

***Institutional Technology and the Chains of Trust:
Capital Markets and Privatization in Russia and the
Czech Republic***

By: Bruce Kogut and Andrew Spicer

Working Paper Number 335

August 2000

Institutional Technology and the Chains of Trust: Capital Markets and Privatization in Russia and the Czech Republic

Bruce Kogut* and Andrew Spicer**

Revision: August 2000

First draft: Fall 1998

March 1999 available at: <http://eres.bus.umich.edu/docs/workpap-dav/wp291.doc>

Submitted to *Industrial and Corporate Change*

We would like to thank Gerry McDermott, Jan Mladek, and Jan Svenjar for many helpful discussions. We are indebted to Ira Lieberman for his time in providing an oral history of the privatization experience in Russia and of the role of the World Bank, and Bruce Carruthers, Michael Lounsbury, Gerry McDermott, William Pyle, Christine Oliver, and Huggie Rao for their comments. John van Maanen gave us critical advice on the use of case methodology. Financial support for this paper has been provided by the Reginald H. Jones Center and the International Research Fund of the Wharton School.

*Wharton School, University of Pennsylvania, Philadelphia, PA 19104; Kogut@wharton.upenn.edu

**A. Gary Anderson Graduate School of Management, University of California at Riverside, Riverside, CA 92521; andrew.spicer@ucr.edu.

Abstract

The introduction of mass privatization policies in Russia and the Czech Republic depended on the creation of impersonal capital markets to finance the needs of privatized companies and to provide a secondary market for the trading of securities. Yet, mass privatization created the contradictory conditions of generating millions of poorly informed shareholders, with no efficient markets for the sale of the shares. The absence of financial markets created systematic pressures to move assets by illegal or non-transparent means to users who value them. Privatization created the incentives to destroy the financial markets critical to its success. A comparative case analysis of post-privatization market formation in both these countries demonstrates that the functional necessity for these markets does not engender their own creation. In the absence of institutional mechanisms of state regulation and trust, markets become arenas for political contests and economic manipulation. The irony of these policies is that a principal lesson has been that market reforms cannot create viable markets, only institutional formation can.

The decisions to privatize Russian and Czech industry in the period from 1992 to 1994 constitutes a unique experiment for the understanding of the relationship of markets, organizations and institutions. These policies of mass privatization were predicated on the presumption that private enterprises would be subject to superior governance properties due to interested external shareholders with access to capital markets. These capital markets provide not only information through price movements, standardized reports, and investment research, but they also allow investors to exit as owners from companies they regard as unattractive.

Capital markets arose spontaneously following mass privatization in both countries. In Russia, 56 stock markets received government licenses by the end of 1995, one year after the end of the privatization program (Goskomstat 1996). Moreover, international aid and advisers sought to foster capital market development through the provision of the technologies for institution creation, e.g. the principles of registration and deposit of securities. Though the Czech Republic took a more independent route, the financial markets of western countries acted as powerful cognitive templates for the design of similar markets.

By 1998, the economies of Russia and the Czech Republic had seriously underperformed those of comparable countries. Figure 1 presents economic data for five countries. Due to their historical and economic similarities, the two countries of particular relevance are Poland and Hungary. China represents a more distant benchmark of a poor, rural nation that has followed policies of “gradualism” in its move towards a market economy. Only Russia and the Czech Republic followed policies of speedy, mass privatization. These data do not provide causality by an application of inductive logic; there are too many sources of causation to make confidently such an inference. However, there is little doubt that mass privatization has not created sustained levels of high economic growth and that the development of capital markets has also disappointed expectations.

We present below an analysis of mass privatization that takes into account micro-level contra-

dictions in the policies to create markets. In this regard, we propose that the presumption of the governance advantages of private ownership was, above all, faulty in its own logic. The dynamics of financial market creation ride upon the success to reconstitute institutions that support impersonal trust among market participants. Yet, the fragility of the formation of markets is susceptible to erosion of trust in their operations if entrepreneurs should abuse the public good of institutions.

It is paramount to realize that mass privatization itself engendered massive incentives for the theft of property. On the one hand, it was the desired outcome of privatization that assets should be purchased by entrepreneurs who valued their ownership and control. There was no mechanism, however, by which shares could be purchased in efficient markets. By distributing shares to millions of poorly informed shareholders who could not transact in the existing financial markets, a class of entrepreneurs who placed a higher value on these assets than existing operators in control strove to acquire these assets by extra-legal means. It is not simply that laws did not exist, it is that mass privatization in emerging and transition economies is logically flawed.

This paradox of the desirability of entrepreneurial ambition to propel economic reforms and the danger of abusive erosion of nascent institutions is a conundrum common to many transition and emerging countries. The conditions of radical economic change generate unusual opportunities for highly motivated individuals to profit from these circumstances. However, in the absence of established institutions, the economic incentive for many of these actors is not to develop the long-term market institutions that foster economic development. Instead, self-interested behavior leads to short-term manipulations of emerging markets that results in growing distrust of market exchange. In effect, the outcomes of mass privatization in both these countries confirm Polanyi's (1957) injunction that markets do not create institutions so much as institutions create markets.

John Coffee (1999) notes that there is a paradigm shift in the way financial economics views corporate governance, with law rising to primacy. To Johnson and his collaborators, the problem lies in the defects of civil law versus common law (Johnson et al. 2000). Whereas civil and common law

surely reflect societal and economic differences, it is hard to accept this argument given the existence proof that many civil law countries are wealthy. Evidence of convergence toward common law still does not dispel this contradiction. In fact, law itself did not seem to be influential in the Czech or Russian case. Coffee (1999) notes that “Russian corporate law has largely borrowed (in a simplified fashion) the principal features and protections of US and UK corporate law. Apparently, expropriation can occur even when the law ‘on the books’ is nearly optimal. Perhaps, this should not surprise us for most of the 20th century that the ‘law on the books’ is often different from, and less important than, the ‘law in practice.’”¹

Another way to recast this paradigm shift, then, is to view it as an admission that the state and society matter. In part, the role of the state is masked in the discussion in the new thinking of privatization under the rubric of regulation. In fact, those that advocated the “depoliticization” of the economy are now calling attention to the success of the Polish privatization program that, because it was less radical, allowed for the *simultaneous* creation of regulatory mechanisms to safeguard the operations of financial markets.² Yet, these studies that call attention to law barely ask the question whether a weak state can staff and finance the court system, monitor and enforce securities regulation, and effect tax payments and enforcement. Is it the belief that a judiciary, with a weak state, is adequate for financial markets? If so, then what stops the abuse of judicial power or enforces judicial decisions? In other words, the thinking about financial regulation has implicitly moved from the question of whether there should be a strong state, but rather what kind of state in what kind of society.

There exists already a literature, even when the focus is only on privatization and the transformation of post-socialist countries, that argues that economic policies are implemented in the context of existing institutional and social relations. As made powerfully clear by the work of Nee (1989), Stark (1996), McDermott (1998), Murrell (1995), Spicer (1998), and Kogut and Zander (2000), the collapse of socialism did not present a tabula rasa to policy makers. Rather, the privatized

firms consisted of distinctive internal and inert resources (e.g. workers, technologies). As importantly, these firms participated in industrial networks inherited from the previous regime. In Starks' (1996) powerful phrasing, transformation does not begin from but *with the existing ruins of socialism*. It is fair to say that the recent re-thinking of the impotence of the 'law on the books' versus the salience of the 'law in practice' is a recognition that behaviors largely grow in continuity with existing social and political institutions.

Mass privatization is destructive in terms of its shock to existing institutions, both political and relational. In this regard, the focus on law and the state is itself too narrow by which to understand the many ways in which societies govern their corporations. These alternative means include labor unions or representatives, consumer groups, suppliers, labor markets, and competitors. It is a highly skewed reading of the many ways in which corporations are asked to respond to social and economic pressures to think that only financial markets matter to the quality of management. This point is often missed in studies that choose only listed companies as the subject of their inquiry.

If, though, we focus our attention solely on financial markets, the scarcity of such markets in most countries suggests the fragility of their institutional foundations. Capital market formation rests critically upon the creation of trust in market transactions. This trust is supported by the adoption of what we call "institutional technologies" that are the basic and mundane foundations of formal capital markets. In fact, much of the technical assistance provided by well-intentioned international agencies consisted of the transfer of the operational knowledge of how to organize a financial market.

Yet, these institutional technologies are not sufficient to generate "chains of trust" which ground the willingness of individuals to lend and borrow through market brokers and financial markets. Fundamental to the generation of this chain is the political coalition among powerful entrepreneurs to view transparent market transactions in their interests. These coalitions did not form in Russia and the Czech Republic, because it was not in their economic or political interests to support capital markets. Ownership of assets could be gained by other means.

We demonstrate the necessity to examine both sides of this institutional debate by examining the development of capital markets through a comparative case-method approach. We examine market formation in Russia and the Czech Republic because of the similarity in their voucher mass privatization plans in relying upon the power of the market itself to drive economic development.

To provide clarity, we present first the background of economic reforms before turning to an institutional analysis of the attempt to establish capital markets in Russia and the Czech Republic through privatization policies. In this analysis, we pay special attention to the micro-institutional factors (i.e. institutional technologies) that support a chain of trust that links buyers and sellers through impersonal exchange in financial markets. In the last section, we migrate from the level of markets to that of politics and the state to widen the perspective on why markets cannot be created in the absence of institutions and political guarantees. The conclusions of the paper argue for a set of normative conclusions in sharp contradiction to the economic policies of mass privatization adopted in these two countries.

Mass Privatization Policy

The development of capital markets has long been seen as a fundamental element for the growth of capitalist economies. The traditional view in the literature on economic development is that these markets act as intermediaries between the decision of a person to save and the decision of an entrepreneur to invest and as vehicles for the efficient allocation and diversification of risk. Modern financial economics has augmented this view by emphasizing the critical role played by capital markets for the provision of appropriate incentives for managers. Because investors desire the maximum return on their investment, they will actively monitor managers to insure that they are acting in the interests of shareholders. The provision of capital, the transformation of risk, and the monitoring of managers are the triple roles played by capital markets.

It is not surprising then that the immediate policy debate following the collapse of socialism focused on the privatization of state-owned enterprises and the creation of capital market incentives

for managers. Two primary camps of thought, both emphasizing the creation of capital markets, marked this early debate. The first stressed that privatization posed primarily a problem of corporate governance. This approach engaged the critical issues of whether privatization should consist of the simple distribution of shares to the population, or should also entail the creation of mutual funds that could more effectively act as monitors. By and large the eventual consensus, perhaps best represented in Frydman and Rapaczynski (1994), was that private ownership without capital market corporate governance would be disastrous.

A second camp argued that privatization was above all a “depoliticization” of the economy. This camp, whose view is best expressed in Boycko, Shleifer and Vishny (1995), concluded that the primacy of removing control from the state dictated a need to provide incentives for interested stakeholders (e.g. managers and workers) to support privatization by giving them considerable shares in the newly-created private companies. The role of capital markets was less transparent, but still critical to the reasoning of the second camp. For through the creation of a secondary capital market for the trading of shares, managers and workers would be motivated to sell their holdings for reasons of consumption or for diversification. In addition, firms themselves would need to issue new equity to finance investment. Moreover, since outside investors (exclusive of the state) would hold a considerable minority positions, they would in any event be interested monitors through their board representation or shareholder meetings.

These two views strongly influenced the design of the privatization schemes in central and eastern Europe. Whereas Poland largely followed the prescriptions of the corporate governance model, the Czech Republic implicitly and Russia explicitly adopted a radical program to depoliticize ownership through a policy of mass privatization. Mass privatization consisted of the distribution of vouchers or points to the population who then could bid for the shares of state-owned enterprise. Given the need for speed and scope of the privatization efforts, and the lack of financial resources on

part of the population, western advisors argued that the free distribution of vouchers was a speedy, feasible and equitable method by which to undertake privatization (World Bank 1996).

The Czech and Russian mass privatization programs are similar in their use of mass capital markets to assign property rights in former state owned enterprises. As figure 2 illustrates, 41 million shareholders, 16,642 joint stock companies, and 596 investment funds were privatized in Russia in a period of less than two years. In the Czech Republic, 8.5 million shareholders, 1,849 joint stock companies, and 550 investment funds were privatized in less than four years.

The Czech and Russian cases differed in a few critical aspects. Created prior to the Russian experiment, the Czech Republic program used a point system instead of vouchers.³ Large-scale privatization consisted of two waves held during 1992 to 1994. Citizens could buy vouchers for prices representing about 25% of their monthly income. The bidding for shares was conducted through an electronic trading system, with terminals located throughout the country. Through several iterations, prices were adjusted with *ad hoc* intervention to clear the market.

The Czech authorities anticipated from the start the creation of investment funds and provided mild regulation, including restrictions on ownership of a company not to exceed 20% by any fund and also for the depository of shares operated by a bank. (A depository is required in order to receive dividends, pay transaction fees, etc.) Unlike Russia, the dominant Czech banks remained state-owned throughout the process. Their role as the primary source of capital gave them a more central role than banks in other central European countries; Czech firms had the highest debt/equity ratios in the region (McDermott 1998). The state-owned banks own the largest funds, with a few prominent exceptions. In addition, the state is estimated to hold, on average, 28% of the equity in the privatized firms.

The growth of the investment funds, however, was not anticipated. Through their efforts and advertising, they increased dramatically the popular acceptance of the program. Though vouchers could not be traded on secondary markets, funds could purchase vouchers in exchange for shares in the funds; most funds were closed-end (meaning that they could be redeemed at their traded price, not

their net asset value). The popularity of these funds can be seen in figure 2, where it is shown that they collected an estimated 68% of the points across the two waves of privatization. These data understate the high degree of concentration held by the largest funds; estimates show that the top nine investment firms held over 48% of the voucher funds, and six of these funds are held by state-owned financial institutions (Stark and Bruszt 1998: 277). Since these funds also own shares in the sponsoring bank and other banks, the financial interests of the banks and enterprises are tightly intertwined (Coffee 1996).

In Russia, enterprises voluntarily nominated themselves for privatization, first by becoming corporatized through the transfer of their ownership to the State Property Fund that was headed by Anatoly Chubais. To make this voluntary decision attractive, the program offered three alternatives to the enterprises, all of which reserved a substantial allocation of shares for management and workers; on average, the state retained also 20% of the shares. As a consequence, only 29% of the shares of a company were on average auctioned (Blasi et al 1997).

The Russian program used vouchers that were purchased for a minimal price. These vouchers were bearer certificates, allowing for their sale to third parties or even their use as currency. These vouchers become the main medium through which privatization of state enterprises takes place. Ownership rights to newly privatized firms are assigned through voucher auctions, whereby investors use privatization vouchers to bid for different companies. Since there was no electronic trading system, actual purchases of shares had to be conducted at the physical site of the company. Russian firms were not required to issue certificates. The new owners' names are held in registries located in thousands of locations throughout Russia, and the maintenance of these registries is the responsibility of the issuers, not stockholders.

Because many Russian citizens sold their vouchers for cash, only 28% of the eligible population are shareholders. During the first year of privatization, Russia passed legislation to permit the creation of investment funds. These funds, created as open joint stock companies, purchased vouchers

from citizens in exchange for their shares. Voucher investment funds collected over 30 million privatization vouchers, or 23% of the 150 million vouchers distributed to Russians. At the end of privatization in July 1994, 596 voucher funds existed.

Thus, a major difference between the two country cases is the high ownership of shares by the Czech investment funds, many of which are controlled by the banks. In Russia, the high inside ownership and the active secondary market for vouchers allowed for the investment privatization funds to play a less important role in the post-privatization ownership structure than in the Czech Republic.

The Institutional Foundations of Markets

Public accounts of the economic reasoning behind mass privatization policies in Russia and the Czech Republic focus on the role of private incentives and market exchange to drive the process of economic development. A leading policy adviser to the Russian government, Anders Aslund (1995), concluded that the fruits of markets reform and privatization were so immediate that Russia succeeded in creating a “market economy” by 1995, only 3 years after the start of the privatization program.

Other advisors posit that it was the “belief in the preeminence of economic motives” as embodied in a theory of “the Russian individual as homo economicus” that led Russian market reformers to implement their massive mass privatization program (Boycko, Shleifer and Vishny 1995: 9, 49). The power of the market was similarly cited to justify the program in the Czech Republic. When asked about who will speculate on the stock exchange, Thomas Jezek, Czech Ministry of Privatization, said: “It’s sure that there is dirty money here, but the best method for cleaning the money is to let them invest it” (NYT, Jan. 27, 1991:103, quoted in Stark and Bruszt 1998:153).

These legitimating accounts of mass privatization are closely linked to a view of markets as natural phenomena that exist outside the social organization of the broader society. The intellectual roots of such an argument are described in Hirschman’s (1977) analysis of the changing role of the concept of self-interest in explanations of social and economic institutions. Hirschman notes that social theory at first focused on the inimical consequences of self-interest on socially-beneficial goals,

as conflicting desires led to a Hobbsian war of one against all. However, over time the concept of self-interest became tied to a broader conception of an invisible hand of a market that naturally mediated individual interests to reach collective goals. As seen from this natural market perspective, the challenge of mass privatization was to remove the state from control over economic affairs, allowing the forces of individual entrepreneurship to restructure former state enterprises with little or no state interference. The invisible hand of the market would itself drive post-privatization economic development.

In practice, the naïve view of “natural markets” put forth in some accounts of mass privatization policy was qualified by a subtle understanding that markets require themselves an institutional infrastructure (e.g., see Pohl, Jedrzejczak and Anderson 1995; Morgenstern 1995). The Polish policy debate in particular cautioned against rapid privatization by vouchers due to the problems of uninformed investors (see Goldstein and Gultekin 1998). An initial understanding of the institutional foundations of markets begins with the dominant approach in the new institutional economics that recognizes institutional qualifications to the natural market hypothesis. Institutions act as “rules of the game” that define and order the broader action of the players who compete under these rules (North 1990). These broader institutions help to overcome the inherent problems of exchange in markets characterized by imperfect information and individual opportunism.

However, many approaches in institutional economics maintain the idea of a “natural” market as an idealized point of comparison. In less historically sensitive accounts, the theoretical question starts with the assumption that the “market” is an initial state of nature troubled by transactional frictions. Institutions that define, monitor and enforce the property rights of organizations are the resolution to these frictions. Contextual factors influence the transaction costs to market exchanges, or in Williamson’s (1991) phrasing, they act as “shift parameters.” Yet, the market itself is theorized to drive the emergence of institutions to resolve hazards of exchange.

