Published on *Adam Smith Institute* (http://www.adamsmith.org)

Sociologists doing economics [1]

Written by **Tim Worstall** [2] | Saturday 31 March 2012

A very odd paper has just been published by a couple of sociologists concering the outcome of the various different privatisation regijmes at the end of communism [3].

> In their new study, Lawrence King, a Reader in sociology at the University of Cambridge, David Stuckler, a Lecturer in sociology at the University of Cambridge, and Patrick Hamm, a doctoral candidate in sociology at Harvard University, test for the first time the idea that implementing mass privatization was linked to worsening economic outcomes, both for individual firms, and entire economies. The more faithfully countries adopted the policy, the more they endured economic crime, corruption, and economic failure. This happened, the study argues, because the policy itself undermined the state's functioning and exposed swathes of the economy to corruption.

When you read the full paper (sorry, not online) you find it peppered with references to "neoliberal", something which in sociological circles seems akin to a swearword and they're not that much keener on neoclassical economics either.

Their basic argument is that mass privatisation destroyed the ability of the government to intervene in the economy. The absence of such intervention made the slump worse and reduced future growth. I'm sure this makes sense to those who sneer at neoliberalism but I'm afraid that it makes absolutely no sense at all to someone who actually lived and worked in the private sector of one of those post Communist states. For the actual experience of all of us was that intervention by the government into the economy was positively malevolent, not just too little of something helpful.

The evidential link that they find and use to support their thesis is that the CEE (ie, Central European) states did best, then the FSU ones, then dragging up the rear was Russia. And it is true that the mass privatisations followed roughly that order. However, there's a much simpler explanation than the existence of the mass privatisations to explain that connection.

Quite simply, that the places which had been communist for longer did worse, those with even less remnant of the pre-communist bourgeois and capitalist order did the worst. The CEE countries at least had a memory of what things were like pre socialist idiocy, their economies not really being sovietised until well into the 50s or even early 60s. Russia itself had at best a patchy although fast growing relationship with capitalism pre-1914. The FSU results are a bit confusing as they include the Baltics which are more like the CEEs and then the 'Stans which are really still feudal economies. Given that the results are about how much the economies shrank and then expanded, not about absolute levels of wealth, those feudal economies well might not have shrunk as much as Russia's.

Which leaves us with: for industrial economies those that had the least memory of capitalism did the worst on meeting capitalism again. Which is rather a well, yes? sort of result.

Source URL: http://www.adamsmith.org/blog/economics/sociologists-doing-economics

Links:
[1] http://www.adamsmith.org/blog/economics/sociologists-doing-economics
[2] http://www.adamsmith.org/taxonomy/term/5778
[3] http://www.eurekalert.org/pub_releases/2012-03/asa-mpp032912.php
[4] http://disqus.com/?ref_noscript
[5] http://disqus.com