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"TRANSITOLOGY". THE REVIVAL OF GEOGRAFIC-ECONOMIC RESEARCH ON THE TRANSITION IN CENTAL AND EASTERN EUROPE

1. Introduction

In 1989, communism collapsed in Central and Eastern Europe. For many this came as a surprise, as the communist regimes, then referred to as the 'Soviet bloc', were well known for their high degree of stability. Unlike any other group of politicians in post-war Europe, the communists had a proven capacity to maintain their power in the political arena [Bideleux and Jeffries, 1998].

Scholars of economics and political science were also taken by surprise. Therefore, the idea of the inevitable collapse of the system of central planning had to be conceived of as an *ex post* rationalization. With the benefit of hindsight it has not been very difficult to expose the system's weak points, but though the economic backwardness vis-à-vis the West was evident from the 1970s, there were no clear grounds to believe that the perceived 'muddling through' could not be perpetuated [Lavigne, 1999, 91]. Moreover, the debates about socialism from the 1920s onwards had been endowed with Pareto's 'indifference theorem'. According to this theorem, it is impossible to theoretically establish the superiority of market co-ordination over central planning. It is even doubtful whether it is possible to distinguish between the two economic orders with the tools of mainstream economic theory [Van Ees and Garretsen, 1994, 3].

With the fall of the Iron Curtain, the supremacy of market co-ordination was apparently confirmed and the transition from a centrally planned economy to a market economy became a primary question for political economists. Some scholars have even coined the term 'transitology' as the title of a new discipline within economics and political science [cf. Bönker, et al., 2002]. This raises two questions: firstly, what might the alleged research domain of this new discipline be, and secondly, what tools are available for applying transitology?

This article addresses some of these issues with regard to the ontology and epistemology of social economic research on the transition in Central and Eastern Europe. The concept of transition is delineated in the following section and the extent to which it is conceivable to identify a group of transition countries is discussed. Literature on this topic reveals that the transition to a fully fledged market economy is restricted to countries with a socialist past. Thus, the issues of this section are intertwined with the crumbling of communism at the end of the 1980s.

Another common characteristic of transition countries is that, during the first steps towards market co-ordination, these states were confronted with a sharp and unprecedented decline in economic activity. The successive section scrutinizes the causes and severity of this "transition" crisis, as these elements dominated the 'shock-versus-gradualism debate' at the beginning of the scholarly discussion on the subject of transition.

Even in the case of consensus about the optimal itinerary for implementing a market economy, the question 'is it possible to follow the plan?' remains. A recurrent theme in the debates on transition is the intertwining of market reform and democratization. The section 'dual transitions' thus examines the extent to which the latter facilitates or obstructs the former.

Perceptions of the transition crisis and of dual transitions of market reform and democratization have evolved in due course and these developments are reflected in the theoretical underpinnings of the notion of transition. Whereas at the beginning of the 1990s stabilization and liberalization dominated the agenda of transition theory and became a generally accepted approach – much to the detriment of regional studies – the second half of the 1990s showed a resurgence of studies focusing on the implementation of and compliance with the rules of the market game. This development led to a revival of concern for the specific nature of the transition in Central and Eastern Europe and the need for an interdisciplinary approach. This evolution of transitology is discussed in the section 'path-dependent transitology'.

The paper concludes by focusing on the question, 'When is transition over?'

2. Transition – the beginning

The phrase 'transition to a market economy' seems to be restricted to the countries that belonged to the Soviet bloc. While many countries are striving to implement a market economy, including less developed countries, transition focuses on a designed and co-ordinated shift from a communist to a capitalist order. This fact obliges us to look at the decay of communism and the climate of rivalry between the co-ordinating mechanisms of the two systems.

When visiting the United States in 1959, Soviet leader Nikita Khrushchev used the words 'we will bury you' to signify the competition between the two world-leading co-ordination systems and to designate the obvious winner. Thirty years later, the opposite of this prophecy became a reality. Western advisors were travelling eastwards to Warsaw, Budapest, Moscow and other capitals in Central and Eastern Europe to help governments bury communism and build a democratic capitalist order on the legacy of central planning and dictatorship.