It is not surprising that economic sociologists reject this natural market approach, arguing

broadly that economic behavior is conditioned by conceptions of social relations (Granovetter 1985). Instead of assuming “markets” as an ideal-type model existing outside of existing social relations, this approach examines markets as embedded in an existing political and social context. Capital markets, often thought of as highly transactional in character, rely upon social networks and norms for their successful operation. Baker (1984) identifies the close personal ties that link groups of traders together into identifiable cliques through an analysis of the trading patterns of brokers on a national securities market. In a series of ethnographic studies in the stock, bond and futures markets on Wall Street, Abolafia (1996) demonstrates that actors who buy and sell in these markets are guided by numerous informal norms. Market exchanges developed routinized practices that allow for traders to engage in complex exchange based on verbal agreements and standardized contracts. Zelizer’s (1978) study on the requirement for the cultural interpretation of death to change in order to support a market for life insurance similarly demonstrates the interconnections between market and beliefs. Markets do not spontaneously arise out a state of nature, but are closely linked to the social and political processes inherent in a particular time and place.

Mass privatization transfers the basic legal framework of market ownership and exchange into a new environment. Yet, the complementary political and social components of market exchange identified in western theories are missing. In the sections below, we expand on three aspects of the institutional foundations of markets that are lacking in the market environment in Russia and the Czech Republic following mass privatization: effective state powers to enforce basic laws and regulations, the operational technology to support trading between buyers and sellers, and a chain of trust to permit impersonal trading.

State powers:

The absence of state powers to regulate and control newly created market forces is inherent in speedy, mass privatization policy. The decentralization of an economy in a period of few years gives

little time to develop new governmental mechanisms to regulate the new market system. The thesis of the strong state is problematic for the natural market view, especially for proponents who viewed privatization as an act of “depoliticization.”

Not surprisingly, then, institutional economics has emphasized the rule of law over the intervention of the state, while the new institutionalism of sociology emphasizes the ancillary role played by social networks.⁴ An example pertinent to financial markets is the North and Weingast (1989) argument that capital markets for public debt developed only when governments could credibly commit to honor their obligations, that is, submit themselves to the rule of law. The institutional riposte to this study is Carruthers’ (1996) analysis that cites evidence pointing to the role of social networks and political affiliation rather than credible commitment to law. It is this role of social networks that Stark and Bruszt (1998) argue is essential to the analysis of socialist transformation.

The states of the former socialist countries entered transition vastly weakened; the policies of privatization reduced their power at the very moment of the creation of nascent capital markets. Exactly because of the absence of a strong state, the rule of law cannot be assumed to be effective in post-privatization period, and, in fact, is itself prey to the political interests of competing groups. In any period of transformation, the profit resulting from private information can be considerable, not only for purposes of trading, but also for the acquisition and ownership of assets. Because of these political gains, entrepreneurial individuals are under massive incentives to organize political action that supports a favorable regulatory regime. Clearly, one can not assume that powerful interests prefer transparent capital markets. However, there is little capability of the state to act as an independent, countervailing force over the emerging interests developed through market reform policy.

Institutional Technology:

If government is not strong enough to create and enforce law, an important question in these societies is whether market participants themselves can construct self-regulating mechanisms to sup-

port market-enhancing rules and regulations.⁵ Indeed, this is the Coasian perspective that the gains to mutual trade should lead to private solutions. Markets consist of numerous extra-statal technologies that enable self-regulating markets. The core of the qualified natural market thesis is the “endogenous” resolution to the threats posed by informational hazards to formation of capital markets through the implementation of institutions to provide transparency, monitoring, and enforcement.

For instance, financial markets consist of mechanisms, that we labeled above “institutional technologies,” that strengthen property rights, provide verifiable information on prices, and monitor and enforce in order to produce institutional trust. This technology includes the registries that record ownership claims to shares, the depositories that permit the clearance and settlement of shares, the broker/dealer licensing that restricts entry to individuals who meet certain financial and fiduciary standards, and the stock market regulation that establishes criteria for the creation of such markets as well as for the requirements to list a company’s shares. The “technical assistance” by international organizations such as the World Bank, AID, British Knowhow Fund, or EBRD, is often the transfer of these institutional technologies to emerging and transition economies.

In Russia and the Czech Republic, none of this market infrastructure existed prior to mass privatization. However, mass privatization policy demands that these infrastructural elements be formed in an extremely rapid manner, as a functional capital market is a pre-requisite for free-market mass privatization policy. Brokers, dealers, investment funds, stock markets, registries and depositories were all necessary components of Russia and the Czech Republic’s privatization programs. However, whether the organizations designed to operate with vouchers can transform into viable financial entities in the post-privatization environment was an untested component of mass privatization policy.

The chains of trust:

The essence of economic exchange in western capital markets is the trust that individual investors have that they will receive a future fair return. Intermediation, as one of the key functions

played by financial markets, operates on the principle that savers postpone their consumption by *trusting* their money for investment by others. Institutional trust -- to use Zucker's (1986) useful phrase -- is based on a confidence in the workings of a complex institutional environment designed to minimize the opportunities for fraud and theft in complex economic exchange. Shapiro (1987:630) makes a similar observation in her analysis of impersonal trust, noting that in the breakdown of institutions, individuals may prefer to "keep their money in mattresses, literally and figuratively—fearful of future transactions and cautious about transforming their tangible property into a symbolic share of collectivized wealth."

The state and the institutional technology play an important role in developing the regulatory framework to protect fair rules of the game. The state cannot, however, dictate trust, nor can the transfer of institutional technology itself assuage a wary public. States may define standards of normative and legal behavior, and institutional technologies may provide a basic blueprint of regulatory oversight. Yet, nevertheless, the foundation of voluntary market exchange rests ultimately on the individual beliefs of investors that the broader institutional system works in practice to protect their investments.

It is important, as a consequence, to distinguish between the "background" knowledge that actors need to perform competently from the "constitutive" knowledge of how the game should be played (Zucker 1986). The common error in looking at the adoption of capitalism is to focus on whether people were competent in responding to price changes or in pursuing profits. But for functioning capitalistic markets to exist, there has to be a constitutive knowledge of what constitutes the rules of the game. This point derives from Durkheim's (1922/1984) seminal insight that contractual obligations require non-contractual understandings. It is not law that enforces the quotidian operations of a market, or even regulation; it is the constitutive knowledge by actors of the institutionalized rules of the game.

In this regard, it is fundamental to our analysis to recognize that an important dilemma in mass privatization policies was the absence in both Russia and the Czech Republic of a previous history in impersonal exchange through financial markets. The potential to build upon the existing ruins of socialism did not exist for the new markets. As a result, the creation of financial markets was a radically different problem than privatization and restructuring. Though the socialist economies developed extensive bank and enterprise ties, they had no markets, or institutional experiences, for the issuing and trading of certificates of ownership, namely, stocks. Yet, it was the development of such markets that was critical to the success of the policies of mass privatization.

From this perspective, the introduction of financial markets in Russia and the Czech Republic was hampered not only by the absence of regulatory and intermediary organizations, but also by the fragility of expectations held by market participants due to the disruption in socially-grounded knowledge. The millions of new shareholders had little idea of how to evaluate and monitor the activities of the companies or funds that controlled the property rights that they had received in the privatization process. The emergence of a new set of beliefs and expectations about market operations and functions therefore was endogenous to the process of capital market formation. The initial experiences of market exchange as defined through the mass privatization process provide a powerful template upon which initial beliefs are formed.

To understand the systemic linkage between the factors described above, consider first the representative beliefs in a socialist economy before the transformation. Almost all studies of the socialist economies point to the myth of a centrally planned economy. Rather, these economies were characterized by bargaining, whether in the setting of targets, in the provision of supplies to downstream firms, or in the agreement struck between workers and managers. In Kornai's (1980) influential analysis, these were supply-constrained economies characterized by chronic shortages. As a consequence, black markets were a critical element to the socialist period, and daily experience in the bartering over luxury and necessity goods was a taken-for-granted behavior (Ledeneva 1998; Stark

1989). It simply is not true that socialism lacked experience in the most basic of market transactions, namely, barter. The early prediction by Burawoy and Krotov (1992) that the transformation would move toward merchant capitalism was based on the recognition of these initial conditions.

In the context of firm relations, these bargaining relationships were encapsulated in partly formalized, partly informalized entities. Most of the advanced socialist countries during the 1970s attempted to resolve the bargaining impasses by giving authority to central enterprises responsible for associated supplier firms. The findings of Stark (1996) and McDermott (1998) indicate that enterprise ties in Hungary and the Czech Republic are a recreation of the institutionalized patterns of behavior during the socialist era.

However, a key difference between the socialist and capitalist economies --apart from the powerful role played by competition-- is the relative importance of impersonal exchange in financial markets. As Granovetter (1985) has remarked in general and Baker (1984) has observed even for most transaction-oriented settings of capital markets, economic behavior is couched in a nexus of social relations. Yet, the prevalent perception of participants outside the inner trading market is of a transaction marked by an impersonal exchange, for the identity of the buyer or seller is unknown to each other. Impersonal transaction is viable because the institutionalized anticipation is that behavior is relatively predictable and that means-ends relationships are understood. These taken-for-granted anticipations of the wider market participants are the foundation of the willingness to use credit cards, to allow liens to establish credit in mortgage markets, and to purchase items by phone or internet.

In this wider perspective, financial market formation consists of the creation of a trading community regulated by both formal and informal mechanisms. Participants engage in a series of transactions enacted through a chain of trust. This chain of trust consists of the links that extend from the buyer of a security, to the intermediation by agents and other intermediaries that enact the transaction, to the seller; and vice versa. External to this community are market participants who accredit impersonal trust to a financial market that rides, ironically, upon the quality of personal trust among

traders, brokers, and financial entities. Financial markets are more than “intermediaries,” as classically described by economic treatments, between savers and ultimately investors in physical capital. They are arenas in which trust is so routinized that verbal agreements are held to be binding.

The historical absence of financial markets in socialist economies is a fundamental starting point for the analysis of the formation of new social, as well as economic, organization. Given this absence of existing market institutions, the attempts to create impersonal financial markets were always subject to competing institutional solutions offered by powerful actors, e.g. banks or investment funds, that were influenced by the new opportunities created by the collapse of the socialist regime. In this sense, the political efforts to establish financial markets and the strategies by powerful social interests represent, in Fligstein’s (1990; 1996) phrasing, competing conceptions of market control.

In the analysis below, we focus on the relationship among immediate market participants to generate the institutions required for institutionalized trust among investors. The provision of institutional technology is critical to the micro-foundations of trust and institutions, but the efficacy of these instruments is strongly impaired by the loss of credibility that should be infused in the market through government rule-setting and dominant market participants. This tension between competing conceptions of control expressed the stalemate among interests competing for ownership of privatized assets. Without embedded action or legitimate government regulation, capital markets were a curious side-show to the wider efforts to repossess the assets of the former socialist state by powerful private interests.

Research Design

Our research design is a qualitative data methodology based upon Mill’s notion of a method of agreement (Ragin 1987). By method of agreement --a standard methodology in comparative research-- we wish to demonstrate that two countries sharing similar initial conditions, Russia and the Czech Republic, underwent a similar “treatment” called mass privatization and experienced a similar

result, namely, fatal impediments to capital market formation. Method of agreement cannot establish causality, but it can reject causal claims.

Our argument is, clearly, not only inferential. We posit, deductively, that the reform policies were inherently flawed because privatization created intense pressure for assets to be transacted, and yet there were no institutional mechanisms by which to effect these transactions. The detailed history that we provide seeks to establish that the transfer of institutional technologies took place and still markets did not form due to the failure of state regulation and of political interests to support these developments. In the sense that these conclusions suggest normative statements, we are also joining organizational and institution theory to the debate on mass privatization policies that have been dominated by economic analysis.

The data for this study are mainly derived from interviews in Russia and the Czech Republic held intermittently during the period of 1994 to 1997. (See the appendix.) The interviews were conducted with government officials, investment and commercial bankers, investment fund managers, multinational corporate managers, members of self-regulatory capital market groups, World Bank officials, and academic policy advisers. In Russia, over 150 interviews were conducted as part of a larger research project into post-privatization outcomes in this country, of which 21 were conducted in September 1997 with primarily regulatory agents in government and self-organizing associations. (Earlier interviews are reported in Kogut 1996; Pistor and Spicer 1997; Spicer 1998). Seventeen interviews were conducted with investment bankers, regulatory and government officials, and privatization experts in the Czech Republic during field research in the summer of 1997. Interviews were conducted in Russian, English, Czech, and German, with translators present when needed. An additional nine interviews were held with World Bank officials in November 1997. (See the appendix that summarizes the affiliation of the primary interviewees.) Primary and secondary material was used to confirm and supplement the interview data whenever possible. The narrative of

the events in the paper describes the outcomes of capital market formation in these countries up to the end of 1997.

Capital Market Formation in Russia, 1992-1997

The capital market orientation of the Russian mass privatization led to a number of new regulations that created new legal categories of economic activity in Russia. The newly created *voucher investment funds* were designed to attract vouchers and cash from the population to create a closed-end mutual fund portfolio. In contrast, *investment companies* were not allowed to attract investment from the population. However, they were allowed to buy and sell vouchers and securities on their own accounts and on the account of clients. *Financial brokers* were allowed to buy and sell vouchers and securities on the stock exchange and *investment consultants* were allowed to underwrite the issuance of new stocks and to provide financial advice to companies. By the end of 1993, just over one year into the mass privatization, over 600 investment funds, 300 investment companies, and 900 brokers and investment consultants had received formal licenses to compete on the newly created financial markets (*The Securities Market in Russia*, No.18, Sept.3, 1996).

Despite the clear distinctions in formal regulation, the formal boundaries separating different types of financial organizational forms were not followed in actual practice. The “law on the books” did not match the “law in practice.”⁶ The government estimates that up to 2,000 “unlicensed” financial companies operated on the financial markets during mass privatization. An “unlicensed” company is (a) a financial company that undertakes activities outside its legal scope, or (b) a company that operates on the market without any type of government license. A financial company engages in activity outside its legal scope if it undertakes activities that are not included in the rules that define the organizational form of which it is a member. For instance, an investment company might offer bank deposits even though it has no license to act as a bank. The government estimates that by the end of 1994, over 80 million Russians had invested from 50-70 trillion rubles (\$5-7 billion) in these financial concerns (Federal Commission for the Securities Market 1996a).

Three reasons explain the massive influx of unlicensed financial intermediaries into the market during this period. First, a number of opportunities for speculation, arbitrage and trade existed. Mass privatization took place during a period of monetary reform and high inflation. Entrepreneurial financial companies benefited from the uncertainty of the environment in a number of ways. Speculation on the secondary voucher and foreign exchange markets allowed the opportunity for risky, high-return investments. Similarly, differences in exchange rates and prices across the many regions of Russia could be exploited for great gain. Opportunities in trade, imports, and real estate also existed for companies that had access to capital. In Russia, many banks grew dramatically during this time of gross differentials in money markets.

Second, the lack of regulatory oversight allowed financial agents to participate in the market virtually at will. It was commonly observed in the interviews that during this period of capital market formation, the population tended to view stock in similar terms to that of debt. One public World Bank document noted that the “general public does not yet seem attracted to trading gains. Most activity reflects a ‘bond’ mentality driven by the issuers’ promises of exceptionally high current payout (often plus a lottery-type premium) rather than an ‘equity’ mentality that looks to price appreciation” (Morgenstern 1995:93). The distinction between capital markets, e.g. equity and bonds, or the pricing of risk, was not well understood.

In Russia, the notion of risk was not widely understood and often used to the advantage of the financial agent. For instance, one company interviewed was officially registered as an investment company, which was legally forbidden to accept investments from the population. Yet the company found a simple solution to avoid regulatory prosecution for engaging in such behavior: it simply made two contracts. It made an oral promise to the customer to return the balance plus percent after a specified time period, just as if the customer was making a bank deposit. The customer also signed a piece of paper, however, saying he had hired the company to buy stocks for him; as an investment company, the company was legally entitled to buy stocks for individuals, but not to accept direct investments.

The company then kept the formal contract, and a large number of excess stocks, in case regulators inspected its activities. This device was but one of many ways this company, and countless others, found to circumvent legal regulations. (See St. Giles and Buxton 1995:50 for a similar example.)

Third, unlicensed financial companies succeeded in attracting money because Russian investors were inexperienced. They had no prior history with financial investments or inflation during the Soviet period and were willing to invest significant savings in those companies that offered the highest returns-- even if little information was available about what the company intended to do with their investments. There was intense competition among financial intermediaries to induce the population to invest. Massive advertisement campaigns offered guaranteed returns of several thousand percent per year in rubles (and hundreds percent returns in dollars). For instance, the Tibet Company offered an interest rate of 30% a month in nation-wide commercials in March 1993; this rate would yield a return of over 2000% a year. It is estimated that over 600,000 investors from cities throughout Russia invested up to 3 billion rubles (\$3 million) in Tibet. The President of the Tibet Company disappeared in the middle of 1995; investors did not recover any of their investment in Tibet. Most of the individuals who had invested in the other two thousand Russian financial companies also lost their investments.

A large number of financial companies also issued "stock certificates," which stated that a certificate owner was entitled to buy a legal share of the company. No mechanism, however, was created to allow for the exchange of the certificate. Despite the fact that these "stocks" offered no ownership rights, they were widely traded on the street, in the metro, as well as in the official stock markets. One financial journalist estimated that 95% of the daily trading in securities at the Russian stock exchanges in 1994 took place in these certificates (Baranov 1995). This estimate is especially striking, given that it was believed that 90% of all trading during this time took place outside of the 100 stock exchanges that populated Russia (Morgenstern 1995).

An example of this phenomenon can be found in sales of the “stock” MMM, which dominated the financial markets in Russia during this time period. MMM was not a voucher investment fund, but a pyramid scheme. MMM advertised its share prices several days in advance, ensuring that the price increased twice every week. It also engaged in a massive advertising effort to convince individuals to invest; the story of an elderly Russian couple slowly getting richer and richer through its investments in MMM dominated television commercials during this time. Although shares of MMM were actively traded in a secondary market, the company also created its own network of dealers, which redeemed and sold shares at advertised prices. In the six months of its existence, MMM’s price increased 6,000 percent on Moscow’s stock markets. It is estimated that 5-10 million Russians invested in MMM certificates.

