MACROECONOMIC CONSIDERATIONS ON THE TRANSITION FROM CENTRALIZED – PLANNED ECONOMY TO MARKET ECONOMY IN CENTRAL AND EASTERN EUROPE IN THE BEGINNING OF THE 90s

ANDREI CLAUDIU DIPȘE*  
IOACHIM AUREL DIPȘE**

Abstract. This study proposes a photographic analysis of the macroeconomic situation of Central and Eastern European countries in the early 1990s, a period characterized by sudden transitions and radical changes in all areas. In this pass, the states from the East of the Curtain have attempted to transpose a liberal-competitive economic vision over a bankrupt inheritance of a communist economic system characterized by state closure and control. Starting from the historical, social and economic context that led to the fall of these regimes and ending with the first steps in the new model of the liberal economy, this research aims to provide a political and economic perspective on the similarities of economic reform implemented by the states from this geographic area in the transition from the centralized – planned economy to the market economy.

Keywords: economic transition, centralized planned economy, market economy, Central and Eastern Europe.

Introduction in the historical and economic context

There are many approaches to establish the starting point of the falimentary evolution of Eastern European economies, but scientific literature tends to recall the period between 1970-1980. Indeed, the impact of oil crises had shaken the entire socialist block, who faced severe economic problems for some time. These oil crises had a major impact for the socialist economies in the context in which the export economy of industrial products (products which require fuel for their production) was a strong point in the planning of each country’s GDP. The constant
export of under-valued products through the framework of some “valorization companies” (such as Sovroms in Romania) led to an exhaustion of the physical and productive export resources. This economic opening within the block (towards the “fraternal countries”) actually opened the way for the global oil crisis to penetrate. Particularizing the idea, the most eloquent example is Yugoslavia, which, although it was a socialist state, did not belong to the Soviet bloc, and its openness and integration into the world economy system was much stronger. In fact, small and medium-sized Eastern European countries were heavily dependent on the export economy, for example, in the mid-1970s exports to Hungary occupied almost half of GDP, and between 15% and 25% in Poland’s GDP, Yugoslavia or Romania1.

The oil crises only drew a strong alarm on the lack of dynamism of the Soviet economies, which were based on the same forced industrialization policy that began in the 50s and 60s and was no longer yielding. The planned economy on the heavy sectors of the extractive and processing industries (coal, iron, steel, chemical, etc.) was based on an outdated technology that consumed resources in arithmetic progression. As proof of the obsolete technology, after a few decades of industrial production, this technology led to a high degree of pollution – as was the case in the Soviet Union (which had a percentage of more than 2.5 against the US). We can mention also Czechoslovakia – the most polluted country in Europe and Bulgaria – ranked among the top 10 countries in the sulfur dioxide2.

Simultaneously with the exhausted industrial production, the solution to solving the oil crisis was generally the adoption of sets of economic measures based on severe saving measures, applied especially to the increase the amount of production. In other words, they tried to avoid fiscal policies by keeping wages and consumption at the same level while increasing productivity. If maintaining the same level of payroll was the main policy, other policies focused on rationalization of both public services (lighting, fuel) and food. In Romania, for example, since 1981, the regime has begun to rationalize the main foods from the daily basket of the population, sometimes turning even basic products like bread, milk, eggs, sugar, meat and meat products, etc into rarities. With these draconian measures they wanted to save basic food and also, they wanted to justify their distribution on rations. Thus, communist planning reaches the absurd, in the effort of the leaders to rationalize even the food/head per year, in so called “rational food programs” as was the “Romanian Scientific Nutrition Program” scheduled for the 1982-1985 period.

Although the effort of economic resuscitation was consistent, it was clearly not possible to solve the problems of socialist economic systems through social and economic measures. The positive trend of a forced industrialization could not be maintained indefinitely. Indeed, extensive development policies have not yielded and radical reform attempts were not a viable option in the context of the 1956 reformist attempts in Hungary and 1968 in Czechoslovakia. In this context, some countries will continue to try to resuscitate economies traditionally, according

---

to the old Soviet methods, as was the case of Romania, Bulgaria or Czechoslovakia. However, some countries will try to adopt substitution policies for import and industrialization, with sets of measures to reorient savings to export and growth productivity. The best examples in this regard are Hungary and Poland, which will be countries that will try to open up their savings by joining global trade organizations. As an example, both countries will join the GATT (General Agreement on Tariffs and Trade) in 1967 (Poland) and Hungary (1973) respectively. Then, they will join the International Monetary Fund (1982-Hungary, 1986-Poland), like other states in the region (Romania-1972). However, these reforms did not have a direct effect on the economic physiognomy of any of the Central and Eastern European countries. The system was hard to reform in the context in which the centralism is robust and somewhat stable, and any reforming capacity makes it unstable, as Janos Kornai said: “the reform destroys the coherence of the classical communist system, and proves it to be incapable of establishing a new order in its place”.

