A Lesson for the Contemporary European Periphery from the Transition Process of the CEE Countries

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1 Introduction

How can we rebuild the competitiveness of the so-called periphery countries? That is one of the biggest challenges for the contemporary European Union. In this chapter, we focus on the development of the Central and Eastern European (CEE) countries in their transition period as a possible source of inspiration for the reform process in European periphery countries. The purpose of this chapter is to discuss the following two research questions:

1. What are the important factors that distinguish between successful and less successful CEE countries during their transition period?
2. What is a possible lesson from the transition process in the CEE countries for contemporary European periphery?

Section 2 contains initial remarks, terminology and classification of the CEE countries according to their successfulness in the transition process. Section 3 provides a list of crucial factors. Section 4 states some factors of minor importance for countries' success in the transition process. Finally, Sect. 5 offers a summary of the previous outcomes and a discussion of the second questions.

2 Successful and Less-Successful CEE Countries

Focusing on processes during the CEE countries' transition period, we should start with a definition of how we approach the term CEE countries. First, these countries had more-or-less centrally planned economies until the late 1980s. This means that

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they had an economic system in which the government owned and managed the vast majority of production facilities and in which prices and wages were not determined by supply and demand. Second, these countries had a common general aim in the early 1990s: a transition to a more effective economic system based on the principles of a market economy, thus enabling increased living standards.

Generally, we can talk about a common direction of transition. However, with respect to particular features of transition strategies, there were many ambiguous questions: First, where specifically were these countries going? Towards a social-market economy, a Scandinavian type of welfare state, the Anglo-Saxon model or a uniquely Eastern model of a market economy? Second, how fast should the economic system be transformed—through shock therapy or a gradualism approach?

Moreover, the initial transition intentions were often quickly modified, depending on the following issues:

- The level of economic development (more-developed Western CEEs versus less-developed Eastern CEEs)
- Their historical experience with democracy and market economy (Western CEEs versus Eastern CEEs)
- The quality of informal institutions (i.e., culture, social capital)
- The level of transformation in the 1980s (more liberal Poland, Hungary, Slovenia versus strictly centralised Czecho-Slovakia and Bulgaria)
- The first results of transition (relative success versus failure)
- Citizens' reactions (acceptance of first negative impacts of reforms versus refusal of the entire transition process and sentiment to re-enter the socialist era)
- Consistency of economic policies, etc.

Analysing the situation in particular CEE countries, we can assume that social-economic development was relatively heterogeneous during the transition period. From a long-term perspective, evaluating the overall success of the transition process in Central and Eastern Europe shows the existence of a few groups of countries. Accession into the EU as part of the so-called first wave in 2004 may serve as a clear-cut criterion for dividing the groups. The Visegrad Four—i.e., the dynamically growing Baltic countries and the wealthiest country in the region, Slovenia—unquestionably converge both quantitatively and qualitatively with the developed countries in Western Europe over the longterm. Their entry into the EU lends high credibility to their success in social and economic transition. The level of transition achieved (economic development, institutional character, democratic stability, a developed civil society, etc.) in most of the Balkan and post-Soviet countries, which form the second main group of CEE countries, is at a markedly lower level than in the successful group. Bulgaria and Romania are on the boundary line between the two main groups. Their accession to the EU in 2007 can be considered an incentive for the successful completion of the transition process rather than a reward for the level of transition attained. Croatia is a specific case, differing from all other

Table 1 A classification of the transition countries (criterion: accession to the EU in 2004)

Group	Countries
Successful countries	Visegrad, Baltics, Slovenia
"Between the groups"	Bulgaria, Romania, Croatia
Less successful countries	Balkan, Post-Soviet region

non-member countries in the former Eastern Bloc in its level of socio-economic development and moreover, having a real prospect of accession. Therefore, Bulgaria, Romania and Croatia form the third group of CEE countries (Table 1).[1]

In this chapter we address the first two groups of countries—i.e., 11 countries of the CEE country group. However, because of the lack of data, Croatia is only partially included in the following analysis.