By the end of privatization in July 1994, the financial markets in Russia were booming. The voucher funds and the banks, as well as the 2,000 unlicensed companies had attracted billions of dollars to the market during the period of privatization. However, the markets fell as quickly as they were created, starting with MMM. In July 1994, the price of MMM fell within two days from a high of \$62 on Russian stock exchanges to a low of 50 cents. Individuals who had invested in MMM now found their stock certificates were virtually worthless.

The aftermath of the MMM scandal exemplifies the difficulty that the Russian government had in controlling fraudulent funds. The MMM directors were not charged with any breach of the securities law because the company argued successfully that it had not broken any parts of the Russian legal code. MMM had not registered as an investment company, and the legal rules which applied to such concerns thus did not apply to it. In short, MMM was not illegal, but non-legal: it existed outside the current legal code, and could not, or at least would not, be prosecuted under existing laws. In fact, MMM continued to sell its certificates even after its spectacular crash. Although Mavrodi, the president of MMM, faced potential charges on tax fraud, he found a unique way to avoid prosecution:

he won a seat in the Russian Duma, where parliamentary deputies were exempt from criminal charges.⁷

Institutional Response

In November 1994, four months after the crash of MMM, President Yeltsin strengthened the powers of the Russian equivalent of the US SEC, the Federal Commission on the Stock Market (FCSM). He gave the new commission the authority to issue statutes that had the force of law within the government and named Anatolii Chubais, the first deputy prime minister in charge of the economy, as the top official of the new commission. Chubais appointed Dmitrii Vasilev, another young market reformer, to oversee the operations of the Federal Commission as its executive director.

The actions of the FCSM are clearly identifiable as an institutional response to what the new regulators perceived as the negative effect that the activities of unlicensed financial companies had on the development on post-privatization capital markets. After the fall of the pyramid schemes that had initially dominated the formation of stock market exchange in Russia, trading in Russian securities began in late 1995 on a limited number of “blue chip” companies in the oil and gas, electric utilities, metals and telecommunications industries. Yet, as Blasi (1997:80) points out in his analysis of the 100 companies with the highest market capitalization in 1996, these “blue-chips” were precisely the companies that had been withheld from the mass privatization process. The vast majority of the over 16,000 medium and large size companies that had undergone mass privatization did not develop enough trading volume to allow for a liquid secondary market to develop. The trading that did take place consisted mainly of companies that had mainly been privatized mainly through a “loans-for-shares” scheme between the government and the main Russian banks. In return for a series of “loans” to increase government revenues in April 1995, these private banks received control rights to the remaining government shares in these large “blue-chip” companies.

Yet, the first regulatory actions of the new Federal Commission were not directed toward the lack of a secondary-market for the joint stock companies privatized through voucher auctions. Nor

did the FCSM present new regulation to deal with the slow death of the voucher investment funds, which, among other problems, had little ability in the illiquid market environment of the time to develop sufficient cash-flow from their voucher investments to remain solvent (Pistor and Spicer 1997). Instead, the FCSM initially focused on what they perceived as an even larger consequence of the initial period of capital market formation in Russia: the complete withdrawal of domestic investment from formal financial markets. The Federal Commission argued that initial beliefs had developed in Russian financial markets, but that these beliefs equated financial investment with lotteries and pyramid schemes. The Commission estimated that Russians held from \$20-30 billion of savings hidden at home instead of invested into companies through financial intermediaries (Spicer 1998). Moreover, the new regulators believed that their job was not only to develop new laws to regulate the market, but to assure the public at large that they were able to enforce these new rules in practice.

The FCSM's proposed solution to the lack of trust in financial investment was the creation in 1996 of a new investment vehicle, the unit investment fund. The Commission argued "that as much as 10% of domestic savings --or some \$2-3 billion-- could be drawn into equity investment through well-regulated, reliable investment funds" (Federal Commission, 1996b). Unlike the *laissez faire* regulatory strategy pursued in the formation of voucher investment funds, the Federal Commission tightly supervised the formation of unit investment funds. Unit funds are open-ended funds that grant investors the right to redeem their shares. Unlike the joint-stock company status of the voucher investment, unit funds do not have shareholders. Instead, the relationship with their investors is governed by contractual trust indentures. The Federal Commission developed complex regulations for net asset evaluation, information disclosure, depository services, audit reports, tax payments and portfolio standards before any company received a license to manage a unit fund. The FCSM tightly controlled the number of entrants into the market, favoring foreign companies over domestic competitors in awarding new licenses (Pistor and Spicer 1997).⁸

Foreign managers actively lobbied the FCSM for strong regulation over the new unit fund market. As one US unit fund manager put it in one of our interviews in the summer of 1996:

Our greatest fear is whether the [Federal] Commission is really going to recognize their responsibility here. Their responsibility is to supervise this market with an iron fist. The frustrating, ironic and paradoxical situation we find ourselves in is going to the Commission and saying, 'you have to regulate us incredibly strongly. If you are not going to do that, we are not going to launch a fund.' It's an absurd position to be in.

This manager argued that strong regulation over the marketplace was needed for his fund to succeed as he wished to tap the retail market for financial investment in Russia. He wanted to associate this new investment vehicle with similar funds in regulated, western markets, not with the Russian's own experience with MMM and other unlicensed financial companies.

The Federal Commission's intervention into the financial markets was not limited to the development of a new type of investment fund. In 1996 new laws on joint-stock companies and on the securities market began to more clearly identify the broader legal infrastructure of the market. New licensing criteria for brokers, dealers, stock markets, registrars, and depositories were all introduced. To help remedy enforcement problems of these new laws, the Commission enacted regulations to permit the formation of self-regulating organizations. In explaining in 1995 his support for self-regulating organizations in the securities market, Dmitri Vasilyev, the chairman of the Federal Commission, stated that his budget included enough funds to hire only 117 employees. He estimates that 4,000-5,000 bureaucrats are needed to enforce the regulatory acts that already exist, let alone to produce new regulations. He thus argues that regulation can only be achieved through self-monitoring, which can occur within a professional industry organization (Kremlin International News Broadcast 1995).

The dilemma to creating self-regulatory bodies is the classic collective action problem. Without formal statutory powers, these self-regulatory bodies rely upon voluntary membership and fees. Many registrars, depositories, and brokers choose to free ride, and of course some prefer not to join because they do not want to comply with the regulations. The Commission responded to this problem

by authorizing, subsequent to their formation, only one self-regulatory association. If approved by the State, these associations (e.g. for registrars/depositories, broker/dealers or investment funds) have the power to recommend to the Commission who should be licensed, and hence membership in these associations is for all intents and purposes mandatory.⁹

Overall, the post-privatization capital market in 1997 had very little resemblance to the initial market created during mass privatization in 1992. Most of the investment funds, broker/dealers and stock exchanges that initially entered the market were unable to meet the standards of the FCSM's new licensing laws. For instance, the formation of the unit investment funds meant the end of the voucher investment fund as a viable organizational form. The manner in which the new rules for unit funds were developed made it nearly impossible for voucher funds to transform themselves into this more profitable type of investment vehicle (Pistor and Spicer 1997).

However, the actions of the Federal Commission have not gone uncontested. A resolution of a conference of nearly 250 voucher investment funds in April 1996 states that the "clear intention of the politics surrounding the regulation of the securities market is the liquidation of the voucher investment funds." They blame the new regulations for unit investment on the intent of FCSM to push the voucher investment funds off the financial markets by allowing unit investment funds to enter the market with little competition.

Similarly, the banks have argued that the new strict power of the Federal Commission curtails the ability of banks to participate freely in the new security markets. After a public battle between the Federal Commission and the Central Bank, a resolution was signed in March 1996 between the Central Bank and the Federal Commission, brokered by first deputy Prime Minister, Anatoly Chubais. In this agreement, the two regulators agreed that the ultimate power in regulating the new financial markets resided in the Federal Commission. Yet, it was decided that banks would be able to participate on the securities market, and, against the wishes of the Federal Commission, the Central Bank would have the power to license banks to operate on the financial markets. Despite the efforts of the Federal

Commission to control the emerging financial markets, this protocol demonstrated their lack of capability to actually implement their authority in practice. The granting of authority to the Central Bank to license their own members was a major defeat for the Federal Commission in their battle for control over Russia's capital markets.

Capital Market Formation in the Czech Republic, 1992-1997

By and large, the privatization program in the Czech Republic proceeded with less public scandals than in the Russian case. In part, this difference is due to the greater degree of centralized control over the mass privatization process in the Czech Republic. Ownership rights of privatized companies in the Czech Republic were registered in a centralized security center, therefore avoiding the problems of firm-owned registrars and the emission of unregistered bearer shares as in Russia. The Czech Republic also forbade secondary trading in vouchers/investment points, therefore decreasing the incentives for financial companies who wished to become involved only in short-term speculative trading to enter the market. Moreover, Czech voucher auctions took place through an electronic trading system --the RM System-- that in theory allowed for greater transparency in the privatization process. The Czech auction has been largely evaluated as generating processes that reflected underlying asset values. (See, for example, Hingorani et al 1997).

All privatized firms became listed on both the Prague stock exchange and the RM electronic trading system used in the privatization process immediately following privatization. The capitalization of the listed Czech stock market reached \$14 billion in 1995, which far exceeded the market capitalization in any other post-Soviet economy (Pohl, Jedrzejczak and Anderson 1995). However, despite the potential for capital market development in the post-privatization Czech economy, transparent market exchange of ownership rights has not emerged. Instead of exchange on either the main stock exchange or the RM system, most trading has taken place outside formal markets. The only record of these trades is the report of ownership changes to the central registrar, the "Security Center."

The volume of security transactions in each of these three different markets --the Prague Stock Market, the RM electronic trading system, and the Security Center-- in December 1996 is shown in figure 3. At the Prague Stock Exchange, in the “unlisted” market, now called the “free” market, little information disclosure of the issuer is required. The PSE assumes no obligations about the credibility or truthfulness of any of the information presented. The Main and Secondary markets are the “listed” markets. For the main market, the following conditions must be met: public offer amounts to CZK 200 million, and a liquidity requirement of CZK 300,000 of an average per day trading value recorded in the Central Market for the last 12 months prior to submission of the application. Issuers are obliged to provide the Stock Exchange, on a quarterly basis, with all relevant economic information. By the end of 1996, the market capitalization of the listed market was 443 billion CZK and the free market 115 billion CZK.

The hope was that the RM electronic trading system would transform itself into a broader electronic system in the post-privatization economy. However, only 9% of overall trading took place on this system. The Securities Center handled 56% of security transactions even though its primary function was to maintain a central registry of security owners and the issuers of securities. The Center simply recorded ownership changes when trades were conducted. No price information about the trade is required, and only the names of the nominal owners need to be provided to the registry. One of our interviewees referred to it as “a black market.” And yet the bulk of trades occur outside of the main stock market at prices that are not transparent.

The lack of external market valuation combined with weak regulatory oversight has led to massive raiding of the profitable assets of companies-- what the Czechs call “tunneling.” The most common type of tunneling is illustrated in figure 4, in which the investment fund insiders or managers of company A sell their assets to friendly investors at a high discount. For instance, CS Fondy, originally a voucher investment fund, was sold three times between Feb. 11 and March 3. In the last deal, the fund went to a Russian group calling itself KosMos, which installed a new board of directors. The

funds' assets were liquidated, creating a cash reserve of 1.3 billion CZK. The money was then transferred to two other companies, and finally wired to an account outside the country. According to Thomas Berka, who represents a CS Fondy Shareholder association, CS Fondy's 75,000 shareholders were left with "shares in a chicken breeder whose shares have no real value." Despite some internal dissent, the Finance Ministry approved the transfer, though public outrage eventually led to the resignation of the Deputy Finance Minister Vladimir Rudlovak. (The Central European Economic Review, May 1997:18).

Foreign firms are not by any means immune to losing control over their assets. The affair of Creditanstalt, an Austrian bank, is representative. A Czech investment bank explained:

If a shareholder of a fund has 10% of shares of the fund, you can call for an extraordinary shareholder meeting. In many cases there are hundreds of thousands of shareholders, so most of them will not come. You can then change the management, and make fraud. Creditanstalt had the sixth biggest fund. They thought they were completely safe, a 20 year contract and all these things. This group Motoinvest began to buy them, having 11% they called for an extraordinary shareholder meeting. Creditanstalt's parent company in Vienna decided that they had no force to protect themselves, and they sold the fund two months after it was introduced on the London Stock Exchange. Of course, the fund was destroyed. Motoinvest made money. Creditanstalt made money. The only people who lost money were the small investors. The Creditanstalt fund used to be sold for around 1000 crowns per crown, but afterwards it was sold for ten or twenty crowns.

A slightly more sophisticated example is transfer of cash to a holding company. Figure 5 illustrates this more complicated example. Two companies borrow from banks and then purchase shares of each other which are held by a common holding company, at a price that is not revealed. The holding company ends up with cash for relinquishing the shares; the two firms are now highly leveraged. One interviewee believed one of his investments was tunneled through this method. They believed that it would take years to resolve the matter in court, and it is not even clear whether this action is illegal. They eventually sold their small stake in the company that was being liquidated to the holding company.

A similar example can be found in the scandals that plagued Agrobanka, the largest collector of investment points in the second-wave of privatization. In late 1997, eleven officers and employees

of Agrobanka were arrested as a result of the alleged embezzlement of shareholder funds from Agrobanka affiliated IPFs. A December 1995 battle for control of Agrobanka between Motoinvest and Investicnia precipitated the crisis. Investicnia eventually retreated on the condition that Motoinvest buy a large share in a troubled bank controlled by Investicnia. After an audit of Agrobanka by Price Waterhouse in 1996, an administrator for the bank was appointed (Coffee 1998:73).

The lack of transparent market prices combined with a fear of the tunneling of assets has led to large discounts of the closed-end Czech investment funds. Most of the Czech funds have turned out to be scandalously poor investments. The aggregated discounts of the 15 largest investment funds ranged between 35-45% of net asset value on the Prague Stock Exchange over the course of 1995 and 1996 (Podpiera 1996). While discounts of closed-end funds are not unusual, these discounts are far above western standards. Moreover, discounts in investment funds beyond the top fifteen have fallen to 80% or more.

Investors who have been able to sell their shares have received far below the net asset valuation of the funds. In fact, it is often the funds themselves that buy back their own shares at a discounted rate from initial buyers, creating an incentive for funds to temporarily decrease the market value of their shares. For instance, in 1996 the Harvard Consulting Company, who controlled many of the largest funds from the privatization process, announced that they were merging their multiple funds into a single holding company, therefore adding another layer of non-transparency into the already closely-held company. The price of some Harvard funds declined 22% in one week, allowing the owners of the Harvard Fund to buy back many of their shares at a greatly reduced price. The new holding company, Daventree Ltd., is based in Cyprus and is effectively outside the control of the Czech authorities (Coffee 1998).

These cases indicate that a principal concern of the post-privatization era has not been corporate governance, but the legal transfer of assets from uninformed investors. Several studies show that privatized firms have performed better than state-owned ones. Even if these studies are proved to be

true, they leave unaddressed the question of whether privatization alone created the better performance, or if the movement of ownership to motivated interests contributed, though at the cost of the minority investors. It is also clear that some, at least in the Czech case, believe this transfer is desirable, as discussed below.

Institutional Response

The policies of the Czech Republic were constructed around a strong free market orientation characterized by an unwillingness to regulate *ex ante* anticipated problems. The preference is to see *ex post* what evolves (Coffee 1996; 1998). The initial legislation was designed to obstruct the formation of large financial industrial groups, but did not create regulatory entities, such as an equivalent to the Securities and Exchange Commission. The economic philosophy of the administration of Prime Minister Klaus has been to foster competitive markets with minimal government interference except for the blockage of concentrated economic power by financial and industrial groups. In September 1997, one broker described the problem of trying to create self-regulatory bodies in the Czech Republic:

We cannot have at this point in time a true self-regulatory body. The government issued over 500 brokerage licenses. They were issued precisely to make it difficult to establish self-regulatory discipline. That would be much easier to establish if you have 30 properly capitalized, properly equipped brokers.

Many fault the inadequate institutional oversight in capital markets as a primary reason for the economic stagnation of the Czech Republic. In opposition to the minimalist regulatory policy, opposition parties and many financial investment firms have lobbied for increased government regulation. Following the collapse of the Klaus government in the fall of 1997, several important changes have been made to the regulatory order.

One of the most important changes has been the creation of the Czech Securities Commission. However, the power of the Commission is still unclear as of yet it is not an independent body and has no rule-making authority (OECD 1998).¹⁰ In addition, the Czech government recently has required that all closed-end funds trading at a discount greater than 40% be converted into open-ended funds

within one year of the enactment of the regulation. Open-ended funds trade at the value of the net asset values, and shares must be redeemed at this value. There is, therefore, a strong incentive for investment funds to improve their performance. At the same time, the government further reduced their restrictions on holdings by a fund of a given company from 20% to 10%. Unlike in Russia, the Czech government remains forcefully in opposition to the formation of financial industrial groups through investment fund holdings. However, it remains very unclear how the conversion from closed-end to open-ended funds shall take place given the illiquidity of trading of most shares. In other words, the Czech regulatory philosophy now takes the stance that markets must be regulated in order for markets to exist.

Some of the funds have been converted from financial joint stock companies into industrial joint stock companies. This conversion permits the funds to act as an industrial holding and thus avoid legislative limits on their holdings, as well as the supervision of the Ministry of Finance and the depository (Mejstrik 1996:223). The expectation is that very few of the funds will remain as portfolio investors. In effect, the Czech stock market has diminished to a substantially smaller role in the economy than in the heady days following privatization.

Discussion: Institutional Technology and the Chain of Trust

We began with the claim that the analysis of the failure to develop capital markets in Russia and the Czech Republic following mass privatization should examine initial beliefs and political interests. In both countries, mass privatization created intense pressures over the control of the newly privatized enterprises. The combination of illiquid markets and highly dispersed owners creates an unusual situation for motivated and well-informed investors to acquire high valued assets. Yet, the financial markets to facilitate, or to render transparent, the efforts of these entrepreneurs to acquire these assets were created haphazardly in tandem with the privatization programs. The entrepreneurial puzzle is how ownership could be acquired from dispersed owners in the absence of developed capital markets. Ironically, the entrepreneurial resolution to this puzzle of separating nominal ownership

claims from the disposition of the assets led to substantially damaging the development of financial markets. In effect, the public has shares, but the market has sharks.

