



Towards Which Model of Capitalism Are the Countries of Central and Eastern Europe Going to? Comparative Analysis of this Trajectory and Its Post-Transition Issues

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Abstract

The end of the Socialist System marked the apparent victory of his adversary: the Capitalist System. Meanwhile the "Recipes" for building the Capitalism in the Countries of the East were Standard and fully complied with the "Washington Consensus" led by the IMF and the World Bank, the reality itself nowadays is facing these Countries with two different challenges. On the one hand, their individual developments during the transition process were very different and their situations quite specific, on the other hand, today they should answer the question towards which model of Capitalism are they going to or privileging: The Anglo-Saxon Model? The German-Scandinavian Model? The French State Capitalism Model, or the Japanese Co-Operative Model?

Keywords: Socialist System, Capitalist System, Models of Capitalism, Western Capitalism, Post-Socialist Capitalism.

Introduction

Fundamentally, the Post-Socialist transition represents a unique historical experience of organizational, institutional and systemic changes occurring simultaneously in a large group of countries. This very unique experience in modern history poses a great challenge for Economists, Sociologists, Politologists, etc. to elaborate and analyse the "substance" of this extraordinary and unprecedented economic-social change. How did particularly Economists "respond" to this Post-Socialist challenge? Were these countries copying one of the consolidated models of Western Capitalism, or were they contributing to the increase of capitalism variations with a new model of "Post-Socialist Capitalism", which was considered as typical for Central and Eastern Europe? Can we apply the same answer to the whole group of former Socialist

countries, or should they be considered as sub-variations of such Post-Socialist emergency capitalism? Are two decades enough to make sure that these countries have managed to consolidate a certain type of capitalism, or do they still need time to acquire their sustainable profile? Though most of them, perhaps the most developed, are currently part of the EU member states, there is still one question to be posed, as the EU itself does not have a standard Capitalism Model, on the contrary, it has at least three different and competitive models in place: Anglo-Saxon Capitalism, Social Democratic Capitalism and State Capitalism. One of the preliminary conclusions is that at least until the beginning of the global financial crisis that significantly hit eastern countries, their "fascination" is observed after liberal Anglo-Saxon Capitalism.

Theoretical considerations on Post-Socialist transition

Does the Doctrine of Transition exist?

The beginning of the transition period, during early great post-socialist transformation, corresponds to a particular context of economic development mindset. The neo-liberal and anti-interventionist spirits or schools dominated in the west, which in the early 1980s with "Thatcherism" and "Reaganism" directly opposed the dominant theory and practices of Keynes widely followed from the end of World War II. Hayek's and Friedman's views and ideas totally shifted the neo-Keynesian, whereas in the meantime the "east" marked the failure of reformist theories of socialism while the structural and systemic crisis of socialism appeared in scary proportions.

Major international organizations, whose role would be essential to the political orientation of "great transformation," represented the essential embodiment of the neoliberalism of the time. This is the "special" case of the "Washington consensus" between the IMF and the World Bank, while the EBRD, the OECD, the EU and the governments of the main Western countries essentially shared the same neoliberal principles. Only the UN and the UN Economic and Social Council –ECOSOC, due to their traditional ties to "Keynesian doctrine", seemed to have a somewhat different position to "the spirit of post-socialist reforms".

Such was the link where the so called the "Doctrine of Transition" was based, which imposed on all central and Eastern Europe countries. This doctrine contained various influences and trends such as: the monetary concept according to which "inflation is the greatest evil"; unemployment is a structural adjustment variable oriented by the structural conditions of the economy; the rational anticipation of economic agents, according to the neoclassical thesis, minimizes to the utmost the desire and effects of state interventions; according to the concepts of the supply economy, "the demand is secondary compared to the supply"; Hayek's concept according to which "the market is self-regulating and there is no need for State intervention," or Adam Smith's "invisible hand" theory; the belief that eastern countries should only favour the

"Minimum State"; the philosophy of the "Washington Consensus" based on "sacred trinity - stabilization, liberalization, privatization".