For some scholars the decline of communism in Central and Eastern Europe was an inevitable event [Balcerowicz, 1995], but it is important to underline the fact that the majority of scholars in the field of comparative economic studies were certainly not convinced that the inbuilt flaws of communism would lead to a collapse. The system was simply reality – 'real existing socialism' – and in the post-war era it had shown impressive growth performances [Bergson, 1978; Ofer, 1987]. Stagnation since the 1970s [Schroeder, 1975] did not herald the end of the system. Its world-weariness throughout the Brezhnev era was at best a motive to reform, not to transform, co-ordinating devices.

Sustainable reforms of the system of central planning took place specifically in Hungary and Poland. In 1968, Hungary introduced a comprehensive reform package, the so-called 'New Economic Mechanism'. The intention was to revise the system of mandatory planning and change it into a mechanism of indicative planning. A partial decentralization of prices took place and managers were given broader responsibilities with respect to what, how many, and for whom to produce [Lavigne, 1999].[1] In

[1] The concept of 'market socialism' falls outside the scope of this article. Nonetheless, it makes sense to consider the extent to which Hungarian and Polish economic reforms were based upon this model. Usually, the idea of market socialism has been defined with Oskar Lange's idea of the auctioneer in mind [Lange, 1936]. Using this definition, the reforms in Hungary and Poland cannot be conceived of as market socialism. In the Lange model there are decentralized production decisions under centralized price decisions, whereas in Hungary and in Poland the intention was to decentralize both.

the 1980s, subsequent to the chaos that arose due to the strikes organized by 'Solidarity', the Polish government successively introduced elements of a market economy. As in Hungary, there was a decisive decentralization of prices and production.

The economic reforms in Hungary and Poland did not lead to an enduring enhancement of growth, although the supply of consumer goods in Hungary did improve. The problems were twofold. Firstly, a system emerged in which bargaining played an even greater role than before. Whereas under mandatory planning output was the primary stake for bargaining, under the system known as 'plan bargaining' in the Hungarian and Polish mode of indicative planning, the indicators were developed under the system known as 'regulator bargaining'. While the allocation mechanism became more intricate, the supply constraints remained. Moreover, there was a diffuse system of property rights. Managers were authorized to make decisions about levels of production, but ultimately they were not held responsible for the consequences of their decisions [Kornai, 1980].

Secondly, reforms were restricted to parts of the economy. They did not affect companies that produced and delivered commodities to countries belonging to the Council for Mutual Economic Assistance (CMEA), for example.[2] Also, competition was partial and the furtive behaviour of managers rendered the reforms inconsistent [Lavigne, 1999].

The reforms in Hungary and Poland were economic not political. In this respect, several authors have drawn attention to a 'social contract' between the political authorities and the citizens. The population was promised greater prosperity as a reward for not demanding political reforms [Bideleux and Jeffries, 1998, 564 ff.]. This was due, in the 1960s, to the Hungarian leader János Kádár's determination to prevent a recurrence of the events of 1956. Similar considerations played a role for the Polish statesman Wojciech Jaruzelski during martial law in the 1980s.

When economic and political reforms coincided, for example during the Prague Spring, the position of the communist rulers was more endangered. For these leaders, the tide of reform could only be stemmed by using the threat or actual use of military force. It was the coinci-

[2] The CMEA was created in January 1947 as Stalin's response to the Marshall Plan. In addition to the Soviet Union, the founding countries were Bulgaria, Czechoslovakia, Hungary, Poland and Romania. Albania and the German Democratic Republic (GDR) joined in 1949 and 1950, respectively. Though Albania never officially resigned, it no longer participated after 1961. The non-European countries in the CMEA were Mongolia (1962), Cuba (1972) and Vietnam (1978). In 1991, the organization, designed to promote economic co-operation among socialist countries, was dissolved [Bideleux and Jeffries, 1998].

dence of economic and political reforms rather than just poor economic performance that threatened the endurance of the system. The system of enlightened communism did not really outperform the unreformed co-ordination mechanisms of central planning and it had been evident since the 1970s that they were falling behind the West. Differences in performance between the two reformist regimes did not threaten the existence of communism, which still existed and sustained itself. However, the combination of economic reform – 'perestroika' – and political openness – 'glasnost' – initiated by Michail Gorbachev in 1986, began an irreversible process.