The post-privatization history of Russia and the Czech Republic recapitulates the historical lesson that government participation is critical to the establishment of institutions that support market exchange. Markets do not spontaneously spawn but arise out of the creation of institutions that support the personal trust among direct market participants, and the impersonal trust of the ultimate buyers and sellers in this market. All modern capital markets in developed capitalist economies consist of mandatory rules of disclosure, accounting methods, and oversight entities to contribute to the development of impersonal market exchange. Rules establish requirements to register ownership, to provide for clearing of shares through depositories, and to enforce minimal capital provisions and other standards on brokers and dealers. The purpose of these rules is to increase market efficiency and to ensure fairness by making public information regarding not only prices (an essential requirement to efficiency) but also the reputation of market participants.

Attempts to build this institutional technology failed partly for the mundane reason so heavily emphasized by Olson (1965) and Ostrom (1990), namely, that participants refused to pay dues or contribute effort to the public good of self-regulation. Some of the proffered legal suggestions to the problems in the Czech and Russian capital markets are designed to strengthen the representation of minority shareholders on boards.¹¹ These perspectives on self-organization and minority shareholder protection are too late to prevent the consequences of tunneling of assets. They miss the observation that mass privatization itself creates the conditions of a repressed equilibrium that could not be resolved through corporate governance pressures on individual firms. *In a classic law and economic calculation, theft was bound to increase because the gains were so enormous.* Yet, the powers of the state to counter the deleterious effects of these interests on capital market formation were lacking. As a consequence, political action by powerful interests is highly favored in these settings.

However, the casualty of these entrepreneurial endeavors has been the formation of impersonal financial markets. The failure of the state to regulate has its counter reflection in the attempts to achieve a private ordering through industrial groups. Much as in the case of the emergence of large and powerful groups who influenced the development of capital markets in London, Russia has witnessed a close alliance between the formation of financial industrial groups (also known as FIGs) and the government. Currently, 80 FIGs are legally registered in Russia, representing over 5 million workers, with another 50 applications still pending (Petkoski 1998). As in the development of many financial markets, the most active financial market in Russia has been for the trading of government bonds in order to finance the chronic deficits. These deficits are partly the outcome of the insufficient powers, or will, of the government to collect taxes, sometimes from the large banks who are the major purchasers of the bonds. The fiscal crisis of 1996 led to a loans-for-shares agreement, in which the government struck a “Faustian bargain” to accept loans from the banks in return for shares of large enterprises placed in escrow in case of default. To a large extent, these efforts at a private ordering of ownership and financial control is an expression of societal interests at political odds with formal attempts to create impersonal markets. Not surprisingly, international agencies and some governmental authorities see the rise of business groups as counter to the efforts to create natural markets. (See Lieberman and Veimetra (1996) for a discussion.)

The Czech case is more nuanced. The Czech government has aggressively curbed the creation of financial groups by restricting the percentage of shares that can be owned by any financial entity other than an individual. The restriction on large group formation has strongly impeded the recombination of traditional ties into new entities. Yet, the reconstitution of industrial networks is an important feature of the economic landscape. The conversion of the funds into holding companies has largely come after the weakness of capital market regulation permitted the transfer of assets to the hands of relatively few individuals and enterprises. This experience deeply depressed market participation and the valuations of the investment funds. As in Russia, a weak capital market has been partly

compensated through a private ordering. Many industrial enterprises were converted into holding companies after 1989, with their constituent members marked by strong contractual ties among themselves and to other suppliers (Haryri and McDermott 1998; McDermott 1998).

The evolution of business groups, even if politically contested, points to the endogenous features of transformation that are not simple policy instruments open to the state. Stark and Bruszt (1998) argue that the role of an autonomous bureaucracy to establish rules is not sufficient. Rather, successful transformation also requires a social nexus by which policies are negotiated and implemented. The development of capital markets is, by the converse of Stark and Bruszt's argument, troubled exactly because there was little prior experience of financial institutions in socialism. A potential resolution, reinforced by Carruthers' (1996) history of the birth of capital markets in London, is the self-organization of decentralized regulation created by powerful interests who profit from the market, and the willingness of government to establish the legal and regulatory framework to support and to curtail their ambitions.

The lessons of the two countries reinforce this conclusion by offering the counterfactual: an impaired government cannot channel the efforts of powerful interests to support financial market creation. Developing the chain of trust amidst disappearing assets was a hat trick that could not be accomplished in either country. Without impersonal financial markets, the policies of mass privatization had no institutional mechanism by which to perform the task of intermediating in the reallocation of ownership. The efforts by industrial groups to fill this gap posed a serious challenge to reform policies. With inadequate financial markets, privatization policies in both countries created conditions that weakened the property rights of the new owners. The reliance on natural market formation created tragically an erosion of the rule of law and norms. It is the direction of this causality that appears entirely to run counter to the standard economic analysis of transition and developing economies.

Memory and Policy

It seems odd that this problem of capital market formation was not explicitly anticipated, as it is a recapitulation of similar histories in England, the US and elsewhere in the 1800s, where capital markets were destabilized by the absence of institutional technologies. The resolution to these hazards was the creation of the regulatory and statutory requirements that arose over time. It was widely agreed that British markets were severely impaired until the Gladstone committee recommendations resulted in a major change in company law in 1844 (Hawkins 1986). Still, the failure to develop adequate shareholder protection is largely credited with the high number of bankruptcies and fraudulent behaviors. In his comparative study of capital markets, Foreman-Peck (1990: 35) concludes that because “British legislation governing the formation and operation of limited liability companies imposed among the least requirement of information disclosure to shareholders or outsiders of any major economy in the world, with the exception of the United States of America,” these laws encouraged company formations in the early years of the Act. However, due to the lax rules for incorporation there was a very high failure rate arising from the “moral hazard” imposed on promoters of new companies. Fraudulent behavior was rife during the first years of the Act especially in the finance, insurance and banking sectors. Despite regulation at the end of the 1800s, the newspaper *Statist* remarked in 1895 that “so rotten in the public estimation has the whole business of company promotion become that it is now almost useless to offer for subscription an issue of Ordinary shares in an industrial enterprise” (cited in Hawkins 1986:21).

In the US, the creation of the Securities Exchange Commission arose out of concern with insufficient and misleading information. To some, such as Bentson (1976), the SEC was an unnecessary institution since it is in the interest of firms to establish reputations for honesty. However, most historians of the SEC find ample examples of wide-spread abuse prior to the SEC. Seligman (1995:565) notes that “Bentson’s suggestion that there was little security fraud before 1943 is ludicrous.” He then

notes the many acts of enforcement at the state level, observing that in 1932 alone, New York state secured injunctions against 1522 persons and firms and instituted 146 criminal prosecutions.

The experiences of countries that have not yet achieved economic growth comparable to the US and UK suggest, further, that failures to redress imperfections in capital markets through regulation can be an important impediment to development. For example, Stephen Haber (1997:170) concludes in his comparison of Mexican and Brazilian textile industries that:

Government regulatory policies had a significant effect on growth of capital markets in Brazil and Mexico. The divergence in capital-market development between the two countries was clearly the result of different policies regarding the formation and operation of banks, the reporting of financial data, and the reporting of stockholder identities. In short, capital-market development was not completely endogenous to the process of economic growth; government regulation exerted powerful independent effects.

In the Mexican case, the loose financial requirements discouraged investments unless minority investors identified powerful interests linked to the government as co-investors.

These historical accounts support the argument that the entrepreneurial, and often unscrupulous, effort to transfer ownership rights in the post-privatization environment in Russia and the Czech Republic arise from the particular method in which capital markets were developed in these countries. The unusual factor in post-communist economies was the massive speed and scale with which capital markets were created through mass privatization policy. The moment of ripening beliefs about the behavior of capital markets coincided with the emergence of powerful interests that battled to possess the assets of the former socialist system.

Conclusions

It is the dilemma of mass privatization policies that they establish the promise of mass ownership, but ultimately depend upon capital markets to achieve the concentration of shares in the hands of strategic investors who can effect control. Since the formation of capital markets themselves rides upon the efforts of concentrated interests, there is an inherent contradiction in mass privatization policies: the markets that are required to permit trading among the millions of dispersed owners cannot

form until motivated participants can support the institutions of markets. It is, however, simply not in the interest of many of these participants to create transparent markets.

The weakness of capital markets in the Czech Republic and Russia is partly the outcome over the ambivalence of government intervention in the transition process. The role of government is contentious even in highly stable democratic states. In the context of transformation, the intervention of the state is strongly resisted by some parties as a reversal to socialism. In fact, the argument of Boycko, Shleifer, and Vishny (1995) that privatization served to “depoliticize” the economy deceptively fails to separate state authority from the political agency of interested and motivated parties to transition policies.

The easy equation of politics and the state is probably never fully justified and is certainly open to examination in the context of the highly fluid conditions following the collapse of socialism. No doubt, a more accurate phrasing of the depoliticization argument is the “debureaucratization” of the former central planning apparatus, which privatization achieved in the form of transferring ownership from ministries to private hands.¹² However, to view the elimination of state ownership as a decrement in politics is to ignore conceptually the extra-statal influence of political actors in the post-privatization period.

The pragmatic conclusions from this study are that mass privatization policies are inherently marred by internal contradictions. Markets are not created as a logical implication of the elimination of state control over economic activities. “Transition” policies are implemented through the institutional construction of new behaviors rooted in a procedural knowledge of what constitutes a market. The initial experiences of capital market participation did not reinforce subsequent participation for the vast number of citizens in either country. As a result, formal financial markets did not emerge to provide a means by which to enable the informed sale of shares distributed through the privatization policies.

The analysis of these two cases suggests, however, a more far-reaching issue. Howard Becker (1992) argues that case analysis always poses the question “what is this a case of?” as an iterative feature of the research. To a great extent, these comparative cases are about the creation of the new owners. In this regard, there is a troubling implication, namely, that the creation of dispersed owners was never the primary intent of privatization policies in the first place. Retrospective analyses that stress the remarkable achievements of transferring assets rapidly to the private sector ignore that privatization policy itself created the conditions for an emergence of an elite ownership class.

In this respect, privatization has been above all a process that determined the new owners in Russia and the Czech Republic. Whether the concentration of wealth was unforeseen or even undesired by policy makers is an important historical question. The corporate governance perspective on privatization emphasizes that moving ownership to the hands of motivated owners is critical to the restructuring process. By this logic, the concentration of ownership into the hands of a few is not unwanted, even if the means of accumulation were destructive to capital market formation. What is clear is that the implications of the privatization experiment for who becomes an owner and who becomes a worker was quickly understood by many resourceful entrepreneurs who seized control over privatized assets by often legal but dubious behaviors detrimental to market formation. The historical event called mass privatization created a unique moment for the identity of an ownership class of the emergent capitalist societies. These outcomes of who owns are the most critical legacy left by the privatization experiences.

The deductions made from the analysis of the Czech and Russian efforts to develop capital markets are relevant not only for the understanding of theory, but also for the development of appropriate policies. Without an understanding of organizational and institutional theories, policies to aid socialist transformation are trapped in a developmental lens that ignores the inertia of organizational resources and the institutional context of social action. The implicit functionalism of the economic policies presumed that capital markets would arise in order to serve the financing needs of privatized

companies and to provide a secondary market for the trading of securities. However, the experiences in both countries show that politics can be displaced, but not eliminated; that ambiguous ownership rights can engender unanticipated outcomes; and that market solutions without institutional understandings create insurmountable market failures. The irony of these policies is that a principal lesson has been that market reforms cannot create viable markets; only institutional formation can.

Figure 1**Percentage Changes in Official GDP, 1991-1997**

<i>Country</i>	1991	1992	1993	1994	1995	1996	1997
China	7.7	12.8	13.4	12.6	10.5	9.7	8.8
Czech Republic	...	-4.1	1.0	5.6	5.0	4.4	1.0
Hungary	-6.8	-0.6	1.3	6.1	1.5	0.6	4.4
Poland	-7.6	5.3	6.1	8.3	6.5	6.0	6.9
Russia	-5.0	-14.5	-8.7	-12.6	-4.1	-4.9	0.8

Sources: Data for former Soviet Bloc countries, 1991-1996 is from Goldman (1997). 1997 data is from the World Bank (1998). Chinese data is from IMF (1998).

Figure 2**Russian and Czech Mass Privatization Programs**

	Russia (End of Privatization)	Czech Republic (End of Privatization)
Speed of Mass Privatization	October 1992- June 1994	October 1991- March 1995
New Shareholders	41 Million (28% of population)	8.5 million (80% of population)
Companies Privatized	16,642 (70-80% of industrial output)	1,849 (65%-90% of industrial output)
Investment Privatization Funds	596	550*
% of Vouchers/Points Collected by Funds	23%	68%

Sources: Coffee (1996); Blasi et al (1997); Frydman, Pistor, and Rapaczynski (1996)

* Of the 550 investment privatization funds, 277 were organized as joint-stock companies and 273 were organized as unit funds. The data is from May 30, 1995, as reported in Podpiera (1996).

Figure 3

Initial Capital Market Outcomes Czech Republic

Prague Stock Exchange

34% of Total Security
Transactions (December 1996)

- Listed Market- 96 Issues
- Unlisted Market- 1,574 Issues

RM-System

9% of Total Transactions

- Electronic Trading System

Security Center

56% of Total Transactions

- Centralized Registry
- No Price Disclosure

Source: Prague Stock Exchange (1997); Ministry of Industry and Trade of the Czech Republic (1997)

Figure 4
Tunneling in the Czech Republic

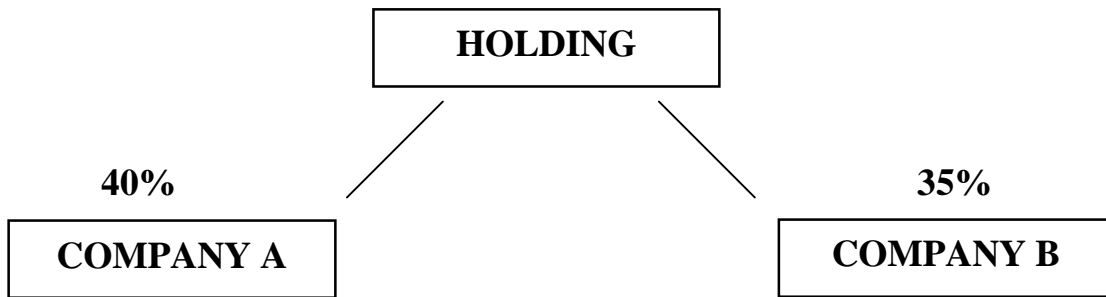


Company A is an empty shell.

Company B is owned by "friendly" company.

Figure 5

Tunneling Assets in the Czech Republic



Firm A borrows from bank and buys holding company's shares in company B.

Firm B then buys holding company's shares in company A.

End result: Two companies are leveraged, holding company keeps cash.

References

- Abolofia, Mitchel, 1996, *Making Markets: Opportunism and Restraint on Wall Street*, Cambridge, MA: Harvard University Press.
- Amsden, Alice, Jacek Kochanowicz, and Lance Taylor, 1994, *The Market Meets its Match: Restructuring the Economies of Eastern Europe*, Cambridge, MA: Harvard University Press.
- Aslund, Anders, 1995, *How Russia Became a Market Economy*, Washington D.C.: Brookings Institution.
- Baranov, Aleksander, 1995, "Otsutstvie zakonodatelnoi basoi sposobstvovalo spekulyatsiyam s tsenimi bumafami na predyavitelya," in *Izvestiya*.
- Baker, Wayne, 1984, "The Social Structure of a National Securities Market," *American Journal of Sociology*, 89:775-811.
- Becker, Howard, 1992, "Cases, Causes, Conjunctures, Stories, and Imagery," in ed. Charles Ragin and Howard Becker, *What is a Case? Exploring the Foundations of Social Inquiry*, New York: Cambridge University Press.
- Bentson, George, 1976, *Corporate Financial Disclosure in the UK and the USA*, Lexington, MA: Saxon House.
- Black, Bernard, Reiner Kraakman, and Jonathan Hay, 1996, "Corporate Law From Scratch," in Frydman, Gray, and Rapaczynski (eds), *Corporate Governance in Central Europe and Russia*, Vol. 2, New York: Central European University Press.
- Black, Bernard, Reiner Kraakman, and Anna Tarassova, 2000, "Russian Privatization and Corporate Governance: What Went Wrong?," forthcoming, *Stanford Law Review*.
- Blasi, Joseph, Maya Kroumova, and Douglas Kruse, 1997, *Kremlin Capitalism: Privatizing the Russian Economy*, Ithaca: Cornell University Press.
- Boycko, Maxim, Andrei Shleifer, and Robert Vishny, 1995, *Privatizing Russia*, Cambridge, MA: MIT Press.
- Burawoy, Michael, 1991, "The Extended Case Method," in ed. M. Burawoy, *Ethnography Unbound: Power and Resistance in the Modern Metropolis*, Berkeley: University of California Press.
- Burawoy, Michael, and P. Krotov, 1992, "The Soviet Transition from Socialism to Capitalism - Worker Control and Economic Bargaining in the Wood Industry," *American Sociology Review*, 57:16-38.
- Campbell, John, and Leon Lindberg, 1990, "Property Rights and the Organization of Economic Activity by the State," *American Sociological Review*, 55:634-647.
- Carruthers, Bruce G., 1996, *City of Capital: Politics and Markets in the English Financial Revolution*, Princeton, NJ: Princeton University Press.
- Coffee, John C. 1996, "Institutional Investors in Transitional Economies: Lessons from the Czech Experience," in Roman Frydman, Cheryl W. Gray and Andrzej Rapaczynski (eds.), *Corporate Governance in Central Europe and Russia*, Vol. I, New York: CEU Press, pp. 111-186.