However, the basis of this doctrine were basically based exclusively on the "*Neo-Classical Mainstream*", in individual rationality, in the paradigm of the general equilibrium, in the efficiency and the optimum of a transparent and competitive market, in the efficiency of resource allocation, etc. All this reasoning ultimately relied on a normative view of an ideal theoretical situation of equilibrium and transparency. Thus, applying this scheme to the transition conditions, we conclude that: the situation of the final equilibrium, previously known as the "market economy", strictly defines the shortest, most efficient and direct way to point the departure, that is the inefficient socialist economy in complete crisis.

The transition period would inevitably have an unbalanced character, accompanied with many ups and downs or obstacles of different nature. Accordingly, it had to be as short as possible, putting all best efforts to accelerate the reforms. As to the instruments and means by which it would be implemented, the logic to be pursued was as follows: stability would eliminate the negative effects of inflation; privatizations would establish concrete conditions to promote economic agents towards efficiency; liberalization would create a favourable environment for real competition and would pave the way for "creative destruction" of the industries and branches of the economy inherited from the old socialist system.

In this context, the "Transition Economy" began to grow, since its inception it was nothing but the "extension or expansion of the standard neoclassical economic theory in another sphere in the former socialist countries and economies". This was an unknown form of system convergence theory, also considering that international institutions as the most influential and decisive stakeholders in the transition process were prepared to apply a "unique recipe" for all transition countries. The transition strategy and the structural adjustment plans were unique to everyone.

Contribution of the " Institutional Theory "

In the early 1990s, the transition reforms' processes were almost completely dominated by the liberal paradigm, which was widely applied in transition countries, but after a first period lasting several years, many harsh criticisms were introduced, especially regarding the "underestimation of institutional reforms". The main criticism came from the World Bank, which through Joseph Stiglitz, at that time chief economist and vice president of the World Bank, publicly formulated "the emergence of a post-Washington consensus that had to take into account the specifics of Central and Eastern European countries transition" (Stiglitz, 2002).

After the Russian crisis in August 1998 and the deception of the 3-4 billion IMF aid fraud, IMF executives took Stiglitz's criticisms more seriously, estimating that "for countries in transition, it was necessary to progress with the so-called second-

generation reforms" that highlighted the institution's development. In November 1999, Michel Camdessus, the IMF General Director, stated that *"building solid social, political and economic institutions is a necessary prerequisite for implementing macroeconomic policies"*. This moment is considered as the *"triumph of institutional thinking and theory"* as regards the analysis and interpretation of the transition specifics from planning to free market.

Transition does not only consist in the opening or creation of wide opportunities for private initiative and competition, but it also implies destroying older institutions and creating new ones. . The interest groups' struggle in having a higher influence than others is one of the basic characteristics of such institutions, while the "institution economy" theory also studies this particular feature. "Olson's paradox"¹ proves that under certain circumstances, collective agreements do not transform into effective action if there is no individual interests. This idea, especially after 1999, is widespread in many analyses and works on transition. However, the simple integration of the institution word and notion is not enough to properly analyse transition. Furthermore, *"the study of institutional change only is not enough to establish an institutional economy of radical change represented by transition"* (Vercueil, 2000). This can be achieved if the basis lies on an explanation of the interactive process between institutions (genesis, development, substitution) and individuals involved in economic activities.

From an institutional point of view, the transition of the former socialist countries introduces a unique perspective as it calls for a strong suspicion of all institutions inherited from the socialist past, accompanied with a redefinition of all economic processes and individual selection that occur during the transition. In this perspective, transition is itself a typical model of institutional change where institutions are conceived as *"a collective production disposition and interpretation of rules"* (Vercueil, 2000). This definition provides the opportunity to integrate the collective dimension of institutions, both for groups and individuals, acting through mediation of rules.

Among all Capitalism Models - which one to choose?