It remains a matter of debate as to whether the events in 1989, which triggered the collapse of communism, also implied the demise of socialism, or rather entailed the end of a particular mode of socialism – Soviet planning [Carson, 1991]. On the basis of this distinction, the concept of transition is restricted to the creation of a market economy, embedded in a democratic order built on the legacy of an autocratic system with central planning. This domain distinguishes transition countries from, on the one hand, developing countries that lack fast and sustainable modernization and growth and, on the other hand, highly developed countries that have experienced high growth.

After the fall of communism, the number of publications dealing with transition grew rapidly. Many publishers of scientific books and journals arranged special series on the topic. The transition series were not so much filled with contributions by regional specialists and scholars, who until 1989 had worked in the field of comparative economic studies, but rather with the work of scholars who had never revealed any particular interest in Central and Eastern Europe [Csaba, 1993]. For many economists, the transition dilemma had created an excellent opportunity for applying empirical research that had been obsolete, if applicable at all.

3. Transition – the crisis

The transition from a supply-constrained system to a demand-constrained system entailed, firstly, ending both the queuing caused by rationing and the policy of forced savings. Therefore, this transition was primarily conceived of as a question of stabilization and liberalization [Bruno, 1992]. Stabilization implied the enforcement of restrictive fiscal and monetary policies. At the same time, the liberalization of prices, production, and trade was envisaged as a necessary precondition for a market economy. There was also specific focus on the price of a currency, known as the exchange rate regime [Lavigne, 1999].

The discussion of stabilization and liberalization was a constituent part of the so-called 'shock-versus-gradualism' debate. At stake in this debate was the question of how to minimise transition costs. The pace and sequence of the implementation of the necessary reforms were considered instrumental in determining costs. Adherents of the shock approach emphasized the importance of the simultaneous implementation of all the reforms at full speed, rather than a sequential implementation [Åslund, 2002]. Those in favour of a gradual shift stressed the importance of sequential implementation and were very doubtful of the benefits of rapid implementation of reforms [Murrell, 1992; 1995].

Though the debate was not solely confined to stabilization and liberalization, it also included the speed and sequencing of the microeconomic restructuring of production and market rules, the labelling of the strategies instituted in transition countries was usually based on the concepts of stabilization and liberalization [Hoen, 1996]. At the beginning of the 1990s, Hungary was conceived of as a transition country that relied upon a gradual shift towards a market economy, building on the reforms of the 1970s and 1980s rather than rejecting them. In contrast, Poland was believed to be a textbook example of shock treatment. However, considering the issues of privatization and institution building, there were strong grounds to change these conceptions.

The stabilization and liberalization of the economies in Central and Eastern Europe were accompanied by an unprecedented decline in economic activity. It was not only the successor states of the Soviet Union that faced a deep transition crisis, but also the countries on the borders of the European Union (EU) which, for reasons of their location, were in a better position to create export-generated growth. Table 1 illustrates the transition crisis.

The decline in economic activity, measured in real changes of gross domestic product (GDP), was more severe and protracted than foreseen and its damaging effects even surpassed those of the Great Depression of the 1930s [Poznanski, 2002, 61]. A decade after the start of transition, only a few transition countries had been able to reach and exceed the GDP levels of 1989: Albania, Hungary, Poland and Slovenia. The states that emerged from the Soviet Union were particularly harshly hit. In some cases there was a cumulative decline amounting to 50% of GDP in a time span of just a few years.

