ИСЛАМОВ Б.А., ИСЛАМОВ Д. Б.

ОБ АЛЬТЕРНАТИВНЫХ ТЕОРЕТИЧЕСКИХ И МЕТОДОЛОГИЧЕСКИХ ПОДХОДАХ К ИССЛЕДОВАНИЮ СИСТЕМНОЙ ТРАНСФОРМАЦИИ.

Аннотация. Данная статья посвящена альтернативным теоретическим и методологическим подходам к исследованию рыночных реформ в рамках процесса системной трансформации. В ней вкратце раскрывается оригинальный метод, предложенный авторами данной статьи и примененный к исследованию «ловушек развития, перехода к рыночной экономике и глобализации. Этот метод был использован для сравнительного анализа процессов системной трансформации в Центрально-Азиатских государствах.

Ключевые слова: альтернативные теоретические и методологические подходы, системная трансформация, «ловушки развития, перехода к рыночной экономике и глобализации, Центрально-Азиатские государства.

ISLAMOV B. A., ISLAMOV D. B.

ON ALTERNATIVE THEORETICAL AND METHODOLOGICAL APPROACHES TO STUDY SYSTEMIC TRANSFORMATION.

Abstract. The article is devoted to the alternative theoretical and methodological approaches to study market reforms within systemic transformation process. It briefly describes original method, which has been developed by the authors of this paper and implemented to research traps of development, transition and globalization that was further applied to comparative analysis of transformations in the Central Asian states.

Keywords: alternative theoretical and methodological approaches, systemic transformation, traps of development, transition and globalization, the Central Asian states.

20th century was full of events, among which the large-scale and over 70 years long social and economic experience of the former Soviet Union (FSU) took a prominent place. Its death, like its birth, again “shook the world.” The sudden and fast disruption of the FSU confronted its fragments – 15 newly independent states (NIS) with challenges and tasks unprecedented in scope, magnitude and novelty.

More than two decades of independent development also coincided with the period of dramatic systemic transformation along the patterns of market reforms that had been introduced in Central and Eastern Europe (CEE) a few years earlier. These years, despite enormous economic and social hardships in all transition countries have given a vast experience to study. It is necessary to draw proper lessons from both positive and negative developments for better meeting the challenges of continuing transformation and globalization.

Thorough study of empirical evidence accumulated within this period in each post-socialist country is important to bring the concepts on market reforms to the level of comprehensive theory of economic transition and systemic transformation. Existing approaches have failed to catch the essence of the process and faced fiasco in attempts to influence the practice of transition properly. Admitting this fact then chief economist of the World Bank J. Stiglitz [(1999), p.1] suggested, that “failures of the reforms in Russia and most of the former Soviet Union were not just due to sound policies that had been poorly implemented. Their roots went deeper, to a misunderstanding of the foundations of a market economy as well as a misunderstanding of the basics of an institutional reform process. The limited success in so many of the countries in transition also meant that they remained many opportunities for applying better policies.”

However, judgements and discussions so far have been mainly based on the analysis of transition in CEE countries, Russia and much less in other FSU states. There are interesting comparisons between Poland versus Russia [EBRD (1999)], and China versus Russia [Hussein,
The five Central Asian states are among those countries in transition that are the least examined, although some publications have recently appeared.

Meanwhile, the systemic transformation and economic growth, particularly, in Uzbekistan can add some new aspects in the theory and practice of systemic transformation. It is one of the two states among 26 countries in transition examined separately by the former chief economist of the IMF S. Fisher in his paper, co-authored by R. Sahay, emphasising that “the output records of Uzbekistan and Belarus present a challenge to the standard transition paradigm” [(2000) p.18]. A few attempts to discover the “Uzbek puzzle” [Taube and Zettelmeyer (1998), Zettelmeyer (1998)], having been made from neo-classical positions and leave enough space for alternative assessments from evolutionary institutional viewpoints. To resolve “the puzzle” more in-depth and comprehensive research from various angles is needed. The economic growth performance in Uzbekistan compared to other countries in transition, especially, Central Asian NIS could contribute a different explanation of this phenomenon examining the peculiarities of its transformation process based on gradualism.