Economic policy debates focused on the fatality of the "black and white" view: if centralized planning was a failure then we would have to immediately shift to the free market. This was the subject of any economic policy in the former socialist countries during the first years of transition. The same existing belief for socialist institutions was then replaced by the market beliefs, making the myth of the hero Marxism-Leninism be replaced by the myth of miraculous liberalism. In this context, the governments of the eastern countries, advised by international experts and

¹ Mancur Olson observed a paradox in "the logics of collective action". According to him, the mobilization of individuals in favour of a common cause is not the same. Olson found that "even when there are situations where individuals can benefit from various advantages by engaging collectively, a part of them are never engaged again."

institutions, were more than willing to radically change any kind of institution considered to be the "legacy of the past" and to shift to capitalist systems.

Schematically, the principle model of capitalism at "circulation" as an option for Central and Eastern European countries in the early 1990s were:

- **"Anglo-Saxon Capitalism"**, primarily the British and American one, dominated by the role of the market in organizing economic relations, not only in the productive and financial system, but also in the labour market, public services, and "functions of the government" such as health, education, research, fiscal system, social protection, etc. Individual freedom and free competition are the fundamental values behind this model, while its strengths are dynamism, innovation, flexibility, adaptation, law and contract, etc.

- **"State Capitalism"** applied in countries such as France, Spain, Italy, etc., is in favour of the great role of the State in intervening in economy and public affairs to regulate the organization of economic activities, to control the market orientation, to ensure better social justice, etc. Equality and solidarity are considered the most obvious values of this model.

- **"Rhénian capitalism"** or the Social-Democratic model, applied mainly in Germany, Austria, Sweden, Finland, Norway and Denmark, is featured by a high partnership between trade unions, owners/entrepreneurs and the State, direct State intervention to the economy and the behaviour of economic stakeholders, a highly developed system of social protection and social rights and a sustainable monetary policy and the important role of banks, mainly regional ones.

- **"The Asian Corporate Capitalism"** model implemented in countries such as Japan, South Korea, Taiwan, Hong Kong, etc., which relies on a high level of interaction and complementarity between relatively regulated markets, a poor social protection system acknowledging a high degree of social differentiation, a financial system oriented towards long-term relations between banks and enterprises. This model provides an important central role for large companies/enterprises in terms of professional training of managers and manpower, and guarantees a sustainable career system.

Upon their own choice, eastern countries had to make decisions conditioned by 4 four dilemmas or real opportunities: firstly, to follow one of the already known and consolidated models of capitalism by "copying" the respective legislation, institutions, etc., of that model that seemed the most efficient; secondly, to adopt "acquis communitaires" as a necessary condition for the integration into the EU, however without any specific reference to any model; thirdly, try to understand the historical trajectory and the fundamental changes that the four models themselves had undergone and suffered under the influence of globalization, European integration, the impact of economic and financial crises, etc.; fourthly, to exclude the possibility

the Asian capitalism that proved to be very complicated and closely linked to Confucian traditions and Asian cultural and historical specifics.

Under these conditions, it seemed that the most reasonable and probable option was to choose between the model of state capitalism that somehow complied with the historical eastern tradition of the role and intervention of the State in the economy, its regulatory role, its necessity in the application of redistribution, the resolution of social conflicts, social protection and the Anglo-Saxon disputes, which would eventually remove these countries from the dominance of politics over economy, from the bureaucratic power that would enable them to implement real structural reforms and give the utmost legitimacy to the free market, which would establish a consumption society that these countries had long dreamed of, and which would ultimately best "satisfy" the demands of international institutions such as the IMF or the World Bank. In its 2000 report, the EBRD learned an "important lesson from the experience of transition countries", according to which "during the decade 1990-2000 there was no single transition path from the centralized economy of the communist regime towards the unique and easily identifiable form of free market and capitalism ... it seems that most of these countries were developing their own specific capitalism."

