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Introduction

In 2004, after 15 years of transition, Europe triumphed over the old division between East and West when eight former communist countries joined not only Europe's institutional architecture but also the club of liberal democracies. However, Bulgaria and Romania have missed out on the first wave of eastern enlargement. The entry of Bulgaria and Romania, pending ratification by the national parliaments of EU states, will complete in 2007 an enlargement cycle that started with the revolutions of 1989. The signature of the accession treaty, so long sought by the two countries, on 25 April 2005 has created increased enthusiasm and relief in the two acceding countries. After signing the Accession Treaty, the Romanian Prime Minister, Calin Popescu Tariceanu, said: 'we [have] ceased being a second-rank country … On 1 January 2007 we will be EU members.' Similar euphoric statements were made by political leaders in Bulgaria and, one year earlier, by other newly-acceding states when signing or joining the European Union. EU political leaders also welcomed the accession of 10 new members as a historic moment.

However, moving from 25 to 27 EU members seems a less awaited moment by old European countries. The euphoria generated by the first wave of eastward enlargement is gradually being displaced by 'enlargement fatigue'. The evidence of such fatigue is pervasive. Political leaders and public opinion in across old European states are openly questioning the timeframe and the ability of new countries to comply with membership requirements. Anecdotal evidence and more serious doubts about the ability of the remaining two countries to fully comply in the agreed timeframe with all the accession requirements continue to surface. Doubts are also being raised about the ways in which new members will comply with specific European rules and regulations.

These mixed signals regarding the widening of Europe and the lack of widespread support for the deepening of the Union cast some uncertainty over the immediate future of Europe; but figuring out the mechanisms of EU politics and predicting their outcome was never an easy task. This is even more true of the current EU enlargement process, the EU's biggest enlargement ever in terms of scope, diversity and the number of issues involved. Therefore a book dealing with the Europeanization of the former communist countries who have joined (and, in particular, the reasons for the protracted accession process of Romania) could not be more timely.

Although Romania has tried in the last decade to adopt a market economy, from an economic point of view the results of this transition process have been disappointing, in sharp contrast with other Central and East European countries (CEECs). Why has Romania encountered so many difficulties in the accession process? What sets it apart from other CEECs?

The book offers rigorous answers to such and other complex questions regarding the CEECs using the latest theoretical developments of a long-standing intellectual tradition concerned with understanding the relationship of politics and economics. However, this book is not just about EU accession. It is about a lengthy and much more complex process that is going to take much longer: the Europeanization of CEECs. More precisely, the book tries to clarify the impact of Europeanization on the fundamental transformations that have taken place in CEECs at institutional and economic level. The central argument underlying the analysis carried out in this book is that in the context of the East-Central European transition, the choice of appropriate social, political and economic institutions is influenced by two determining factors: key domestic political actors and interest groups on the one hand, and external policy transfer processes, in particular Europeanization and globalization, on the other. The choice of institutions significantly influences the ability of a nation to engage in a sustained economic growth trajectory. In turn, both institutional and economic factors are major determinants of the enlargement process. Hence, in a period of dramatic societal transformation, such as the transition from communism to a market economy and a democratic society, it becomes crucially important to establish which institutions will ensure the efficient running of the new economic system.

The analysis undertaken in the book advances the idea that CEECs which are searching for their place in a new globalized and regionalized world are in the midst of radical structural and institutional change.

Furthermore, it is argued that the institutional choices involved in the transition towards capitalism will affect the economic performance of these countries for years to come. On the one hand, this process is influenced by the preferences of domestic actors that are involved in policy making. On the other, the emerging institutions are significantly affected by Europeanization forces which increase competition among different types of capitalist systems and the adaptation pressures on national varieties of capitalism as a result of globalization.

Recognizing the importance of these factors in explaining the differences in economic performance, the present book attempts to demonstrate that a capitalist system based on an inefficient mixture of disparate institutional arrangements largely explains why some CEECs have performed so poorly in economic terms. The book brings convincing evidence that in some CEECs, and in particular in Romania, the transition process was based on incomplete institutional frameworks borrowed from several existing models of capitalism, and that the emerging 'cocktail capitalism' did not prove to be efficient in promoting a robust, fast-growing market economy. The explanation for this inefficient combination lies in the frictions between institutional choices favoured by domestic forces and those advocated by external factors, such as the European Union and Bretton Woods institutions. The evidence provided in the book suggests that such an incongruent institutional choice has negatively affected the economic performance of CEECs in the last decade.

After developing a general quantitative analysis aimed at testing some propositions across different transition economies, the book focuses on a more in-depth analysis of the formation of new patterns of organization and governance in selected CEECs. Particular attention will be paid to Romania, in order to shed light on those factors that delayed the Europeanization of institutional and political transformation and hampered the economic process.

