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Without a Map: Political Tactics and Economic Reform in Russia, by Andrei Shleifer and Daniel Treisman, Cambridge, MA: MIT Press (2000), 223 pp.

Reviewed by Marshall I. Goldman, Davis Professor of Russian Economics, Emeritus, Wellesley College, Associate Director, Davis Center for Russian Studies, Harvard University.

After almost a decade of trying to transit from central planning to markets, analysts are now beginning to examine what went right or wrong, and why. Such studies are particularly interesting when their authors were among those providing guidance in the early days of the reforms. In Without a Map: Political Tactics and Economic Reform in Russia, Andrei Shleifer, the winner of the John Bates Clark Medal in Economics, joins with Daniel Treisman, an Assistant Professor of Political Science at UCLA, to evaluate the success of privatization, macro stabilization, and tax reform in Russia. Shleifer was one of the chief advisors to the Russian privatization chief Anatoly Chubais, and also a consultant in Russia's battle with inflation and macro stabilization. One half of the book is great, but, surprise, surprise, they find that while privatization and macro stabilization were successful, tax reform, which Shleifer did not work on, was not.

The most innovative part of the study is their approach. Rather than concern themselves with "when" the reform went into effect, they devote themselves instead to the more intriguing and challenging question of "how". Looking back at what happened, they ask "how" it succeeded and, in the case of tax reform, "how" it failed. They focus on what they classify as "stakeholders" and what was done to induce them to support, rather than oppose, desirable reforms. In this way, they propose future strategies for overcoming opposition. By framing the challenge in such a manner, future reformers are more likely to consider how coalitions will be formed which will support rather than oppose the changes they seek. So far so good. Shleifer and Treisman argue from experience that the reforms involve much more than searching for designs; what is also needed, they suggest, is a touch of Albert Hirschman and Niccolo Machiavelli.

It is when they begin to examine their own handiwork, particularly Shleifer's, that the authors lose their credibility. Thus, while they spend considerable time on how to create a coalition of supportive stakeholders that will outmaneuver opposing stakeholders, they barely acknowledge that many, if not all, of the obstructive stakeholders had become stakeholders because of the early but misguided privatization efforts (there is one scant acknowledgment that this might have occurred on p. 17). Concretely, the privatization policies that were so proudly designed were largely responsible for giving birth to the oligarchs, who then did all they could to thwart other efforts to pass effective tax legislation.

Their praise for the privatization program is the most serious shortcoming of their argument. Chubais has acknowledged that he moved rapidly with privatization more for political than economic reasons. He was worried that the communists and their supporters might seek to reinstate a communist system. The best antidote to such an effort was to take the country's businesses and industries out of state control and put ownership into the hands of private individuals. By providing individuals with ownership shares or vouchers (a form of people's capitalism), Chubais argued that he could then create a force that would resist any effort to return to the ways of the past. Shleifer and his fellow advisors designed the voucher system and some of the privatization variants offered to the factory workers and managers.

To be fair, neither Chubais nor Shleifer expected that their policies would lead to so many factory managers becoming owners, or to the birth of the oligarchs. Yegor Gaidar, the chief architect of the overall economic reforms, could never quite believe that he and his colleagues were being allowed to make such fundamental changes in the economy. They were worried that their dream would come to an end at any moment. Consequently, they regarded themselves as "Kamikaze" reformers, and they set about to destroy the command economy as quickly as possible before they were fired, and do it in such a way that it would never be put back together again. Unfortunately, to do that, they had to compromise with the apparatchiks by turning over to them, for their own personal ownership, what before had belonged to the state.

The results were not always what economic theory had led them to anticipate. For example, now even the book's authors have probably come to question Coase's theorems, which they once regarded as their most sacred dogma - that private ownership, no matter if by Mafia or oligarch, is always preferable to state ownership. Presumably, they now realize that unless the buildup of institutions such as courts and provisions for fair proxy fights have been completed first, it is fantasy to expect that incompetent and dishonest managers will be flushed out.

