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Book review

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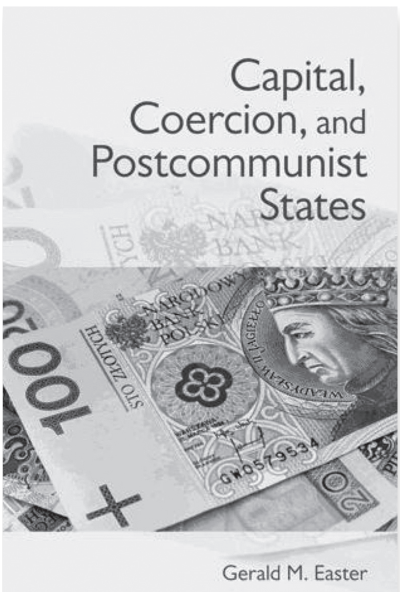
Capital, Coercion, and Postcommunist States

Gerald M. Easter
Cornel University Press, New York, 2012.



Gerald M. Easter, doctor of Philosophy from Columbia University and professor of comparative politics at Boston College, is the author of book Capital, Coercion, and Postcommunist States. His research interests include the modern state, comparative political economy, and post-communist transition with a regional focus on Eastern Europe. This book is one of those with the main focus on the theme of state-building in post-communist space. Capital, Coercion, and Postcommunist States is a history of post-communist Poland and Russia with understanding of the interactions between taxation and governance.

This book is recommended reading not just for political scientists, journalists, historians, sociologists, but also for anybody interested in the state issues. Capital, Coercion, and Postcommunist States is important contribution to the literature on transition, democratization and the consolidation of democracy in post-communist countries, with special emphasis on tax policy and political economy.

This topic is especially important in the former Eastern bloc countries, where ‘’state buildings begins with the state already in possession of power resources in relation to society – the inheritance of the old regime” (p. 2). Beginnings of this process occur in the context of absolute domination of the state and poorly developed or non-existent civil society.

The analytical framework of the book is based on realist intelectual tradition and view of state, associated with Niccolo Machiavelli and Max Weber. In the realist view, state is an actor which competes with society over resources – capital and coercion. As pointed out by Easter, ‘’capital is manifested in kind, cash or credits and coercion manifested in the means of violence, bureaucracy and law”. This book of Gerald Easter has the similiar analytical order as a book by Charles Tilly „Coercion, Capital and Europen states“.

The central thesis of the book is that the post-communist countries are divided into two ideal type models: a) ‘’contractual” and b) ‘’predatory”. The first model, contractual state, is based on depoliticized coercion resources, that are under civilian control, placed in institutions and not personalized as in the former regime. In the contractual states capital was transformed – economic resources were transformed into private property and political power is based on institutional checks and balances. Author concludes that “contractual states are much more successful in establishing a consolidated democracy”.

The secound model, predatory state, is based on means of coercion, which are still monopolized by politicians; political actors with the lack of control by civilian actors. In these circumstances, capital is still largely in the hands of the state with some private ownership, where boundaries between state and society are hardly distinguishable. Such systems are suitable for totalitarian and authoritarian rules.

Easter consideres Russian Federation as an example state of the first model, and Poland as an example of the second one. In studies of post-communist countries these two examples are often used as the best indicators of different ways of the system transformation. A good example is a comparative analysis written by Davor Boban called “Semi-presidential systems of Russia and Poland”.

The book is organized into six chapters, each set up as a stage in the transformation of the system.

Chapters show two ways of state-building which are closest to the ideal type models.

In the first chapter ʻʼToward a fiscal sociology of the postcommunist state" author presents a review of literature about state building, postcommunist states, tax politics in comparative perspective and transformations of political systems. At this point, Easter represents all possible models leading to the construction of "new democracy" and the market system. It is important to note that the author emphasizes the critique of the neo-liberal approach to the problems of the Eastern Bloc.