Undoubtedly, the use of 1989 as a yardstick is open to discussion. Besides problems regarding the GDP index – Poland was already suffering from a severe crisis in 1989 – there was also the problem of the incompatibility of registering output in planned and market economies [Lavigne, 1999]. These measures are not fully reconcilable, although there have

Table 1. Annual Real Growth of Gross Domestic Product, 1990–2004 (percentages)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Central and Eastern Europe															
Albania	–10.3	–27.7	–9.7	9.6	8.3	13.3	9.1	–7.0	8.0	7.3	7.8	6.9	5.0	6.0	5.9
Bulgaria	–9.1	–11.7	–7.3	–1.5	1.8	2.1	–10.9	–6.9	3.5	2.4	5.8	4.3	4.8	4.3	5.5
Czech Republic	–0.4	–14.2	–6.4	0.1	2.2	5.9	4.8	–1.0	–2.2	–0.8	3.1	3.5	1.5	2.9	4.0
Estonia	–8.1	–11.7	–14.2	–8.8	–2.0	4.6	4.0	10.4	5.0	–0.7	6.9	4.3	4.4	4.4	5.8
Hungary	–3.5	–11.9	–3.0	–0.6	–0.2	1.5	1.3	4.6	4.9	4.2	5.2	4.4	3.2	2.9	4.0
Latvia	2.9	–8.3	–35.8	–14.3	0.6	–0.8	3.3	8.6	3.9	1.1	6.6	6.5	4.5	7.0	8.5
Lithuania	–5.0	–13.1	–37.7	–16.2	–9.8	3.3	4.7	7.3	5.1	–3.9	3.9	4.0	6.7	7.5	6.7
Poland	–11.6	–7.6	2.6	3.8	5.2	7.0	6.0	6.8	4.8	4.1	4.0	2.2	1.3	3.7	5.3
Romania	–5.6	–12.9	–10.0	1.5	3.9	7.1	3.9	–6.1	–5.4	–3.2	1.6	4.0	4.5	4.9	8.3
Slovakia	–0.4	–14.5	–7.0	–3.7	4.9	6.7	6.2	6.2	4.1	1.9	2.2	2.9	4.1	4.0	5.5
Slovenia	–4.7	–8.1	–5.4	2.8	5.3	4.1	3.5	4.6	3.8	5.2	4.6	2.2	3.1	2.2	4.6
Commonwealth of Independent States															
Armenia	–7.4	–10.8	–52.4	–8.8	5.4	6.9	5.9	3.3	7.2	3.3	5.7	6.2	12.7	13.9	10.1
Azerbaijan	–11.7	–0.7	–22.1	–23.1	–19.7	–11.8	1.3	5.8	10.0	7.4	11.1	7.7	6.1	9.9	10.0
Belarus	–3.0	–1.2	–9.6	–7.6	–12.6	–10.4	2.8	11.4	8.4	3.4	5.8	2.5	4.2	6.8	11.0
Georgia	–12.4	–13.8	–40.3	–25.4	–11.4	2.4	10.5	10.8	2.9	3.0	1.9	2.7	4.0	8.6	8.4
Kazakhstan	–0.4	–13.5	–13.0	–9.2	–12.6	–8.2	0.5	1.7	–1.9	2.7	9.6	9.8	9.5	9.2	9.4
Kyrgyzstan	3.5	–5.1	–25.3	–16.0	–20.1	–5.4	7.1	9.9	2.1	3.7	5.1	4.6	–0.5	6.7	7.1
Russia	–4.0	–13.5	–19.0	–8.7	–12.7	–4.1	–3.5	0.9	–4.9	5.4	8.3	5.5	4.2	7.3	7.1
Tajikistan	–1.6	–7.1	–28.9	–11.0	–18.9	–12.5	–4.4	1.7	5.3	3.7	8.3	6.0	4.9	10.2	10.6
Turkmenistan	2.0	–4.7	–5.3	–10.0	–17.3	–7.2	–6.7	–11.3	5.0	16.0	17.6	9.8	6.1	17.0	7.2
Ukraine	–3.2	–12.6	–17.8	–14.2	–22.9	–12.2	–10.0	–3.0	–1.9	–0.2	5.8	6.8	4.1	8.5	12.1
Uzbekistan	1.6	–0.5	–11.1	–2.3	–4.2	–0.9	1.6	2.5	4.4	4.1	3.6	2.7	2.9	3.5.	6.0

Source: European Bank for Reconstruction and Development, *Transition Report*, London (several years) been attempts to convert 'net material product' into GDP [Marer, 1985; 1992].

