https://doi.org/10.31995/jgv.2026.v17iSI03.001

Initial Conditions and Output Decline in Central and Eastern Europe (CEE) during Transition: 1990-98

Vishal Dubey
Professor
Department of Economics
G.B. Pant Degree College, Kachhla (Budaun)
Email: ksh.vishal@gmail.com

Reference to this paper should be made as follows:

Received: 20.01.26
Approved: 25.02.26

Vishal Dubey

Initial Conditions and Output Decline in Central and Eastern Europe (CEE) during Transition: 1990-98

Vol. XVII, Sp.Issue Mar. 2026
Article No.01, Pg. 001-013

Similarity Check: 05%

Online available at
https://anubooks.com/special-issues?url=jgv-si-gdhg-mdbd-mar-2026

DOI: *https://doi.org/10.31995/jgv.2026.v17iSI03.001*

Abstract

Certain economic, geographic, social or political conditions of CEE countries at the start of transition in 1989 or 1990, which affected economic performance during the following decade, are called as Initial conditions. Albania, Bulgaria and Poland inherited unfavourable initial conditions before transition in terms of internal imbalance, fiscal deficits and large external debts. It can be said that Czechoslovakia started with best macroeconomic conditions and Albania and Bulgaria with the worst initial conditions. We define four variables on recession or output decline using Mickiwiez (June 2005). Lengths of recession (LOR) refer to the number of years recession lasted. The total fall of output to nadir (lowest value of output) relative to 1989 is denoted by depth of recession (DOR). Cost of recession (COR) is measured by multiplying LOR with total fall of output relative to 1989. The results of a simple regression of depth of recession (DOR), length of recession (LOR), cost of recession (COR) as defined earlier on the four factor scores of initial conditions show that initial conditions explain cumulative output decline much better than the length (LOR), and the cost of recession (COR). This means that the length and cost of recession could have been minimized certainly by some other factor such as policy adopted or creation and effectiveness of institutions. The better explanation of percent fall of output (DOR) by initial conditions put claims to the fact that initial conditions in these socialist countries were such that output was doomed to decline when transformation to a market economy started in 1989/1990. Certainly, it can be said that the initial conditions were responsible for output decline

during initial years of transition. They had an impact on the performance of CEE economies at least in short run.

Keywords
Initial Conditions, Distortions, Recession, Factor Analysis, Output Decline, Transition, Central and Eastern Europe (CEE)

Introduction

Certain economic, geographic, social or political conditions of CEE countries at the start of transition in 1989 or 1990, which affected economic performance during the following decade, are called as Initial conditions. A very good comparative analysis of initial conditions before the reform programme began was given by Muco (1997). In these countries production was organized under state ownership with some private activities allowed in Hungary and Poland and a large part of agriculture was carried in small scale private farms. Similarly, prices were administratively determined except for food prices in Poland. A large part of prices were determined freely in Hungary (85 percent), and to some extent in Romania (20 percent). While Albania, Bulgaria, Romania and Czechoslovakia had had not witnessed pre-transition institutional reforms, Hungary witnessed Market socialist reforms after 1968 and Poland witnessed it after 1981 which helped in transition after 1990.

As total wages exceeded the value of the supply of consumer goods at the administered prices and markets were not in function to balance supply and demand supply-constrained shortages appeared. The ratio of money (M2) to GDP can be taken as a proxy for the measure of monetary overhang and it aggravated due to indiscipline and growing economic disorder just before transition. (Gros & Steinherr, 1995, p. 126). While it was large in Czechoslovakia, Bulgaria and Albania it was quite normal in Hungary and Romania and below the norm in Poland (30 percent) in December 1989 and it reached around 90 percent in 1990. Budget deficits turned to insurmountable proportion in Albania at 44%, grew large in Poland and Bulgaria, except in Hungary and Romania where they showed surplus. To finance these deficits money supply increased and proportion of broad money increased which increased inflation. Consumer price inflation in Poland galloped to 640 percent in 1989, and in Albania it reached 104 percent in December 1991 in comparison to 1990. It remained within manageable limit in Hungary (35%) and low in Czechoslovakia (16%) and Romania (8%) in 1990.

