Safety Nets, Politics, and the Poor: Transitions to Market Economies
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BOOK REVIEWS

Safety Nets, Politics, and the Poor: Transitions to Market Economies. By Carol Graham. Washington, D.C.: Brookings Institution, 1994, pp. 378. $28.95. ISBN 0-8157-3228-7.

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Emerging markets in East and Central Europe (as well as in Africa, Asia, and Latin America) have moved to the forefront of social research during the past decade. When Soviet-type economies collapsed in the late 1980s, economists and political scientists across a wide ideological and analytical spectrum offered various transformation recipes. One thing quickly became obvious to these scholars: the transformation process is not costless. There are winners, but there are also losers. Especially vulnerable are the old and the very young — generally the least advantaged in the previous system. Increased consumer well-being in general, and greater political participation, will provide no comfort to those adversely affected by reform.

Carol Graham's compelling work in comparative political economy examines the impact of transition to emerging markets on the least advantaged members of society. She provides theoretical arguments that an important component of successful reform is establishing a viable safety net for the poor. Graham illustrates her points with comparative case studies from eastern Europe, Latin America, and Africa. Her empirical information is socioeconomic and political data and, as such, goes beyond a mere comparison of growth rates. Demographic and social indicators, often left out of GDP comparisons, are brought into the analysis to assess the impact of policy changes on the poor.

Given the crisis that brought about demands for reform, the goal of reformers must be to jump off a downward sloping trend line onto an upward sloping trend *at a moment when the downward trend still lies above the upward trend line.* By all appearances reform seems to have worsened the situation. But as Carol Graham point outs forcefully:

> The most severe increases in poverty, ... are caused by the prolonged economic crises that necessitate adjustment; that is, extensive macroeconomic distortions, such as inflation-causing fiscal deficits and regressively distributed subsidization of consumer goods and social services, which tend to hurt the poor more than other social groups. Those countries that postpone or avoid corrective policies experience more severe economic declines, which also cause the poorest sectors to suffer disproportionately. ... Thus the question for policy makers is not *whether* to adjust, but *how* to adjust in a manner that minimizes the negative impact on poverty, or, even better, that transforms plans for alleviating poverty into a strategy for attaining sustainable economic growth [4].

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Safety Nets, Politics, and the Poor is divided into eight chapters. Six chapters represent case studies on Chile, Boliva, Peru, Senegal, Zambia, and Poland. The reader learns as much from the failures (Peru, Senegal and Poland) as from the successes (Chile, Boliva, Zambia). Graham argues that successful reform requires a credible and reliable safety net. This is consistent with recent studies by the World Bank, and by Hilton Root at the Hoover Institution, which argue that the East Asian miracle is largely a result of régimes that discovered how to share the wealth while pursuing policies that create wealth. But as Graham admits, reform presents a serious dilemma because those *designed* to lose most from reform (the previous elite) are in the best position to resist reform. In fact, as the sociological work of Victor Nee (Cornell) has revealed, in East Europe the nomenklatura tends to be the group which has gained most from political and economic reforms.

Many scholars argue that this does not bode well for the long-term viability of reform policies in that region. Graham counters this conclusion by arguing: "Dramatic political change or extreme economic crisis...by altering or undermining the relative weights of powerful interest groups, can open political opportunities for governments to redirect public resources to less privileged groups" [252]. Whether or not this argument turns out to be true, Graham has raised many essential questions which must be addressed in the reform effort.

Safety Nets, Politics and the Poor contains much useful information. A detailed discussion of non-government institutions that serve the least advantaged, however, was lacking. After years of political repression it would seem that *voluntary* institutions of civil society would be a major issue to discuss in relation to policy toward the poor. An emphasis on politics may have steered Graham away from other means by which the poor can be provided for. But that much said, admittedly her point was to focus on bringing the least advantaged into the political process in order to sustain the reforms. Graham's book directs our attention to issues of social welfare that must be addressed along with issues of privatization and macroeconomic stabilization. As such, it is recommended to all readers who are concerned with issues of socialist transformation and emerging markets.

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