The Soviet model was clearly opposed to an opening to the West, an opening that, through a free and sustained exchange, could have revived socialist economies. But in full Cold War, on the contrary, there were serious limitations in terms of cooperation between the two bloc’s states, encouraging permanent fraternal exchange. In the 1980s, especially the U.S. administration had stopped any information exchange or export in the fields of technology. By Order 12356 (known as the “CoCom Program”) of 1982 issued by the Regan’s administration, the U.S. has limited the export of everything that means telecommunication technology, biotechnology, IT or computers. Moreover, the participation of foreign students at symposiums and conferences that could reveal some top scientific information was prohibited.

I. Berend said in another paper that “the only way to develop (the Central and Eastern European states in the 1980s) is to mobilize the intensive resources of economic growth, technological, organizational and productivity factors”. But the reorientation of the socialist market could not be done because of the copious control exercised by the Kremlin. Another important aspect of intensive resources – technological and organizational factors – is the refusal of the socialist states to reorient the economy to technology and services (which was at the moment the only viable alternatives to the industrialization policy). Statistical data prefigures a major need for the development of services economy: electricity, telephony, information technology. According to the information provided by Ivan Berend, the Central-Eastern Communist states consumed on average 3000-5000 kWh (some even less: Romania-2621 kWh, Bosnia-Herzegovina 675 kWh) compared to western Europe where the average was 8000 kWh (France, Germany, Switzerland

---

5 Ivan T. Berend, Ot elsudas gazdasagrol es okatasrol, Magveto Kiado, Budapest, 1978, p. 200 (our transl.).
6 Ivan T. Berend, From the Soviet Bloc to the European Union..., pp. 24-25.
etc.) or north – 16000kWh – Sweden or Finland. As far as telephone services are concerned, if the US had 79 telephone lines per 100 inhabitants, the Nordic countries 45 and the western countries 28 in the Central-Eastern Europe average is approx. 7.4 lines/100 inhabitants. In terms of information technology, a pioneering and growing domain, the difference is even more evident. The proportion of 5-50 pc/1000 Western inhabitants in Eastern Europe was only 5% of the western level.

Thus, the re-profiling of the central and eastern European economies in the field of services was practically and ideologically stopped by the Soviet economic mentality system. The refusal and stubbornness of Communist leaders will make the static system of economic management erode strongly. If we look at the whole, the main cause of this erosion was that this static economy (developed on the same branches), did not adapt to technological progress (a redeployment on the services of the emerging technique in the West). The main enemy of the socialist economies is innovation and reprofiling (which are, in fact, the main elements that keep the dynamic capitalist system, and are constantly oriented towards progress), as Schumpeter pointed out that “the fundamental impetus that sets and keeps the moving capitalist engine moving comes from the creation of new goods, new production methods, new markets, and new forms of organization of forms of production”.

Well, these issues were completely missing at the time of the collapse of communism. Production management not only could not reprofile, but was centralized, it was excessively bureaucratic, and economic decisions were congruent with political decisions. These excessive interferences of politics in the economy made it impossible to have a plan adapted to the reality of an enterprise, but all had to follow the central directives. Looking in the mirror with the Western model, we cannot speak of the same powerful bureaucratization – which assures the confluence of political factors with the economic ones – but a true separation between government activity and market influences.

In a parallel macroeconomic plan, due to the fact that the structural crises of the socialist system could not be resolved on the go, at the beginning of the 1980s there were two viable alternatives: A. Deterioration of the living standards and social benefits of the population through severe policies of rationalization, economic recovery and preservation – which was not very possible in the context of the risk of popular revolutions (according to the Prague model of 1968), or B. the maintenance of the status quo, but with loans from the foreign market. Of course, the second option was preferred by most states in this area. The country borrowing rate has risen steadily and steadily since 1970, rising from $6 billion (in 1970) to $110 billion on the fall of the regime in 1989. Breaking down these claims, Hungary reaches the public debt of 20 billion dollars, which was twice
as high as foreign exchange earnings, and Poland excelled at 42 billion, which on the same criterion was five times higher\textsuperscript{11}. This lending policy has had disastrous effects in the economic recovery plans. The bankruptcy of these plans has inevitably led to refinancing loans, which made the new loans unable to finance investments, but in the vast majority they were directed to the payment of old arrears.