From the above discussion it can be said that Albania, Bulgaria and Poland inherited unfavourable initial conditions before transition in terms of internal

https://doi.org/10.31995/jgv.2026.v17iSI03.001

imbalance, fiscal deficits and large external debts. Albania had huge internal imbalances, the highest fiscal deficit but it was moderately externally imbalanced. Bulgaria was heavily dependent on Soviet Union and eastern European countries. On the other hand, Hungary liberalized its markets and decentralized planning mechanism before the systemic reforms. However, it was heavily indebted externally. The authoritarian regimes of Czechoslovakia and Romania had favourable initial conditions in terms of internal and external balance before onset of systemic reforms. They had modest monetary overhangs but low external debt. While Czechoslovakia had moderate fiscal deficit, Romania had large fiscal surplus. It can be said that Czechoslovakia started with best macroeconomic conditions and Albania and Bulgaria with the worst initial conditions.

Initial Conditions and Path Dependence

The path-dependent nature of economic transition means that institutional and historical legacy would have affect on transition outcomes. The experience of CEE has shown that differences in I.C. had led to divergent outcomes as in endogenous growth models where differences in stock of growth-inducing factors (initial conditions) led to different growth paths (Romer, 1986) (Lucas, 1988) thereby indicating that initial differences are difficult to narrow down. In such situations, people's acceptance for further reforms, external anchors and institutions such as European Union, World Bank and IMF played a significant role in sustainable transformation of these economies.

Path dependency means that past determined the present and there is effect of future on present. At the beginning mosts specialist focussed on future objective of transition i.e. a market economy, neglecting the effect of past on post-socialist evolutions. The vision of the future was unclear at the start of transition in 1990. (Federowicz, 2000, p. 92). As economic transformation progressed, expectations went unrealized due to uncertainty and instability and there was a fear that process could be reversed. Therefore, initial conditions determined the chosen reform path, stabilizing uncertainties and realizing expectations. Expectations became path-dependent; as they tend to self-reinforce when they were realized. After1995, the driving force for transition process was the membership of European Union, overcoming the influence of initial conditions.

Hence, the future outcome is indeterminate/ unpredictable unless all interim processes are analyzed that lead to that state. (Garrouste & Ioannides, 2001) Similarly,

absolute indeterminism is also not possible as path dependence reduces the range of possible solutions[1] (North D. C., 1990, p. 98). The escape from such inferior lock-in and inefficient path processes such as in Romania or Bulgaria, would have been overcome by inflow of technichal and financial resources, changing informal habits under weak institutions, and law-enforced and effective institutional change. All these conditions were to be fulfilled under EU-accession process which prevented inefficient transformation. (Magnin, 2002, p. 83)

Capturing Initial Conditions in Central and Eastern Europe (CEE)

A World Bank Report (World Bank, 2002) has classified various I.C. indicators developed by De Melo, Denizer and Gelb (1996) into categories such as Structure, Distortions and Institutions to which we further added certain other initial conditions.

I. Structure

a. Industrialization (INDUSTRY)- measured by share of industry in GDP, compared to other countries the share of industry was large in STE'Ss as services either financial, business or consumer were repressed.
b. Urbanization (URBAN)- measured by proportion of people in urban areas in 1990, higher income countries are generally more urbanized.
c. Share of Trade with Socialist Bloc (TRD.CMEA)- Autarky and Cold War with the west meant high trade dependence within the CMEA area reflecting high level of industrialization, large plants and regional interdependence.
d. Income level (INC)- measured as per capita GNP at PPP US$ 1989, was generally higher in central European countries than in southern European countries.
e. Secondary School Enrolment rate (SSER)- measured as share of school age population in pre transition year by Fischer and Sahay (2000), this proxies for an index of economic development as economically developed countries have better enrolment rates. The enrollment rates in CEE countries were generally high, similar to upper middle and high income countries.
f. Unemployment (UNEMP)- measured as unemployment rate in pre-transition year 1989 for Hungary and Poland, 1990 for others. The characteristic feature of socialist economies resulted in very low unemployment rate due to heavy investment and industrialization. The data is taken from TR, 1994.