- Coffee, J.C., 1998, "Inventing a Corporate Monitor for Transitional Economies: The Uncertain Lessons from the Czech and Polish Experiences," in K. Hopt, H. Kanda, M. Roe, E. Wymeersch, and S. Prigge (Eds.), *Comparative Corporate Governance: The State of the Art and Emerging Research*, pp. 68-138, Oxford: Oxford University Press.
- Coffee, J.C., 1999, "Privatization and Corporate Governance: The Lessons from Securities Market Failure," working paper, Columbia University Law School.
- Durkheim, Emile, 1984, *The Division of Labor in Society*, originally published 1922, translated by W.D. Halls, New York: The Free Press.
- Federal Commission for the Securities Market, 1996a, *Training Manual for Perspective Unit Fund Managers*, Manuscript (In Russian).
- Federal Commission for the Securities Market, 1996b, "Unit Investment Funds," Home Page, <http://www.fe.msk.ru/infomarket/fedcom/enevs/law.html>.
- Fligstein, Neil, 1990, *The Transformation of Corporate Control*, Cambridge, MA: Harvard University Press.
- Fligstein, Neil, 1996, "Markets as Politics - A Political-Cultural Approach to Market Institutions," *American Sociological Review*, 61:656-673.
- Foreman-Peck, James, 1990, "The 1856 Companies Act and the Birth and Death of Firms," in ed. Philippe Jobert and Michael Moss, *The Birth and Death of Companies. An Historical Perspective*, New Jersey: Parthenon Publishing.
- Fox, Merritt B. and Michael A. Heller, 1999, *Lessons from Fiascos in Russian Corporate Governance*, Manuscript (September 1999).
- Frydman, Roman, and Andrzej Rapaczynski, 1994, *Privatization in Eastern Europe: Is the State Withering Away?* Budapest: CEU Press.
- Frydman, Roman, Katharina Pistor, and Andrzej Rapaczynski, 1996, "Investing in Insider-Dominated Firms: A Study of Russian Voucher Privatization Funds," in eds. Roman Frydman, Cheryl W. Gray, and Andrzej Rapaczynski, *Corporate Governance in Central Europe and Russia*, Budapest: CEU Press.
- Frye, Timothy, 2000, *Brokers and Bureaucrats: Building Market Institutions in Russia*, Ann Arbor: University of Michigan Press.
- Goldman, Marshall, 1997, "Comments and Discussions: The Unofficial Economy in Transition," *Brookings Paper on Economic Activity*, 2: 222-230.
- Goldstein, Michael and N. Bulent Gultekin, 1998, "Privatization in Post-communist Economies," in John Doukas, Victor Murinde, and Clas Wihlborg eds., *Financial Sector Reform and Privatization in Transition Economies*, Amsterdam: Elsevier
- Goskomstat, 1996, *Official Statistics for 1996*, Moscow: Russian Government.
- Granovetter, Mark, 1985, "Economic Action and Social Structure: Problem of Embeddedness," *American Journal of Sociology*, 91:481-510.
- Haber, Stephen, 1997, "Financial Markets and Industrial Development: A Comparative Study of Government Regulation, financial Innovation, and Industrial Structure in Brazil and Mexico," in ed. Stephen Haber, *How Latin America Fell Behind. Essays on the Economic Histories of Brazil and Mexico, 1800-1914*, Stanford: Stanford University Press.
- Haryi, Aydin and Gerald McDermott, 1998, "The Network Properties of Corporate Governance and Industrial Restructuring: A Post-Socialist Lesson," *Industrial and Corporate Change*, 7: 153-193.

- Hawkins, David, 1986, *Corporate Financial Disclosure, 1900-1933, A Study of Management Inertia Within a Rapidly Changing Environment*, New York: Garland Publishing.
- Hingorani, Archana, Kenneth Lehn, and Anil Makhija, 1997, "Investor Behavior in Mass Privatization: The Case of the Czech Voucher Scheme," *Journal of Financial Economics*, 44: 349-396.
- Hirschman, Albert, 1977, *The Passions and the Interests: Political Arguments for Capitalism before its Triumph*, Princeton: Princeton University Press.
- International Monetary Fund, 1998, *IMF World Economic Outlook, May 1998--Statistical Appendix*, Washington, D.C.
- Johnson, Simon and Andrei Shleifer, 1999, "Coase versus the Coasians," working paper, Sloan School, M.I.T..
- Johnson, Rafael LaPorta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 2000, "Tunneling," *American Economic Association Proceedings*.
- Kogut, Bruce, 1996, "Direct Investment, Experimentation, and Corporate Governance in Transition Economies." in Roman Frydman, Cheryl Gray, and Andrzej Rapaczynski (eds.), *Corporate Governance in Central Europe and Russia, Vol. 1*, New York: Central European University Press, 1996.
- Kogut, Bruce and Udo Zander, 2000, "Did Socialism Fail to Innovate? A Natural Experiment of the Two Zeiss Companies," *American Sociological Review*, 65: 169-190.
- Kornai, Janos, 1980, *Economies of Shortage*, Amsterdam: North Holland.
- Kremlin International News Broadcast, 1995, Press conference with the vice-chairman of the Federal Commission for Securities and the Stock Market, Dmitry Vasilyev, March 28.
- Ledeneva, Alena, 1998, *Russia's Economy of Favours: Blat, Networking and Informal Exchange*, Cambridge: Cambridge University Press.
- Lieberman, Ira, and Rogi Veimetra, 1996, "The Rush for State Shares in the "Klondyke" of Wild East Capitalism: Loans-for-Shares Transactions in Russia," *The George Washington Journal of International Law*, 29:737-768.
- McDermott, Gerald, 1998, "Industrial Networks and the Politics of Institution Building in the Post-Socialist Czech Republic," Ph.D. dissertation, Department of Political Science, MIT.
- Mejstrik, Michal, 1996, "Privatization in the Czech Republic and Russia: The Voucher Model," contribution to the Egon-Sohnen-Symposium.
- Ministry of Industry and Trade, 1997, *Analysis of the Czech Economy and MIT Sectors in 1996*, Czech Republic.
- Ministry of Industry and Trade of the Czech Republic, 1997, *Analysis of the Czech Economy and MIT Sectors in 1996*, Prague.
- Morgenstern, Claudia, 1995, "Capital Market Development and Financing Russia's Transformation," in Ira Lieberman and John Nellis (eds.), *Russia: Creating Private Enterprises and Efficient Markets*, Washington D.C.: The World Bank.
- Murrell, Peter, 1995, "The Transition According to Cambridge, Mass.," *Journal of Economic Literature*, 33:164-178.
- Nee, Victor, 1989, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review*, 54: 663-681.
- North, Douglas, 1990, *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.

- North, Douglass and Barry Weingast, 1989, "Constitutions and Commitment. The Evolution of Institutions Governing Public Choice in Seventeenth Century England," *Journal of Economic History*, 49: 803-32.
- Olson, Mancur, 1965, *The Logic of Collective Action*, Cambridge, MA: Harvard University Press.
- Ostrom, Elinor, 1990, *Governing the Commons: The Evolution of Institutions for Collective Action*, Cambridge: Cambridge University Press.
- Petkoski, Djordjija, 1998, "Financial Industrial Groups in Russia: Key Drivers Behind their Formation," unpublished mimeo, World Bank.
- Pistor, Katharina, 1997, "Company Law and Corporate Governance in Russia," in Jeffrey Sachs and Katharina Pistor (eds), *The Rule of Law and Economic Reform in Russia*, Boulder, CO: Westview Press.
- Pistor, Katharina, 1999, *Law as a Determinant for Equity Market Development: The Experience of Transition Economies*, Manuscript.
- Pistor, Katharina, and Andrew Spicer, 1997, "Investment Funds in Mass Privatization and Beyond," in *Between State and Market*, edited by Ira Lieberman, Stilpon Nelson, and Raj Desai, Washington DC: The World Bank.
- Podpiera, Richard, 1996, "The Czech Investment Fund Industry: Development and Behavior," The Williamson Davidson Institute. Working Paper Number 22.
- Pohl, Gerhard, Gregory Jdrzejczak, and Robert Anderson, 1995, *Creating Capital Markets in Central and Eastern Europe*, Washington DC: The World Bank, Private Sector and Finance.
- Polanyi, Karl, 1957, *The Great Transformation*, Boston: Beacon Press.
- Prague Stock Exchange, 1997, 1996 Fact Book, Czech Republic.
- Ragin, Charles, 1987, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*, Berkeley, CA: University of California, Berkeley.
- Seligman, Joel, 1995, *The Transformation of Wall Street. A History of the Securities and Exchange Commission and Modern Corporate Finance*, Boston: Northwestern University Press.
- Shapiro, Susan, 1987, "The Social Control of Impersonal Trust," *American Journal of Sociology*, 93: 623-58.
- Spicer, Andrew, 1998, *Institutions and the Social Construction of Organizational Form: The Development of Russian Mutual Funds, 1992-1997*, Ph.D. Dissertation, Wharton School, University of Pennsylvania.
- Stark, David, 1989, "Bending the Bars of the Iron Cage: Bureaucratization and Informalization in Capitalism and Socialism," *Sociological Forum*, 4:637-64.
- Stark, David, 1996, "Recombinant Property in East European Capitalism," *American Journal of Sociology*, 1001:993-1027.
- Stark, David, and Laszlo Bruszt, 1998, (Manuscript), *Postsocialist Pathways: Transforming Politics and Property in East Central Europe*, New York: Cambridge University Press
- St.Giles, Mark, and Sally Buxton, 1995, "Investment Funds and Privatization," in *Russia: Creating Private Enterprises and Efficient Markets*, edited by Ira Lieberman and John Nellis, Washington DC: The World Bank, pp. 45-54.
- Stiglitz, Joseph, 1994, *Whither Socialism?* Cambridge, Mass.: MIT Press
- Wedel, Janine. 1998. *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*. New York: St. Martin's Press.

- Williamson, Oliver, 1991, "Comparative Economic Organization: The Analysis of Discrete Structural Alternatives," *Administrative Science Quarterly*, 36: 269-296.
- World Bank, 1996, *World Development Report: From Plan to Market*, New York: Oxford University Press.
- World Bank, 1998, "Country at a Glance" Development Data, Washington, D.C.
- Zelizer, Vivianna, 1978, "Human Values and the Market: The Case of Life Insurance and Death in 19th Century America," *American Journal of Sociology*, :591-610.
- Zucker, Lynne, 1986, "Production of Trust: Institutional Sources of Economic Structure, 1840-1920," *Research in Organizational Behavior*, 8: 53-111.

Appendix**A) Interviews Conducted in Russia and Czech Republic, August-September 1997**

<i>Type of Interviewee</i>	<i>Number of Interviews</i>	
	Russia	Czech Republic
Government Officials	2	1
Journalists	1	1
Market Exchange Systems*	6	2
Policy Advisors/Consultants	5	5
Private Financial Companies (Bankers/brokers/fund managers)	5	5
Professional/Industry Associations**	2	3

* In Russia, this includes representatives of the Russian Stock Exchange, Central Russian Stock Exchange (TsRYB), and the Russian Electronic Trading System (RTS). In Prague, this includes representatives of the Prague Stock Exchange and the RM Electronic Trading System.

** In Russia, this includes representatives from NAUFOR (National Association of Security Market Participants) and PATRAD (Professional Association of Registrars, Transfer-Agents and Depositories). In the Czech Republic, this includes representatives from the Czech Pulp and Paper Industry Association, German-Czech industry association, and the Metal Trade Union.

B) Interviews Conducted at the World Bank, Washington, D.C. October, 1997

Nine interviews with World Bank officials closely involved in the formation and implementation of mass privatization programs in East-Central Europe.

Endnotes

¹ See Pistor 1999 for a similar emphasis on security market regulation, not law, as critical.

² See Boycko, Shleifer, and Vishny (1995) on depoliticization; Johnson and Shleifer (1999) on regulation as the driver of economic performance in Poland relative to the Czech Republic- the thesis of civil and common law is dropped by and large, as the countries do not differ greatly in their corporate law.

³ The initial plan, and the so-called “first wave” of privatization, took place prior to the break-up of Czechoslovakia into two countries. Our analysis is restricted to the Czech Republic. Excellent studies of the privatization process and the subsequent implications for corporate governance are Coffee (1996; 1998) and McDermott (1998).

⁴ There is, though, a dissenting and influential minority in both camps. See Stiglitz (1994) and Amsden et al. (1994).

⁵ See Ostrom (1990) for a criticism of the Hobbsian state as a resolution to collective action dilemmas, and for the analysis of “constitutional” influences on the incentives for self-regulation.

⁶ By “law” we mean the formal regulatory orders issued by the Russian government, which the government claimed should be considered as legally binding despite the fact that these presidential and ministerial decrees rarely received formal approval by the Russian Duma. Our concern is with the way that formal regulation in the Russian capital markets compared to actual practice. Others (Black, Kraakman, and Tarassova, 2000; Pistor 1997; Fox and Heller 1999) have demonstrated in great detail the mismatch between regulation and practice in corporate governance activities in post-privatization Russia.

⁷ For information about MMM, see *Izvestiya*, Dec. 11, 94, December 18, 1994, Jan, 19, 1995; *Nezavisimaya Gazeta*, July 28, 1994 p. 1-2; *Chicago Tribune*, August 16, 1994. For information about Tibet, see *Komersant-Daily*, No.49, March 18 1995 or *Komersant*, No. 11, March 29, 1994, p.48.

⁸ The first license to manage an unit investment fund went to a westerner, Elisabeth Herbert. Ms. Herbert at the time was the girlfriend of Jonathon Hay, the main western legal advisor to the Federal Commission. The perception of favoritism in granting unit fund licenses later became part of a U.S. AID investigation into the distribution of western aid to Russia. See Wedel (1998) for a description of the multiple reasons why U.S. AID initiated its investigation into the role of western advisors in Russia.

⁹ See Frye (2000) for an in-depth analysis of self-regulating organizations in the Russian financial marketplace and the important role that the Federal Commission, and western aid organizations, played in the formation of these professional groups.

¹⁰ The new head of the Commission, Jan Mueller, noted he had an uphill battle: “I know foreigners see us as a den of thieves and I want to do something about it. But I have negligible power to regulate the market.” (*Financial Times*, May 12, 1998).

¹¹ See Coffee 1996, as well as Black et al. 1996, on self-enforcing law.

¹² It is important to underscore Campbell and Lindberg’s analysis (1990) of the important influence of government in the United States through regulation.