The issue of the incompatibility of these methods of registering output is reflected in three different views on the harshness of the transition crisis which exist in the shock-versus-gradualism debate. Firstly, there is the view that, while the crisis may have entailed hardship, the fall in production has been nominally overestimated. Centrally planned economies were characterized by the registration of outputs that did not exist. The phenomenon of a 'phantom' economy was not just the result of lies arising because higher production was rewarded with a bonus, but was also due to greater or lesser degrees of honesty. Hidden changes in the output structure were often reported as growth, whereas they actually entailed a price increase [Winiecki, 1995]. With the transition to a market economy, in which the prevailing tax system may serve as an incentive to under-report production, a nominal overestimation of the crisis was inevitable.

Secondly, the view was put forward that although the transition crisis may have been deep, this was unavoidable. This point of view also relied upon differences within the systems. It was not so much the registration of non-existent output as the production of unwanted if not obsolete output that was considered to be the major cause of the crisis. A centrally planned economy used its resources lavishly and supplied commodities for which, under the conditions of a market economy, there was no demand. Therefore, the transition to a market economy coincided with a fall in demand for these products. Furthermore, available stocks first had to diminish before new production could start. In centrally planned economies stocks were not costed and, due to supply constraints, were stockpiled on the largest scale possible. Therefore, depleting old stock took longer than envisaged, further delaying the process of transition [Kornai, 1980].

The third view on the transition crisis expressed severe criticism of the sharp and protracted nature of the decline in economic activity. However, this perspective also ultimately relied upon the differences between the systems. In a market environment, radical stabilization and liberalization may effect a relatively quick fall in production, but in a situation in which market rules are not yet operational recovery will fail to occur. According to this view, the right policy measures were applied to the wrong system and, therefore, production that could have been viable after restructuring had disappeared [Murrell, 1995]. This analysis was based on a sequencing argument: first markets, then liberalization. Furthermore, according to this view the argument for the stimulation of aggregate demand prevailed. The Keynesian-inspired theory of the 'credit crunch' was Most commonly referred to in this respect [Calvo and Coricelli, 1993; Coricelli, 1998]. This suggested that high interest rates discouraged private economic activity, whereas state companies remained in a position to rely on inter-enterprise debts.

Certainly, at the beginning of the 1990s, advocates of gradual transition faced tough resistance and an uphill battle. Backed by neo-classical concepts of economics, the necessity of shock treatment appeared to have a firm grounding. To further underline these arguments, the proponents were able to focus on the sustainability of recovery, although it remained a matter of dispute as to what extent this sustainability was to be ascribed to policy or legacy [Havrylyshyn et al., 2001]. In addition, the concept of 'gradualism' came under pressure, since it was conceived of as a purely academic justification of the arguments. Even if there were sound arguments to lower transition costs by postponing certain elements of reform, for practical reasons it was still valid to implement them quickly. The political feasibility of painful economic reforms played a crucial role, with the underlying idea being 'Do what you *can* do!'

4. Dual transitions

The focus in the dispute, on feasibility rather than on optimality, stemmed from the fact that after 1989 the tasks to be faced were those arising from a dual transition involving both market reform and democratization. In the period immediately following the system's downfall, the case was evident. The revolutionary atmosphere enabled the implementation of quick, comprehensive and far-reaching reforms, which would enable the establishment of a fully fledged market economy. All encompassing political support for agonizing economic reforms was facilitated by the fact that the communists were to blame. The aversion to the former regime created 'political credit' and offered the opportunity to apply a 'scorched-earth-policy' [Balcerowicz, 1995].

The extent to which market reform and democratization coincide is a well-known topic in political economics. Friedrich August von Hayek saw the two as complementary, stating that a market economy is a precondition for a democratic society. Consequently, democracy was threatened by the persistence of a regulatory government. Joseph Alois Schumpeter, although also belonging to the Austrian school of thought, believed market and democracy were not complementary, but rather antithetical. He argued that, whereas markets are inherently characterized by winners and losers, democratic decision-making is always focused on a redistribution of realized gains. This undermines market incentives, which will be gradually replaced by governmental regulations. On the basis of these assumptions, Schumpeter formulated his theory of an inevitable evolutionary process from capitalism to communism [Schumpeter, 1942].