1. As North explains, political and economic choices along the transformation process, provide alternatives. However, path-dependence narrow that choice. Transition therefore is not a story of inevitability in which past neatly predicts the future.

https://doi.org/10.31995/jgv.2026.v17iSI03.001

II. Distortions

a. Monetary Overhang/ Repressed Inflation (REPR)- measured as difference between increase in real wages and real GDP from 1987 to 1990.

b. Black Market Exchange Rates (BLMKT)- measured as difference between black market exchange rates and official exchange rates in 1990, indicating rationing of foreign exchange resulting in subsidy to imports and tax on imports, stimulates diversion of resources from official to informal sector leading to consumption of real resources in directly unproductive activities. It was high in Bulgaria (921) and Romania (728), moderate in Albania (434) and low in countries that previously had experience with reforms like Hungary (46.7).

c. Extent of prior reforms (LIBINDEX89)- Hungary, Poland and Bulgaria had introduced some elements of market reforms before transition to a market system actually started. This is captured by index of liberalization in 1989 (de Melo, 1996)

d. Degree of Economic Stagnation prior to Transition (PRGR)-measured as average growth in 1985-89, the developed economies stagnated while poor countries such as Albania registered high growth.

e. Industrial Distortion (INDIST)- was defined as difference between actual share of industry in GDP and share predicted by regression analysis in Chenery and Syrquin (989) as calculated by DDGT (1997)

f. All Distortions (ALLDISTORT)- measured as sum of trade and industrial distortions by…….. give definition of distortion. These were low in Hungary, moderate in Czech Republic, and high in Slovakia, Albania, Bulgaria, Poland and Romania.

g. Trade Share in GDP (TDEP)- measured as ratio of exports and imports to GDP in 1990. For a regionally interdependent communist economy trade shares were high and were concentrated within the CMEA area. Breakdown of CMEA led to disruption in international trade and payments. The CEE countries were less dependent on CMEA and suffered less disruption than FSU countries. The effect of disruption depended on location also, depending on whether these countries were able to re-direct trade with rich neighbours. Trade dependence was highest for Bulgaria(16.10), Hungary(13.70) moderate for Czechoslovakia and Albania and lowest for Romania. The share of CMEA trade in 1990 GDP is indicated by variable TRD.CMEA as given by Fischer

and Sahay (2000). It exceeds 100 percent for Albania (102) followed by Poland (17) and Bulgaria (15) and lowest for Romania (3%)

III. Institutions

a. Market Memory (MARMEM) - CEE countries in comparison to CIS countries were subjugated under the Soviet rule for few years and hence could draw on their market experience in design of institutions that support markets.

b. Location (LOCAT) (DIST.DUSS)- Central European countries as compared to Eastern European countries had extensive trade links with the western market economies, enterprises and institutions were more exposed to competitive pressures. Location (LOCAT) defined as geographical proximity to market economies helped in import of institutions and adjustment of trade patterns during transition. DDGT (1997) uses a dummy variable (=1) to indicate that a country has thriving market economy as a neighbour. (0 otherwise). The other measure is the distance of the capital city from Dusseldorf.

c. Nationhood (STATE)- newly independent countries had more difficulty in creating efficient political institutions and achieving political consensus. A categorical variable with a value 2 for states independent prior to 1989, value 1 for members of decentralized states and value 0 for new nation states. The new nation states needed to build political and economic institutions. However, Czechoslovakia did not face such problem as federal structure gave substantial power and responsibility to constituent republics. Further, historical ties and political affiliation with west have given them direction.