Profile and features of capitalism in Central and Eastern Europe. Comparative Analysis

Different authors divide the transition period into two parts: the first part, 1990-2000, when the various transition trajectories "fluttered" into some sort of post-socialist emergent capitalism composed of various national specifics; and, the second part, 2000-2008, when the consolidation and profiling of the capitalism model begins, compared to the standard models of developed capitalist countries. Driven from the specific analyses of specific countries or similar groups of eastern countries, several specific features and characteristics may be evidenced regarding such capitalism models. A relatively homogeneous group with similar features is the group of countries such as Hungary, Poland, the Czech Republic and Slovakia.

Hungary. It is estimated that the "Hungarian Model" of capitalism is characterized by a high degree of paternalism of the State, which translates into a high level of income distribution, under a significant fiscal pressure, into a universal social protection regime, based on a high financial support for enterprises. J. Kornai (1997) highlights that this situation is somewhat a long-lasting Hungarian tendency that began in the 1960s, consolidated under the objective of "calming down socio-political tensions and protecting the population living standards". Additionally, in the early 1990s, Hungary proved to be one of the most advanced transition countries, and its reformist traditions associated with the will for unrestricted opening to the West provided Hungary with great confidence as regards foreign investment and the confidence of investors in making Hungary one of the most important FDI destinations in Eastern

Europe. The very original and highly effective form of privatizations involving companies, banks and public enterprises facilitated industrial companies to benefit from financial support provided by banks, which were guaranteed under a special state guarantee fund. If we compare it with the above standard models, Hungary shows a very close tendency to the model of State Capitalism.

Poland. The "Polish Model" of capitalism is characterized by the existence of an important state sector in the economy that generates about 25% of the GDP of the country, with large public enterprises and a state that through its interventions appears to be one of the main stakeholders of the economy (through the provision of support for enterprises facing difficulties, provision of financial facilities for vulnerable enterprises, prioritisation of certain sectors they consider to be "locomotive sectors of the economy", striving to ensure a transparent compromise between employers and employees to guarantee employment and minimum level of wages), with a significant influence of trade unions being imposed to the market and entrepreneurship in filing their claims, etc. Poland ranks among the most successful eastern countries as regards economic, financial and social development, and in general it is estimated that it is trying to build a "Hybrid Capitalism Model" similar to the French and the social-democrat German-Scandinavian one.

The Czech Republic. The Czech post-socialist capitalism model implies that the state continues to have an important role, regardless the almost constant liberal orientation of most of the Czech governments of these two decades of transition. During the first decade of transition, in which state-owned banks controlling investment funds became owners of state-owned enterprises, the State, directly or indirectly, became the main owner of a part of the capital of banks and companies. These links and state support facilitated access of large companies to banking loans, significantly mitigated their budget constraints in terms of restructuring, guaranteed employment in central and Eastern Europe, and paved the way to an efficient social protection regime. The Czech model demonstrates a high level of compatibility and institutional harmonization in the context of a genuine combination between economic liberalism and social democracy.

Slovakia. It is considered as a surprising "Original Model", given the analysis of the first years of transition where Slovakia was considered to be the most problematic part of former Czechoslovakia: heavy industry with old technology, specialization and orientation mainly towards the Soviet Union, limited natural resources, etc. However, Slovakia surprised everyone with the special path it followed: transforming the political power of old elites into economic power, using privatizations as a privileged tool for acquiring and ensuring the necessary capital for young businessmen, preferential sale of public enterprises to managers close to political power, encouraging large industrial companies to buy state-owned banks to consolidate powerful industry-financial groups, strong mediatization of the relationships

between political power and economic power to identify the stability of the system, etc. Political and economic ties between state-owned enterprises and banks, with the support of the State, guaranteed them, especially in the first phase of the transition, strong access to banking loans. Export dynamics and high public investment were the first strong incentive for the Slovakian economic growth during the first decade of transition. The State presence was also very high as regards income distribution, social protection system, poverty reduction, etc.