The credit crunch in Central and Eastern Europe was severe. Bulgaria, Yugoslavia or Poland were insolvent. Statistically speaking, most of the money was invested in non-economic industries, so obtaining new credits has become a survival policy. The investments were completely lacking, they were working with fictitious production figures. For example, Hungary of about 20 billion borrowed, will invest only 4-5 billion\textsuperscript{12}. In the case of Romania, the borrowed money used a massive reindustrialization, which was a fatal mistake. However, this mistake could be offset by the wise use of money and directing it for immediate purposes to meet the needs of the population – as did Poland or Hungary. Of these borrowed moneys, these countries have not only financed the heavy industry sector, but the governments of these countries have encouraged – to a very limited extent – the development of the “private sector”. However, Romania has chosen not to fund this secondary sector – which could little to alleviate the population’s discontents – but to direct money exclusively to state-owned companies that already had years of profitable profits. Loans for restarting the economy were borrowed from foreign markets, generally speaking of Arab states, loans that were taken at very high interest rates, and most of the time without a tentative analysis of the domestic economic capacity for reimbursement – as was the case Romania. After all, the debt created for Romania did not bring a considerable increase to the economy, but rather the worsening of the situation, so that between 1971 and 1982 the country’s state debt increased from 1.2 billion dollars to 13 billion, and the statistics showed significant decreases of foreign trade revenues of up to 20\%\textsuperscript{13}.

Sacrifices made by the people for paying their debts have grown galloping size with Ceauºescu’s sudden, unexplained decision to pay external debt in the second half of the eighth decade. Restricting it to public services, rationalizing food, and supplying poorly with consumer goods were the main measures of the Ceauºescu regime to stop the rebound of the crisis and to take the country out of debt. Analyzing in economic terms, the situation of this space was similar to other peripheral areas of the world, like Latin America. Since 1973, we have already found the socialist states in a continuous recession that will last until the fall of the regime. In real terms, per capita GDP declined from 49 in 1973 to 37 in 1989. Moreover, apart from Yugoslavia, which managed to register a small increase from 34 to 35, the rest of the states recorded major losses: Poland is the one with a loss of 10 units (43 to 33), followed by the Soviet Union with 7 (from 49 to 42) and Bulgaria and Czechoslovakia with 6 units (from 42 to 36 and 57 to 51

\textsuperscript{11} Ivan T. Berend, From the Soviet Bloc to the European Union ..., p. 33.
\textsuperscript{12} Ibidem.
\textsuperscript{13} Constantin Ionete, Cria de sistem a economiei de comandã îî etapa sa explozivã [The system crisis of the command economy in its explosive phase], Expert, Bucharest, 1993, p. 74.
respectively). In fact, these capital falls will be accompanied by inflationary rises, so that Hungary will increase consumer prices from 5.3% in 1986 to 17.1% in 1989. Far from this score, Poland will an inflation of over 251% in 1989. However, the negative record in this chapter is held by Yugoslavia, which will have a hyperinflation of 1269%.

Economic evolution of Central and Eastern Europe after the fall of Communism. Gradualism (gradual therapy) or “shock therapy”? Years 1990-1991

Starting with this major economic crisis, along with the ideological and political crisis of Eastern European socialism, communism that had so far incorporated almost one-third of the world would fall to the end of 1991. In other words, the fall of communism could have led to what Francis Fukuyama had predicted – “the end of his history”. After all, the communist system proved to be incapable of producing wealth and redistributing it equally to everyone, just as the common property of the state, produced and used “for the benefit of the people”. In practice, this directing of all the driving forces of the economy in the state gear has in the end canceled the responsibility of the individual in relation to the state production (state that could not fail otherwise). The populations of these Eastern European countries realized the utopia of the communist system and its imposition by force and repression. In the vast majority of cases, the fall of communist regimes peaceful, without a great number of victims (except in Romania where a strong revolutionary conflict took place).

Until 1991 we can state that Central and Eastern European states have already moved from the communist political systems to democratic systems. Political change has been underpinned by economic transformations, the transition being strongly animated by the attempt to copy the Western model, the only viable alternative at that time. It is good to remember that the transformations that were to follow were not meant to improve the system but to change it from the foundations. The transition was mainly political and economic change. From a political point of view, the unique party system had to be changed with a multi-party, democratic one where the representatives are elected by the free will of the citizens in the governing structures. In the economic dimension, transformations had to be even more radical: the demolition of joint ownership and the privatization of collectivized areas, the transition from an interventionist and planned economy to a free private initiative, as well as opening up to new trade agreements and foreign markets to most countries.