d. Richness of Natural Resources (RICH)- Richness of natural resources may not make transition easier as countries have to overcome tremendous production and logistical problems before realizing their resources potential. The presence of exportable resources may result in reform delays. For energy importers, break up of CMEA has entailed a large terms of trade shock. While Poland and Romania are resource moderate(dummy=1) all other countries are resource poor.(dummy=0)

e. Private Sector Share of GDP(PVTGDP)- defined as private sector share of GDP in pre-transition year as given in Transition Report 1999, the year being 1989 for Hungary and Poland and 1990 for other countries in the group. The higher share of private sector shows the seeds of market economy and institutions and the ease in transforming the planned economies to market economies without such disruption.

https://doi.org/10.31995/jgv.2026.v17iSI03.001

f. Democracy Index (DEMOC.INDEX)- A measure of political reforms present in the system as democracy helps in flourishing market economy and hence growth. Hence, countries with better democracy index in 1990 were better suited for transition to a market economy. Hungary and Poland were better placed while Albania, Bulgaria and Romania had no prior experience of democracy.

Initial Conditions in Transition Countries (1989/1990)

Indicators	Albania	Bulgaria	Czech R	Hungary	Poland	Romania	Slovakia
INC	1400.00	5000.00	8600.00	6810.00	5150.00	3470.00	7600.00
URBAN	37.00	68.00	65.00	62.00	62.00	53.00	57.00
INDIST	0.03	0.23	0.21	-0.01	0.13	0.22	0.23
RICH	0.00	0.00	0.00	0.00	1.00	1.00	0.00
LOCAT	1.00	0.00	1.00	1.00	1.00	0.00	1.00
PRGR	3.60	2.70	1.60	1.60	2.80	-0.80	1.60
REPR	4.30	18.00	-7.10	-7.70	13.60	16.80	-7.10
TDEP	6.60	16.10	6.00	13.70	8.40	3.70	6.00
BLMKT	434.00	921.00	185.00	46.70	277.00	728.00	185.00
MARMEM	47.00	43.00	42.00	42.00	41.00	42.00	42.00
STATE	1.00	1.00	0.00	1.00	1.00	1.00	0.00
PVTGDP	5.00	10.00	10.00	20.00	28.60	15.00	10.00
SSER	0.78	0.75	0.91	0.75	0.82	0.92	0.96
TRD.CMEA	102.00	15.00	10.00	10.00	17.00	3.00	10.00
EXTDEBT	36.90	50.60	12.20	64.00	63.40	2.90	6.80
LIBINDEX89	0.00	0.13	0.00	0.34	0.24	0.00	0.00
EXP.CMEA90	44.00	60.00	41.00	36.00	50.00	29.00	41.00
DIST.DUSS	1494.00	1574.00	559.00	1002.00	995.00	1637.00	824.00
INDUSTRY	37.00	59.00	58.00	36.00	52.00	59.00	59.00
GDPPC1989	629.00	5740.00	8207.00	6081.00	5687.00	3535.00	6969.00
UNEMP	2.10	1.50	0.80	0.30	0.10	3.00	1.50
ALLDISTORT	39.70	39.90	16.10	4.20	41.90	44.70	32.50
DEMOC.INDEX	0.00	0.00	0.17	0.58	0.58	0.00	0.17

Source: de Melo, et al., 1997; Fischer & Sahay, February 2000; Fischer & Sahay, 2004; EBRD, 1994, EBRD, 1999

III. Review of Literature

Concludingly, it can be said that prime factor behind initial output decline was adverse initial conditions such as trade dependency and over-industrialization. (Berg, Borensztein, Sahay, & Zettelmeyer, 1999) (Havrylyshyn, September 1998) (de Melo, Denizer, Gelb, & Tenev, 1997). The cross section variation in output growth is explained by structural reforms rather than initial conditions. Attempts were made to explain

growth performance through initial conditions but lacks in studying the impact of initial conditions on policies. Berg, et al., (1999) concludes that initial conditions do not seem to have affected efficiency of policies as the interaction terms between policies and initial conditions remain insignificant and even inclusion of these interaction terms in regression equation do not alter the coefficients of policy variables. de Melo, et al., (2001) opined that though unfavorable initial conditions are associated with slow reforms it cannot be infered that they diminish the effectiveness of reforms, especially once they are implemented. Adverse initial conditions have a strong negative effect on growth but the importance of initial conditions decreases over time. They affect reforms indirectly and starting points have exerted a strong impact on performance during the initial years of transition.

