

INTERNATIONAL POLITICAL ECONOMY SERIES

General Editor: Timothy M. Shaw, Professor of Political Science and International Development Studies, and Director of the Centre for Foreign Policy Studies, Dalhousie University, Halifax, Nova Scotia

Recent titles include:

Seamus Cleary

THE ROLE OF NGOs UNDER AUTHORITARIAN POLITICAL SYSTEMS

Robert W. Cox (*editor*)

THE NEW REALISM: Perspectives on Multilateralism and World Order

Stephen Gill (*editor*)

GLOBALIZATION, DEMOCRATIZATION AND MULTILATERALISM

Jacques Hersh and Johannes Dragsbaek Schmidt (*editors*)

THE AFTERMATH OF 'REAL EXISTING SOCIALISM' IN EASTERN EUROPE, Volume 1: Between Western Europe and East Asia

Staffan Lindberg and Ámi Sveinsson (*editors*)

SOCIAL MOVEMENTS IN DEVELOPMENT: The Challenge of Globalization and Democratization

Anne Lorentzen and Marianne Rostgaard (*editors*)

THE AFTERMATH OF 'REAL EXISTING SOCIALISM' IN EASTERN EUROPE, Volume 2: People and Technology in the Process of Transition

Stephen D. McDowell

GLOBALIZATION, LIBERALIZATION AND POLICY CHANGE: A Political Economy of India's Communications Sector

Ann Seidman, Robert B. Seidman and Janice Payne (*editors*)

LEGISLATIVE DRAFTING FOR MARKET REFORM: Some Lessons from China

Geoffrey R. D. Underhill (*editor*)

THE NEW WORLD ORDER IN INTERNATIONAL FINANCE

International Political Economy Series

Series Standing Order ISBN 978-0-333-71110-1

(outside North America only)

You can receive future titles in this series as they are published by placing a standing order. Please contact your bookseller or, in case of difficulty, write to us at the address below with your name and address, the title of the series and the ISBN quoted above.

Customer Services Department, Macmillan Distribution Ltd
Houndmills, Basingstoke, Hampshire RG21 6XS, England

The European Science Foundation is an association of its 56 member research councils, academies and institutions devoted to basic scientific research in 20 countries. The ESF assists its Member Organizations in two main ways: by bringing scientists together in its Scientific Programmes, Networks and European Research Conferences, to work on topics of common concern; and through the joint study of issues of strategic importance in European science policy.

The scientific work sponsored by ESF includes basic research in the natural and technical sciences, the medical and biosciences, the humanities and social sciences.

The ESF maintains close relations with other scientific institutions within and outside Europe. By its activities, ESF adds value by cooperation and coordination across national frontiers and endeavours, offers expert scientific advice on strategic issues, and provides the European forum for fundamental science.

This volume arises from the work of the ESF Scientific Programme on European Management and Organizations in Transition (EMOT).

Further information on ESF activities can be obtained from:

European Science Foundation

quai Lezay-Marnésia

F-67080 Strasbourg Cedex

France

Tel. (+33) 88 76 71 00

Fax (+33) 88 37 05 32

Industrial Transformation in Eastern Europe in the Light of the East Asian Experience

Edited by

Jeffrey Henderson
*Manchester Business School
England*

Assisted by

Karoly Balaton

and

Gyorgy Lengyel





First published in Great Britain 1998 by
MACMILLAN PRESS LTD
 Houndmills, Basingstoke, Hampshire RG21 6XS and London
 Companies and representatives throughout the world

A catalogue record for this book is available from the British Library.
 ISBN 978-1-349-26522-0 ISBN 978-1-349-26520-6 (eBook)
 DOI 10.1007/978-1-349-26520-6



First published in the United States of America 1998 by
ST. MARTIN'S PRESS, INC.,
 Scholarly and Reference Division,
 175 Fifth Avenue, New York, N.Y. 10010

ISBN 978-0-312-21190-5

Library of Congress Cataloging-in-Publication Data
 Industrial transformation in Eastern Europe in the light of the East
 Asian experience / edited by Jeffrey Henderson, Károly Balaton, and
 György Lengyel.

p. cm. — (International political economy series)

Includes bibliographical references and index.

ISBN 978-0-312-21190-5 (cloth)

1. Europe, Eastern—Economic policy—1989– 2. Europe, Eastern—
 —Economic conditions—1989– 3. China—Economic policy—1976–
 4. China—Economic conditions—1976– 5. East Asia—Economic policy.
 6. East Asia—Economic conditions. I. Henderson, J. W. (Jeffrey
 William), 1947– . II. Balaton, Károly. III. Lengyel, György.
 IV. Series.