Gradualism (gradual therapy) or “shock therapy” represent two theoretical aspects that were very much spoken in the economic jargon of the main Eastern European state authorities as well as of the great economists. Communism has fallen, therefore, what shall we do next? Shall we implement a gradual transition,

---

step by step, based on incremental measures, or we can implement a shock therapy transition to shorten the agony of the bankruptcy? The terminology of the two phrases comes from the medical field, where gradual therapy is based on progressive treatment of a disease by administering moderate doses of medication at predetermined intervals, ensuring a slow (but safe) healing of the patient, and “shock therapy” used to bring a dead body back to life. If the last approach was based on strong influences from neo-institutional political theories, the “shock therapy” came from the liberal school of thought, which was aimed to manage a strong wave of radical economic measures that would speed up the transition. However, if we look at the whole, most states opted for a gradual reform, and shock therapy was only the exception. The gradualism of the reforms has had a number of disadvantages, including the possibility that reformers or the population will lose confidence in the results due to the long period of time needed for such a change, and on the other hand we are discussing the uncertainty of coexistence of a mixed economic system that would have brought with itself a chronic inability of the capital market, still divided between the state system and the liberalization. In order to avoid these disadvantages, many theorists preferred that some phases would be “burned” and go directly to a liberal economy, freed from the economic and political confusions of a democratic regime at the beginning. In this sense, shock therapy was the way of a short transition, which according to some theories had to include16.

- Severe fiscal discipline – it was intended to implement a system that seeks to bring in a safe state budget, in order to avoid indirectly the phenomenon of the inflation that would follow later.
- Prioritization of public spending – the idea of seeking to unify the priorities of public investments by creating a homogeneous climate, eliminating the discrepancies between the economic behaviors of the old regime (for example, the quality of rural life that had been neglected by the Communists, the revitalization of agriculture – which had been used as an “annex industry” for the policy of forced industrialization of the regime).
- Tax reform – this was to improve the collection of taxes and duties by creating an institutional-legislative base that would ensure a minimum threshold so that social categories can pay taxes, thus avoiding the phenomenon of evasion.
- Financial liberalization – removing state intervention in the market, so that prices and interest rates are set by the market.
- Exchange rates – establishing a competitive foreign exchange rate to encourage exports and attract foreign capital.
- Liberalization of trade – it was envisaged the elimination of quantitative import/export restrictions and their replacement with customs duties.
- Foreign direct investment – in other words, encouraging foreign investment in the country, to create a competitive environment.
- Privatization – starting the process of selling to state-owned enterprises that do not have economic return.

• Deregulation – creating a climate that supports economic competition and supports the entry of new economic actors on the market, subject to fair competition.

• Ownership rights – the implementation of the private property system facilitated by the existence of modest expenses offered to the citizen, so that the claim or the restitution is not hindered by the existence of excessive tax.

Concerning shock therapy, we can mention only one eloquent case in the central eastern European area, namely Poland, where a radical reform economic program could be implemented, taking into consideration the aspects of the previous model. Russia then followed with an ample shock therapy project. In Hungary and the Czech Republic, it was attempted to impose gradualism, which was also the paradigm of the Eastern European transition. In the case of Romania, there have been a series of radical reform trends (and the imposition of shock therapy), which have unfortunately been attributed to the turbulent events that began in 1991 – the miners revolts (ro. “mineriade”). Of course, these radical changes in the system were made with enormous sacrifices and with a strong economic rebound in macro-economic indicators: the devaluation of national currencies and rising inflation, the rising unemployment rate due to the privatization of state-owned enterprises, and a strong deficit public investment due to the created economic vacuum and the debts that were due at that time (except for Romania, which manages to fully pay its public debt).