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

DAVIDSON INSTITUTE WORKING PAPER SERIES

CURRENT AS OF 8/30/00

Publication	Authors	Date of Paper
<i>No. 335 Institutional Technology and the Chains of Trust: Capital Markets and Privatization in Russia and the Czech Republic</i>	<i>Bruce Kogut and Andrew Spicer</i>	<i>August 2000</i>
<i>No. 334 The Evolution of Market Integration in Russia</i>	<i>Daniel Berkowitz and David N. DeJong</i>	<i>August 2000</i>
<i>No. 333 Efficiency and Market Share in Hungarian Corporate Sector</i>	<i>László Halpern and Gábor Kőrösi</i>	<i>July 2000</i>
<i>No. 332 Search-Money-and-Barter Models of Financial Stabilization</i>	<i>S.I. Boyarchenko and S.Z. Levendorskii</i>	<i>July 2000</i>
<i>No. 331 Worker Training in a Restructuring Economy: Evidence from the Russian Transition</i>	<i>Mark C. Berger, John S. Earle and Klara Z. Sabirianova</i>	<i>August 2000</i>
<i>No. 330 Economic Development in Palanpur 1957-1993: A Sort of Growth</i>	<i>Peter Lanjouw</i>	<i>August 2000</i>
<i>No. 329 Trust, Organizational Controls, Knowledge Acquisition from the Foreign Parents, and Performance in Vietnamese International Joint Ventures</i>	<i>Marjorie A. Lyles, Le Dang Doanh, and Jeffrey Q. Barden</i>	<i>June 2000</i>
<i>No. 328 Comparative Advertising in the Global Marketplace: The Effects of Cultural Orientation on Communication</i>	<i>Zeynep Gürhan-Canli and Durairaj Maheswaran</i>	<i>August 2000</i>
<i>No. 327 Post Privatization Enterprise Restructuring</i>	<i>Morris Bornstein</i>	<i>July 2000</i>
<i>No. 326 Who is Afraid of Political Instability?</i>	<i>Nauro F. Campos and Jeffrey B. Nugent</i>	<i>July 2000</i>
<i>No. 325 Business Groups, the Financial Market and Modernization</i>	<i>Raja Kali</i>	<i>June 2000</i>
<i>No. 324 Restructuring with What Success? A Case Study of Russian Firms</i>	<i>Susan Linz</i>	<i>July 2000</i>
<i>No. 323 Priorities and Sequencing in Privatization: Theory and Evidence from the Czech Republic</i>	<i>Nandini Gupta, John C. Ham and Jan Svejnar</i>	<i>May 2000</i>
<i>No. 322 Liquidity, Volatility, and Equity Trading Costs Across Countries and Over Time</i>	<i>Ian Domowitz, Jack Glen and Ananth Madhavan</i>	<i>March 2000</i>
<i>No. 321 Equilibrium Wage Arrears: Institutional Lock-In of Contractual Failure in Russia</i>	<i>John S. Earle and Klara Z. Sabirianova</i>	<i>June 2000</i>
<i>No. 320 Rethinking Marketing Programs for Emerging Markets</i>	<i>Niraj Dawar and Amitava Chattopadhyay</i>	<i>June 2000</i>
<i>No. 319 Public Finance and Low Equilibria in Transition Economies; the Role of Institutions</i>	<i>Daniel Daianu and Radu Vranceanu</i>	<i>June 2000</i>
<i>No. 318 Some Econometric Evidence on the Effectiveness of Active Labour Market Programmes in East Germany</i>	<i>Martin Eichler and Michael Lechner</i>	<i>June 2000</i>
<i>No. 317 A Model of Russia's "Virtual</i>	<i>R.E Ericson and B.W Ickes</i>	<i>May 2000</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Economy</i>		
No. 316 <i>Financial Institutions, Financial Contagion, and Financial Crises</i>	<i>Haizhou Huang and Chenggang Xu</i>	<i>March 2000</i>
No. 315 <i>Privatization versus Regulation in Developing Economies: The Case of West African Banks</i>	<i>Jean Paul Azam, Bruno Biais, and Magueye Dia</i>	<i>February 2000</i>
No. 314 <i>Is Life More Risky in the Open? Household Risk-Coping and the Opening of China's Labor Markets</i>	<i>John Giles</i>	<i>April 2000</i>
No. 313 <i>Networks, Migration and Investment: Insiders and Outsiders in Tirupur's Production Cluster</i>	<i>Abhijit Banerjee and Kaivan Munshi</i>	<i>March 2000</i>
No. 312 <i>Computational Analysis of the Impact on India of the Uruguay Round and the Forthcoming WTO Trade Negotiations</i>	<i>Rajesh Chadha, Drusilla K. Brown, Alan V. Deardorff and Robert M. Stern</i>	<i>March 2000</i>
No. 311 <i>Subsidized Jobs for Unemployed Workers in Slovakia</i>	<i>Jan. C. van Ours</i>	<i>May 2000</i>
No. 310 <i>Determinants of Managerial Pay in the Czech Republic</i>	<i>Tor Eriksson, Jaromir Gottvald and Pavel Mrazek</i>	<i>May 2000</i>
No. 309 <i>The Great Human Capital Reallocation: An Empirical Analysis of Occupational Mobility in Transitional Russia</i>	<i>Klara Z. Sabirianova</i>	<i>May 2000</i>
No. 308 <i>Economic Development, Legality, and the Transplant Effect</i>	<i>Daniel Berkowitz, Katharina Pistor, and Jean-Francois Richard</i>	<i>February 2000</i>
No. 307 <i>Community Participation, Teacher Effort, and Educational Outcome: The Case of El Salvador's EDUCO Program</i>	<i>Yasuyuki Sawada</i>	<i>November 1999</i>
No. 306 <i>Gender Wage Gap and Segregation in Late Transition</i>	<i>Stepan Jurajda</i>	<i>May 2000</i>
No. 305 <i>The Gender Pay Gap in the Transition from Communism: Some Empirical Evidence</i>	<i>Andrew Newell and Barry Reilly</i>	<i>May 2000</i>
No. 304 <i>Post-Unification Wage Growth in East Germany</i>	<i>Jennifer Hunt</i>	<i>November 1998</i>
No. 303 <i>How Does Privatization Affect Workers? The Case of the Russian Mass Privatization Program</i>	<i>Elizabeth Brainerd</i>	<i>May 2000</i>
No. 302 <i>Liability for Past Environmental Contamination and Privatization</i>	<i>Dietrich Earnhart</i>	<i>March 2000</i>
No. 301 <i>Varieties, Jobs and EU Enlargement</i>	<i>Tito Boeri and Joaquim Oliveira Martins</i>	<i>May 2000</i>
No. 300 <i>Employer Size Effects in Russia</i>	<i>Todd Idson</i>	<i>April 2000</i>
No. 299 <i>Information Complements, Substitutes, and Strategic Product Design</i>	<i>Geoffrey G. Parker and Marshall W. Van Alstyne</i>	<i>March 2000</i>
No. 298 <i>Markets, Human Capital, and Inequality: Evidence from Rural China</i>	<i>Dwayne Benjamin, Loren Brandt, Paul Glewwe, and Li Guo</i>	<i>May 2000</i>
No. 297 <i>Corporate Governance in the Asian Financial Crisis</i>	<i>Simon Johnson, Peter Boone, Alasdair Breach, and Eric Friedman</i>	<i>November 1999</i>
No. 296 <i>Competition and Firm Performance: Lessons from Russia</i>	<i>J. David Brown and John S. Earle</i>	<i>March 2000</i>
No. 295 <i>Wage Determination in Russia: An Econometric Investigation</i>	<i>Peter J. Luke and Mark E. Schaffer</i>	<i>March 2000</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>No. 294: Can Banks Promote Enterprise Restructuring?: Evidence From a Polish Bank's Experience</i>	<i>John P. Bonin and Bozena Leven</i>	<i>March 2000</i>
<i>No. 293: Why do Governments Sell Privatised Companies Abroad?</i>	<i>Bernardo Bortolotti, Marcella Fantini and Carlo Scarpa</i>	<i>March 2000</i>
<i>No. 292: Going Public in Poland: Case-by-Case Privatizations, Mass Privatization and Private Sector Initial Public Offerings</i>	<i>Wolfgang Aussenegg</i>	<i>December 1999</i>
<i>No. 291: Institutional Technology and the Chains of Trust: Capital Markets and Privatization in Russia and the Czech Republic</i>	<i>Bruce Kogut and Andrew Spicer</i>	<i>March 1999</i>
<i>No. 290: Banking Crises and Bank Rescues: The Effect of Reputation</i>	<i>Jenny Corbett and Janet Mitchell</i>	<i>January 2000</i>
<i>No. 289: Do Active Labor Market Policies Help Unemployed Workers to Find and Keep Regular Jobs?</i>	<i>Jan C. van Ours</i>	<i>February 2000</i>
<i>No. 288: Consumption Patterns of the New Elite in Zimbabwe</i>	<i>Russell Belk</i>	<i>February 2000</i>
<i>No. 287: Barter in Transition Economies: Competing Explanations Confront Ukrainian Data</i>	<i>Dalia Marin, Daniel Kaufmann and Bogdan Goroehowski</i>	<i>January 2000</i>
<i>No. 286: The Quest for Pension Reform: Poland's Security through Diversity</i>	<i>Marek Góra and Michael Rutkowski</i>	<i>January 2000</i>
<i>No. 285: Disorganization and Financial Collapse</i>	<i>Dalia Marin and Monika Schnitzer</i>	<i>October 1999</i>
<i>No. 284: Coordinating Changes in M-form and U-form Organizations</i>	<i>Yingyi Qian, Gérard Roland and Chenggang Xu</i>	<i>May 1999</i>
<i>No. 283: Why Russian Workers Do Not Move: Attachment of Workers Through In-Kind Payments</i>	<i>Guido Friebel and Sergei Guriev</i>	<i>October 1999</i>
<i>No. 282: Lessons From Fiascos in Russian Corporate Governance</i>	<i>Merritt B. Fox and Michael A. Heller</i>	<i>October 1999</i>
<i>No. 281: Income Distribution and Price Controls: Targeting a Social Safety Net During Economic Transition</i>	<i>Michael Alexeev and James Leitzel</i>	<i>March 1999</i>
<i>No. 280: Starting Positions, Reform Speed, and Economic Outcomes in Transitioning Economies</i>	<i>William Hallagan and Zhang Jun</i>	<i>January 2000</i>
<i>No. 279 : The Value of Prominent Directors</i>	<i>Yoshiro Miwa & J. Mark Ramseyer</i>	<i>October 1999</i>
<i>No. 278: The System Paradigm</i>	<i>János Kornai</i>	<i>April 1998</i>
<i>No. 277: The Developmental Consequences of Foreign Direct Investment in the Transition from Socialism to Capitalism: The Performance of Foreign Owned Firms in Hungary</i>	<i>Lawrence Peter King</i>	<i>September 1999</i>
<i>No. 276: Stability and Disorder: An Evolutionary Analysis of Russia's Virtual Economy</i>	<i>Clifford Gaddy and Barry W. Ickes</i>	<i>November 1999</i>
<i>No. 275: Limiting Government Predation Through Anonymous Banking: A Theory with Evidence from China.</i>	<i>Chong-En Bai, David D. Li, Yingyi Qian and Yijiang Wang</i>	<i>July 1999</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

*No. 274: <i>Transition with Labour Supply</i>	<i>Tito Boeri</i>	<i>December 1999</i>
No. 273: <i>Sectoral Restructuring and Labor Mobility: A Comparative Look at the Czech Republic</i>	<i>Vit Sorm and Katherine Terrell</i>	<i>November 1999</i>
*No. 272: Published in: Journal of Comparative Economics "Returns to Human Capital Under the Communist Wage Grid and During the Transition to a Market Economy" Vol. 27, pp. 33-60 1999.	<i>Daniel Munich, Jan Svejnar and Katherine Terrell</i>	<i>October 1999</i>
No. 271: <i>Barter in Russia: Liquidity Shortage Versus Lack of Restructuring</i>	<i>Sophie Brana and Mathilde Maurel</i>	<i>June 1999</i>
No. 270: <i>Tests for Efficient Financial Intermediation with Application to China</i>	<i>Albert Park and Kaja Sehrt</i>	<i>March 1999</i>
No. 269a: <i>Russian Privatization and Corporate Governance: What Went Wrong?</i>	<i>Bernard Black, Reinier Kraakman and Anna Tarassova</i>	<i>May 2000</i>
No. 269: <i>Russian Privatization and Corporate Governance: What Went Wrong?</i>	<i>Bernard Black, Reinier Kraakman and Anna Tarassova</i>	<i>September 1999</i>
No. 268: <i>Are Russians Really Ready for Capitalism?</i>	<i>Susan Linz</i>	<i>September 1999</i>
No. 267: <i>Do Stock Markets Promote Economic Growth?</i>	<i>Randall K. Filer, Jan Hanousek and Nauro Campos</i>	<i>September 1999</i>
No. 266: <i>Objectivity, Proximity and Adaptability in Corporate Governance</i>	<i>Arnoud W.A Boot and Jonathan R. Macey</i>	<i>September 1999</i>
No. 265: <i>When the Future is not What it Used to Be: Lessons from the Western European Experience to Forecasting Education and Training in Transitional Economies</i>	<i>Nauro F. Campos, Gerard Hughes, Stepan Jurajda, and Daniel Munich</i>	<i>September 1999</i>
No. 264: <i>The Institutional Foundation of Foreign-Invested Enterprises (FIEs) in China</i>	<i>Yasheng Huang</i>	<i>September 1999</i>
No. 263: <i>The Changing Corporate Governance Paradigm: Implications for Transition and Developing Countries</i>	<i>Erik Berglof and Ernst-Ludwig von Thadden</i>	<i>June 1999</i>
No. 262: <i>Law Enforcement and Transition</i>	<i>Gerard Roland and Thierry Verdier</i>	<i>May 1999</i>
No. 261: <i>Soft Budget Constraints, Pecuniary Externality, and the Dual Track System</i>	<i>Jiahua Che</i>	<i>June 2000</i>
No. 260: <i>Missing Market in Labor Quality: The Role of Quality Markets in Transition</i>	<i>Gary H. Jefferson</i>	<i>July 1999</i>
No. 259: <i>Do Corporate Global Environmental Standards in Emerging Markets Create or Destroy Market Value</i>	<i>Glen Dowell, Stuart Hart and Bernard Yeung</i>	<i>June 1999</i>
No. 258: <i>Public Training and Outflows from Unemployment</i>	<i>Patrick A. Puhani</i>	<i>June 1999</i>
No. 257: <i>Ownership Versus Environment: Why are Public Sector Firms Inefficient?</i>	<i>Ann P. Bartel and Ann E. Harrison</i>	<i>June 1999</i>
No. 256: <i>Taxation and Evasion in the Presence of Exortion by Organized Crime</i>	<i>Michael Alexeev, Eckhard Janeba and Stefan Osborne</i>	<i>November 1999</i>
No. 255: <i>Revisiting Hungary's Bankruptcy Episode</i>	<i>John P. Bonin and Mark E. Schaffer</i>	<i>September 1999</i>
No. 254: <i>FDI in Emerging Markets: A Home-Country View</i>	<i>Marina v.N Whitman</i>	<i>June 1999</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 253: <i>The Asian Financial Crisis: What Happened, and What is to be Done</i>	<i>Jeffrey D. Sachs and Wing Thye Woo</i>	January 1999
No. 252: <i>Organizational Law as Asset Partitioning</i>	<i>Henry Hansmann and Reinier Kraakman</i>	September 1999
No. 251: <i>Consumer Behavior Research in Emerging Consumer Markets: the Case of the Optimum Stimulation Level in South Africa</i>	<i>Jan-Benedict E. M. Steenkamp and Steven M. Burgess</i>	September 1999
No. 250: <i>Property Rights Formation and the Organization of Exchange and Production in Rural China</i>	<i>Matthew A. Turner, Loren Brandt, and Scott Rozelle</i>	July 1998
No. 249: <i>Impacts of the Indonesian Economic Crisis: Price Changes and the Poor</i>	<i>James Levinsohn, Steven Berry, and Jed Friedman</i>	June 1999
No. 248: <i>Internal Barriers in the Transition of Enterprises from Central Plan to Market</i>	<i>Charalambos Vlachoutsicos</i>	July 1999
No. 247: <i>Spillovers from Multinationals in Developing Countries: the Mechanisms at Work</i>	<i>Richard E. Caves</i>	June 1999
No. 246: <i>Dynamism and Inertia on the Russian Labour Market: A Model of Segmentation</i>	<i>Irena Grosfeld, Claudia Senik-Leygonie, Thierry Verdier, Stanislav Kolenikov and Elena Paltseva</i>	May 1999
No. 245: <i>Lessons from Bank Privatization in Central Europe</i>	<i>John Bonin and Paul Wachtel</i>	May 1999
No. 244: <i>Nominal-Real Tradeoffs and the Effects of Monetary Policy: the Romanian Experience</i>	<i>Christian Popa</i>	December 1998
No. 243: <i>Privatization, Political Risk and Stock Market Development in Emerging Economies</i>	<i>Enrico C. Perotti and Pieter van Oijen</i>	March 1999
No. 242: <i>Investment Financing in Russian Financial-Industrial Groups</i>	<i>Enrico C. Perotti and Stanislav Gelfer</i>	October 1998
No. 241: <i>Can governments maintain hard budget constraints? Bank lending and financial isolation in Romania</i>	<i>Octavian Carare, Constantijn Claessens, Enrico C. Perotti</i>	January 1999
No. 240: <i>Democratic Institutions and Economic Reform: the Polish Case</i>	<i>John E. Jackson, Jacek Klich, and Krystyna Poznanska</i>	April 1998
No. 239: <i>A Longitudinal Study of IJV Performance in Eastern Europe</i>	<i>Keith D. Brouthers and Gary Bamossy</i>	June 1999
No. 238: <i>Published in: Journal of Business Venturing, "Firm Creation and Economic Transitions" Vol. 14, Iss. 5,6 Sep/Nov 1999, pp. 427-450.</i>	<i>John E. Jackson, Jacek Klich, Krystyna Poznanska</i>	July 1998
No. 237: <i>Analysis of Entrepreneurial Attitudes in Poland</i>	<i>John E. Jackson and Aleksander S. Marcinkowski</i>	March 1997
No. 236: <i>Investment and Finance in De Novo Private Firms: Empirical Results from the Czech Republic, Hungary, and Poland</i>	<i>Andrzej Bratkowski, Irena Grosfeld, Jacek Rostowski</i>	April 1999
No. 235: <i>Does a Soft Macroeconomic Environment Induce Restructuring on the Microeconomic Level during the Transition Period? Evidence from Investment Behavior of Czech Enterprises</i>	<i>Lubomir Lizal</i>	June 1999
No. 234: <i>Banking Reform in China: Gradually</i>	<i>John Bonin</i>	June 1999

Publications denoted by an asterisk are not available on the Kresge Library webpage
(<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Strengthening Pillar or Fragile Reed?</i>		
No. 233: <i>Theories of Soft Budget Constraints and the Analysis of Banking Crises</i>	Janet Mitchell	March 1999
No. 232: <i>Unemployment Risk, Precautionary Savings, and Moonlighting in Russia</i>	Alessandra Guariglia and Byung-Yeon Kim	June 1999
No. 231: <i>Investing in Turbulent Times: The Investment Behavior of Polish Firms in the Transition</i>	Josef C. Brada, Arthur E. King, and Chia-Ying Ma	April 1999
No. 230: <i>The End of Moderate Inflation in Three Transition Economies?</i>	Josef C. Brada and Ali M. Kutan	April 1999
No. 229: <i>Back to the Future: The Growth Prospects of Transition Economies Reconsidered</i>	Nauro F. Campos	April 1999
No. 228: <i>The Enterprise Isolation Program in Russia</i>	Simeon Djankov	April 1999
No. 227: Published in: Journal of Comparative Economics , "Ownership Concentration and Corporate Performance in the Czech Republic" 27(3), September 1999, pp. 498-513.	Stijn Claessens and Simeon Djankov	April 1999
No. 226: <i>Unemployment Benefit Entitlement and Training Effects in Poland during Transition</i>	Patrick A. Puhani	March 1999
No. 225: <i>Transition at Whirlpool-Tatramat: Case Studies</i>	Hans Brechbuhl and Sonia Ferencikova	March 1999
No. 224: <i>Measuring Progress in Transition and Towards EU Accession: A Comparison of Manufacturing Firms in Poland, Romania, and Spain</i>	Wendy Carlin, Saul Estrin, and Mark Schaffer	March 1999
No. 223: <i>Product Market Competition in Transition Economies: Increasing Varieties and Consumer Loyalty</i>	Mitsutoshi M. Adachi	March 1999
No. 222: <i>Opaque Markets and Rapid Growth: the Superiority of Bank-Centered Financial Systems for Developing Nations</i>	Rodney Wallace	July 1999
No. 221: <i>Technology Spillovers through Foreign Direct Investment</i>	Yuko Kinoshita	January 1999
No. 220: <i>Managerial, Expertise and Team Centered Forms of Organizing: A Cross-Cultural Exploration of Independence in Engineering Work</i>	Leslie Perlow	January 1999
No. 219: <i>Household Structure and Labor Demand in Agriculture: Testing for Separability in Rural China</i>	Audra J. Bowlus and Terry Sicular	January 1999
No. 218: <i>Competing Strategies of FDI and Technology Transfer to China: American and Japanese Firms</i>	W. Mark Fruin and Penelope Prime	January 1999
No. 217 Published in: Journal of Comparative Economics , "Returns to Mobility in the Transition to a Market Economy" Vol. 27, No. 1, March 1999, pp. 4-	Tito Boeri and Christopher J. Flinn	January 1999
No. 216 Published in: Journal of	Katherine Terrell and Vit Sorm	November 1998

