

Contents

List of Figures	vii
List of Tables	ix
Nomenclature	xi
Acknowledgements	xv
Introduction	1
1 Fighting Poverty in Transition Countries	7
1.1 Causal Links between Poverty, Inequality and Growth	7
1.1.1 The Promising Link Between Poverty and Growth	10
1.1.2 The Capricious Link Between Inequality and Growth	11
1.2 The Policy Agenda	14
1.2.1 Macroeconomic Adjustment	16
1.2.2 Openness To Trade	17
1.2.3 Privatization and Market Regulation	19
1.2.4 Institutional Quality and Effective Governance	20
1.3 Conclusion	21
2 The Political Economy of Reform	23
2.1 Introduction	23
2.2 The Reform Model	25
2.2.1 Model Assumptions	25
2.2.2 The Political Market	26
2.2.3 Reform Decision	27
2.2.4 Reform Design	33
2.2.5 Reform Implementation	34
2.3 Model Discussion	36
2.3.1 State Capacity	37
2.3.2 The Collective Action Problem	42
2.3.3 The Agency Problem	47
2.3.4 Competition	52

2.4	Methodological Observations	55
2.4.1	Cross-Country vs. Case Studies	55
2.4.2	The Scientific Validity of Case Studies	56
2.4.3	Case Selection	57
2.5	Conclusion	61
3	The Process of Endogenous Simultaneous Transition	63
3.1	Introduction	63
3.2	Competition and Performance	65
3.3	Empirical Analysis	68
3.3.1	Sample and Variables	68
3.3.2	A Model of Endogenous Simultaneous Transitions	69
3.3.3	Estimation	71
3.3.4	Results	72
3.4	Simulation	79
3.5	Conclusion	83
4	Comparative Case Study	85
4.1	Introduction	85
4.2	Bulgaria	86
4.2.1	Initial Conditions	86
4.2.2	Muddling Through Transition	88
4.2.3	The Return to the Path of Economic Growth	94
4.2.4	The Path to EU Accession	98
4.3	Romania	102
4.3.1	Initial Conditions	102
4.3.2	Yet Another Case of Muddling Through	103
4.3.3	Breaking the Logjam	107
4.3.4	The Path to EU Accession	111
4.4	Albania	118
4.4.1	Initial Conditions	118
4.4.2	Shaking Off the Legacy of the Past	120
4.4.3	The Continuing Trouble with Governance	125
4.4.4	The Rocky Road to EU Accession	129
4.5	Bosnia and Herzegovina	134
4.5.1	Initial Conditions	134
4.5.2	The Travails of Reconstruction	136
4.5.3	The Limits of External Intervention	138
4.5.4	The (Not So) Tempting Bait of European Membership	145

4.6	Past Achievements and Future Reform Challenges	150
4.6.1	Macroeconomic Adjustment	152
4.6.2	Trade	155
4.6.3	Privatization and Market Regulation	156
4.6.4	Education	168
4.6.5	Institutional Quality and Effective Governance	170
4.7	Ex Post Reform Forecast	174
4.7.1	Political Markets at the Beginning of Transition	174
4.7.2	Political Markets at a Turning Point	183
4.8	Conclusion	193
5	Conclusion	197
	Data Sources and Definitions	201
	Bibliography	203