This hybrid methodological path using cross-country quantitative analyses and country-based cases studies will be followed in the rest of the book. As shown throughout this book, certain transition economies, and in particular Romania and Bulgaria, have not been able to overcome the inherent initial problems associated with such a systemic change, and their economic performance has so far been rather disappointing. In order to understand why some transition economies have been less successful than others, an appropriate research method is to engage in a detailed case study analysis. The use of case studies is an ideal method when in-depth investigation is needed (Feagin, Orum and Sjoberg

1991).[1] The choice of Romania as a case study was justified not necessarily by its uniqueness and by the research interest in the case itself, but also by the ability to generate new evidence and test existing theories that are applicable, to a greater or lesser extent, to most transition economies. A further rationale for choosing Romania, rather than other CEECs, is the relative knowledge gap concerning this acceding country compared to other CEECs such as Hungary, Poland or the Czech Republic. Using a case study approach enables the researcher to use multiple sources of evidence, such as surveys, interviews and a variety of primary and secondary documents. As in all research, consideration must be given to the validity and reliability of the conclusions drawn from the case study analysis. Using multiple sources of evidence is a good way to ensure construct validity, while external validity can be achieved by maintaining solid relationships between the case study evidence and the relevant theories.

As the evidence presented in the book shows, from an economic point of view the results of this transition process have been very uneven. Since 1989, CEECs have been engaged in a major systemic transformation, from communism towards market economies. After the demise of communism and the overthrow of brutal dictatorships, most analysts expected a rapid improvement in the economic and political situation in the region. While democracy has been established fairly rapidly, the economic evolution has been far below expectations. Empirically, the various experiences in Eastern Europe with the post-communist transition, both in terms of emerging types of capitalism and diverging economic performances, justify the research question of whether capitalist institutions (markets, hierarchies, networks, state and private actors) can be related to the evolution of economic outcomes. As economics itself finds it increasingly difficult to account for cross-national variations in economic performances, a more encompassing approach based on institutional political economy theories may hold the key to our understanding of post-communist transition in Eastern Europe.

The book reviews the different streams of literature that are directly relevant to the impact of institutions on economic performance. The nature of the research topic required a survey of several bodies of literature. A number of key concepts are found in the literature on *varieties of capitalism*. Another related approach with direct relevance to the literature on varieties of capitalism is the *interest-group intermediation approach*. Perhaps the most obvious motive for studying interest groups in their own right is that they are a conspicuous and important aspect of any political economy. Market economies differ markedly in terms of the role that interest groups, as actors, play during the policy-making or policy implementation process; therefore, identifying the types of interest-group intermediation at work in CEECs will be very useful for understanding the impact of institutions on their economic performance. All these insights will be used in conjunction with several important theories that explain the *impact of external factors* on domestic, institutional and political transformations: globalization, Europeanization and policy transfer.

A first stage in the empirical analysis was to investigate quantitatively how the different key characteristics of capitalism models influence economic performance across countries and time in Central and Eastern Europe. To complement this quantitative analysis, these empirical findings will be augmented by detailed, qualitative analyses of specific state, societal and institutional variables. These case studies will deal with the types of government–industry relations and the difficulties encountered in building a well-functioning, coherent model of capitalism. The main examples discussed are the mass privatization process (illustrating the failure of an incomplete Anglo-Saxon model), the problems associated with the Management–employee buy-out (MEBO) privatization that led to a distorted Continental capitalist model, the role of financial intermediaries, and the failure to pursue a developmental strategy through strategic privatization.

Using insights from the literature on varieties of capitalism, Chapter 3 will also look at the role played by other actors influencing government–industry interactions (powerful but clientelistic trade unions and the interaction between various elite groups) as an illustration of the negative effects of different interest-intermediation mechanisms.

In Chapters 4 and 5, attention will shift towards the impact that external factors have on the evolving nature of the capitalist institutions in CEECs. Chapter 4 builds a theoretical model reconceptualizing the influence of major external forces on the economic performance of transition economies, making a distinction between Europeanization (the role of the EU and the accession process) and 'institutionalized globalization' (the role of other inter-governmental organizations such as the International Monetary Fund (IMF) and World Bank, and the current international regimes). Based on these findings, the book clarifies the influence of the external factors on the emerging capitalist system in CEECs. In Chapter 5, various case studies illustrate the extent and direction of change, induced by IMF conditionality and policy advice, as well as World Bank and EU activities, on the institutional deficiencies identified in previous parts of the book.

Finally, one feature worth mentioning is the methodological diversity of the book. Each methodology uses specific sources of data and information. For the quantitative analysis, the necessary data came mainly from primary official documents and statistics. In the qualitative parts, the statistical information was supplemented with unstructured interviews conducted with former and current officials from various state institutions, employers' associations and trade union confederations, as well as business sector representatives. Several interviews proved a very useful source of information and they are cited explicitly in the text, while others have been primarily used to ensure the accuracy of information gathered from other sources. In addition to these sources of information, a significant amount of information was gathered from a systematic survey of independent newspapers. Finally, for the assessment of the various policy transfer mechanisms in Chapters 4 and 5, important sources of information were official EU documents. In particular, these documents were used for the construction of the Europeanization index, which involved reading more than 10,000 pages of such documents and reports.

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