III b) Regression of Initial Conditions on Output Decline

We define four variables on recession or output decline using Mickiwiez (Post-Communist Recessions Re-examined, June 2005). Lengths of recession (LOR) refer to the number of years recession lasted. Our definition of depth of recession measures the cumulative extent of decline till the lowest point and is therefore complementary to Mickiwiez definition of depth of recession. An alternative statistic, measuring time between 1989 and exit from the lowest point. According to Mickiwiez, its advantage is that early output statistic may be problematic but little measurement error relating to timing of exit from recession. The total fall of output to nadir (lowest value of output) relative to 1989 is denoted by depth of recession (DOR). Cost of recession (COR) is measured by multiplying LOR with total fall of output relative to 1989. These measures are shown below

	Beginning of the recession	Last year of the recession	Length of recession (LOR)	Exit of Recession (EOR)=(year of lowest output+1-1989)	Depth of Recession (DOR)= {1-lowest output/1989 out} *100	Cost of Recession (COR)=DOR*LOR
Albania	1990	1992	3	4	39.9	119.70
Bulgaria	1990	1997	8	9	31.8	254.40
Czech Republic	1990	1992	3	4	13.1	39.30
Hungary	1990	1993	4	5	18.1	72.40
Poland	1990	1991	2	3	17.8	35.60
Romania	1989	1992	4	4	25.0	100
Slovakia	1990	1993	4	5	24.9	99.60

Sources : Calculated from UN Economic Survey of Europe, 2004, No.2, p.80 and Tomsaz Mickiwiez (2005),Table A.1, p.20; Table A.3, p.22.

https://doi.org/10.31995/jgv.2026.v17iSI03.001

Using Factor analysis, we break the above 17 initial conditions[2] in four factor scores that explains 92.34 percent of variation in the initial conditions, rather than regressing the dependent variable on every initial condition. We, regressed, length, depth and cost of regression on the initial conditions through these factor scores. Alternatively, we also regressed average GDP growth during the period 1990 to 1994, 1994 to 1998 and during the whole period 1990 to 1998 on first three factor scores of initial conditions. The average GDP growth rates were calculated with the help of World Development Indicators.

III c) Regression Results

The results of a simple regression of depth of recession (DOR), length of recession (LOR), cost of recession (COR) as defined earlier on the four factor scores of initial conditions are shown in Table (Regression 1).

Regression 1: Regression of DOR, LOR, COR on Initial Conditions

Dependent Variable	DOR		LOR		COR	
Factor Score1	-5.083		0.814		43.121	
	0.130	2.041	0.439	0.850	0.237	25.870
Factor Score2	3.911		-0.378		-23.267	
	0.195	2.041	0.700	0.850	0.463	25.870
Factor Score3	-2.515		0.952		40.821	
	0.343	2.041	0.379	0.850	0.255	25.870
Factor Score4	5.351		0.714		7.350	
	0.120	2.041	0.489	0.850	0.803	25.870
Constant	75.629		4		103	
	0.001	1.890	0.037	0.787	0.050	23.951
No. of Observations	7		7		7	
F-statistic	4.567 [.188]		.770 [0.632]		1.539 [0.430]	
R-squared	0.901		0.606		0.755	
AdJ. R squared	0.704		-0.181		0.264	
S.E. of Estimate	4.999		2.081		63.3689	

Note: Figures in red shows the significance value.

2. We deliberately left I.C. such as RICH, LOCAT, STATE as were more or less uniform under these categorical variables. Instead of industrial distortions (INDIST) we used all distortions in industry, defense and trade patterns (ALLDIST). For location having thriving market economy as a neighbour we are already using distance from Dusseldorf. We use (INC) per capita GNP at PPP US$1989 as an indicator of per capita income.

