



Book Review: Necroeconomics: The Political Economy of Post-Communist Capitalism

Papava, V. G. (2005). *Necroeconomics: The Political Economy of Post-Communist Capitalism*. New York: iUniverse, Inc. 212 pages. ISBN: 978-0595349159

Vladimer Papava's book discusses the state of post-Communist economies with an emphasis on the nation of Georgia. His views are especially anti-central planning at least in part because the economies which were under the "thumb" of the central planners were left for "dead" at the end of the Communist era: they were necro-economies. Papava discusses the state of these economies, reform policies in general, and Georgia in particular. Papava has a strong preference for conservative economic ideas, many of them "brought to life" in the U.S.

Vladimer Papava begins the book in a way which expresses his opinion about communism and capitalism: "Fortunately today, almost no one in post-Communist countries considers seriously whether there is an alternative to a market system..." (p. 5). In the opening quote in each chapter, Papava gives a lot of credence to economic/social/political conservatives. Quotes include those of Benjamin Disraeli, Edmund Burke, John Marshall ("The power to tax involves the power to destroy."), John Stuart Mill (the leading 19th century liberal, supporter of private property, and minimum government), and Warren G. Harding (29th President of the U.S., 1921-23). He is a believer in the theory and importance of the Laffer Curve. Papava discusses several objections to the concept behind the Laffer Curve and the importance of lower tax rates expressed by the Laffer Curve. One objection to the Laffer Curve is by Paul Krugman, whom he refers to, correctly, as a prominent modern economist. But with each objection he concludes that the theory behind the Laffer Curve is relevant to post-Communist economies, and is part of an important piece of economic policy for post-Communist economic development. The policy was known as the "Laffer-Keynesian synthesis." Why is the theory behind the Laffer Curve important to post-Communist economies? Because those economies were "dead," they were necro-economies: they produced low quality goods, had excessively high share of industry in the GDP, and

neglected consumption in favor of production. These economies were unable to compete by international standards. The command economies were not so much under-developed or developing as they were “misdeveloped” (p. 31). Papava provides evidence from empirical studies that lower taxes can stimulate the post-Communist necro-economies back to life.

There are more conservative-economic endorsements. Papava states that public-choice theory is the best theory for studying the state. He also supports using the lens of libertarian philosophy for studying public policy. Libertarian philosophy is based on the principle that “the state’s primary duty is to punish criminals and assist in the implementation of voluntary agreements, but not to redistribute wealth. The goal of libertarian economic policy is to protect human rights and provide equality of opportunity” (p. 79). A large part of the Soviet economy was in the “shadow” or illegal sector which leads Papava to believe that “New Institutional Economics” is particularly effective in understanding the transformation from central planning to a more market oriented system.

In addition to disagreeing with Nobel Prize winner Krugman, Papava also dismissed Nobel Prize winner Joseph Stiglitz with this statement: “There are some prominent economists in the world... who like to entertain themselves with reflections on utopian models...” (ouch!) Jeffrey Sachs, another prominent economist and advocate for “shock therapy” doesn’t escape Papava comments when he says that shock therapy is “ineffective for developing market institutions” (p. 26). What comes after shock therapy Papava calls “Institutional Chemotherapy” (p. 27). This is one example of the many humorous quips throughout the book. In Georgia, shock therapy was, according to Papava, “Minimal shock with maximum therapy.” More than shock therapy and any other kind of reform, Papava says again and again that what is needed is a transformation from *homo sovieticus* to *homo transformativus* and finally to *homo economicus*. It is not surprising that what follows his evolution of man – *sovietivus* to *economicus* – is Papava belief in the value of evolutionary economics, just not the evolutionary economics of Lenin and Marx.

The book contains chapters on the basis of market economics, the shadow economy in post-Communist countries, the effect of the IMF in Georgia, and the Georgian reform program. This book is very readable in many places, almost entertaining given

Papava's many quips. In other places I found it tedious when, for example, his discussion of the interaction of formal and informal institutions using Venn diagrams, or the intricacies of the shadow economy in post-Communist countries. And, the Index is very inadequate. All is all if the reader is interested in post-Communist economies and/or the effect of the Communist economic system on that countries economy post-communism, then this book is worth a read

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