint presentation that accompanied Dr. Havrylyshyn’s talk:  
<http://www.utoronto.ca/ceres/CERES.ppt>