Regression 1 shows that depth of recession (DOR) is better explained by initial conditions than length of recession (LOR) or cost of recession (COR). In case of LOR and COR the adjusted r square value in comparison to r-square is either negative or low. Though, none of the regressions are significant, the significance of the first regression i.e. DOR is high in relation to the other two. Similarly, the value of F statistic is greater than 4 in DOR regression while it is 0.7 in LOR and 1.5 in COR regression. Also, the significance of each factor score is highly enhanced in DOR regression than in LOR or COR regression. This suggests that the depth of recession is explained by initial conditions but not the length of recession or cost of recession.

Regression 2: Regression of Period-wise Average GDP growth on Initial Conditions

Dependent Variable	Average GDP growth 1990-1994		Average GDP growth 1994-1998		Average GDP growth 1990-1998	
	-.268		-1.208		-0.757	
Factor Score1	0.814	1.040	0.471	1.468	0.494	.975
	1.470		0.081		0.789	
Factor Score2	.253	1.040	0.959	1.468	0.478	.975
	.261		-.034		0.116	
Factor Score3	0.818	1.040	0.983	1.468	0.912	.975
	-3.543		2.929		-.314	
Constant	0.035	.963	0.120	1.359	.751	.921
No. of Observations	7		7		7	
F-statistic	.709 [.608]		.227 [0.873]		.424 [0.750]	
R-squared	0.415		0.185		0.298	
AdJ. R squared	-.0171		-.630		-.405	
S.E. of Estimate	2.54801		3.59475		2.38754	

Note: Figures in red shows the significance value.

The result shows that model fit decreases from the 1990-94 period to the 1994-98 period and the model fit decreases for the whole period 1990 to 1998[3] but not to the extent it decreased for the second period. The first three factor scores

3. The F-statistic decreases from .709(1990-1994) to .227(1994-1998) and to .424(1990-1998). However, strinkingly the decrease is not large during the second period, showing that the power of initial conditions to explain output growth during 1994 to 1998 still exists. Moreover, the fit decreases for the whole period providing evidence that certain other factors were also responsible for output growth.

https://doi.org/10.31995/jgv.2026.v17iSI03.001

express 82 percent variation of the initial conditions and adding the fourth factor decreases the fit of the model further.

Interpretation of Results

The results show that initial conditions explain cumulative output decline much better than the length (LOR), and the cost of recession (COR). This means that the length and cost of recession could have been minimized certainly by some other factor such as policy adopted or creation and effectiveness of institutions. The better explanation of percent fall of output (DOR) by initial conditions put claims to the fact that initial conditions in these socialist countries were such that output was doomed to decline when transformation to a market economy started in 1989/1990. Countries having better initial conditions such as Czech Republic, Hungary and Poland suffered less decline where as countries such as Albania and Bulgaria having worst initial conditions suffered more than or around one-thirds of their 1989 GDP. The results are not significant. This may be due to the reason that the number of observations (sample size) is too low. Therefore, even when the initial conditions explain output decline up to 90 percent it is not statistically significant. Alternatively, the regression of period-wise average GDP growth rates shows that the effect of initial conditions to explain average GDP growth rates declines with time as the fit of the model for the whole period is between the fit of the models for 1990 to 1994 and 1994 to 1998.

Policy Conclusions

Since, initial differences in CEE countries were persistent and were difficult to narrow down stepwise policy prescriptions that were successful made the ground for next stage of reforms in terms of preparing people's acceptance for further reforms.At this time, external anchors and institutions such as European Union, World Bank and IMF played a significant role in sustainable transformation of these economies. Certainly, it can be said that the initial conditions were responsible for output decline during initial years of transition. They had an impact on the performance of CEE economies at least in short run. Thereafter, reform policies adopted by these countries showed results and the adoption of quality institutions helped in sustaining economic growth.

References

1. Arthur, B. (1989). Competing Technologies, Increasing Returns and Lock-in by Historical Events . *The Economic Journal, 99*(1).

