

THE NEO-LIBERAL PLATFORM OF THE TRANSITION TO MARKET ECONOMY – SPECIFICS AND CONSEQUENCES

The subject of analysis is the nature of the market reforms in the Central and East European (CEE) countries and especially the strong influence of the Washington Consensus as a set of neo-liberal policies that was imposed by the International Monetary Fund on developing and transition countries during the third wave of globalization of the world economy.

The consequences of the neo-liberal policies are investigated mainly in the following aspects: i) as a source of misalignment of means and goals in the market reform agenda; ii) as a factor retarding the building of genuine market institutions in the region; iii) as a generator of negative shocks on both external and internal aggregate demand eventually causing a deep and long-lasting recession; iv) as one of the reasons for increasing poverty, inequality and corruption in the economy of transition countries.

JEL: F02; N20; P51

The current third wave¹ of globalization of the world economy started at the beginning of the 1980s. Very soon – at the outset of the 1990s - it acquired new dimensions and features which need profound and comprehensive theoretical consideration. The following are among the new fundamental developments:

a. The process of transition from the centrally-planned to a market economy has also entered a stage of globalization. Its start was given in the end of the 1970s in China and after a decade it spread to the Central and East European (CEE) countries. Although in practice the experience which had been accumulated in those two regions constituted two different variants of one and the same process (of one and the same system change), the methods of its implementation and the results that followed differed tremendously. This caused a strong confusion in the sphere of economic theory which has not yet been overcome. A manifestation of this confusion is the fact that many theorists continue – some of them deliberately and others maybe unintentionally - to lay emphasis on the differences of accumulated experience in the two regions. In this way they try to avoid the need to determine the underlying common basic features and characteristics as a prerequisite for understanding the nature of the transition to a market economy.

b. A second fundamental development concerns the activity of the international economic institutions - namely the International Monetary Fund (IMF) and the World Bank (WB) - as providers of financial and technical assistance to developing countries under market reforms. What actually

¹ The first wave of globalization occurred during 1870 - 1914, the second lasted from 1945 to 1980 and the current third wave started in 1980. See: Globalization, Growth and Poverty: Building an Inclusive World Economy. The International Bank for Reconstruction and Development, 2002, p. 24.