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Comparative Economics</i> , "Labor Market Policies and Unemployment in the Czech Republic." Vol. 27, No. 1, March 1999, pp. 33-60.		
No. 215 Published in: <i>Journal of Comparative Economics</i> , "Active Labor Market Policies in Poland: Human Capital Enhancement, Stigmatization or Benefit Churning?" Vol. 27, No. 1, March 1999, pp. 61-	Jochen Kluve, Hartmut Lehmann, and Christoph M. Schmidt	December 1998
No. 214 Published in: <i>Journal of Comparative Economics</i> , "Does the Slovenian Public Work Program Increase Participants' Chances to Find a Job?" Vol. 27, No.1, March 1999, pp. 113-	Milan Vodopivec	December 1998
No. 213 Published in: <i>Journal of Comparative Economics</i> , "Effects of Active Labor Market Programs on the Transition Rate from Unemployment into Regular Jobs in the Slovak Republic." Vol. 27, No. 1, March 1999, pp. 90-	Martina Lubyova and Jan C. van Ours	December 1998
No. 212: <i>The Marketing System in Bulgarian Livestock Production – The Present State and Evolutionary Processes During the Period of Economic Transition</i>	Yordan Staykov, Team Leader	October 1998
No. 211: <i>Bankruptcy Experience in Hungary and the Czech Republic</i>	Janet Mitchell	October 1998
No 210: <i>Values, Optimum Stimulation Levels and Brand Loyalty: New Scales in New Populations</i>	Steven M. Burgess and Mari Harris	September 1998
No. 209: <i>Inherited Wealth, Corporate Control and Economic Growth</i>	Randall K. Morck, David A. Stangeland, and Bernard Yeung	September 1998
No. 208: <i>A Cultural Analysis of Homosocial Reproduction and Contesting Claims to Competence in Transitional Firms</i>	Michael D. Kennedy	July 1998
No. 207: <i>From Survival to Success: The Journey of Corporate Transformation at Haier. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies</i> ed. Daniel Denison.	Arthur Yeung and Kenneth DeWoskin	July 1998
No. 206: <i>Why Do People Work If They Are Not Paid? An Example from Eastern Europe. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies</i> ed. Daniel Denison.	Irina L. Zinovieva	May 1998
No. 205: <i>Firm Ownership and Work Motivation in Bulgaria and Hungary: An Empirical Study of the Transition in the Mid-1990s. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies</i> ed. Daniel Denison.	Robert A. Roe, Irina L. Zinovieva, Elizabeth Dienes, and Laurens A. ten Horn	May 1998
No. 204: <i>Human Resource Management in the</i>	Nandani Lynton	April 1998

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Restructuring of Chinese Joint Ventures. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>		
<i>No. 203: Emergent Compensation Strategies in Post-Socialist Poland: Understanding the Cognitive Underpinnings of Management Practices in a Transition Economy. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Marc Weinstein</i>	<i>March 1998</i>
<i>No. 202: Corporate Transformation and Organizational Learning: The People's Republic of China. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Meinolf Dierkes and Zhang Xinhua</i>	<i>March 1998</i>
<i>No. 201: Foreign Direct Investment as a Factor of Change: The Case of Slovakia. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Sonia Ferencikova</i>	<i>February 1998</i>
<i>No. 200: Radical versus Incremental Change: The Role of Capabilities, Competition, and Leaders. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Karen L. Newman</i>	<i>February 1998</i>
<i>No. 199: The Emergence of Market Practices in China's Economic Transition: Price Setting Practices in Shanghai's Industrial Firms. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Douglas Guthrie</i>	<i>February 1998</i>
<i>No. 198: The Application of Change Management Methods at Business Organizations Operating in Hungary: Challenges in the Business and Cultural Environment and First Practical Experiences. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Dr. János Fehér</i>	<i>January 1998</i>
<i>No. 197: Organizational Changes in Russian Industrial Enterprises: Mutation of Decision-Making Structures and Transformations of Ownership. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.</i>	<i>Igor B. Gurkov</i>	<i>January 1998</i>
<i>No. 196: Understanding and Managing Challenges to the Romanian Companies during Transition. Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel</i>	<i>Dan Candea and Rodica M. Candea</i>	<i>January 1998</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
(<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Denison.</i>		
No. 195: <i>Insider Lending and Economic Transition: The Structure, Function, and Performance Impact of Finance Companies in Chinese Business Groups.</i> Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.	<i>Lisa A. Keister</i>	<i>December 1997</i>
No. 194: <i>Japanese Investment in Transitional Economies: Characteristics and Performance.</i> Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.	<i>Paul W. Beamish and Andrew Delios</i>	<i>November 1997</i>
No. 193: <i>Building Successful Companies in Transition Economies.</i> Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.	<i>Dr. Ivan Perlaki</i>	<i>January 1998</i>
No. 192: <i>Russian Communitariansim: An Invisible Fist in the Transformation Process of Russia.</i> Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.	<i>Charalambos Vlachoutsicos</i>	<i>July 1998</i>
No. 191: <i>Teaching the Dinosaurs to Dance</i>	<i>Michal Cakrt</i>	<i>September 1997</i>
No. 190: <i>Strategic Restructuring: Making Capitalism in Post-Communist Eastern Europe.</i> Forthcoming in Teaching the Dinosaurs to Dance: Organizational Change in Transition Economies ed. Daniel Denison.	<i>Lawrence P. King</i>	<i>September 1997</i>
No. 189: <i>Published in: Regional Science and Urban Economics</i> , "Russia's Internal Border", 29 (5), September 1999.	<i>Daniel Berkowitz and David N. DeJong</i>	<i>July 1998</i>
No. 187: <i>Corporate Structure and Performance in Hungary</i>	<i>László Halpern and Gábor Kórsöi</i>	<i>July 1998</i>
No. 186: <i>Performance of Czech Companies by Ownership Structure</i>	<i>Andrew Weiss and Georgiy Nikitin</i>	<i>June 1998</i>
No. 185: <i>Firm Performance in Bulgaria and Estonia: The effects of competitive pressure, financial pressure and disorganisation</i>	<i>Jozef Konings</i>	<i>July 1998</i>
No. 184: <i>Investment and Wages during the Transition: Evidence from Slovene Firms</i>	<i>Janez Prasnikar and Jan Svejnar</i>	<i>July 1998</i>
No. 183: <i>Investment Portfolio under Soft Budget: Implications for Growth, Volatility and Savings</i>	<i>Chongen Bai and Yijiang Wang</i>	
No. 181: <i>Delegation and Delay in Bank Privatization</i>	<i>Loránd Ambrus-Lakatos and Ulrich Hege</i>	<i>July 1998</i>
No. 180: <i>Financing Mechanisms and R&D Investment</i>	<i>Haizhou Huang and Chenggang Xu</i>	<i>July 1998</i>
No. 179: <i>Organizational Culture and Effectiveness: The Case of Foreign Firms in Russia</i>	<i>Carl F. Fey and Daniel R. Denison</i>	<i>January 1999</i>
No. 178: <i>Output and Unemployment</i>	<i>Vivek H. Dehejia and Douglas W. Dwyer</i>	<i>January 1998</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
(<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Dynamics in Transition</i>		
No. 177: Published in: Economics of Transition , "Bureaucracies in the Russian Voucher Privatization" Vol. 8, No. 1, 2000, pp. 37-57.	Guido Friebel	June 1998
No. 176: Chronic Moderate Inflation in Transition: <i>The Tale of Hungary</i>	János Vincze	June 1998
No. 175: Privatisation and Market Structure in a Transition Economy	John Bennett and James Maw	June 1998
No. 174: Ownership and Managerial Competition: Employee, Customer, or Outside Ownership	Patrick Bolton and Chenggang Xu	June 1998
No. 173: Intragovernment Procurement of Local Public Good: A Theory of Decentralization in Nondemocratic Government	Chong-en Bai, Yu Pan and Yijiang Wang	June 1998
No. 172: Political Instability and Growth in Proprietary Economies	Jody Overland and Michael Spagat	August 1998
No. 171: Published in Post-Communist Economies , "Framework Issues in the Privatization Strategies of the Czech Republic, Hungary, and Poland" Vol. 11, no. 1 March 1999.	Morris Bornstein	June 1998
No. 170: Published in: European Journal of Political Economy "Privatization, Ownership Structure and Transparency: How to Measure a Real Involvement of the State" 15(4), November 1999, pp. 605-18.	Frantisek Turnovec	May 1998
No. 169 Published in: American Economic Review , "Unemployment and the Social Safety Net during Transitions to a Market Economy: Evidence from Czech and Slovak Men." Vol. 88, No. 5, Dec. 1998, pp. 1117-1142.	John C. Ham, Jan Svejnar, and Katherine Terrell	December 1998
No. 167: Voucher Privatization with Investment Funds: <i>An Institutional Analysis</i>	David Ellerman	March 1998
No. 166: Published in: Marketing Issues in Transitional Economies , "Value Priorities and Consumer Behavior in a Transitional Economy: The Case of South Africa" ed. Rajeev Batra.	Steven M. Burgess and Jan-Benedict E.M. Steenkamp	August 1998
No. 164: Finance and Investment in Transition: <i>Czech Enterprises, 1993-1994</i>	Ronald Anderson and Chantal Kegels	September 1997
No. 163: European Union Trade and Investment Flows U-Shaping Industrial Output in Central and Eastern Europe: <i>Theory and Evidence</i>	Alexander Repkine and Patrick P. Walsh	April 1998
No. 162: Skill Acquisition and Private Firm Creation in Transition Economies	Zuzana Brixiova and Wenli Li	October 1999
No. 161: Corruption in Transition	Susanto Basu and David D. Li	May 1998
No. 160a: Tenures that Shook the World: <i>Worker Turnover in Russia, Poland and Britain</i>	Hartmut Lehmann and Jonathan Wadsworth	November 1999

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 160: <i>Tenures that Shook the World: Worker Turnover in the Russian Federation and Poland</i>	Hartmut Lehmann and Jonathan Wadsworth	June 1998
No. 159: <i>Does Market Structure Matter? New Evidence from Russia</i>	Annette N. Brown and J. David Brown	June 1998
No. 158: <i>Structural Adjustment and Regional Long Term Unemployment in Poland</i>	Hartmut Lehmann and Patrick P. Walsh	June 1997
No. 157: <i>Baby Boom or Bust? Changing Fertility in Post-Communist Czech Republic and Slovakia</i>	Robert S. Chase	April 1998
No. 156 Published in: Leadership and Organization Development Journal , "Leading Radical Change in Transition Economies." Vol. 19, No. 6, 1998, pp. 309-324.	Karen L. Newman	June 1998
No. 155 Published in: Oxford Review of Economic Policy , "From Theory into Practice? Restructuring and Dynamism in Transition Economies." Vol. 13, No. 2, Summer 1997, pp. 77-105.	Wendy Carlin and Michael Landesmann	June 1997
No. 154: <i>The Model and the Reality: Assessment of Vietnamese SOE Reform—Implementation at the Firm Level</i>	Edmund Malesky, Vu Thanh Hung, Vu Thi Dieu Anh, and Nancy K. Napier	July 1998
No. 153 Published in: Journal of Comparative Economics , "Causes of the Soft Budget Constraint: Evidence on Three Explanations." Vol. 26, No. 1, March 1998, pp. 104-116.	David D. Li and Minsong Liang	March 1998
No. 152 Published in: Comparative Economic Studies , "Enterprise Restructuring in Russia's Transition Economy: Formal and Informal Mechanisms." Vol. 40, No. 2, Summer 1998, pp. 5-52.	Susan J. Linz and Gary Krueger	April 1998
No. 151: <i>Labor Productivity in Transition: A Regional Analysis of Russian Industry</i>	Susan J. Linz	May 1998
No. 150: <i>Tax Avoidance and the Allocation of Credit. Forthcoming in Financial Systems in Transition: The Design of Financial Systems in Central Europe eds. Anna Meyendorff and Anjan Thakor.</i>	Anna Meyendorff	June 1998
No. 149: <i>Commitment, Versatility and Balance: Determinants of Work Time Standards and Norms in a Multi-Country Study of Software Engineers</i>	Leslie Perlow and Ron Fortgang	April 1998
No. 148: <i>Changes in Poland's Transfer Payments in the 1990s: the Fate of Pensioners</i>	Bozena Leven	June 1998
No. 147: <i>Environmental Protection and Economic Development: The Case of the Huaihe River Basin Cleanup Plan</i>	Robert Letovsky, Reze Ramazani, and Debra Murphy	June 1998
No. 146: <i>Chief Executive Compensation During Early Transition: Further Evidence</i>	Derek C. Jones, Takao Kato, and Jeffrey Miller	June 1998

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>from Bulgaria</i>		
No. 145 Published in: Economics of Transition , "Women's Unemployment During the Transition: Evidence from Czech and Slovak Micro Data," Vol. 7, No. 1, May 1999, pp. 47-78.	John Ham, Jan Svejnar, and Katherine Terrell	May 1998
No. 144: <i>Investment and Wages in Slovenia</i>	Janez Prasnikar	May 1998
No. 143 Published in: Review of Financial Studies , "Optimal Bankruptcy Laws Across Different Economic Systems," 12(2), Summer 1999, pgs. 347-77.	Elazar Berkovitch and Ronen Israel	March 1998
No. 142: <i>Industrial Policy and Poverty in Transition Economies: Two Steps Forward or One Step Back?</i>	Susan J. Linz	March 1998
No. 141: <i>Collective Ownership and Privatization of China's Village Enterprises</i>	Suwen Pan and Albert Park	April 1998
No. 140: <i>A Comparative Look at Labor Mobility in the Czech Republic: Where have all the Workers Gone?</i>	Vit Sorm and Katherine Terrell	April 1999
No. 139: <i>The Failure of the Government-Led Program of Corporate Reorganization in Romania</i>	Simeon Djankov and Kosali Ilayperuma	September 1997
No. 138: <i>Ownership and Employment in Russian Industry: 1992-1995</i>	Susan J. Linz	March 1998
No. 137 Published in: Journal of Political Economy , "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," Feb. 2000; Vol. 108, Iss.1; pg. 120	Lawrence J. Lau, Yingyi Qian, and Gerard Roland	November 1997
No. 136 Published in: European Economic Review , "The Political Economy of Mass Privatization and the Risk of Expropriation," 44(2), February 2000, pgs. 393-421	Klaus M. Schmidt	March 1998
No. 135: <i>Radical Organizational Change: The Role of Starting Conditions, Competition, and Leaders</i>	Karen L. Newman	January 1998
No. 134: <i>To Restructure or Not to Restructure: Informal Activities and Enterprise Behavior in Transition</i>	Clifford Gaddy and Barry W. Ickes	May 1998
No. 133: <i>Management 101: Behavior of Firms in Transition Economies</i>	Josef C. Brada	March 1998
No. 132 Published in: Quarterly Journal of Economics , "Interfirm Relationships and Informal Credit in Vietnam," 114(4), Nov. 1999, pgs. 1285-1320	John McMillan and Christopher Woodruff	February 1998
No. 131 Published in: Comparative Economic Studies , "Will Restructuring Hungarian Companies Innovate? An Investigation Based on Joseph Berliner's Analysis of Innovation in Soviet Industry." Vol. 40, No. 2, Summer 1998, pp. 53-74.	John B. Bonin and Istvan Abel	March 1998
No. 130: <i>Published in The American</i>	David D. Li	January 1998

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Economic Review</i> , “ <i>Changing Incentives of the Chinese Bureaucracy.</i> ” May, 1998.		
No. 129: <i>Restructuring Investment in Transition: A Model of the Enterprise Decision</i>	Richard E. Ericson	January 1998
No. 128 Published in: <i>Comparative Economic Studies</i> , “ <i>Job Rights in Russian Firms: Endangered or Extinct Institutions?</i> ” Vol. 40, No. 4, Winter 1998, pp. 1-32.	Susan J. Linz	January 1998
No. 127: <i>Accounting for Growth in Post-Soviet Russia</i>	Daniel Berkowitz and David N. DeJong	January 1998
No. 126 Published in: <i>Economics of Transition</i> , “ <i>From Federalism, Chinese Style, to Privatization Chinese Style,</i> ” 7(1), 1999, pgs. 103-31	Yuanzheng Cao, Yingyi Qian, and Barry R. Weingast	December 1997
No. 125: <i>Market Discipline in Conglomerate Banks: Is an Internal Allocation of Cost of Capital Necessary as Incentive Device? Forthcoming in Financial Systems in Transition: The Design of Financial Systems in Central Europe eds. Anna Meyendorff and Anjan Thakor.</i>	Arnoud W. A. Boot and Anjolein Schmeits	November 1997
No. 124: <i>Financial Discipline in the Enterprise Sector in Transition Countries: How Does China Compare?</i>	Shumei Gao and Mark E. Schaffer	February 1998
No. 123: <i>Considerations of an Emerging Marketplace: Managers’ Perceptions in the Southern African Economic Community</i>	Brent Chrite and David Hudson	February 1998
No. 122: <i>A Model of the Informal Economy in Transition Economies</i>	Simon Commander and Andrei Tolstopiatenko	November 1997
No. 121: <i>Local Labour Market Dynamics in the Czech and Slovak Republics</i>	Peter Huber and Andreas Worgotter	November 1997
No. 121: <i>Local Labour Market Dynamics in the Czech and Slovak Republics</i>	Peter Huber and Andreas Worgotter	November 1997
No. 119: <i>Institutional Upheaval and Company Transformation in Emerging Market Economies</i>	Karen L. Newman	March 1998
No. 118: <i>Industrial Decline and Labor Reallocation in Romania</i>	John S. Earle	October 1997
No. 117: <i>Notes for an Essay on the Soft Budget Constraint</i>	Lorand Ambrus-Lakatos	January 1997
No. 116: <i>Labor Demand During Transition in Hungary</i>	Gabor Korosi	October 1997
No. 115: <i>Enterprise Performance and Managers’ Profiles</i>	Simeon Djankov and Stijn Claessens	December 1997
No. 114b <i>Employment and Wages in Enterprises under Communism and in Transition: Evidence From Central Europe and Russia</i>	Swati Basu, Saul Estrin, and Jan Svejnar	April 2000
No. 114: <i>Employment and Wage Behavior of Enterprises in Transitional Economies</i>	Swati Basu, Saul Estrin, and Jan Svejnar	October 1997
No. 113: <i>Preliminary Evidence on Active</i>	Christopher J. O’Leary	October 1997