Bulgaria. Transition started as a fiery supporter of "Ultra-Liberal Policies and Anglo-Saxon Capitalism," but gradually, especially in the first decade of transition, it was highly confused "between liberal capitalism and the social market economy". Lawrence Nowicki (1994) describes the Bulgarian solution and transition as a "market-friendly" version, where all best efforts to build a "free market" are outlined, however highlighting that "the difficulties to build such kind of market and its failure to operate according to the western free market logic, force the state to play a priority role in the operation and management of the economy." According to him, the most appropriate term for Bulgaria would be "mixed economy".

A typical Bulgarian characteristic lies in the fact that the difficulties in establishing a free and real market were replaced by the creation of economic-financial networks and clientelist relations among the representatives of the old political power, as many authors conclude that "these networks expanded so much that they replaced the market". These networks did not operate according to market rules and laws, but according to their own "rules of the game." Instead of the "market economy", the "networking economy" was established, dominated by the former communist era nomenclature. This also favoured the privatization process where former high officials of the communist period became the first and largest beneficiaries. In Bulgaria, the clientelist networks became the fundamentals over which capitalism was built. Under these circumstances, the State was transformed into the only force that could safeguard the competition rules and balance the emerging interest groups and collective interests, especially vulnerable social groups.

Even two decades following the beginning of the transition, the Bulgarian reality proves that "the redistribution of assets" is generally performed in the interest of a small social group made up of the former communist nomenclature. During the popular protests of 2013, Tsvetozar Tomov underlined that "the Bulgarian government must break the bonds between the power and the grey economy of monopolies. Bulgaria can no longer be ruled by the oligarchs, especially after becoming an EU member state." All this proves that Bulgaria can be profiled as a "state capitalism" that tends to apply a model of "social market economy".

Slovenia. Resistance on behalf of gradualism. After gaining independence from the former Yugoslavia in 1991, Slovenia continued to believe in the values and benefits of the old system "self-administering" especially in the area of social services, health,

education, etc., Which had been on many levels higher. In this sense, during the transitional period, Slovenia preferred becomes almost totally governance of "left centre" social-democratic, very sensitive to populist pressures and resistant to the liberal policies of "creative destruction" recommended by the IMF and the World Bank. Slovenian gradualism was profiled as a result of the struggle and populist aspirations that met the building capitalism objectives, always demanding the fragile balance between the "neo-liberal program" and social syndication pressures on behalf of a "social-liberal" capitalist model.

Unlike many other socialist East European countries, Slovenia proved more "resistant" to liberal policies package "consensus of Washington": slow privatization rate in the name of creating a "mass popular force" and elimination of a "aggressive privatization", State storage as the largest shareholder in large enterprises, banks and strategic sectors stagnated over the pension reform, rejection of the flat tax, no liberalization of wages, openness and slow liberalization of the market, doubts positive effects of FDI, etc.

The situation changed sense in 2004, when Slovenia became an EU member, moving away from the "gradualism" and resistance to liberalism and undertaken a number of reforms required by the European Commission such as pension reform, labour flexibility, taxation, openness to FDI, applying a flat tax, reform of VAT, deepening and acceleration of privatization in the banking sector, insurance, telecommunications and energy, reduce structural imposing force, expanding the policy range in favour of competitiveness, expanding the public-private partnership, etc. For these reasons, Slovenia is classified as a "specific capitalism model" Social-Democratic nuances.

Estonia. It is evidenced in its economic model and very specific social. Member of the EU in 2004 and the euro zone in 2011. The country that experienced two difficult moments during the transition years in 1990-95 when it achieved with rather liberal measures the post-Soviet transition from plan to market, and from 2008 to 2012 when it was severely affected by the global financial crisis, it is developing an original capitalism, which is an intermediate form between social-democratic capitalism and the corporatist one. All Estonian governments since 1990 have respected the policies that guarantee economic success: macroeconomic stability, balanced budget, public debt control, liberal legislation "Business friendly" for foreign investments, liberalized trade, moderate fiscal policy, etc.