The complementarity of market reform and democratization in Central and Eastern Europe is supported by the differences observed during the transformation. A planned economy is characterized by the leading role of government in economic decision-making. Bargaining is pivotal, in particular for reformed communist regimes. With the demise of central planning in 1989, a process of 'depoliticization' materialized, smoothing the progress of market reforms [Bartlett, 1997].

In recent debates on the transition to a market economy, the focus has shifted to the possible constraints of democratization. Balcerowicz's concept of 'political credit' stresses the temporary nature of any large-scale political support from citizens. Many authors have put forward the idea that it is easier to implement market reform under authoritarian rule. It has been suggested that, as transition entailed a huge effect on the distribution of wealth, democratization might hamper economic reform [Offe, 1991; Przeworski, 1991]. In any case, the complementarity of democratization and market reform can only be predicted in cases where certain minimal welfare levels have been reached.

To many, the political dimension of the transition process entered the discussion in the form of new constraints. Two types of constraints can be distinguished: political constraints *ex ante* and *ex post*. *Ex ante* political constraints determine the "achievability" of policy decisions, whereas *ex post* constraints are those that allow a decision to be annulled once its negative side effects emerge [Roland, 1994, 1997]. The general idea is that the optimal policy – shock treatment or gradualism – depends on the nature of the constraints. Political constraints that precede decision-making regarding economic reforms make it advantageous to compromise or to temporarily postpone radical alternatives. In particular, a gradual transition became the most likely strategy in those countries with a heritage of 'enlightened' communism, characterized by a relatively well-functioning system for the supply of consumer goods and by the presence of an opposition already tolerated and subsequently represented along the lines of a party organization in parliament. In this respect, Hungary is often considered to be a good illustration [Roland, 1994].

Ex post political constraints require a policy that hugely augments the costs that are incurred in undoing failed measures. This was the situation directly after the turmoil of the revolutionary climate, in which mass movements, such as Solidarity in Poland and Civic Forum in Czechoslovakia, guaranteed a collective rejection of communism. This rejection was not expressed in a political arena characterized by the parliamentary representation of ideas and interests by political parties [Roland, 1997].

Despite the emphasis on political constraints in debates on transition, it is noteworthy that in Central and Eastern Europe these constraints have appeared to be in effect so far. Former communists have been able to return to the political arena in countries that joined the European Union (EU) in May 2004, but reforms have only rarely been overturned. In this sense, the return of former communists has not entailed a return to communism.

What does this imply for the Hayekian dilemma about the role of the state as the initiating organ of market reform and democratization? The developments in Central and Eastern Europe revealed a rediscovery of the market as an institution with a nexus of rules on competition and property rights, with a significant portion of GDP produced within the public sector and a tax system that enables the redistribution of the market allocation of wealth. Pure markets may or may not be reconcilable with democracy, but the markets existing in Central and Eastern Europe have proven to be more than just price mechanisms. The huge diversity in market regimes that have come into existence in Central and Eastern Europe is reflected in recent developments in theories regarding transition.

5. Path – dependent transitology

Liberal thinking, which suggests that markets facilitate democracy and freedom, set the stage at the beginning of transition. It is noteworthy that reform-minded democrats in Central and Eastern Europe sometimes went even further than the liberal extremes. They rejected the so-called 'third way' as an inadequate alternative. Hungary's reforms in the 1970s and 1980s had proven to be ineffective and this experience led to the conviction, even before institutional support came from the International Monetary Fund (IMF) and the World Bank, that a strictly liberal policy was not just the best but the only alternative [Bönker et al., 2002]. When analyzing the substance of this concept, it often appeared that some kind of nineteenth-century liberalism prevailed. There was strong support for these ideas from political economists in the region. It was not an accident that the work of Hayek was translated and made accessible in quite a number of relatively small countries in Central and Eastern Europe.

