Kemme, David M., *Economic Transition in Eastern Europe and the Soviet Union: Issues and Strategies*, New York: Institute for East-West Studies, 1991, $12.85, 56 pages, bibliography, ISBN 0813-38165-7.

In this succinct monograph, David Kemme examines the problems, both country-specific and regional, that have paved the way toward the economic transition underway in Eastern Europe. Kemme optimistically outlines the steps that must be followed to convert the long-standing communist governments of Eastern Europe into market economies.

The more salient problems tackled by Kemme are summarized in the Foreword to the book written by John Edwin Mroz. (Mroz is the President of the Institute of East-West Security Studies.) According to Mroz, Kemme discussed the economic choices confronting the nascent market economies; "... the rate and breadth of price liberalization, the desirability of private property, the speed and scope of the introduction of competition, how to discover and exploit comparative advantage, and the degree to which foreign [direct] investment and involvement [are] to be welcomed."

In four brief chapters, Kemme reviewed a host of macro economic issues. His discussion of the implementation of the market mechanism evaluates the concurrent processes involving the speed and scope of price liberalization, the achievement of macrostabilization through internal balance (price stability and low unemployment), and the external maintenance of balance (balance of payments equilibrium), competition and demonopolization; and the reform of banking and financial markets. Kemme recognizes the "... enormous structural changes and dislocations of both capital and labor ..." proposed. Institutions for the amelioration and equitable distribution of the adjustment costs associated with the transition must be created by government. For example, the author asserts that there is no question but that a "social safety net" must be designed as the goals toward marketing and prioritizing are realized. The safety net should take the form of a social welfare system providing for unemployment compensation, health benefits for the unemployed and the rapid retraining of workers.

In his chapter on "Changes in Ownership," Kemme advocates a system of mixed ownership ranging from small, privately-owned enterprises in services and light manufacturing to large, state-owned enterprises such as state-owned public utilities. He calls for those enterprises that lie in the middle of the spectrum to be privatized in a variety of ways ranging from "... direct sale at public offerings, auctions with preference given to current workers and management, sales to foreign participants (outright or via joint ventures), and [the] creation of mutual funds or holding companies designed to distribute ownership broadly and create new management structures during the transition process."

Finally, Kemme relates the changes going on within the domestic economies of the former socialist nations to the ways the integration with the West will contribute to the needed transition. Integration with the West contributes by (1) encouraging private foreign equity investments in newly privatized firms; (2) increasing domestic competition; (3) providing export markets for private sector-produced goods; and (4) providing capital for growth and new jobs.

In his conclusion, Kemme reiterates his strategies for the successful transition to a new system. He recognizes the interrelated nature of the processes involved and therefore calls for an optimum sequencing, progressing from macroeconomic stabilization to the introduction of sophisticated market institutions. He further recognizes that no single strategy can work in all countries in the Eastern European region because history and comparative advantage are sufficiently differentiated. Nevertheless, some policies must be considered by all reformers regardless of historical circumstance.

Kemme calls for innovative monetary, fiscal and social policies by national governments and innovative local programs for economic development; legislation for decentralization of economic power and legislation to create new institutions; behavior modification incentives to encourage appropriate work and saving performance; and an enlarged role for Western participants. He calls for other crucial components of the transition strategy, including management training for large and small operations, and the investment of the proceeds from privatization to enhance the process.

Above all, Kemme calls for international assistance for the success of the transition process through, at a minimum, the opening of markets to imports, relaxation of export controls and the expansion of credit lines and investment guarantees for reforming socialist economies.

His argument for the "proper" sequencing of the elements of reform, although convincing, actually presupposes a lack of the serendipitous events that might encourage the individual initiatives of the entrepreneur. The emergence of the individual entrepreneur as the economies of Eastern Europe are transformed within strongly supported infrastructures may greatly speed the process toward transformation, a process that Kemme admits to being spontaneously generated.

Optimism and pragmatism are among the strengths contained in this vibrant and scholarly volume. In a profound moment of reflection, Kemme observes that "the prospects for reform are greatest where there is recognition that its costs, although great, are not nearly as high as those that have been already paid."

Written with brevity of style in a non-technical language that is all too rare among economists, Kemme has provided a useful treatise for all policy-setters engaged with the emerging democracies. Government officials, legislators, investors, entrepreneurs and all those involved with agencies fostering infrastructures that are intended to support economic development in emerging market systems will grasp the broad economic concepts presented here. I recommend this book to students of small business economics and entrepreneurship. The book is a concise, well-documented overview of current economic issues with powerfully presented, optimistic arguments that lead them to ask new questions about this timely and important subject.

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William J Adams, *Restructuring the French Economy: Government and the Rise of Market Competition Since World War II*, Washington, DC: The Brookings Institution, 1989, xvi, 400 pp., ISBN 0-8157-0100-4.

Although this book does not explicitly refer to a "French miracle," as has been done repeatedly for both the German and Japanese economies, it nonetheless deals with a curiosity: The smooth and rapid growth of the French economy after World War II. As far as the problem of economic growth is concerned, William J. Adams sets out to answer this question: "How does one reconcile the economy's alleged lethargy before World War II with its apparent dynamism thereafter?" (p. 7). In order to discuss this topic, the author proposes a series of hypotheses in chapter 1, that also largely shape the organization of the book under review.

In chapter 2, Adams appraises the "extent of structural change," thus referring to the first hypothesis that "rigidity and growth are compatible" with each other. Adams makes a stimulating distinction between "marginal" and "radical" change, which he uses in support of the compatibility thesis. It is to be noted, however, that this distinction already constitutes the answer to the problem he raises. Indeed, to the extent that structural change operates not only *marginally*, "through retirements from and new participations in the economy's stock of resources," but also *radically*, "through redeployment of resources already in use" (p. 7), it is merely definitional that economic growth is consistent with conservative behavior. Yet, the latter is compatible with economic stagnation as well. As a consequence, one can wonder whether the distinction between marginal and radical change does not evade the actual question: What determines structural change in the last analysis?

Actually, Adams suggests that important changes in the allocation of the labor force do not necessarily result in genuine, structural change. More precisely, the author puts forward the claim that severe, statistical contractions in employment do not systematically entail professional mobility or, more generally, labor force rigidity can co-exist with losses in unemployment. For instance, with regard to the remarkable augmentation of the salaried employment and the concomitant decline of self-employment, the author maintains that this change mainly occurred "through decisions of the