

Two recent works delve into sub-components of the difficult process of privatization in Central and Eastern Europe. Both are edited volumes and consist primarily of single-country studies. Privatization Surprises in Transition Economies, a publication of the International Labor Organization, documents the varying, but considerable extent to which enterprise privatization has been accompanied by subsidized share transfers to members of the workforce and their managers. Containing nine separate country or regional studies, this work surveys the considerable diversity of approaches that have been adopted, investigates certain hypotheses explaining that diversity, and signals a new round of research on the behavior of firms with significant employee control.

This work quickly reveals that each of the economies in transition has adopted its own distinct approach to privatization. While the Czech Republic ended up with little employee ownership, the Romanians had seen management-employee buy-outs in 98 percent of privatizations registered through 1995. Other nations have ranged between these extremes, and nearly every conceivable form of ownership and buy-out has been attempted. The individual chapters collectively confirm claims by Anders Aslund and others that employee ownership may have been the fastest and most pragmatic means available for reaching social consensus for privatization. For example, governments in the region have had significant fears of foreign investment; along with serious concerns about equity in the distribution of state property among domestic residents. Moreover, privatization has been complicated and slowed by desires to prevent enterprise purchases by domestic “dirty money” and by confusion arising from the general complexity of the firm evaluation process. Thus, standard Western-style auctions to the highest bidder have been a small, and mostly unsuccessful, part of privatization in most of the countries studied.

Among the individual chapters in this volume, Niels Mygind’s study of the Baltic countries is particularly intriguing. The chapter postulates that Lithuania ended up with much more employee ownership than Estonia and Latvia as a result of a combination of its early privatization, its relative lack of ethnic squabbles, and its (purportedly) relatively collectivist Catholic/Polish values. Bogdan Lissovolik’s chapter similarly claims that non-individualistic values lay behind the rapid spread of employee-ownership in Russia.

Several articles in this volume investigate various aspects of the behavior of the newly-formed employee-owned firms. Among these, Domenico Nuti’s
chapter on Poland is notable for its clearly stated sense that optimal transition strategies are not the same thing as optimal long-term firm structures. That is, if subsidized employee buy-outs have proven "optimal" as a privatization strategy, this does not guarantee the long-term viability or efficiency of the firms thus formed. Nuti notes that employee-owned firms already may be in decline in the relatively advanced Polish transformation. Other related chapters study the efficiency of these firms, mostly finding favorable or at least neutral results. The surveys here also seem generally to point out superiorities of the employee-owned firm over prior state ownership. An exception to this rule may be found in Daniel Vaughan-Whitehead's chapter on Ukraine, which suggests that many Ukrainian collectively-owned firms continued to behave much like their state-sector counterparts, at least during the earliest phases of the transition. However, in all cases it should be noted that these studies observed firms working in a quite volatile environment, and thus should not be considered the final word on this topic.

*Privatization Surprises* contains a useful broad introduction, and is rounded out with chapters on Bulgaria, the Czech Republic, Hungary, Romania, and the Yugoslav successor states. The work's flaws are few, although the editors might have limited the somewhat repetitious discussions of the theory of worker management to a single chapter.

*Housing Privatization in Eastern Europe*, published in 1996, originated in a set of conference papers from 1992. By 1999, one might have expected from this title a survey of what has gone right and wrong with the housing privatization process. However, given the early origin of the papers and the even earlier data used, this work actually contains much more information on the diversity of the housing market in Eastern Europe before major reform. Moreover, because of the fragmentary data available for the early transition period, the authors often reach conclusions that they would now presumably reverse. Indeed, it is hard to imagine how one could have hoped to draw firm conclusions about varying privatization strategies in a generally recessionary macroeconomic environment.

The most useful portions of this work are the cross-country studies. Of these, two were written by two of the editors, David Clapham and Keith Kintrea. An initial chapter lays out a framework for understanding housing privatization as consisting of multiple parts, including sales of existing housing to residents, privatization of enterprises involved in managing existing units, and privatization of the housing construction industry. Given the high pre-reform private ownership of homes and apartments in several East European nations, much of the attention here is devoted to privatization of the housing management and construction industries, rather than the housing stock itself. The initial chapter also points out that privatization has pursued multiple goals, ranging from the purely symbolic to the practical needs of improving state budget balances. The work's final chapter seeks to evaluate privatization programs across the region in terms of these multiple goals. An additional cross-country study by Jozsef Hegedus and Ivan Tosics concentrates explicitly on the aims and achievements of the "East European housing model" before reform.