3 Crucial Factors of Success

Discussing the factors of success during the transition period, we should focus particularly on the features of political and institutional environment. Compared to the causality of transition processes in other parts of world, the sequence of political and economic changes in Central and Eastern Europe was rather untypical. More specifically, most of the successful Asian countries first experienced economic reforms accompanied by economic growth and only later experienced political liberalisation and democratisation (Taiwan, Korea, Malaysia, Indonesia, however, China and Vietnam as well). As, e.g., Zakaria (2005) argues, a country must first become rich; an educated middle class grows and begins to demand democratic reforms. Central and Eastern Europe went down a different path: the autocratic regimes fell, democracy was born and only then were large-scale economic reforms implemented. Orenstein (2001:3) cites three particular factors in this development: first, the forceful personalities at the head of the opposition, such as Lech Walesa in Poland and Václav Havel in former Czechoslovakia; second, a democratic tradition (i.e., a tradition of relatively liberal policies) of most of the countries in the region, especially during the interwar period; and third, the strong impact of the European Union on these countries' adherence to the principles of democracy. In this context Åslund (2008) even claims that accession to the EU boosted democracy much more than economic growth. With respect to this debate on causalities in terms of political and economic changes, we should add the argument that at the least, the

[1] Based on the results of the transition, Åslund (2008) distinguishes among three groups of CEE countries: radical reformers (Central Europe, the Baltics) versus gradual reformers (South-Eastern Europe, most of the post-Soviet states) versus countries that have maintained the old dictatorships (Belarus, Turkmenistan, Uzbekistan).

Similarly, Lane and Myant (2007) distinguish among three groups of post-Communist countries: fairly successful transition countries (Estonia, Slovenia, East Germany, the Czech Republic, Poland, Ukraine) versus hybrid economies (Russia, Kazakhstan, Georgia, the Western Balkans) versus statist societies (Belarus, China).

Table 2 Features determining the success of the transition process in the CEE

Feature	Successful countries	Less-successful countries
Political stability (e.g., Grochová and Kouba 2011)	Only elite political instability (all)	Non-elite political instability (former Yugoslavia, Georgia, Ukraine)
Formal (political) institutions (e.g., Novotna 2011) (e.g., Novotna 2011)	Democratic elections (all)	Autocratic tendencies (Serbia, Belarus, Ukraine, Georgia, Central Asia)
	Parliamentary system (all except Romania)	Presidential system (Russia, Belarus, Ukraine, Georgia, Central Asia);
	Proportional election system (all)	Majoritarian election system
Informal institutions (e.g., Zweynert and Goldschmidt 2005)	Extended order based on Western Christianity tradition (all)	Holistic order based on Eastern Christianity tradition (Balkan and Post-Soviet countries)
Their compatibility with formal institutions (North 1990)		
Initial economic level		
Real prospect of accession to the European Union (e.g., Orenstein 2001)		

successful Central European countries were already relatively well developed at the beginning of the transition process. Noting that Slovenia, Czechoslovakia and Hungary belonged to the middle-income countries in the late 1980s shows that the above-mentioned ideas are not contradictory. Moreover, these initial conditions at the outset of transition were fundamental to the success of transition and integration strategies.

Analysing the topical literature, we can summarise a list of political, institutional and economic features that in our opinion, were very influential on the success of transition process in the CEE countries (Table 2).

Generally, political stability is considered to be the essential prerequisite for successful economic development, e.g., Alesina et al. (1996), Jong-A-Pin (2009), and Aisen and Veiga (2013). Nevertheless, the literature based on the ideas of the new political economy usually does not distinguish between two levels of political instability: so-called elite and non-elite political instability. Whereas non-elite political instability involves violent coups, riots or civil wars, elite political instability involves "soft changes" such as government breakdowns and fragile majority or minority governments. Inspired by Gyimah-Brempong and Dapaah (1996), who use the conception elite versus non-elite political instability in the case of Sub-Saharan Africa, in Grochová and Kouba (2011), we apply this perspective to political instability in the case of CEE countries. Exploring, e.g., the durability of governments, we can see that from 1993 to 2008, Poland and Latvia experienced 16 different governments, Estonia and Lithuania no fewer than 11. Furthermore, all of the Czech Republic's governments between 1996 and 2010 were extremely weak and unstable, similar to both Slovak pro-reform governments under then-Prime Minister Dzurinda in 1998–2006, etc. Thus, we can generalise that all of these successful CEE countries suffered from considerable features of elite political instability during the transition period; that notwithstanding, they experienced fast economic growth and achieved their main goal—accession to the European Union. However, all of these successful countries managed to avoid the symptoms of non-elite political instability. Here we can see an important difference between our main groups—i.e., successful and less-successful countries. An illustrative example is the completely different course of separation in Czechoslovakia compared to Yugoslavia. Moreover, Croatia, which was initially perceived as a very promising candidate for rapid integration into European structures, lost its opportunity for progress in integration in the 1990s because of non-elite political instability (i.e., war and an autocratic regime). Only after the end of violent conflict in post-Yugoslavian area and the fall of Tudman's autocratic regime in 2002 did Croatia conduct a quick, successful integration process. Therefore, we can claim the following: non-elite political stability is the first precondition for a successful transition.