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

<i>Labor Programs' Impact in Hungary and Poland</i>		
No. 111: <i>Unemployment Benefits and Incentives in Hungary: New Evidence</i>	<i>Joachim Wolff</i>	<i>October 1997</i>
No. 110: Published in: Empirical Economics , "Long-Term Unemployment, Unemployment Benefits and Social Assistance: The Polish Experience" <i>Empirical-Economics</i> ; 23(1-2), 1998, pages 55-85.	<i>Marek Gora and Christoph M. Schmidt</i>	<i>April 1997</i>
No. 109 Published in: Industrial and Labor Relations Review , "Markets for Communist Human Capital: Returns to Education and Experience in Post-Communist Czech Republic and Slovakia." Vol. 51, No. 3, April 1998, pp. 401-423.	<i>Robert S. Chase</i>	<i>October 1997</i>
No. 107: <i>The Worker-Firm Matching in the Transition: (Why) Are the Czechs More Successful Than Others?</i>	<i>Daniel Münich, Jan Svejnar, and Katherine Terrell</i>	<i>October 1997</i>
No. 106 Published in: Journal of Comparative Economics , "Job Creation, Job Destruction and Growth of Newly Established, Privatized and State-Owned Enterprises in Transition Economies: Survey Evidence from Bulgaria, Hungary, and Romania," Vol. 26, No.3, September 1998, pp. 429-445.	<i>Valentijn Bilsen and Jozef Konings</i>	<i>September 1998</i>
No. 105: <i>Getting Behind the East-West [German] Wage Differential: Theory and Evidence</i>	<i>Michael Burda and Christoph Schmidt</i>	<i>May 1997</i>
No. 104: <i>The Birth of the "Wage Curve" in Hungary, 1989-95</i>	<i>Gabor Kertesi and Janos Kollo</i>	<i>October 1997</i>
No. 103: Published in: Journal of Comparative Economics , "Grime and Punishment: Job Insecurity and Wage Arrears in the Russian Federation" 27, 595-617 (1999).	<i>Hartmut Lehmann, Jonathan Wadsworth, and Alessandro Acquisti</i>	<i>October 1997</i>
No. 102: <i>Social Networks in Transition</i>	<i>Lorena Barberia, Simon Johnson, and Daniel Kaufmann</i>	<i>October 1997</i>
No. 101: <i>Depreciation and Russian Corporate Finance: A Pragmatic Approach to Surviving the Transition</i>	<i>Susan J. Linz</i>	<i>November 1997</i>
No. 100: <i>Romanian Financial System Reform</i>	<i>Anna Meyendorff and Anjan V. Thakor</i>	<i>November 1997</i>
No. 99: <i>Proceedings of the Conference on Strategic Alliances in Transitional Economies, held May 20, 1997 at the Davidson Institute</i>	<i>Edited by Cynthia Koch</i>	<i>May 1997</i>
No. 98: <i>Institutions, Strain and the Underground Economy</i>	<i>Daniel Daianu and Lucian Albu</i>	<i>November 1997</i>
No. 97: <i>Structure and Strain in Explaining Inter-Enterprise Arrears</i>	<i>Daniel Daianu</i>	<i>November 1997</i>
No. 96: <i>Resource Misallocation and Strain: Explaining Shocks in Post-Command Economies</i>	<i>Daniel Daianu</i>	<i>November 1997</i>
No. 95: Published in: Finance-a-Uver ,	<i>Jan Hanousek and Evzen Kocenda</i>	<i>November 1997</i>

Publications denoted by an asterisk are not available on the Kresge Library webpage
(<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

"Czech Money Market: Emerging Links Among Interest Rates." 48(2) 1998 pp. 99-109.		
No. 94: Pre-Reform Industry and the State Monopsony in China	Xiao-Yuan Dong and Louis Putterman	October 1997
No. 93: China's State-Owned Enterprises In the First Reform Decade: An Analysis of a Declining Monopsony	Xiao-Yuan Dong and Louis Putterman	October 1997
No. 92: Expatriate Management in the Czech Republic	Richard B. Peterson	September 1997
No. 91: China and the Idea of Economic Reform	Thomas G. Rawski	April 1997
No. 90 Published in: China Economic Review , "China's State Enterprise Reform: An Overseas Perspective." Vol. 8, Spring 1997, pp. 89-98.	Thomas G. Rawski	July 1997
No. 89: The Economic Determinants of Internal Migration Flows in Russia During Transition	Annette N. Brown	July 1997
No. 88: Gender Wage Gaps in China's Labor Market: Size, Structure, Trends	Margaret Maurer-Fazio, Thomas G. Rawski, and Wei Zhang	July 1997
No. 87: Privatisation in Central and Eastern Europe	Saul Estrin	June 1997
No. 86: Published in: Economics of Transition , "The Effect of Privatization on Wealth Distribution in Russia." v. 7, no. 2, 1999, pp. 449-65	Michael Alexeev	February 1998
No. 85: Was Privatization in Eastern Germany a Special Case? Some Lessons from the Treuhand	Uwe Siegmund	September 1997
No. 84: Start-ups and Transition	Daniel M. Berkowitz and David J. Cooper	September 1997
No. 83: Which Enterprises (Believe They) Have Soft Budgets after Mass Privatization? Evidence from Mongolia	James Anderson, Georges Korsun, and Peter Murrell	October 1997
No. 82: Published in: European Economic Review , "Unemployment Dynamics and the Restructuring of the Slovak Unemployment Benefit System." April, 1997.	Martina Lubyova and Jan C. van Ours	June 1997
No. 81: Determinants of Unemployment Duration in Russia	Mark C. Foley	August 1997
No. 80: The Many Faces of Information Disclosure	Arnoud W.A. Boot and Anjan V. Thakor	October 1997
No. 79: Published in: Journal of Finance , "Foreign Speculators and Emerging Equity Markets." v.22, iss. 2, 2000, pp. 565-613	Geert Bekaert and Campbell R. Harvey	August 1997
No. 78: The Relationship Between Economic Factors and Equity Markets in Central Europe	Jan Hanousek and Randall K. Filer	June 1997
No. 77 Published in: Economics of Transition , "A Gini Decomposition Analysis of Inequality in the Czech and Slovak Republics During the Transition," Vol. 6, No.1, May 1998, pp. 23-46.	Thesia I. Garner and Katherine Terrell	May 1998

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 76: <i>China's Emerging Market for Property Rights: Theoretical and Empirical Perspectives</i>	Gary H. Jefferson and Thomas G. Rawski	June 1997
No. 75b: <i>Test of Permanent Income Hypothesis on Czech Voucher Privatization</i>	Jan Hanousek and Zdenek Tima	October 1997
No. 74: <i>Determinants of Performance of Manufacturing Firms in Seven European Transition Economies</i>	Stijn Claessens, Simeon Djankov, and Gerhard Pohl	February 1997
No. 73 Published in: Economics of Transition , "The Restructuring of Large Firms in Slovak Republic." Vol. 6, No. 1, May 1998, pp. 67-85	Simeon Djankov and Gerhard Pohl	May 1998
No. 72: <i>Law, Relationships, and Private Enforcement: Transactional Strategies of Russian Enterprises</i>	Kathryn Hendley, Peter Murrell, and Randi Ryterman	November 1998
No. 71: <i>Giving Credit Where Credit Is Due: The Changing Role of Rural Financial Institutions in China</i>	Albert Park, Loren Brandt, and John Giles	March 1997
No. 70: <i>Privatization Versus Competition: Changing Enterprise Behavior in Russia</i>	John S. Earle and Saul Estrin	Spring 1997
No. 69: <i>Russian Managers under Storm: Explicit Reality and Implicit Leadership Theories (A Pilot Exploration)</i>	Igor Gurkov	October 1998
No. 68: <i>The Political Economy of Central-Local Relations in China: Inflation and Investment Controls During the Reform Era</i>	Yasheng Huang	Spring 1997
No. 67: <i>Between Two Coordination Failures: Automotive Industrial Policy in China with a Comparison to Korea</i>	Yasheng Huang	Spring 1997
No. 66 Published in: Post-Soviet Geography and Economics , "Red Executives in Russia's Transition Economy." Vol. 27, No. 10, November 1996, pp. 633-651.	Susan J. Linz	January 1997
No. 65 Published in: Industrial and Corporate Change , "On the Sequencing of Privatization in Transition Economies." Vol. 7, No. 1, 1998.	Gautam Ahuja and Sumit K. Majumdar	April 1997
No. 64: Published in: Journal of Law and Economics , "Foreign Ownership and Profitability: Property Rights, Control and the Performance of Firms in Indian Industry" 42(1), April 1999, pp. 209-38.	Pradeep K. Chhibber and Sumit K. Majumdar	April 1997
No. 63: <i>How Taxing Is Corruption on International Investors?</i>	Shang-Jin Wei	February 1997
No. 62: <i>What Can We Learn from the Experience of Transitional Economies with Labour Market Policies?</i>	Tito Boeri	1997
No. 61: Published in: Accounting Organizations and Society , "Economic Transition, Strategy and the Evolution of Management Accounting Practices: The Case of India" 24(5,6), Jul/Aug 1999, pp. 379-412.	Shannon W. Anderson and William N. Lanen	April 1997

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 60a: <i>Enterprise Investment During the Transition: Evidence from Czech Panel Data</i>	Lubomír Lizal and Jan Svejnar	December 1997
No. 59: Published in: Journal of Law, Economics, and Organization , "Institutional Environment, Community Government, and Corporate Governance: Understanding China's Township-Village Enterprises." 14(1), April 1998, pages 1-23	Jiahua Che and Yingyi Qian	April 1997
No. 58: <i>From the Grabbing Hand to the Helping Hand</i>	Jiahua Che	June 2000
No. 57: Published in: Brookings Papers on Economic Activity , "The Unofficial Economy in Transition." 1: 1998.	Simon Johnson, Daniel Kaufmann, and Andrei Schleifer	June 1997
No. 56: <i>Taxes and Government Incentives: Eastern Europe vs. China</i>	Roger H. Gordon and David D. Li	April 1997
No. 55: <i>Corruption and Reform</i>	Susanto Basu and David Li	June 1996
No. 54: <i>Decentralization and the Macroeconomic Consequences of Commitment to State-Owned Firms</i>	Loren Brandt and Xiaodong Zhu	June 1997
No. 53: Published in: The International Journal of Industrial Organization , "Competitive Shocks and Industrial Structure: The Case of Polish Manufacturing." August, 1999.	Pankaj Ghemawat and Robert E. Kennedy	May 1997
No. 52: Published in: The Quarterly Journal of Economics , "Insecure Property Rights and Government Ownership of Firms." May, 1998.	Jiahua Che and Yingyi Qian	May 1997
No. 51: <i>Incentives, Scale Economies, and Organizational Form</i>	Eric Maskin, Yingyi Qian, and Chenggang Xu	May 1997
No. 50: Published in: Post-Soviet-Affairs , "End of the Tunnel? The Effects of Financial Stabilization in Russia" April-June 1997, pages 105-33	Barry W. Ickes, Peter Murrell, and Randi Ryterman	March 1997
No. 49: <i>The Evolution of Bank Credit Quality in Transition: Theory and Evidence from Romania</i>	Enrico C. Perotti and Octavian Carare	October 1996
No. 48: <i>Where Do the Leaders Trade? Information Revelation and Interactions Between the Segments of Czech Capital Markets</i>	Jan Hanousek and Libor Nemecek	May 1997
No. 47: <i>Firms' Heterogeneity in Transition: Evidence from a Polish Panel Data Set</i>	Irena Grosfeld and Jean-François Nivet	May 1997
No. 46: <i>Strategic Creditor Passivity, Regulation, and Bank Bailouts</i>	Janet Mitchell	May 1997
No. 45a: <i>Decentralization in Transition Economies: A Tragedy of the Commons?</i>	Daniel M. Berkowitz and Wei Li	September 1997
No. 44a: <i>The Information Content of Stock Markets: Why do Emerging Markets have Synchronous Stock Price Movements? (forthcoming in the Journal of Financial Economics).</i>	Randall Morck, Bernard Yeung, and Wayne Yu	February 1999

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)


THE WILLIAM DAVIDSON INSTITUTE
 AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 43: Agency in Project Screening and Termination Decisions: Why Is Good Money Thrown After Bad?	Chong-en Bai and Yijiang Wang	May 1997
No. 42: Published in: Economics of Transition , "Channels of Redistribution: Inequality and Poverty in the Russian Transition." Vol. 7 (2) 1999.	Simon Commander, Andrei Tolstopiatenko, and Ruslan Yemtsov	May 1997
No. 41: Published in: Economics of Transition , "Labour Market Characteristics and Profitability: Econometric Analysis of Hungarian Exporting Firms, 1986-1995" 6(1), May 1998, pages 145-62	László Halpern and Gabor Korosi	May 1997
No. 40: Published in: the Harvard Law Review , "The Tragedy of the Anticommons: Property in the Transition from Marx to Markets." January 1998.	Michael Heller	February 1997
No. 39: Privatization and Managerial Efficiency	Olivier Debande and Guido Friebel	May 1997
No. 38 Published in: The Quarterly Journal of Economics , "Disorganization." Vol. 112, No. 4, November 1997, pp. 1091-1126.	Olivier Blanchard and Michael Kremer	January 1997
No. 37: Published in: Economics of Transition , "Transition and the Output Fall." 7(1), 1999, pages 1-28.	Gérard Roland and Thierry Verdier	March 1997
No. 36: Restructuring an Industry During Transition: A Two-Period Model	Richard Ericson	September 1996
No. 34: The East-West Joint Venture: BC Torsion Case Study	Sonia Ferencikova and Vern Terpstra	December 1998
No. 33 Published in: Journal of Comparative Economics , "Quantifying Price Liberalization in Russia." Vol. 26, No. 4, December 1998, pp. 735-737.	Daniel Berkowitz, David DeJong, and Steven Husted	December 1998
No. 32: What Can North Korea Learn from China's Market Reforms?	John McMillan	September 1996
No. 31: Published in : China-Economic-Review , "Towards a Model of China as a Partially Reformed Developing Economy Under a Semifederalist Government. ", 9(1), Spring 1998, pages 1-23.	Yijiang Wang and Chun Chang	March 1997
No. 30: Convergence in Output in Transition Economies: Central and Eastern Europe, 1970-1995	Saul Estrin and Giovanni Urga	February 1997
No. 29: Published in: Economics of Transition , "Altered Band and Exchange Volatility." Volume 6, no. 1, 1998, 173-181.	Evzen Kocenda	March 1997
No. 28: Published in: Quarterly Journal of Economics , "Public Versus Private Ownership of Firms: Evidence from Rural China." Volume 113, no. 3, August 1998, 773-808.	Hehui Jin and Yingyi Qian	January 1997
No. 27: East-West Joint Ventures in a Transitional Economy: The Case of Slovakia	Sonia Ferencikova	March 1997

Publications denoted by an asterisk are not available on the Kresge Library webpage
 (<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 26: Published in Economic Analysis "Behavior of a Slovenian Firm in Transition" Vol. 1, no. 1, 1998, 57-73.	Janez Prasnikar	February 1997
No. 25: Cultural Encounters and Claims to Expertise in Postcommunist Capitalism	Michael D. Kennedy	February 1997
No. 24: ZVU a.s.: Investment Funds on the Board of Directors of an Engineering Giant	Tory Wolff	August 1995
No. 23: The Role of Investment Funds in the Czech Republic (joint publication with Czech Management Center)	Dusan Triska	June 1996
No. 22: Czech Investment Fund Industry: Development and Behaviour (joint publication with Czech Management Center)	Richard Podpiera	May 1996
No. 21: Restructuring of Czech Firms: An Example of Gama, a.s. (joint publication with Czech Management Center)	Antonin Bulin	June 1996
No. 20: YSE Funds: A Story of Czech Investment Funds (joint publication with Czech Management Center)	Michal Otradovec	November 1995
No. 19: První Investicni a.s., The First Investment Corporation (joint publication with Czech Management Center)	Jaroslav Jirasek	August 1995
No. 18: PPF a.s., The First Private Investment Fund (joint publication with Czech Management Center)	Michal Otradovec	November 1995
No. 17 Published in: Post-Soviet Geography and Economics , "Russia's Managers in Transition: Pilferers or Paladins?" Vol. 37, o.7 (September 1996), pp. 397-426.	Susan J. Linz and Gary Krueger	November 1996
No. 16: Banks in Transition—Investment Opportunities in Central Europe and Russia Edited Transcript from 31 May 1996 Conference in New York City	With commentary and edited by Anna Meyendorff	January 1997
No. 15: Marketing in Transitional Economies: Edited Transcript & Papers from 1 April 1996 Conference in Ann Arbor, Michigan	Compiled by The Davidson Institute	December 1996
No. 14: Pensions in the Former Soviet Bloc: Problems and Solutions. Published by Council on Foreign Relations. "The Coming Global Pension Crisis" New York, 1997	Jan Svejnar	November 1996
No. 13: Enterprise Restructuring and Performance in the Transition. Forthcoming in Financial Systems in Transition: The Design of Financial Systems in Central Europe eds. Anna Meyendorff and Anjan Thakor.	Lubomir Lizal, Miroslav Singer, and Jan Svejnar	December 1996
No. 12 Published in: Journal of International Marketing , "Executive Insights: Marketing Issues and Challenges in Transitional Economies." Vol. 5, No. 4, 1997, pp. 95-114. Also published in: Marketing Issues in Transitional Economies ed. Rajeev Batra.	Rajeev Batra	April 1997

Publications denoted by an asterisk are not available on the Kresge Library webpage
(<http://www.wdi.bus.umich.edu>)



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

No. 11: <i>Worker Trust and System Vulnerability in the Transition from Socialism to Capitalism</i>	Andrew Schotter	August 1996
No. 10 Published in: Comparative Economic Studies , "Russian Firms in Transition: Champions, Challengers, and Chaff." Vol. 39, No.2, Summer 1997, pp. 1-36.	Susan J. Linz	July 1996
No. 9: <i>Corporate Debt Crisis and Bankruptcy Law During the Transition: The Case of China</i>	David D. Li and Shan Li	December 1995
No. 8 Published in: Journal of Comparative Economics , "A Theory of Ambiguous Property Rights in Transition Economies: The Case of the Chinese Non-State Sector." Vol. 23, No. 1, August 1996, pp. 1-19.	David D. Li	June 1996
No. 7: <i>The Foreign Economic Contract Law of China: Cases and Analysis</i>	Dong-lai Li	June 1993
No. 3: <i>Bank Privatization in Hungary and the Magyar Kulkereskedelmi Bank Transaction</i>	Roger Kormendi and Karen Schnatterly	May 1996
Replacing Nos. 1-2 & 4-6: Journal of Comparative Economics Symposium on "Bank Privatization in Central Europe and Russia." Vol. 25, No. 1, August 1997.	No. 1 "Bank Privatization in Transitional Economies" by Roger Kormendi and Edward Snyder. No. 2 "Transactional Structures of Bank Privatizations in Central Europe and Russia" by Anna Meyendorff and Edward A. Snyder. No. 4 "Bank Privatization in Poland: The Case of Bank Slaski" by Jeffery Abarbaness and John Bonin. No. 5 "Bank Privatization in Post-Communist Russia: The Case of Zhilsotsbank" by Jeffery Abarbanell and Anna Meyendorff and No. 6 "The Czech Republic's Commercial Bank: Komerčni Banka" by Edward A. Snyder and Roger C. Kormendi.	August 1997