The liberal model was believed to have general validity. The idea that markets facilitate democracy applied to several countries in Latin America and was, therefore, 'transferred' to the transition countries in Central and Eastern Europe. However, this perception of the general applicability of the liberal model had a negative impact upon regional studies. Whereas before 1989, regional specialists emphasized the interrelation of historical, economic and sociocultural factors to explain the nature of market performances in a specific region, after the demise of communism the general validity of the liberal model of market functioning and market performance was taken for granted. With respect to theory formulating, it can be demonstrated that the demise of communism triggered the downfall of regional studies on Central and Eastern Europe.

Liberalism still dominates debates on transition, but it has lost its monopoly position. Three factors have led to the development of alternative ideas which have challenged its domination. Firstly, economic crises in the second half of the 1990s played the role of a catalyst. After all, as mentioned above, the severity of this crisis surpassed the Great Depression in depth and length and has led some specialists in the field to have second thoughts. Some have even claimed that this crisis was 'state-made' [Poznanski, 2002]. Most of the criticism, however, has focused not so much on the techniques of stabilization and liberalization measures, but on the disproportionate emphasis on these aspects of transition. The success of stabilization and liberalization was believed to be largely dependent on the extent to which markets function. As they were not functioning, it was concluded that the genuine task of transition had not been fulfilled and that the stabilization and liberalization measures taken had been unable to meet the requirements of this endeavour.

Secondly, in the mid 1990s, crises occurred that exposed the vulnerability of markets in both Central and Eastern Europe. The 'Asian Crisis' started a new debate on the extent to which a country's financial markets can become more exposed to recession in a world that is characterized by 'globalization'. As can been seen in Table 1, the aftermath of the Asian crisis was felt severely in the Czech Republic (1997/98) and the Russian Federation (1998). On a more moderate scale, its effects were also seen in the collapse of the pyramid schemes in Albania (1997). In leading international financial organizations, such as the IMF and the World Bank, the issue was debated intensely. In addition, structural adjustment programmes that had been set up for a number of Latin American countries had shown ambiguous results, both in terms of real income growth and income distribution [Stiglitz, 1998; Rodrik, 2000]. Due to the fact that these programmes were perceived as generally applicable and, therefore, also appropriate to the transition countries in Central and Eastern Europe, the transition debates also shifted focus from a 'Washington' to a 'Post-Washington consensus'. 'Good governance' became the leading thread in the discussions.

Thirdly, there was growing disapproval of the negative consequences of large-scale privatization. At the beginning of transition, there was a narrow focus on a quick transfer of property rights from the state to the public. To that end, several methods of privatization were developed. These varied from the selling of shares via stock exchange markets, as was the case in Hungary, to a free division of state property amongst the general population, as was the case with the system of voucher privatization by means of auctions, particularly in the Czech Republic, Lithuania and the Russian Federation. On the one hand, the experiences with privatization engendered discussion on the extent to which it accelerated the process of restructuring, while, on the other hand, there was broad-scale disapproval of the emergence of a new class of extremely rich owners who, due to the monopolistic structures of markets, were able to circumvent its disciplinary rules. The first aspect led to the view that quick privatization by no means guaranteed quick restructuring, the Czech Republic serving as an illustrative example. The emergence of a monopolistic, manoeuvring 'nouveau riche' in some cases even fuelled a discussion on the renationalization of property rights, as was the case in the Russian Federation. During transition it became clear that well-defined property rights were much more important than private property as such. In cases where property rights were not well defined, there was a diffuse system in which a clear distinction between authority and responsibility was lacking. As a consequence, on the macro level the discussion developed into a debate on 'good governance', while on a micro level 'corporate governance' gained importance, something which, at the beginning of the 1990s, was not an issue at all. In fact, for a long time the idea prevailed that a decentralization of property rights was good in itself.

These three factors accompanied a revival of observations underlining the importance of the historical and sociocultural backgrounds of the transition countries. The analyses of the success of the Baltic states provides an example. In these accounts, the accomplishments were no longer exclusively attributed to the policy applied, but were also attributed to the legacy of a Soviet past which created the massive political support needed for excruciatingly difficult economic reforms. A shift in the explanation of the relative success or failure of transition, from attributing it to current policy to regarding it as a legacy of the past, calls for an historical approach. At the beginning of the transition of these states, the idea was that divergent initial conditions such as reformed/non-reformed, Soviet past/Central and Eastern Europe, large/small, et cetera, played a negligible role. However, since the second half of the 1990s, it has been stressed that these divergent initial conditions co-determined and could explain differences in the extent to which markets functioned. As a consequence, regional specialists re-entered the arena of research on transition.