2. Berg, A., Borensztein, E., Sahay, R., & Zettelmeyer, J. (1999). *"The Evolution of Output in Transition Economies: Explaining the Differences," IMF Working Paper WP/99/73, May 1999.* Washington DC: IMF.
3. De Melo, M., Denizer, C., & Gelb, A. (1996). *'From Plan to Market: Patterns of Transition' Policy Research Working Paper 1564.* Washington: World Bank.
4. de Melo, M., Denizer, C., Gelb, A., & Tenev, S. (1997). *"Circumstance and choice: the role of initial conditions and policies in transition economies," World Bank Policy Research Paper.* Washington, DC: World Bank.
5. Denizer, C. (1997). *"Stabilization, adjustment and growth prospects in transition economies," World Bank Policy Research Paper No.1855.* Washington, DC: The World Bank.
6. Dubey, V. (2023). *Causes of Output Decline During Transition in Central and Eastern Europe, 1990-1998 [Doctoral Dissertation, Jawahar Lal Nehru University].* New Delhi: Shodhganga. Retrieved from http://hdl.handle.net/10603/461135
7. EBRD. (1994). *Transition Report.* London: European Bank for Reconstruction and Development.
8. EBRD. (1999). *Transition Report.* London: European Bank for Reconstruction and Development.
9. Federowicz, M. (2000). Anticipated Institutions: The Power of Path-Finding Expectations. In M. Dobry (Ed.), *Democratic and Capitalist Transitions in Eastern Europe: Lessons for the Social Sciences.* Dordrecht: Kluwer Academic Publishers.
10. Fischer, S., & Sahay, R. (2004). *Transition Economies: The Role of Institutions and Initial Conditions.* Washington D.C.: International Monetary Fund.
11. Fischer, S., & Sahay, R. (February 2000). *"The Transition after Ten Years", IMF Working Paper WP/00/30.* Washington, D.C.: International Monetary Fund.
12. Garrouste, P., & Ioannides, S. (2001). *Evolution and Path Dependencein Economic Ideas: Past and Present.* Cheltenham: Edward Elgar.
13. Gros, D., & Steinherr, A. (1995). *Winds of Change: Economic Transition in Central and Eastern Europe.* London and NewYork: Longman.

https://doi.org/10.31995/jgv.2026.v17iSI03.001

14. Havrylyshyn, O. (September 1998). *"Recovery and Growth in Transition Economies1990-97: A Stylised Regression Analysis", IMF Working Paper WP/98/141* . Washington, D.C.: International Monetary Fund.
15. Heybey, B., & Murrell, P. (1999). The Relationship Between Economic Growth and the Speed of Liberalization During the Transition. *Journal of Policy Reform, 3*(June), 121-137.
16. Kruger, G., & Ciolko, M. (1998). A Note of Initial Conditions and Liberalization During Transition . *Journal of Comparative Economics, 4*(December), 718-734.
17. Lucas, R. (1988). On the Mechanics of Economic Development. *Journal of Monetary Economics, 22*.
18. Magnin, E. (2002). Path-Dependence and Initial Conditions in the Transition Process: The Cases of Hungary and Romania. *Journal of Economics and Business, V*(1), 67-87.
19. Mickiewicz, T. M. (June 2005). *Post-Communist Recessions Re-examined.* University College London Working Paper No.55.
20. Muco, M. (1997). *Economic Transition in Albania: Political Constraints and Mentality Barriers.* Tirana: Office of Information and Press at NATO.
21. North, D. (1994). Economic Performance Through Time. *American Economic Review, 84*(3).
22. North, D. C. (1990). *Institutions, Institutional Change and Economic Performance.* New York: Cambridge University Press.
23. Popov, V. (2000). Shock therapy versus Gradualism: The End of the Debate (Explaining the Magnitude of the Transformational Recession). *Comparative Economic Studies, 42*(1), 1-57.
24. Popov, V. (2007). Shock Therapy Versus Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reforms. *Comparative Economic Studies, 49*(1), 1-31.
25. Romer, P. (1986). Increasing Returns and Long-Run Growth. *Journal of Political Economy, 94*.
26. World Bank. (2002). *Transition: The First Ten Years: Analysis and Lessons for Eastern Europe and the Former Soviet Union* . Washington, D.C.: World Bank.