With respect to the set of formal institutions of a political character, the literature of the new political economy extensively discusses the significance of a political regime for economic development. Moreover, this question started to gain special popularity in the 1990s, simply because of the geopolitical changes that were related to the collapse of the Soviet bloc and the democratisation process in the CEE region [e.g., Alesina and Perotti (1994), Clague (1997), Olson (2000), Lindert (2003)]. From a general perspective, the results of this strand of research are relatively ambiguous—both democratic and autocratic states can prosper in the long-run, and both can experience long-term economic decline. Nevertheless, in the case of CEE countries aiming to integrate into the community of developed Western countries, democracy was imperative. For this reason, it is beneficial to highlight the character of political institutions in successful democratic countries. As Novotna (2011) summarises, all of the successful countries opted for parliamentary democracy and a proportional election system in the early 1990s.[2] In traditional Western democracies, of course, there exist various combinations of political systems (parliamentary—presidential, proportional—majoritarian election system, mono-cameralism, bi-cameralism and so on). However, the above-mentioned examples of the post-Soviet and Balkan countries that chose majoritarian election systems and in particular, a strong presidency could warn that after (long) periods of autocratic regimes, it is highly recommended to avoid political institutions based on a "winner-takes-all" principle. This implies that selecting parliamentary democracy with a proportional election system was another important determinant of a successful transition.

[2] Furthermore, within the entire group of new EU Member States, only the Romanian case involves a semi-presidential system.

Whereas essential changes in formal institutions—both political and economic—were at the core of transition, the authors of transition strategies also had to account for the post-socialist state of informal institutions. Over the last two decades, the most-cited concept of an institution is that of Douglas North (1990:3): "Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction." Nevertheless, discussing the role of informal institutions, we tend to use another of North's reformulations (1990, p. 4), which characterises information institutions as follows: "Formal written rules as well as typically unwritten conducts of behaviour that underlie and supplement formal rules." Informal institutions themselves are usually explained as norms, habits, conventions, customs, traditions, taboos, values, ways of thinking, codes of behaviour and so on. We prefer the latter definition because it includes the crucial requirement for compatibility between formal and informal institutions. Moreover, it enables us to include behavioural practices that can hardly be separated from norms or values. In the contemporary literature of new institutional economics, there is also a line of research addressing the relationship between informal institutions and economic development, e.g., Knowles and Weatherston (2006), De Soysa and Jūtting (2007), Foa (2008), and Hansen (2013). Furthermore, there is a strand-of-growth theory of new institutional economics that emphasises the importance of compatibility between formal and informal institutions, other than North (1990) [e.g., Mantzavinos (2001), Williamson (2009)], including influential papers by Greif (1993) and Tabellini (2010), who, however, use the term culture instead of informal institutions.

Compatibility between formal and informal institutions is an extraordinarily important issue in the case of the CEE transition economies because the CEE countries adopted a formal institutional framework of Western democratic market economies during a very short period. This begs the question of whether (or to what extent) people in the CEE countries were able and willing to think and behave according to the West's formal rules. Within this context, we can note papers by Zweynert and Goldschmidt (2005) and Kouba (2010). Kouba (2010) uses North's concept for a component explanation of the failure of the transition process in the former German Democratic Republic. Zweynert and Goldschmidt (2005) apply North's concept of dividing the CEE countries into two groups in a manner similar to our approach. They distinguish between Latin countries with a Western Christian tradition (Central Europe and the Baltic states) and Eastern countries with a strong, holistic Orthodox tradition. Zweynert and Goldschmitd claim that societies in Latin countries historically showed substantial progress towards extended order (which is typical of Western European countries). Therefore, during Communist period, their informal institutions were more resistant to incompatible formal institutions introduced from the Soviet Union. Moreover, these informal institutions were more compatible with Western formal rules during the transition period. The argument on extended order in Latin countries made by Zweynert and Goldschmitd is analogous to our group of successful countries—these had historical cultural ties to the West or, in other words, educated societies with relatively mature informal institutions. Conversely, in many less-successful or orthodox Eastern countries, people quickly