The authors proudly defend Russian privatization by spelling out what they say were the only other alternatives - a case-by-case approach, which they insist was what the badly-flawed "Loans for Shares" initiative was; as well as the option of issuing fewer shares to the directors, which they feel had no political support.

What they neglect to consider is the Polish variant. Unlike the Russians, the Poles held back privatization for almost five years. This allowed them to encourage the formation of new start-up businesses, and, in the process, to build up a competitive infrastructure, something that was not done in Russia. Equally important, it gave the Poles time to design a plan which turned operating control (33 percent) over to one of fifteen mutual fund-type entities, which included foreign advisors on their boards. The other fourteen funds each got 1.9 percent of the shares. All of the fifteen funds then vied with each other to restructure management and come up with the most profitable fund. And also unlike Russia, 25 percent of the shares in these companies were turned over to the state pension fund, so the public in large, not just the management, would share in whatever profits there might be.

The Polish model has worked well, and, in the greatest contrast with the Russian version, it has been virtually free of scandal and charges of corruption. Not only do the authors overlook this alternative, but, ironically, on p. 21, they give high grades to Poland for its shock therapy approach to reform in all respects except one; that is its failure to move immediately towards privatization.

The authors seem to be on equally shaky ground in their discussion of macro stabilization. They credit Russian governmental authorities with putting the brakes on inflation, or at least that's what the statistics show. However, the authors fail to pay enough attention to the costs these efforts entail. They discuss at some length the rather unusual development of barter throughout Russia, as well as the rather unique practice of not paying wages, invoices or taxes. Since most of these practices are the direct consequence of the overly ambitious monetary and credit restraints, it would have helped if the authors had devoted more attention to the effects of their programs, which even now confront Russian policymakers.

The re-examination of the failure to design an effective tax system leads to an intriguing analysis about coalitions that might have been, or should have been formed to bring about an improved tax regime. One of their suggestions, i.e. the re-centralization of power by reducing the power of 89 different governors, was indeed one of the first policy measures introduced by Vladimir Putin when he became president. Maybe he read the book. And, indeed, federal tax collections have improved. But lest the authors take credit for higher tax revenues, it must be noted that the higher revenues were due in part to the tripling of oil prices. In addition, enterprise profits improved significantly in 1999, but that was due to a cutback in imports, which in turn was the result of the three-quarter drop in the value of the ruble after the financial collapse in August of 1998. Neither event was planned or an intended result of government action. No doubt, increasing tax collection in Russia has been a major problem. But even if Russian authorities had passed the proper laws, increasing the revenue obtained from taxes would have been difficult as long as the GDP fell each year, as it did until late 1999.

Should the authors decide to re-issue their study, here are some other matters they might want to reconsider. How does their stakeholder model allow for the presence of charismatic personalities, or fortuitous friendships? Sometimes both are more important than alliances between stakeholders. For example, Yeltsin happened to like his tennis partner and allowed him special tariff exemptions, which he also did for the Afghan veterans. It is also hard to see how Gennady Zyuganov, the head of the communist party, fits the model of a stakeholder who wants to defend Gazprom, the country's largest tax delinquent. Moreover, how do you classify the oligarch who wants a strong ruble, so that he can pay back his foreign loans when that same oligarch is also a major mineral producer and wants a weak ruble to make it more profitable for him to export. Finally, to prove that Muscovites and New Yorkers have the same attitude toward markets, they, like many others, cite the study by Robert Schiller, Maxim Boycko, and Vladimir Korovov, "Popular Attitudes Towards Free Markets: The Soviet Union and the United States Compared" (American Economic Review, 81:385, 1991). What Shleifer and Treisman neglect to mention, however, is that the

Moscow part of that survey was conducted by telephone at a time when there were 14 telephone lines for each 100 inhabitants in Moscow. That would hardly be classified as a random survey.

