

ECONOMIC DEVELOPMENT AND INSTITUTIONS IN POST-COMMUNIST COUNTRIES

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KEY WORDS

institutions, institutional reform, economic development, transition, post-communist countries, capitalism, market economy, initial conditions, civil society, social capital

SUMMARY

This thesis discusses the determinants of institutional reform in transition, which, in turn, is considered the main explanatory factor for the observed differences between post-communist states in terms of economic development. The thesis shows that the success of transition and, in fact, the development of post-communist states did not depend exclusively on macroeconomic reforms; beyond them, the states had to create institutions that would not obstruct the proper functioning of the market economy. However, the building of good institutions was discouraged by the political factor, vitiated in turn by the maintenance of the nomenclature's favourites in positions of political power even after the collapse of the old communist regimes. They chose to maintain a social order based on personal relations and rent-seeking behaviour, which could easily benefit them directly, at the expense of building rules that would support a true market economy, for the benefit of all society members. The thesis also argues that the extent to which the members of the former regime remained in positions of power in the new context of the transition depended to a large extent on the initial social conditions, more precisely on the strength and involvement of civil society in the initial stage of the transition, influenced in turn by the characteristics of the old communist regimes regarding the levels of violence and repression exercised by the state on the civil opposition.