Although regarded as one of the countries with the most liberal economy of northern Europe, Estonia is known for successful efficient social policy. What differentiates Estonia from other former socialist countries? Firstly, the existence of a broad consensus of stable political when it comes to key macroeconomic policies and strategies of economic and social development, a consensus has never been in doubt since 1990. Secondly, the lack of political polarization ideological and a special practice of consensus arising particularly from their religious roots of cultural

Protestant Lutheran. Thirdly, their consensus is perceived as a synonym for "state corporatist" and transparent. Fourth, Estonians are known to quite a high level of trust and respect for institutions as a place where laws are drafted, are adopted and implemented with extraordinary transparency.

Russia. Despite its specificity, it seems that Russia is consolidating a "State Capitalism" post-Soviet. From this perspective, the Russian transition can be analysed in two specific periods: 1990-1998 period, the stage known as "neo-liberal" of transition, characterized by a large presence of the IMF and US advisers, which culminated in financial crisis of 1998 and a strong decline of 40% of GDP compared with 1990, and 1999 to 2013 periods, or "Putin Era" characterized by the presence of a new model of "state developer and guardian" and a strong discretionary policy.

The strong development sectors mainly rentier Russian economy as petroleum, natural gas, various metals, timber, etc., and complication of the international context, made the option "liberal-pragmatic" in the first decade of transition, to be replaced with state capitalism and "the strong hand of the state" by creating opportunities to be realized basic Russian targets such as industrial restructuring that should increase Russia's competitiveness on international markets, developing strategic sectors such as aeronautics, nuclear energy, telecommunications, the arms industry, etc. After 1999, all the unearned income coming from the sale of raw materials and energy sources, by this time in the hands of large oligarchs who benefited from the chaotic clientelist privatizations, He passed completely under state administration. Return in capitalism model with strong and very present State, was constrained by weaknesses and problems that showed the banking system and financial markets in Russia, prompting the state to take direct responsibility for their management.

Another important element that profiled Russia as a state and capitalism was "coping with the crisis of legitimacy faced by many Russian governments in the years 1993-2000, as a result of very dubious privatizations in key sectors of the economy, which Russian society regarded as an "open stealing" national assets. This lack of legitimacy associated with an impoverishment of and blocking the development in many regions of the country, pointed to the need plan the design and implementation of active development policies should be guaranteed by a strong State presence and a better distribution of economic growth, which was also guaranteed by the State as the only credible actor and strong at the moment.

After 2005, Russia concluded an attempted for compromise between "interventionist" strong state representatives and "liberals" who sought a greater role to the market and private sector development, making Russia go towards capitalism model more or less similar to France or Italy of the 1980s, a kind of system dominated by "development state" that does not exclude a strong private sector (Sapir, 2013).

Albania. Has had never been known in the past experiences with the capitalist system. Consistently regarded as one of the countries at the end of the Second World

War, they tried to build socialism without passing the stage of capitalism, and whether partial or short-term period. Considered as the "*Orthodox Socialist Bastion*" that had begun the transition "from plan to free market" later than all the other countries of central and eastern Europe, he managed, however, that within a few years was successful country in reforms its structural macroeconomic in full conformity with the "Washington Consensus" (Williamson, 1994).

During the 1992-1996 period, Albania was able to control its galloping inflation beginning of the post-socialist period, GDP increased steadily, reduced unemployment, improved budget deficit, the exchange regime adopted free currency, a banking system built with two levels to ensure the functioning of an independent central bank, liberalized trade and prices, etc., being described as "excellent student of the IMF's" (McAdams 1997).

Despite huge political pressure when it came to the economy, micro and macroeconomic restructuring, finance and fundamental reforms, everything seemed to be perfect for Albania. But the collapse of financial pyramid schemes in early 1997 "blew up" this positive situation. But while the credit for this successful way of constantly receiving IMF, World Bank, etc., Who were present in every decision-making in the country, the birth and the extraordinary spread of financial pyramid schemes and destruction within a few weeks the state and its institutions, including the army and the police, they were seen as "*mistaken sense that the Albanians had to capitalism*" (Wall Street Journal, 1997) "*as an illusion and wrong dream about liberal capitalism*" while Albania began to be regarded as a "*laboratory experience*" for the realization of the transition.