HC244.I495 1997

330.947086—dc21

97-38221

CIP

Selection and editorial matter © Jeffrey Henderson, Karoly Balaton and Gyorgy Lengyel 1998

Chapter 1 © Jeffrey Henderson 1998

Chapter 2 © Jeffrey Henderson and Richard Whitley 1998

Chapters 3–10 (inclusive) © Macmillan Press Ltd 1998

Softcover reprint of the hardcover 1st edition 1998

All rights reserved. No reproduction, copy or transmission of this publication may be made
 without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written
 permission or in accordance with the provisions of the Copyright, Designs and Patents Act
 1988, or under the terms of any licence permitting limited copying issued by the Copyright
 Licensing Agency, 90 Tottenham Court Road, London W1P 9HE.

Any person who does any unauthorised act in relation to this publication may be liable to
 criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in
 accordance with the Copyright, Designs and Patents Act 1988.

This book is printed on paper suitable for recycling and made from fully managed and
 sustained forest sources.

10 9 8 7 6 5 4 3 2
 07 06 05 04 03 02 01 00 99 98

Contents

<i>List of Tables</i>	vii
<i>Preface</i>	ix
<i>Notes on the Editors and Contributors</i>	xi

Part I: Introduction

1 On Appropriate Models for Transformation in Eastern Europe <i>Jeffrey Henderson</i>	3
--	---

Part II: Transformation in Comparative Perspective

2 Social and Political Dimensions of Economic Transformation: Eastern Europe and Pacific Asia <i>Jeffrey Henderson and Richard Whitley</i>	25
3 Industrial Transformation in East-Central Europe and East Asia: Should the State Wither Away? <i>Wladimir Andreff</i>	41
4 Privatization and the State: Russia, Eastern Europe, East Asia <i>Nigel Harris and David Lockwood</i>	64
5 The Starting Point of Liberalization: China and the Former USSR on the Eve of Reform <i>Peter Nolan</i>	100
6 Institutional Change and Economic Development in East-Central Europe and China: Contrasts in the Light of the 'East Asian Model' <i>Dic Lo and Hugo Radice</i>	138

Part III: National Specificities

7 Institutional Foundations of Robust Economic Performance: Public Sector Industrial Growth in China <i>Victor Nee and Sijin Su</i>	167
--	-----

8	The Developmental Alliance for Industrialization in East Asia: State and Business in South Korea and Taiwan <i>Eun Mee Kim</i>	188
9	Enterprise Strategies and Labour Relations in Central and Eastern Europe <i>Sarah Vickerstaff, John Thirkell and Richard Scase</i>	205
10	Ideologies, Economic Policies and Social Change: the Cyclical Nature of Hungary's Transformation <i>Laszlo Czaban</i>	224
	<i>Index</i>	245

List of Tables

5.1	Economic structure of pre-reform China and the USSR compared to the non-communist countries, 1980	102
5.2	Educational achievements in China and the former USSR, 1978	107
5.3	Intermediate inputs per dollar of GNP (1979–80)	110
5.4	Output per capita of selected industrial products in the late 1980s and early 1990s	111
5.5	Role of very large establishments in Chinese and Soviet industry	112
5.6	Industrial concentration by size of establishment in China (1987) and the USSR (1983)	113
5.7	Distribution of employment in manufacturing industry by size of establishment	114
5.8	Distribution of industrial capital, employment and output between coastal and inland provinces of China, 1952 and 1978	116
5.9	China's 'green revolution'	117
5.10	Arable area per capita in China and other selected countries, 1979	118
5.11	Size of collective and state farms in China and the USSR	119
5.12	Nutrient intake in China (1978), the USSR, USA and Japan (1988–90)	120
5.13	Comparison of Soviet and US agriculture (1974–5)	123
7.1	Change in degree of economic activities subject to central mandatory plan	173
7.2	Decline in price control by state	175
7.3	Sources of capital construction in state-owned enterprises	175
7.4	Change in sources of fixed capital investment of society	176
7.5	Budgetary expenditures: central versus local	176
7.6	Change in distribution of labour forces across ownership forms in non-farming sectors	177
7.7	Rural and urban free markets: number and transaction volume	178
7.8	Market institutions in 1991	179
7.9	Density of commercial retail market networks	180

7.10	Budgetary and extra-budgetary revenues: central and local state	182
7.11	Central profit-sharing in form of tax-revenue income: 1978–90	183
7.12	Profit-sharing of state-owned industrial enterprises that are within state budget: 1978–88	184