Table 3 GNI per capita (PPP, US dollars) (World Bank)

Country	1990	1995	2000	2010
Austria	19,152	23,116	28,417	40,307
Albania	2,822	2,980	4,378	8,559
Belarus	4,645	3,404	5,135	13,560
Bulgaria	4,973	5,346	6,069	13,455
Czech Republic	11,518[a]	13,385	15,279	23,456
Estonia	-	6,318	9,559	18,971
Hungary	8,538	8,678	11,292	19,725
Latvia	7,813	5,410	8,019	16,280
Lithuania	9,311	6,187	8,468	17,973
Macedonia, FYR	5,491	4,756	5,827	11,177
Poland	5,713[a]	7,300	10,476	19,311
Romania	5,167	5,329	5,618	14,602
Slovak Republic	7,703	8,336	10,945	21,772
Slovenia	10,439	13,114	17,567	26,118
Turkey	4,344	5,270	9,123	15,675
Ukraine	5,955	3,121	3,180	6,580

[a]1992

and convincingly refused reforms and began to demand the return of a strong government, often with autocratic tendencies. In conclusion, historic experience with democracy and informal institutions relatively adaptable to Western formal institutions were some of the key prerequisites for prosperous development in the CEE countries' transition period.

Following the discussion of institutions in CEE countries, it is necessary to stress that their quality is not exogenous in relation to economic development. This implies that the initial economic development level of particular CEE countries was another important determinant of successful transition and integration into the European structures. Based on available data, Table 3 shows that successful countries were already relatively more developed on the threshold of transition.

Finally, another key determinant of a successful transition was, of course, permanent pressure from the European Union. More specifically, this pressure was an extraordinarily strong incentive for consistent reformatory policies in the case of those CEE countries that had a real prospect of accession to the EU.

In summary, the main determinants of the course and result of the transition process in Central and Eastern Europe were the level of (non-elite) political stability, the quality of institutional framework, the maturity and compatibility of informal institutions, the initial economic level and clear prospects for the future. The countries that had positive features within these categories were predestined to be prosperous during the transition (and integration) process.

4 Factors of Minor Importance

In our opinion, compared to the relevance of political and institutional factors, economic policies—both in the 1980s and pursuant to the reform strategies of the early 1990s—were actually much less important to the long-term success of CEE transition and integration strategies:

- Level of transformation in the 1980s
  - More liberal policies (Poland, Hungary, Yugoslavia) versus strictly centralised economies (Czechoslovakia, Bulgaria, the Soviet Union)
- Economic transition strategies
  - Åslund (2008): shock therapy: (Poland, the Czech Republic, the Baltic states; Russia-supported) versus gradualism (Hungary, South-Eastern Europe, most of the former Soviet Union)
  - Orenstein (2001): shock therapy (Poland) versus social liberalism (the Czech Republic)

Specific economic policies of the 1980s seem relatively irrelevant in terms of their impact on the course of the transition and integration period. In particular, Hungary and Poland were often cited as examples of countries that implemented many liberal reforms in the 1980s, including the abolition of binding central plans, partial price liberalisation and freedom of business, and these reforms were often interpreted as a comparative advantage. Conversely, during the 1980s, former Czechoslovakia was one of the most centralised countries in the world.[3] That notwithstanding, both the Czech Republic and Slovakia were ranked among the most successful countries of the transition period. Furthermore, the liberality of the Yugoslavian economy was completely insufficient to effect prosperous course of transition in the post-Yugoslavian republics (except for Slovenia). Table 4 summarises the development of the private sector share in the CEE countries according to EBRD data.