An evolutionary economic approach to systemic transformation has been lacking from the beginning both in scholarly research and applied policy analysis publications. To a large extent macroeconomics, and to a lesser degree microeconomics, have been predominant tools to study countries in transition. However, they, with their emphasis mainly on the mechanism of the functioning of a mature market economy at the macro- and micro- levels, cannot substitute the evolutionary political economy with its focus on the origin and sources of development of different processes and the causes of their transformation. The former are preoccupied with the regularities of functioning in existing institutions at a certain stage of the market economy, while the latter is concerned with the mechanism of their formation and evolution from one level of social and economic development to the other. Both approaches are complementary: they represent horizontal and vertical slices of analysis of the same processes. Exaggeration of one of them could lead to the loss of necessary balance needed for comprehensive research and policy recommendations. In my opinion, the economics of transition, emerging as a comparatively separate subject with a new area of economic study, has been suffering so far with overemphasis of macroeconomic and understatement of evolutionary political economic analysis.

In practice this meant overemphasis of a common stereotype and uniform tools of macroeconomic stabilization and restructuring at the expense of a comprehensive consideration of the peculiar roots of each individual economy. In addition, priorities were given to short-term objectives over long-term strategic goals of development.

More than two decades experience proved that systemic transformation, i.e. the reforms aimed at transition from one – a centrally planned administrative command – system to another system – a market based economy, in reality turned out to be a much more complex, difficult and lengthy endeavor than it had been initially expected. It is difficult to feel fully comfortable about the as yet dominating explanations of the various problems of transition proposed by the “mainstream” neoliberal policy researchers. The ideas have different variations and may rely on the methods of political economy or sophisticated statistical analysis but basically serve to prove that systemic transformation problems are heavier in those countries that have failed to implement recommended policies properly [Aslund, (1999)].

An EBRD Transition Report [(1999), p. 7] containing a comprehensive account of the first decade of transformation and introducing some explanations from an institutional viewpoint (“institutions and behavior”) has been so far the only source that first mentioned “transition traps”. The Report, among its findings, suggests that its “analysis helps to identify transition traps that have entangled reforms in some countries and the characteristics of other countries that have pressed ahead steadily with reforms and have realized their economic benefits.” Indeed, the Report based on a useful series of current data suggests an interesting analysis of the impact of reforms on aggregate economic performance in transitional countries. However, the reference to transition traps as well as incorporation of elements of institutional analysis (“social capital”) were used to
strengthen the above-mentioned conclusions of “mainstream” economists, rather than to develop further ideas about the “roots of failure.”

Methodologically, in our opinion, the term ‘traps’ is necessary to use to express the outcomes of contradiction between political and economic processes within the transition process that appear when laws of evolution are neglected. The most acute forms of traps emerge when political transformation is based neither on a certain level and character of economic and social institutions nor on the readiness of a state and people to make appropriate use of new opportunities. Under such circumstances, an enormous mismatch occurs between expectations and realities, achievements and costs, means and ends, efforts and results.

In the case of systemic transformation, the chosen strategy and policies, recommended and implemented, in transition countries appeared to be fraught with completely different, and in extreme cases, opposite implications and consequences. In this sense, all countries in transition at the initial stage, though to different extents and forms, faced major transition traps (high or hyper-inflation and a huge fiscal deficit; transformational recession and de-industrialization; rapidly growing poverty and income disparities). Many of them were injured, in addition, due to the fast disruption of the existing state system regulating foreign economic relations, by globalization traps (immensely increased vulnerabilities to external trade and financial shocks, chronic current account deficit, capital flight and foreign debt) too. The transition and globalization traps, called further traps of systematic transformation, were larger in the states in which the dichotomy between initial conditions and policies implemented was bigger. However, despite variations in different countries, the most disappointing result is that no economy in transition was able to avoid them. The degree of cumulative effect of traps could be judged to certain extent by the depth and length of output and income decline.