Basic dilemma among professionals dealing with these issues is "whether the establishment of a market economy needs a strong or a weak state?". Because this often depends on the context in which the process is taking place, the question remains unanswered.

The second chapter, as an important part of research, describes the fiscal crisis in Russia and Poland that led to the collapse of the regime. This prehistory is very important as a set of conditions affecting the new system and its capabilities. Some authors say that the character of the old regime is the most important condition for the establishment of the new regime. In this direction, Easter is explaining the nature of the fiscal crisis in mentioned countries.

Tax reform represents a crucial component in further writting of Gerald Easter in his third chapter. The main question is why some of the countries, after the regime changed, conducted the entire tax reform, while other countries have not undertaken this important step. Easter argues: ʻ"two waves of tax reform surged across Eastern Europe in the postcommunist transition. First, in the early 1990s most postcommunist states adopted macrolevel tax policy reforms modeled after the advanced capitalist states. These reforms aimed to redirect the state's fiscal focus from the point of production to consumption, from corporate to individual tax payers, from big to small entities, and from closed to open markets. Second, in the 2000s some postcommunist states... fashioning more streamlined and simplified tax systems. This second reform was intended to overcome a set of obstacles to revenue extraction that were particular to transition economies: low tax morale, weak tax administration and scarce investment capital" (p. 51).

This chapter also explains the basic difference between Russian and Polish tax reforms. In fact, in Poland a "state-labor" revenue bargain was crafted between public sector workers and public welfare recipients and the ex-communist social democrats, while in Russia, a „state-elite" revenue bargain was formed between regional and economic elites and the ruling party.

Fourth chapter is dedicated to answering the simple question "Why people pay taxes?". The motives are various and the author points conducts comparative analysis of two ideal type models: the payment of taxes based on the "legalistic consent" and the one based on "bureaucratic coercion". The first one, based on ''legalistic consent", is the Polish transitional tax regime which is reflected in the revenue extraction. It was deliberately designed to protect capital from coercion. In contrast to this approach, in Russia, the tax regime is implemented on the basis of ''bureaucratic coercion" which is reflected in compliance through fear rather than through consent. Easter concludes: ''When a former policeman, Vladimir Putin, became president, coercion became a more credible component of tax collection. Transitional tax regimes, in turn, directly influenced the institutional outcomes in the postcommunist transtion.' (p. 6)'

Building Fiscal Capacity in Postcommunist States - chapter five is a study of institutional performance. Easter compares the process of building fiscal capacity in post-communist Poland and Russia with two test cases provided by international finance to gauge fiscal capacity: a) first test came from worlwide financial run on emerging market economies in 1998 in Eastern Europe, b) second test came in 2008 when ''buble burst on series of speculative Wall Street investment ventures".

On the first test, Russia and Poland have responded differently. „Poland's transitional economy not only avoided financial collapse but recorded modest growth. On the other hand, Russia succumbed to fiscal collapse when hit by international financial crisis"(p. 125). On the second test Polish and Russian responses were not fundamentally different – state fiscal capacity of both states was strong enough to prevent the financial collapse.

An important aspect arising from the institutional arrangements and tax policy is the relationship of society and the state. Redistribution of power between state and society is based on the tax regime and its institutional components. In Poland, coercion was tamed and subordinated under the ''rule of law". On the other hand, in Russia, coercion remained politicized and an instrument of ''rule by law". State building in postcommunist states is primarly reconfiguration of capital and coercion and, at the same time, reconfiguration of state and society.

In conclusion, we can say that this book gives an excellent overview of relationship between economic and political factors of the transition. The connection between capital and coercion substantially affects the democratic system and the interactions among these two processes are essentially determined by the nature of political system. Studying these processes is crucial for understanding basic political developments at the end of the 20th and the beginning of the 21st century. For all these reasons, this book is an invaluable piece of literature for every political scientist, historian or journalist involved in research and explanation of these processes.