There is an extraordinarily vast literature analysing and identifying various transition strategies and discussing their implementation and results. First, the strand focused on whether to choose shock therapy or a gradualist approach to reforms, e.g., Roland (1994), Hoen (1996) and Popov (2007). With respect to the inclusion of CEE countries in particular categories, e.g., Åslund (2008), provides a relatively common categorisation, which is mentioned above. At first sight, the countries that implemented shock therapy seem more successful. However, in the long-run, at least Hungary from the latter group belongs in the group of successful countries (accession in 2004). In addition, the categorisation of particular countries in particular groups has achieved far from an unambiguous consensus. For instance,

[3] According to Tošovský (2000), only 2 % of Czechoslovak national income in the 1980s was produced in the private sector.

Table 4 Private sector share (% of GDP) (EBRD)

Country	1990	1995	2000	2010
Bulgaria	10	50	70	75[a]
Czech Republic	10	70	80	80[a]
Estonia	10	65	75	80
Hungary	25	60	80	80
Latvia	10	55	65	70
Lithuania	10	65	70	75
Poland	30	60	70	75
Romania	15	45	60	70
Slovak Republic	10	60	80	80
Slovenia	15	50	65	70

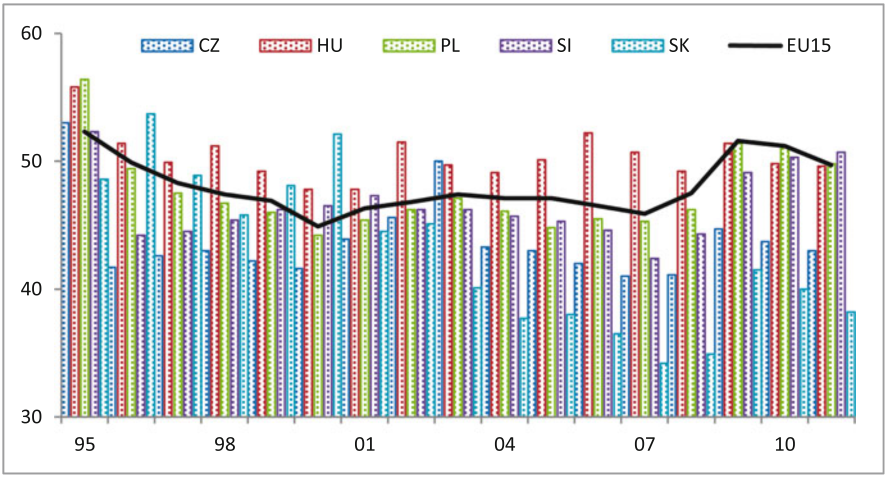
[a]2007

Orenstein (2001) labels reforms in the Czech Republic as socially liberal and contrasts them with shock therapy in Poland. Finally, transition strategies were implemented in the CEE countries over a long time horizon and thus, the original strategies were repeatedly modified depending on actual economic development, government changes and so on.

Let us now turn to the primary macro-economic policy trends in the transition period. Analysing fiscal policies, the former centrally planned economies in Central and Eastern Europe have redistributed a lower share of their GDPs and have maintained lower public debts compared to stable, Western market economies.

The available dataset on public finance indicators in the CEE countries starts with data for 1995. With respect to the ratio of government expenditures to GDP, only Hungary, Poland and Slovenia approach the EU15 average over the long term. Figure 1 also indicates the impact of the financial and economic crisis on public finance in specific countries. It is possible to identify a few swings such as that of the Bulgarian case in 1996, when the country experienced a simultaneous banking crisis, currency crisis and public-finance crisis. Apart from the effects of these crises, the most significant, purposeful change in policy trend can be identified in the case of Slovakia, where the government expenditure ratio decreased between 2001 and 2007 by approximately 15 % as a consequence of Slovakia's liberal policy of Dzurinda's reformatory governments. This Slovakian case can also be interpreted as the most visible example of a general trend within transition strategies: to sustain their competitive advantage within the convergence process, the CEE countries enabled the maintenance of relatively low taxes and thus a low level of redistribution.