It has obtained the most full-fledged forms in countries, which introduced the most radical forms of “shock therapy” with much less prior experience of market reforms (the majority of NIS and CEE countries). Based on the comparative analysis and “re-evaluation of policies for transition to market economy,” Y. Nishimura (2000), proves the fact that reforms in Russia were much more radical than not only in Hungary but Poland as well, “where the transition to a market economy had a longer history, the policies for liberalization and macro-economic stabilization have been implemented more moderately and gradually.”

To understand better what is behind the transformational traps in each case it is necessary to examine more thoroughly, country by country, peculiar features of initial conditions, strategy and implementation of reforms and their impact on economic, social and external sectors. The mix of factors, which really has provided the main failures and some successes in various countries in transition, was different. The positive dynamics that appeared in some of them within recent years also needed special analysis to identify their internal and external sources and evaluate whether the growth is sustainable or not.

The systemic transformation traps have two aspects for analysis. They are, on the one hand, causes of the inefficiency of recommended and implemented reform policies and, on the other hand, scale and nature of negative real outcomes accumulated elsewhere in post-socialist world at initial stage of transition. Different individual problems of both aspects (e.g., “shock therapy” versus gradualism on the policy side, output decline on the outcome side) of this complex phenomenon have been under discussion in the last decade. There were also a few attempts to bridge both aspects by studying the causes of transformational recession [Kornai (1994)]. However, a real consensus among economists on the key matters of transition has not been reached yet.

In authors’ opinion, to further identify underlying factors and to lay bare the mystery of different forms of systemic transformation traps the combination of two methods – the evolutionary institutional economics approach and common-to-specific analysis – are used. These methods involve three steps of analysis: first – establishing the commonalities inherent in all countries in transition; second – highlighting the peculiarities of NIS compared to CEE states; third – pinpointing the specific features of Central Asian NIS regionally and individually. To explain
the causes of malfunction of policies-outcomes linkage the evolutionary method, which has been so far almost completely neglected, is necessary to apply.

It seems that this approach towards transformation, which has been lacking so far, could shed more light on disputed and controversial problems. The concept of systemic transformation traps could be useful for better understanding the nature of what has been happening in transition economies, and for making alternative assessments of the progress and implications of reforms.

This approach was applied by the authors to study Central Asian NIS in a comparative perspective with other states in transition. Despite a common cultural and historical background, including more than seven decades of Soviet legacy, as well as similar problems related to transition and integration into the world economy, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, have had different abilities to cope with the challenges presented. Subsequently, they have opted for different approaches and strategies. As a result, today among Central Asian states, there are early and late starters, cases of outcomes of the ‘shock therapy’ approach and ‘gradualism’, as well as countries with minimal reforms implemented in the Commonwealth of Independent States (CIS). All this provided a basis to carry out a careful comparative analysis of the overall results of reforms and major contributors to the successes and failures within these decades.

Since these factors are interconnected and progress in transition has many dimensions, separate examination of initial conditions, strategy and implementation of market reforms, though very important, could not permit the identification of the main causes and degree of their impacts. Therefore, the research work and comprehensive study covering the major challenges of the systemic transformation and globalization in their interconnections with inherited development problems from the past are to be undertaken. In the case of Central Asian countries, in addition to the problems common to the majority of transitional economies, it is necessary to consider their features that more similar to developing countries. Besides, almost from the outset they were hit by the rapid disintegration of the highly interdependent economy of the FSU. The analysis needs to include complex combination of development, transformation, globalization traps, reinforced by the break-up of the FSU, as well as policies needed to address them.