At the same time, the market is now more frequently and more explicitly conceived of as an institution. The market as an institution requires the implementation of and commitment to rules. In this respect, the neo-classical justification for the creation of a market economy is highly problematic. In the neo-classical framework, the market is perceived of as an independent, smoothly functioning institution. Within the sub-discipline of transitology, a shift towards the sociologically inspired work on 'second generation' theories can be discerned. These theories focus, for example, on the emergence and importance of civil society and trust. An analysis of the significance and relevance of these elements for the success or failure of transition requires an interdisciplinary approach. Some have stressed that the shift in focus reveals a paradigm shift [Bönker et al., 2002] and there seems to be some truth in this claim. The controversy over shock-versus-gradualism has more or less vanished, as this debate only highlighted a limited number of aspects, while transition is seen more and more to be a multi-level phenomenon within society. Transition entails much more than a decentralization of the decision-making processes of governments.

6. Transition – the end?

This article opened with a description of the origin of transition theory following the collapse of communism. To conclude, it would be sensible to address the question 'When is transition finished?' As early as 1993, the Czech Prime Minister Vacláv Klaus proclaimed the completion of the transition process. However, within a few years the Czech Republic faced a crisis, the causes of which were to be found in an incomplete transition to a market economy. In 2001, after the publication of an optimistic EU report on the progress that the Hungarians had made with respect to entry conditions, the Hungarian Prime Minister Viktor Orbán also announced the end of a successful transition. Although Hungary has not faced a subsequent decline in economic activity, the country has faced great difficulties in its attempt to prepare for the implementation of the Euro after accession. Although Orbán's claim has been not belied, its correctness has not been confirmed either.

Meanwhile, various authors have addressed the criteria which indicate the end of transition [Brown, 1999]. For some, these criteria are based on pragmatic considerations, such as accession to the EU. Indeed, many citizens in Central and Eastern Europe have perceived EU accession as the ultimate proof of the end of transition. The transition to a market economy was considered complete with a return to Europe, a journey from the periphery to the centre. However, the EU is a mixed group of heterogeneous countries. While they all feel committed to democratic order and the market economy, the task of finding appropriate criteria determining the end of the transition process still remains.

The end of transition can also be perceived from a point of view that focuses on performance. To what extent, for example, do growth figures converge to those of highly developed countries in the West? Currently, economic growth in transition countries is higher than in the EU, but differences in welfare remain enormous. Even the most affluent transition country, Slovenia, whose GDP is 75 per cent of the EU average, will need a generation to catch up with Western economies. Furthermore, the question remains as to whether economic performance can offer a decisive criterion for determining the end of a transition process. Market economies may suffer from recessions, whereas planned economies are able to sustain production during global recessionary economic declines. Rather than assuming that transition started with the collapse of a specific type of socialism – a system of a planned economic order – it seems more appropriate to use systemic devices to evaluate the extent to which transition has finished or not. Despite great variations in the original systems in Central and Eastern European countries, one theme is common to their transitions, supply constraints have been substituted with demand-control. Some have proposed not to focus on the characteristics of the system at the desired endpoint, but rather on specific phenomena of the systemic transition, such as disproportionate rent-seeking [Åslund, 2002].

It may be taken for granted that a market economy is, or is conceived of as being, superior to a planned economy. However, the path from a centrally planned economy to a market economy by no means implies a Pareto improvement. Therefore, transitology was able to establish itself as a new sub-discipline of social economics, with its foundation due to a successful demarcation of the research subject rather than a straightforward methodology.

The huge number of different modes of market regimes that have emerged in Central and Eastern Europe are fodder for social economists. In studying these differences, it is less important to depict the strategies and the outcomes than to explain them. Therefore, the end of transition is not the end of transitology.

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