With respect to public debt, unfortunately, the applicable dataset also starts with the 1995 data, which do not explicitly show the situation of CEE countries at the threshold of transition. Despite this weakness, the next figure suggests that Hungary and Poland had inherited higher indebtedness from the Communist period. Conversely, all of the other CEE countries started their transition processes with very low public debt levels—less than 25 % of GDP. However, a mildly growing trend of acceleration during the period of financial and economic crisis is typical of the



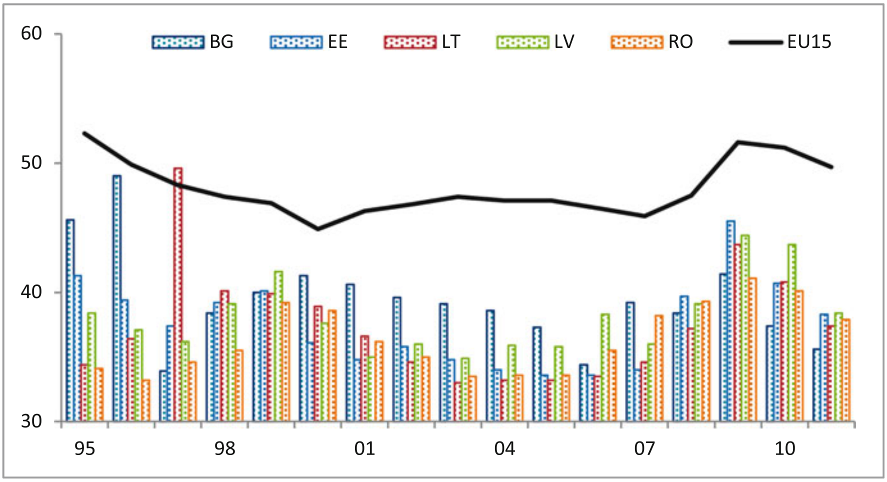


Fig. 1 Total general government expenditure (% of GDP) (Eurostat)

entire CEE region. Conversely, Bulgaria is a unique case because of its unprecedented drop in public debt after the 1996 crisis. Furthermore, the power of Bulgaria's rigidly restrictive policies appeared after 2008, as the country sustained its fiscal stability, unlike Romania or the Baltic states. Nevertheless, in the Baltic region we find another Eastern European solitaire related to austerity—that of Estonia, which permanently belongs paired with Luxembourg as the least-indebted states in Europe (Fig. 2).

If in the case of transition strategies for fiscal policy it is possible to identify at least some common trends in the group of CEE countries, the development in the monetary area was fully heterogeneous. In the early phase of transition only, monetary policy in all of Central and Eastern Europe was focused on the struggle