Preface

The intellectual project, of which this book is a major product, developed from a concern about the social consequences of the course of economic transformation on which the state-socialist societies of Europe had embarked since their decisive turn to capitalism in 1989–91. I, like others, became convinced that the dramatic downturn in the economic fortunes of the various societies of Eastern Europe and its consequences for living standards, was partly a product of the inappropriate models of industrial capitalism – legitimated by orthodox economic theory – that had been allowed to inform the transformation process there. Prior to my engagement with Eastern European development I had spent many years studying East Asian experiences of industrialization and as a result I was conscious of the fact that there were other ways of constructing dynamic industrial capitalist societies than those enshrined in orthodox economic theory and communicated worldwide by the IMF, World Bank and other international agencies. Indeed I became persuaded that aspects of the East Asian experience were potentially highly relevant as guides to the construction of successful industrial capitalism and generalized prosperity in Eastern Europe.

My involvement with the European Science Foundation's 'European Management and Organizations in Transition' (EMOT) Programme provided me with the opportunity to bring together a number of scholars from Europe, Asia and the United States to debate the extent to which East Asian experiences might be relevant to Eastern European realities. Facilitated by the good offices of the Budapest University of Economic Sciences our meeting took place in May 1995. Earlier versions of the essays collected in this volume were among those presented at that meeting. Since then, and in preparation for publication, they have undergone extensive revision.

In preparing this volume I am especially grateful to my collaborators, Karoly Balaton and Gyorgy Lengyel. They were largely responsible for organizing the meeting in Budapest, and subsequently provided important editorial assistance as the book began to take shape. Furthermore, I wish to thank them and our other joint coordinator of EMOT's 'industrial transformation' stream, Gert Schmidt, for supporting my idea that a workshop exploring East European – East Asian comparisons would be valuable, and the Directors of the EMOT Programme, Anna Grandori and Richard Whitley, and their colleagues on the Programme's Board, for approving financial support.

In addition to these colleagues and organizations I am grateful to Ivan Szelenyi. It was he who first stimulated my interest in a serious scholarly engagement with problems of Eastern European development during my first visit to Hungary – at his invitation – in 1988. Since 1993 my intellectual involvement in Eastern Europe has been deepened and enriched by a number of colleagues and friends. These include Jolanta Kulpinska (who sponsored my first visit to Eastern Europe in 1980) and Witold Morawski (Poland), Milan Matejka (Czech Republic), Zdravko Milnar and Drago Kos (Slovenia) and Csaba Mako (Hungary). Research collaboration with Laszlo Czaban, Richard Whitley, Gyorgy Lengyel and more recently Marko Jaklic, has been especially important to this intellectual journey. I am most grateful to them all for helping me to understand this most fascinating of regions.

My final word of thanks goes to Suet Ying Ho and our son, Alexander Boman Henderson. They suffered with good grace my frustrations as an editor and my despair with collapsing computer software.

JEFFREY HENDERSON
Manchester and Leeds

Notes on the Editors and Contributors

Wladimir Andreff: Professor of Economics and Director of the Research Programme on Reforming and Opening Post-Socialist Economic Systems (ROSES), University of Paris I, Pantheon-Sorbonne, France.

Karoly Balaton: Professor of Management Studies, Budapest University of Economic Sciences, Hungary.

Laszlo Czaban: Lecturer in International Business, University of Leeds, England.

Nigel Harris: Professor of Development Planning, University College, University of London, England.

Jeffrey Henderson: Professor of International Economic Sociology, Manchester Business School, University of Manchester, England.

Eun Mee Kim: Associate Professor of Sociology, University of Southern California, USA.

Gyorgy Lengyel: Head of the Department of Sociology, Budapest University of Economic Sciences, Hungary.

Dic Lo: Lecturer in Economics, School of Oriental and African Studies, University of London, England.

David Lockwood: Lecturer in Russian and Soviet History, University of Melbourne, Australia.

Victor Nee: Goldwin Smith Professor of Sociology, Cornell University and Fellow of the Center for Advanced Study in the Behavioral Sciences, Stanford, California, USA.

Peter Nolan: Siny Professor of Chinese Management and Fellow of Jesus College, University of Cambridge, England.

Hugo Radice: Lecturer in Economics, University of Leeds, England.

Richard Scase: Professor of Sociology and Organizational Behaviour, University of Kent at Canterbury, England.

Sijin Su: Researcher and Consultant on Chinese Business, Berkeley, California, USA.

John Thirkell: Senior Lecturer in Industrial Relations, University of Kent at Canterbury, England.

Sarah Vickerstaff: Senior Lecturer in Social and Public Policy, University of Kent at Canterbury, England.

Richard Whitley: Professor of Organizational Sociology, Manchester Business School, University of Manchester, England.