Special attention among Central Asian states interesting to pay to the experience of Uzbekistan, the most populous country in the region that has been searching for its own way of transition and integration into the world economy. It had to contend with the one of the most difficult environments both as for initial conditions, and subsequently, perhaps, a rather complex relationship with international financial institutions. Nevertheless it suffered the least GDP decline among the 15 NIS and had the best industrial performance among all 26 countries in transition. In 23 years of systemic transformation it has managed to double its GDP and triple its industrial output. The proposed methodology applied to this case also permits a better evaluation of both the strengths and weaknesses of the alternative “to the standard transition paradigm” model.

Recently, criticism against the standard ‘big bang’ approach has increased from different angles, sometimes from opposite extremes. It is important to avoid both extremes. First, that recommended policies were the only alternative for economic transition or, second, that they were the only evils, which brought all the ensuing problems to countries that followed them. The opinion of the authors is that macroeconomic stabilization and structural adjustment policies are necessary, but not sufficient if taken and implemented alone. In order to make them efficient, each country needs to find proper speed and sequence of reforms as well as search for complementary tools and options for the systemic transformation and integration into the world economy based on thorough examination of their initial conditions and long-term development goals.

So, from these methodological approaches the performance of five Central Asian states in transition—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in the first two decades since independence is important to analyze and compare. Respectively, the main evaluations and conclusions are expected to differ from those concepts that had been prevailing in the majority of publications inside and outside the region devoted to these countries in transition, and advocated by pure proponents or opponents of the radical reforms throughout the period.
started in 1991. Twenty and more years of reforms in Central Asian states, though in many cases partial and incomplete, with still very fluent and susceptible to sharp changes situations in all of them, is a long enough period to allow discussion of the main outcomes and to conduct comparative analysis.

The gradual reforms and opening up in Uzbekistan could be taken as a principal case model that provides evidence for an alternative pattern and proves the novelty of the arguments in favor of state-led gradual socially oriented systemic transformation with active industrial policy.

According to Islam Karimov “Within this period of time, real incomes per capita in Uzbekistan has grown drastically, life expectancy of population increased by 7 years. Despite the global financial crisis annual economic growth of Uzbekistan equal to 8-8.5% in average in recent 7 years includes it to the group of the fast growing states” [10]. Vice-president of the WB Mr. Janamitra Devan participating in the international conference on small business and private entrepreneurship in (Tashkent, September 14, 2012) noted that “Uzbekistan had really achieved impressive results within the recent years in social and economic development, demonstrating high level of growth even during global financial and economic crisis”. According to Vice-president of the ADB Mr. Shiao Jao: “Uzbekistan is the most dynamic economy of Central Asia which has had dynamic growth of the GDP and aims to achieve upper level of middle income states by the year 2020” [11].

Although the main focus is made on the last decade of the 20th century and the first decade of the 21st century, the analysis also should cover the initial conditions of Central Asian states for independent development as they had been formed by the end of 1980s and beginning of 1990s. It also attempts to at the main tasks for the next two decades. The study has to rely on a close examination of statistics appearing in the FSU, official national and CIS statistics, as well as information published by the IMF, World Bank, OECD, EBRD, ADB and other independent sources. At the same time, it has to contain new interpretations of data that hitherto have been considered in a different context, enabling the drawing of alternative conclusions and policy options.

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ДАННЫЕ ОБ АВТОРАХ

Исламов Бахтиёр Анварович, профессор кафедры «Экономическая теория», Филиал Российского экономического университета имени Г.В. Плеханова в г. Ташкенте, профессор, доктор экономических наук.

Исламов Дониёр Бахтиёрович, аспирант Московского государственного института международных отношений-университета (МГИМО - У).

РЕЦЕНЗЕНТ

Усманов Анвар Саидмахмудович, профессор кафедры «Финансы и кредит» Филиала РЭУ имени Г.В. Плеханова в Ташкенте, профессор, доктор экономических наук.