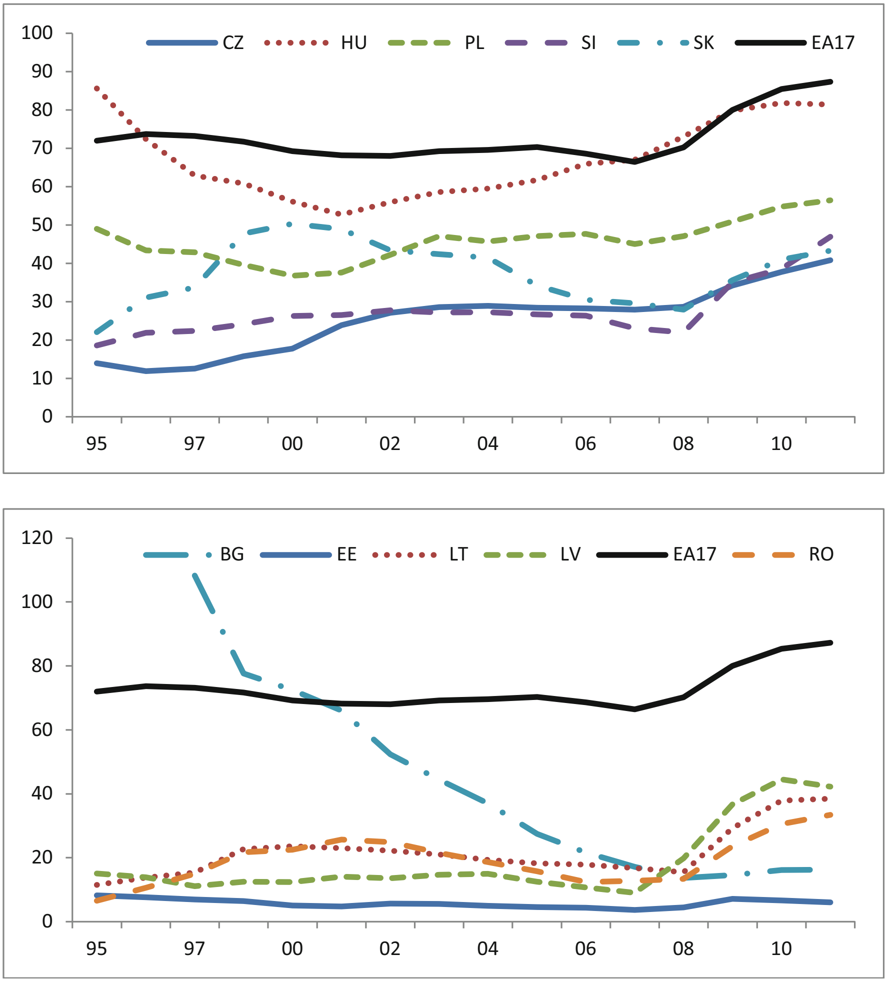


Fig. 2 Government consolidated gross debt in the CEE countries (% of GDP) (Eurostat)

against the consequences of price liberalisation. Next, during the entire transition and integration period, individual CEE countries implemented a broad range of either discretionary or rule-oriented monetary policies, which are summarised in Table 5.

The previous statement on heterogeneity in the monetary area is even clearer in the case of exchange-rate policies in CEE countries. Although the transition period was a phase of relatively rapid deregulation of exchange rates in connection with the liberalisation of both current and capital accounts, after assurance of acceptance to the European Union, individual countries implemented various exchange-rate policies. Currently, Slovenia, Slovakia and Estonia are members of the Eurozone,

Table 5 Monetary policy regimes in the CEE countries [Gnan et al. (2005), Vasicek (2009), Ziegler (2012)]

Country	Monetary policy regime
BG	Since 1997, currency board
CZ	1994–1997, exchange-rate and monetary-base targeting; since 1998, inflation targeting
EE	Exchange-rate targeting; since 2011, the Euro system
HR	Since 1994, exchange-rate targeting
HU	1994–2001, exchange-rate targeting; since 2001, inflation targeting
LT	Exchange-rate targeting
LV	Exchange-rate targeting
PL	1994–1998, exchange-rate targeting; since 1998, inflation targeting
RO	Exchange-rate targeting; since 2005, inflation targeting
SI	1995–2001, exchange-rate and monetary-base targeting; 2001–2006, inflation targeting; since 2007, the Euro system
SK	1994–1998, exchange-rate targeting; 1998–2008, inflation targeting; since 2009, the Euro system

Table 6 Exchange-rate regimes in the CEE countries [European Commission (2012)]

Country	Exchange-rate regime	Declared accession to EMU
LT	ERM II	No date; ASAP
LV	ERM II	2014
BG	Currency board	No date
CZ	Managed floating	No date
RO	Managed floating	2014
HU	Free floating	No date
PL	Free floating	No date; government priority

whereas Bulgaria, Czech Republic and Hungary have not set a date for Euro adoption (Table 6).

This implies that from a long-term perspective, not only the exante strategies of economic transition themselves but also individual economic policies in partial stages were not essential to the success of the transition process.

5 Conclusion

Focusing on the first research question, we identify the level of (non-elite) political stability, the quality of the institutional framework, the maturity and compatibility of informal institutions and initial economic level as the key determinants of a successful transition process in Central and Eastern Europe. Countries that have achieved positive features within these categories were predestined to become members of the European Union. Moreover, we emphasise the importance of this clear prospect—accession to the EU—to the success of the transition process. However, the ex-ante strategies of economic transition themselves and individual economic policies in individual stages of transition were, according to our analysis, not essential to the success of the transition process from a long-term perspective.

