Contents

Acknowledgements v

Contents ix

Outline 1

1 From plan to market: why output collapse? 5
1.1 Introduction 5
1.2 Stylized facts 6
1.3 Statistical artifact? 8
1.4 Demand driven? 12
1.5 Supply driven? 15
1.6 Conclusion 19

2 Institutional change in economic transition as a coordination problem 21
2.1 Introduction 21
2.2 Coordination games 22
2.3 Experimental example 25
2.4 Historical example 26
2.5 Institutional change 27
2.6 Some generalizations 30
2.7 Conclusion 33

3 Growth empirics with institutional measures and its application to transition countries: a survey 35
3.1 Introduction 35
3.2 Main caveats 36
3.3 Growth empirics with objective institutional measures 38
3.4 Growth empirics with subjective institutional measures 42
3.5 Transition countries sample 47
3.6 Conclusion 50

4 Growth empirics with institutional measures for transition countries 53
4.1 Introduction 53
4.2 Main problems in growth empirics 55
4.3 Growth empirics with institutional measures 56
4.4 Applications to transition countries 58
4.5 Simple estimation results 60
4.6 Sensitivity tests 65
4.7 Simultaneity checks 73
4.8 Conclusion 76
Appendix 4.A List of variables 78
Appendix 4.B Descriptive statistics 80
Appendix 4.C Correlation matrix 81

5 What determines enterprise performance in Russia? A survey of the evidence 85
5.1 Introduction 85
5.2 Ownership 88
5.3 Competition 91
5.4 Subsidization 93
5.5 Institutions 95
5.6 Human capital 98
5.7 Conclusion 99
Appendix 5.A Empirical studies on potential determinants of enterprise performance in Russia 101

6 Determinants of enterprise restructuring in transition: results from a survey in Russian industry 103
Contents

6.1 Introduction 103
6.2 Panel 104
6.3 Questions 109
6.4 Answers 113
6.5 Determinants of restructuring? Preliminary investigation 124
6.6 Determinants of restructuring? Econometric investigation 129
6.7 Conclusion 138
Appendix 6.A Full questionnaire 140
Appendix 6.B Further questions in full 145

7 Capital flight from transition countries 147
7.1 Introduction 147
7.2 Capital flight measures 148
7.3 Capital flight in transition 154
7.4 Potential determinants 160
7.5 Panel estimations 163
7.6 Conclusion 169
Appendix 7.A Data sources for construction of capital flight measures 171
Appendix 7.B Capital flight figures 172
Appendix 7.C Data sources for right-hand-side variables 175

Summary 177

Bibliography 183

Name index 199

Subject index 203

Summary in Dutch 207
Do we not owe the growth of wine
To the dry shabby crooked vine?
Which, while its shoots neglected stood,
Chok'd other plants, and ran to wood;
But blest us with its noble fruit,
As soon as it was ty'd and cut:
So vice is beneficial found,
When it's by justice lopp'd and bound.

Bernard Mandeville: *The fable of the bees* (1705)

Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay.

Adam Smith: *The wealth of nations* (1776)