The similarities of the economic reform carried out at the beginning of the 90’s in the Central-Eastern European area (1990-1992)

Although they were part of the same economic system, each state in the Central Eastern European region had strong economic particularities on the eve of the fall of communist regimes. However, we can see a pattern to the immediate problems experienced by all these states in their attempt to follow a new economic system. Thus, such patterns of similarities to the economic problems faced by these states can be interpreted from an anthological study published by researchers Oliver Blanchard, Kenneth Froot and Jefferey Sachs, who in their famous work titled *The Transition in Eastern Europe* (vol. I) which manage to highlight six issues that dominated the economic landscape of the early 1990s17. In this perspective, we will underline several issues in order to explain the processes that started after 1992 in the economies of these states based on following considerations:

1. In all the countries of the Central Eastern European region, after the liberalization process began, there were large adjustments and price spikes (especially in Poland or Czechoslovakia) which caused strong mutations in inflation due to the fact that from the beginning these countries had adjusted prices much higher than expected.

2. Former communist countries have tried in the immediate period after 1990 to overcome the disability of limited exports to the West (external economy was

---

oriented towards the USSR and “brotherly countries”) and liberalizing economy links with countries that already had liberal economic systems – fact which occurred with a series of major stages – devaluation – adjustment of the conversion rates – elimination of the majority of quantitative export restrictions, namely the imposition of a new advantageous customs tariff system. The withdrawal from the economic monopoly of exports has been very painful for some countries. For instance, the Baltic States (Estonia, Latvia, Lithuania) have gone through a very difficult period because before 1991 over 95% of the export economy was aimed at the Soviet Union and then in the years 92-93 the introduction of its own currency with a strong negative impact on the GDP of each country. These aspects of loosening the Soviet monopoly added a number of geopolitical issues, because in this area we have countries that have emerged from political entities artificially constructed – like Czechoslovakia who divided in the Czech Republic and Slovakia in December 1992, or Yugoslavia which will divide in several successor states: Slovenia, Bosnia-Herzegovina, Serbia-Montenegro (Montenegro will later split from Serbia), Macedonia, Croatia and Kosovo. Although the economic climate of these countries predicted their inability to export to the West (in the context in which the European West was much more developed, with superior quality products, respectively competitive economies), the western markets were penetrated and exports to west had significantly increased. In this sense, the data in the following table are very eloquent.

Table 1. Increases in Exports and Destinations (Percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CSB</td>
<td>8.8</td>
<td>35.8</td>
<td>67.5</td>
</tr>
<tr>
<td>Albania</td>
<td>22.0</td>
<td>62.9</td>
<td>94.1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.3</td>
<td>55.1</td>
<td>59.0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10.4</td>
<td>29.9</td>
<td>69.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>10.8</td>
<td>25.9</td>
<td>71.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.1</td>
<td>67.4</td>
<td>81.5</td>
</tr>
<tr>
<td>Macedonia, FYR</td>
<td>7.3</td>
<td>22.2</td>
<td>65.5</td>
</tr>
<tr>
<td>Poland</td>
<td>12.9</td>
<td>71.6</td>
<td>75.5</td>
</tr>
<tr>
<td>Romania</td>
<td>8.7</td>
<td>44.3</td>
<td>71.0</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>6.0</td>
<td>15.9</td>
<td>59.2</td>
</tr>
<tr>
<td>Slovenia</td>
<td>5.7</td>
<td>33.7</td>
<td>70.7</td>
</tr>
<tr>
<td>CIS</td>
<td>-3.2</td>
<td>28.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Armenia</td>
<td>-8.6</td>
<td>9.4</td>
<td>34.9</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>-14.0</td>
<td>4.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Belarus</td>
<td>-3.2</td>
<td>15.3</td>
<td>11.0</td>
</tr>
<tr>
<td>Georgia</td>
<td>10.3</td>
<td>2.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>3.4</td>
<td>43.8</td>
<td>29.6</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>-2.4</td>
<td>24.7</td>
<td>44.0</td>
</tr>
<tr>
<td>Moldova</td>
<td>4.8</td>
<td>6.2</td>
<td>31.3</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>4.7</td>
<td>59.3</td>
<td>49.4</td>
</tr>
<tr>
<td>Ukraine</td>
<td>5.8</td>
<td>18.1</td>
<td>23.3</td>
</tr>
</tbody>
</table>

3. The start of the privatization processes proved to be much harder than expected. In fact, in all these countries, the main impact on the economies was – the small privatization – namely, the private ownership of small and medium-sized properties, in the sense that – the big privatization – was to be done later. Privatization has not been done uniformly in any of these countries, but has followed different speeds and different amplitudes.

4. Generally, in these countries, the economic restructuring plans have chosen a slow path of progress, and therefore restructured much less than was imperative or necessary. This led indirectly (Poland for example) to the fact that the workers succeed in reaching the management systems of the companies (in the context of the granting of some rights by the state), which has brought a strong lack of vision, materialized in poor productivity, respectively increasing the unemployment rate. As a result, credit crunching has become a widespread practice (to save these companies) ending up with chronic bank failures, where creditors became prisoners of custody.

