MAIN PROBLEMS OF COUNTRIES IN TRANSITION: EASTERN EUROPE SCOPE

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Economic processes of transition affect the lives of a considerable portion of human population justifying its status of “hot” topic, full of relevance. It is then essential to understand it, develop an idea of the harmful character it poses and focus on guidelines for the implementation of meaningful processes of transition.

Several characteristics are pointed in Economic literature as main weakening points faced by countries in transition that hinder a more fluid process of development, such as:

- *Non-convergence of income*

After the 2008 global financial crisis, countries in transition from the Eastern regions of Europe have not once managed to reach their pre-crisis rates of expansion.

- *Low levels of productivity*

Means of production inherited from Soviet-era are still being a fundamental part of industrial operations. Because of the aging, most of this equipment is partially or even totally obsolete, leading to considerable deficiencies on quality of production and efficiency and productivity rates.

- *Persistent high unemployment*

Many transition economies experienced rising unemployment as newly privatized firms tried to become more efficient. Under communism, state owned industries tended to employ more people than was strictly needed, and as private entrepreneurs entered the market, labor costs were cut back in an attempt to improve efficiency.

- *Rising Inflation*

Many transition economies also experienced price inflation as a result of the removal of price controls imposed by governments. Inflation was and is also being created by the governments and central banks themselves as they try to cope with the payment of large chunks of installments connected with credits received from such institutions such as IMF and collected in international markets.

- *Lack of entrepreneurship skills*
- *Corruption*
- *Lack of basic infrastructure*
- *Lack of a sophisticated legal system*
- *Moral hazard*
- *Inequality*

A number of suggestions could be idealized as a way of stimulation of a consistent and continuous development of these economies in the transition process: Improving allocative efficiency by correcting the distortions of socialism through the introduction of flexible relative prices and the creation of a competitive market environment open to the world economy. This should be done by engaging on market agreements with countries of a superior economic standard, which would influence the adoption of certain minimum standards by the transaction countries, fostering transparency and credibility; Stabilizing the macroeconomic levels, which is necessary for a correct functioning of the price system. This can be made according to the specificity of the country, but should be primarily concerned on eliminating deficits of foreign trade and reducing levels of debt, inflation and unemployment; Providing better incentives and corporate governance arrangements to make firms respond to market signals. Privatization at a large scale is a key component of such changes, but so is encouragement of entry of new private firms and the creation of an entrepreneurial class; Creating government institutions “adequate” for a market economy, bringing political and institutional stability and protecting private property rights from encroachment; Doing a step-by-step change of mentality, democratizing principles of initiative and entrepreneurship around citizens.

After a gradual introduction of these kinds of programs, levels of civil participation will be expected to increase and people's attention towards decision processes can be more accurate and assertive, helping to a common goal of prosperity and growth.

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