

INTRODUCTION: SPECIAL ISSUE ON THE COMPARATIVE ECONOMICS OF TRANSITION IN SOUTH EAST EUROPE (PART I)

This issue of the journal presents a selection of articles from a workshop on The Comparative Economics of Transition in South East Europe that took place at the University of Belgrade's Faculty of Economics in September 2019. The workshop was organised by Economic Annals in collaboration with the European Association for Comparative Economic Studies (EACES) and was dedicated to the memory of Professor Božidar Cerović, the former Editor-in-Chief of this journal, who sadly passed away a year earlier. An obituary of Professor Cerović by Professor Milica Uvalić is published in this issue of the journal. Professor Cerović was much appreciated by his colleagues, not only for his warmth of character but also for his academic leadership in the study of the economic transition in South East Europe (SEE). He was also an active participant in the activities of EACES, organising a major conference of the association in Belgrade in September 2013. Professor Cerović has left a large corpus of work on the economics of transition in the region, including on the topics of the labour-managed economy (Cerović, Svejnar & Uvalić, 2015), transition and institutions (Cerović & Nojković, 2009; Cerović, 2010), privatisation (Cerović, 2006; Cerović & Petrini, 2006; Cerović & Dragutinović, 2007), industrial policy (Cerović, Nojković & Uvalić, 2014), intangible capital (Cerović, Mitić & Nojković, 2015), and human resource management (Bogičević Milikić, Janičijević & Cerović, 2012). The diversity of these topics was reflected in the papers presented at the workshop. This issue of Economic Annals (and the subsequent issue) contains a selection of revised versions of those papers that have been through a rigorous peer review process and form a rich collection of articles focusing on transition in SEE in general and on Serbia in particular.

The first article by Saul Estrin from the London School of Economics and Political Science (LSE) sets out a framework for a nuanced understanding of the relative performance of state-owned enterprises compared to private enterprises. He develops a new taxonomy to analyse the comparative performance of state-owned and privately-owned enterprises based on the relationship between governance and type of state engagement (welfare state, developmental state, and predatory state). The resulting models show that state-owned enterprises (SOE) may perform better than privately owned enterprises in developmental states

with strong governance if they benefit from superior state resources. Otherwise the standard result that privately-owned enterprises perform better than state-owned enterprises applies. However, a better governance environment improves SOE performance in all state engagement arrangements.

The next four articles analyse diverse aspects of the economic transition in Serbia. Milica Uvalić, Božidar Cerović,[†] and Jasna Atanasijević explore the transition experience of the Serbian economy over the decade following the 2008 economic crisis. The authors argue that only modest progress has been made, and that Serbia has experienced a delayed transition that has been held back further by the effects of the economic crisis and flawed pre-2008 policy measures. The paper shows that the Serbian economy stagnated in the aftermath of the economic crisis and that this poor performance can be traced to a lack of fundamental institutional changes, government inefficiency, and unresolved political issues. The authors argue that measures to boost the low investment rate and accelerate institutional reform are needed to accelerate economic growth.

Ana Aleksić Mirić, Biljana Bogičević Milikić, and Nebojša Jančićević draw on the contribution of Božidar Cerović to review the organisational restructuring of the Serbian business sector over the period of economic transition since 1990. The authors adopt the term ‘organisational learning’ to describe both the individual and organisational learning processes undertaken during the Serbian economy’s long period of transition. They identify three periods of this transition: an early transition period in the 1990s; a middle transition period prior to the economic crisis, characterised by an opening of the economy and a large inflow of foreign investment; and a post-crisis period of late-stage transition characterised by a rapid development of the digital economy, reflecting a maturing of the organisational learning process.

Gordana Matković and Katarina Stanić examine reforms to the Serbian pension system in the period of economic transition. They argue that the Serbian pension system has been developed based on Bismarkian social policy, reflecting the structure of prior earnings. Until recently, Serbia resisted reform proposals pushed by the World Bank to privatise the pension system along the lines adopted in neighbouring Croatia and North Macedonia. However, the Serbian pension system has recently undergone a “silent break with Bismarck” through a series of reforms that have steadily introduced a Beveridgian public pension system with reduced replacement rates, embodying a more redistributive approach. Income

[†] Deceased 11 September 2018.

maintenance will require individuals to take out private pension supplements. These reforms have not been subject to public debate but are an administrative solution responding to high public finance deficits. The authors argue that this silent break with Bismarck will likely entail substantial transition costs.