There are also some minor editorial slip-ups. The first secret elections were in 1988, when Gorbachev convened a special Party Conference, not the elections for the Party Congress, which were held in 1989. They also could have used a better indexer and editor. For example, they use much the same wording twice in criticizing a June, 1996 analysis of their reforms by a group of U.S. and Russian economists (pp. 18 and 94). They also repeat a statement by Chubais on pp. 151 and 160.

The reader will be rewarded, however, by their critique of how the Russian Central Bank and its senior officials set up a system of incentives that benefited them, not the state. The authors also skillfully answer the question, "Why is it that Moscow under Mayor Luzhkov prospered while the rest of the country suffered". In the same way, they provide a thoughtful analysis of how to go about implementing a more fruitful federal tax system.

There are important lessons to be learned from this book, some intended, some not. The intended lesson is that, on occasion, a study of stakeholders can be a useful approach to reform. The unintended lesson is that when they become consultants, academics can also become stakeholders. And when they look back at their past policy efforts, it is likely they will gloss what, in fact, others regard as seriously flawed.

The Land That Could Be: Environmentalism and Democracy in the Twenty-First Century, by William A. Shutkin. Cambridge, MA: The MIT Press (2000), xx, 273 pp.

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Shutkin offers us a bravely optimistic, conceptually interesting and empirically well-grounded book that is a welcome addition to the literature on sustainability. In a world where attention to the environment is often seen as a luxury that comes only after we take care of more essential things (such as economic growth and jobs) his book is a refreshing reminder that environment is inextricably linked to, and provides the experiential ground for, community, democracy, the economy, and social justice. Named for Langston Hughes' visionary poem "The Land That Could Be" ("O let America be America again, The land that never has been yet And yet must be...."), Shutkin's book provides a kind of road map for healing the damage both to environment and to democracy in the United States. Built around a discussion of the concept of "civic environmentalism," it offers insights from four widely dispersed case studies: The urban agriculture experiments of the Dudley neighborhood in Roxbury, Massachusetts; the Fruitvale Transit Village in Oakland, California; conservation-based development in rural Routt County, Colorado, and "smart growth" initiatives in suburban New Jersey. Indeed, one of the book's strengths is the ease with which the author moves across the boundaries between landscapes that are urban, suburban, and rural, finding common ground through an exploration of the relationship between democracy and environmentalism. Another strength is the range of voices incorporated into the book, from interviews with residents to policy documents. Striking a balance between realism and optimism, and enriched by the author's hands-on experience with organizations such as Alternatives for Community & Environment and New Ecology, Inc., The Land That Could Be invites us to consider pragmatically what the next steps would be if we take seriously, as the author does, the relationship between a healthy democracy and a healthy environment.

The concept central to Shutkin's book, and the subject of a theoretically rich discussion in the first three chapters, is civic environmentalism. Shutkin did not invent this idea, but it undergoes a creative expansion in his text. It serves as the basis for his view that democracy and environmental protection are "mutually constitutive"; that is, both depend on a healthy set of civic practices that affirm public space, place-based experience, social capital, multiple stakeholders, systemic analysis, and ground-up construction of knowledge and policy rather than top-down expertise alone. Essential to both is a sense of common destiny rather than a disappearance into private and privatized worlds. While democracy and environment mirror each other, the environment is given primacy, since it is the ground for our experience. Thus Shutkin points out early in his discussion, "A central argument of this book is that part and parcel of [the] diminution of civic spirit and rise in economic and social inequality has been the deterioration of the American environment, both built and undeveloped." (p.3).

To clarify the "civic" in civic environmentalism, and to plumb the civic landscape of the United States, Shutkin presents us in Chapter 1 with a list of core indicators of civic health: social capital (loosely defined as citizens' participation, or social investment in their communities), political participation, racial equality, socioeconomic equality, and public investment. After pointing out that the United States is the only industrialized nation that does not monitor overall social progress (a telling fact in and of itself), Shutkin puts together evidence from a range of sources--among them Robert Putnam, Orlando Patterson, Robert Bellah, William Julius Wilson,