Focusing on the second research question, we can provide an original parallel with the periphery countries that is based on our analysis of development in the CEE countries during their transition period. Currently, periphery countries' situation is often considered the most significant problem in the EU. To create a competitive and sustainable economic model, the periphery countries must implement essential, vast reforms. Therefore, they are in a position that is rather similar to that of the CEE countries in the 1990s. What can we thus learn from the East's transition that will help reform the South? In our view, the periphery countries need to find a direction on the horizon of the next 10–15 years. In the context of a chronic public-finance crisis, a policy of budgetary savings is inevitable. Nevertheless, the periphery countries should also attempt to formulate a positive vision. Analogously, the successful CEE countries undertook painful reforms in the early 1990s. However, these reforms were more accepted by their people because of the clear prospect of a so-called "return to Europe". Furthermore, without regard to right- or left orientation, both governments and elites in successful CEE countries consistently supported the integration process even with its related consequences. Similarly, in the peripheral countries it is crucial for a potential vision to find a broader political and social consensus. However, it is not very important whether the road to competitiveness should be based on, e.g., a knowledge economy, cheap exports or tourism because may be additional alternative path to prosperity. It is not the particular forms of economic policies, but the existence of a vision itself and its support across the political spectrum that can be the most important to the successful transition of peripheral countries.

Applying the criteria of success in the transition economies to the periphery countries, it is doubtless that all of them fulfil the criterion of economic development. Even after the crisis years, the relatively poorest country, Portugal has reached the level of 23,000 USD per capita, and the most problematic country, Greece, has reached 24,000 USD per capita (IMF 2014). However, in cases of the other factors of success, the evaluation is more questionable.

Political-stability rankings (The Worldwide Governance Indicators 2013) indicate that the position of the periphery countries has worsened since 2008. Nevertheless, these rankings do not distinguish between the features of elite and non-elite political instability. In the periphery countries, of course, there have been frequent government crises and early elections, along with demonstrations and strikes, which sometimes have even been marred by violence. That notwithstanding, we see these protests as signs of elite political instability: first, none of them toppled or cast doubt upon a democratic regime; second, the difference between the experience of non-elite political instability in the peripheral countries and the experience in Iraq, Libya, Syria and the Ukraine is more than clear.

Similarly, the interpretation of the characters of both formal and informal institutions in the periphery countries is somewhat ambiguous. The quality of their institutional framework is frequently criticised because of a high corruption level, a weak rule of law, excessive bureaucracy and inefficient government and regulatory frameworks (The Worldwide Governance Indicators 2013; Doing Business 2014); however, they are criticised compared to the most developed countries. Comparing such countries to Brazil, China, India or Indonesia, which are generally considered both highly dynamic and prospective in their economic development, the evaluations of the European periphery countries' institutional framework quality surpasses the evaluations for all of the four emerging markets named above. For instance, in the Ease of Doing Business Ranking 2013, the worst periphery country—Greece—is ranked at No. 72, while the best emerging market, China is ranked at No. 96.

With respect to informal institutions, despite a relatively long-lasting period of frustration and pessimism in the economies of the European periphery, these countries have an important comparative advantage: their relatively rich and well-educated citizens have lived for at least few decades in democratic countries with developed market economies. This therefore implies that informal institutions in the European periphery countries should be relatively highly compatible with the effectiveness of their institutional frameworks in the globalised world economy of the twenty-first century.

In summary, the criteria of a successful economic transition, which are based on our analysis of the CEE transition process, are also relatively fulfilled in the European periphery countries. This implies that political and institutional factors should not pose any fundamental obstacle to future economic development. Within the context of emphasising a positive vision with strong political support, we can name the example of current Italian Prime Minister Matteo Renzi. After years with no prospect for a charismatic leader in the periphery countries, this young politician has represented to Italians that Italy, after decades of declining influence in Europe, can fill the gap beside Germany in the EU's leadership instead of Francois Holland's France or isolationist Great Britain. Following a triumph in the 2014 European elections in which Renzi's Democratic Party received the most votes of any single party in the entire European Union, it is obvious that Renzi has retained a unique level of public support.

6 Summary

In this chapter, we focus on the development of CEE countries in their transition period as a possible source of inspiration for the reform process in European periphery countries. The purpose of this chapter is to discuss two subsequent research questions First, what are the important factors that distinguish between successful and less-successful CEE countries in their transition period? Second, what is a possible lesson from the CEE countries' transition process for the contemporary European periphery? We identify the level of (non-elite) political stability, the quality of institutional framework, the maturity and compatibility of informal institutions and the initial economic level as the key determinants of the CEE countries' success in the transition process; in addition, we emphasise the importance of having a clear goal—i.e., accession to the EU. In our view, the periphery countries need to find a direction on the horizon of the next 10–15 years. Instead of particular forms of economic policies, the existence of a positive vision itself and its support across the political spectrum can be more important for the successful transition of the peripheral countries.

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