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

This issue of *Economic Annals* presents a second collection 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 in September 2018. The articles in this issue are revised versions of selected papers that have been through a rigorous peer review process, and which form a substantial collection of articles focusing on aspects of economic transition in Central and South East Europe.

In the first article, Peter Howard-Jones and Jens Hölscher investigate the influence of the neoliberal Washington Consensus programme, internalised by the EU as a reform agenda, on the new member states of Central and Eastern Europe in comparison with other transitional economies in the region. They analyse the effect of EU membership and set of control variables on the productivity of firms in the two groups of countries. The authors find that upon accession to the EU, the neoliberal reform agenda was instrumental in attracting increased levels of foreign direct investment (FDI), promoting trade, investment and innovation, all of which provided a productivity boost to firms in these countries. However, over time these advantages dissipated. In explaining this effect, the authors point to the role of international production networks (global supply chains) in creating an over-reliance on imported inputs which reduced value-added and hindered productivity-boosting spill-overs to domestic firms in the new member states.

The development gap between the EU member states of Central Europe and the Baltics, compared to the non-EU member states in the Balkans, is further explored in the second article by Grigorias Zarotiadis who focuses on the influence of FDI flows in explaining divergent economic performance between the two groups of countries. His analysis uses a general equilibrium model of imperfect competition to identify the macroeconomic impacts of FDI. His theoretical model addresses the ways in which endogenous factors create reinforcing effects that attract FDI to the more advanced transition countries, and conversely repel

FDI from the less advanced countries. The analysis shows how FDI interacts with initial economic conditions to produce divergent paths of development. On the basis of the model he identifies a category of 'infant economies' which, lacking substantial initial manufacturing capacity, experience difficulty in catching up with other economies.

The impact of macroeconomic policies on economic development in Serbia since the onset of transition in 2000 is analysed in the third article by Miroljub Labus. He frames the analysis within the context of three consecutive policy regimes, characterised by neo-liberal, populist and interventionist policies. He compares and evaluates these policy regimes using quarterly data on twenty macroeconomic indicators classified into five groups: macroeconomic stability, domestic, foreign, financial and labour markets. As with the article by Howard-Jones and Hölscher, he finds evidence for the beneficial effects of the Washington Consensus neo-liberal policies in the early part of the period, while the later interventionist policies appear to have had better outcomes than the populist policies. His analysis suggests that both initial conditions and subsequent macroeconomic policies matter for the outcomes of economic transition.

In the fourth article, Mile Bošnjak, Vlatka Bilas and Gordana Kordić investigate the determinants of foreign exchange reserves in North Macedonia and Serbia. They argue that this macroeconomic variable is an important instrument in providing a cushion to exogenous economic shocks. Using a quantile regression approach, they explore the determinants of foreign exchange reserves, which include the real effective exchange rate, monetary aggregates, and the level of economic output.

In the fifth and final article, Amela Kurta and Nermin Oruč investigate the effects of increasing the minimum wage on poverty and inequality in Bosnia and Herzegovina. They use data from the Household Budget Survey for 2015, to assess the effects of changes in the minimum wage using a microsimulation model. The analysis suggests that increasing the minimum wage can significantly reduce poverty, but may have only a limited effect on the level of income inequality. The authors argue that increasing the minimum wage on its own may have unexpected effects if other policies are not taken into account and appropriately adjusted.

William Bartlett
Editor-in-Chief
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