Albanians proved terrible severity of a false and naive illusion about money, capitalism and the light of rapid benefits. The basic argument that attempted to explain the reason for the spread so large "Ponzi scheme" in Albania was "*a combination of the effects of restrictive monetary policies, lack of instruments of market regulation institutions, the massive entry of capital and weaknesses in governance*" (Bezemer, 2000). Even stock exchange could have been an important element in the formal capital movement was formally opened in May 1996, while that proved to be very weak in attracting and movement of capital in the economic development.

Even in the first decade of XXI century, Albania continued to believe and undertake policies in favour of building a liberal Anglo-Saxon capitalism, applied flat and low taxes, reduced the size of state and government, massively privatized all sectors of the economy, liberalized the economy and trade, etc. But the effects of the global economic-financial crisis during 2008-2013, in particular the Greek, as well as a number of "typical Albanian diseases of transition" such as corruption, the high degree of informality, political clientelism, poor quality of institutions and democracy itself, severe political conflict, state capture by certain clans with economic interests, etc., made the image and trust in liberal capitalism reels. Government coalition PS-LSI

come to power in June 2013, in the context of a more social and populist orientation, signaled a "correction" of the Albanian capitalism model in favour of an intermediate model between state capitalism and that of social democracy.

Conclusions

Basing on the analysis of "capitalism types" to significant elements of post-socialist economies, such as: production system, the financial system and the banking sector, capital structure between private and public, socio-economic compromises, the State role etc., estimated that in similar models with these countries and stay also other countries. With more specific capitalism, closest to the Anglo-Saxon, but rather political will and desire that its concrete and correct application, presented Albania, Romania and Moldova. In these conditions, it seems that the real transformation is not a matter of months or years as highlighted with rage at the beginning of the transition, but the issue decades of entire generations. Examples of the above countries and challenges of each of them on the long road during the transition to a better capitalist model clearly show such a conclusion.

Moreover, the transition process highlighted another factor without taking into consideration the unique liberal prescriptions: "Start" unequal or different level of preparation that had the former socialist countries "to absorb the transition period." The legacy of their production structures, mechanisms of decision-making, their political culture and its ability consensus mentality to law and contracts, Previous historical relations with capitalist society, etc., showed that "transition does not only depend on factors or market actor, but also from the historical heritage in its broadest sense" making every country, regardless transition universality as a process, face and walk in its specific path to capitalism.

I am concluding this study with the analysis of a well-known economist, Magni, in his report to the capitalism models, it finds that *"Analysis of the transition trajectory of the former communist countries of central and eastern Europe, already an EU member, testifies to the emergence of an original capitalism form, highly customized model to history and economic reality, social, political and their psychological "*.

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Impact of Strategy and Environmental Predictability on Financial Performance in Non-Governmental Organizations

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Abstract

This study tries to understand the relationship among financial performance, environmental predictability and having strategy in the third (NGO) sector. The independent variable of the study is financial performance which is conceptualized as achieving the financial objectives which have been previously established. Environmental predictability is a sub-dimension of organizational environment that explains stability of the environment. Having strategy on the other hand is related with having mission and vision statements that are explicitly and clearly defined. The results of regression analysis indicate that, environmental predictability and having a clearly defined strategy have positive effects on financial performance in Non-Governmental Organizations.

Keywords: Financial Performance, Strategy, Environmental Predictability

Introduction

Strategy and environment are closely related in the management literature that organizations have varying strategies in different environmental complexities to be able to increase their performances (Miles,1980) and to be able to survive. Environmental predictability is a very significant factor for the organizations when determining their strategy to be able to answer the needs of the stakeholders and to achieve previously determined objectives.

Performance

Performance is a very broad concept that every kind of organization either profit seeking or not profit seeking; public or private measures, manages and tries to increase their performances. Performance measurement is a multi-dimensional issue that there are both financial and non-financial aspects of it. Since performance management in general is considered to have a financial emphasis meaning that as