5. In the first years of the transition, the private sector in these countries has grown enormously, delivering high economic results and returns, which has saved the economies of these states. As the authors recall, in macroeconomic data the strongest results were seen in the employment rate in the private sector (from 13% at the beginning of the reform to 30% after the first two years – Poland), the exports from the sector private (at the end of 1991, 20% of Poland’s exports were private, 50% in Hungary etc.) 19.

6. In all the transition countries, after two years, the following symptoms were felt: the fatigue of the economic reform, the problems of implementing the new legislation (which this time had to correspond to the free market laws), the fiscal crises, the problem of incapable state companies maintain the profit line, the bank and credit permanently being restructured.

**Conclusions**

The transition was a continuous process, which extended until the integration of these states into the European and North Atlantic structures. The historical experience proved that the Western model’s transposition through sudden and incremental economic policies, had caused a strong rebound of the industrialized economies without economic return, which is noticeable in the macroeconomic instability of the area. The process of opening markets to foreign trade, as well as privatization, had been the key points on the agenda of each post-communist government in the area. It is interesting to note that a quick and efficient transition was wanted in each state, but this strategy was blocked by the mistakes of a political class impregnated with a significant percentage of the former communist nomenclature, as well as by the incapacity of the new democratic

---

19 *Ibidem, p. 5.*
states to manage a process at a national and transnational scale. The effects of these mistakes of the immediate transition cannot be seen only in the political-economic evolution until the integration of the states into the European community space, but also afterwards.

The process of transition from the centralized-planned economy to the market economy is probably the most complex process of changing the economic paradigm known so far, because the reforms had to be revolutionary in the context in which the two economic typologies were totally opposite (in practice it moves from one extreme to another). Considering the fact that communist regimes still exist in some parts of the world (North Korea, Cuba), in the case of a need for a transition (towards democracy) the states of Central and Eastern Europe offer a consistent political and economic experience that will help these states to pass more easily and efficiently through the transition period. The transition of the 1990s was a key process as it finally came to make strong differences of development and European integration between the states of the former socialist bloc. After the accession of these countries to European and transatlantic structures, these development gaps have begun to diminish by uniformly imposing economic directives at the Union level. To keep pace with Western development, these countries have tried, with some success, to implement packages and policies to attract foreign investors to relocate the workforce from the state sector to the private sector. But this state policy (under the slogan of “encouraging foreign investment”) along with the infusion of foreign capital into the economy, opened up the market to international corporations, the market that has remained a booming growth to date. On the other hand, as a negative externality, this process directly led to strong imbalances in the external payments balance in the idea that the profits made of international corporations were taken out from the country. Also, the Central and Eastern European economies had progressively acquired (as a fundamental feature) the quality of consumer savings, which led to artificial consumer economies. Furthermore, besides the negative fact that the economic growth was not one based on production but one on consumption, the private debt of the country increased, because the consumerism base consists in lending. All of these cumulative aspects have led to a great deal of syncope in these economies, which, in the hurry of aligning themselves with the EU policies, have made progress in most cases in figures not in practice. However, the domestic realities of each state from an economic, political, and social point of view could not be removed in the 30 years of transition, so we can still talk about a developed Western Europe and a developing Eastern Europe.

20 According to the official data presented by the European Commission on the official website of the institution, both the retrospective and the economic perspective of Romania (which is an exemplary case) is based on a growth well above the European average, but not on productivity but on consumption. https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_summer_12_07_18_ro_en.pdf, accessed at 06.09.2018.

21 And most of the foreign bank capital has led directly to the pumping of external money into the economy through the lending mechanism, money that has returned abroad along with the interest earned.
BIBLIOGRAPHY:

Berend, Ivan T., Ot eloadas gazdasagrol es oktatascal; Magveto Kiado, Budapest, 1978;
Berend, Ivan T., From the Soviet Bloc to the European Union; The Economic and Social Transformation of Central and Eastern Europe since 1973; Cambridge University Press, Cambridge, 2009;
Carter, F. W., Turnock, D., Environmental Problems of Eastern and Central Europe, Routledge, London, 2002;
Ionete, C., Criza de sistem a economiei de comanda în etapa sa explozivă; Expert Publishing House, Bucharest, 1993;
McDaniel, D., United States Technology Export Control: an Assessment; Praeger, Westport CT, 1993;