The last two articles explore various dimensions of the institutional development of economic growth in Serbia and South East Europe more generally. First, Marija Džunić, Nataša Golubović, and Srđan Marinković analyse the determinants of institutional trust in transition economies, taking Serbia as a case study. Since the publication of Fukuyama's classic study of trust, the role of effective institutions and public trust in institutions is increasingly understood as playing a critical role in supporting economic development (Fukuyama, 1995). As the authors of this article point out, trust facilitates engagement in collective action and strengthens the incentive to finance public goods, while a low level of trust may affect investment decisions as businesses become less willing to take risks and introduce innovations. The authors make use of the EBRD's Life in Transition survey to analyse trust in institutions in Serbia. They find a widespread distrust in institutions, determined largely by weak institutional performance. It should be pointed out that this finding reflects a global trend that is also observed in advanced economies, largely reflecting increased levels of inequality (Gould and Hijzen, 2016). While trust could be increased through improved performance, the authors conclude that chronic weaknesses in institutional performance suggest that generating trust in Serbian institutions will continue to be a challenge for the foreseeable future. The final article by Marija Radulović investigates the impact of institutional quality on economic growth through a comparative empirical analysis of EU and non-EU countries in South East Europe. She uses a panel autoregressive distributed lag approach to analyse the relationship between institutional quality and economic growth. The analysis reveals a positive long-run relationship between the institutional variables and economic growth in both EU and non-EU countries. The latter group of countries also exhibit short-run effects regarding regulatory quality and voice and accountability, suggesting that these factors are of particular relevance in the region. However, the adjustments to the long run outcomes are faster in the non-EU SEE countries, suggesting that this group of countries would respond relatively rapidly to an improved policy framework to support institutional reform.

In sum, the articles in this issue reflect the diversity of the approaches and topics of the papers that were presented at the September 2019 workshop. Additional papers will be included in a subsequent edition of the journal. *Economic Annals* is pleased to be able to publish these papers in commemoration of the distinguished

contribution of Božidar Cerovic to the development of comparative economic studies in South East Europe.

REFERENCES

.....

Bogičević Milikić, B, Janičijević, N., & Cerović, B. (2012). Two decades of post-socialism in Serbia: Lessons learned and emerging issues in human resource management. *Journal for East European Management Studies*, 17(4), 445–463.

Cerović, B. (Ed.) (2006). *Privatisation in Serbia: Evidence and Analyses*. Belgrade: CIDEF.

Cerović, B. (2010). Impact of initial conditions on transition progress: The case of Montenegro. *South-Eastern Europe Journal of Economics*, 2, 153–169.

Cerović, B., & Dragutinović, R. D. (2007). Privatisation effects: Some evidence from Serbia. *Transition Studies Review*, 14(3): 469–487.

Cerović, B., Mitić, S., & Nojković, A. (2015). Intangible capital in a transition economy improvements and constraints: an analysis of Serbian firms. *South-Eastern Europe Journal of Economics*, 2, 109–134.

Cerović, B., Nojković, A., & Uvalić, M. (2014). Growth and industrial policy under transition. *Economic Annals*, 59(201), 7–34.

Cerović, B., & Nojković, A. (2009). Transition and growth: What was taught and what happened. *Economic Annals*, LIV(183), 7–31.

Cerović, B., & Petrini, A. (2006). Privatisation in Serbia: Evidence and analysis. *Transition Studies Review*, 14(2), 399–404.

Cerović, B., Svejnar, J., & M. Uvalić (2015). Workers' participation in a former labour-managed economy: The case of Serbian transition. *Economic Annals*, LX(205), 7–29.

Fukuyama, F. (1995). *Trust: The Social Virtues and the Creation of Prosperity*. New York: The Free Press.

Gould, E. D. & Hijzen, A. (2016). Growing apart, losing trust? The impact of inequality on social capital. *IMF Working Paper No. 16/176*. Washington: The International Monetary Fund.

William Bartlett
Editor-in-Chief
Economic Annals