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CONFERENCE PAPER

Incomplete Transition – Is there a "Mid-Transition Trap"?

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Abstract: *The subject of this paper is the analysis of the classification of economic systems. The traditional classifications of capitalist, socialist centrally planned, and socialist market systems, and the newer classification of variants of capitalism into the Anglo-Saxon, European continental, and Asian models, are inadequate to explain new phenomena in a globalized economy. After the collapse of central planning, countries in transition became a category describing processes of deep socio-economic transformation. These transition countries aspired to meet the standards of developed European market economies, as well as governance standards regarding democracy, human rights, and the rule of law. A new classification of economic systems by Balcerowicz (2014) combines the traditional classification of economic systems with the characteristics of well-governed democratic societies in order to come up with a matrix that shows the interaction of economic system characteristics and governance outcomes.This paper builds on Balcerowicz's classification by introducing and delineating the categories of state capitalism, crony capitalism, and state capture in order to provide a new classification of economic systems. It uses these concepts to empirically analyze the transition countries, with special reference to states aspiring to EU membership and the new EU member states. The methodology used is analytical and empirical. The results find that the transition is incomplete, especially in terms of governance, leading to the hypothesis of a 'mid-transition trap', similar to the much discussed 'middle-income trap'. The results should lead to further, more refined research.*

Keywords: economic systems; transition; new state capitalism; crony capitalism; state capture

JEL Classification: D72, P16, P50

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Introduction

The field of comparative economic systems came into being with the theoretical formulation of the possibility of an economically efficient socialist system. The defining article that opened up the debate was the famous Barone article (Barone, 1908) on the possibility of reaching an efficient equilibrium under a collectivist state. This inspired Mises's critique of socialism (Mises, 1920) and the famous debate on market socialism in the 1930s between Lange, Taylor, and Hayek (Lippincott 1956; Vujačić, 1983). The field grew rapidly and gained in significance with the establishment of central planning (in the USSR and other communist states), and, later, market socialism (in Yugoslavia). The dividing line during the cold war was between the economic systems of capitalism and various forms of socialism. At the same time, capitalism was seen as having variants with sharp distinctions, viz. the Anglo-Saxon model, the European or Continental model, and the Asian model (Gregory and Stuart, 2014). The criteria that delineated these varieties of capitalism were different forms of corporate finance, labor market organization and other institutional arrangements, corporate ownership and control, and social security and welfare models.

The collapse of communism in Eastern Europe followed by the demise of the Soviet Union profoundly changed the study of comparative economic systems. The major shift was to studying the transition from socialism to a market economy; thus the 'economics of transition' was born. Most studies of transition were comparative and examined the different paths and varying aspects of transition in different countries. For example, they compared different privatization models or analyzed the different sequencing of institutional reforms and used these as criteria for assessing outcomes in overall macroeconomic performance. However, these types of analysis were too simplistic to deal adequately with the deep socioeconomic transformation that societies undergo through transition. Initial historical conditions or certain types of economic policy were introduced as control variables.

Since the beginning of the post-communist period there has been a growing interest in institutions. The most prominent research on this subject is by Acemoglu and Robinson (2005, 2012). Other noted authors have tried to redefine comparative systems in terms of institutional frontiers, institutional clusters, and the new comparative political economy (Djankov *et al*., 2003). The other shift has been to introduce the analysis of institutions and to focus on GDP growth as a success criterion (Boettke *et al*. 2005, 2023). Prominent academics in the field have criticized the latter approach (Brada, 2009).

Evaluating Economic Systems

The classic comparison of economic systems introduced certain criteria in order to evaluate the performance of economic systems by comparing their advantages and disadvantages. The 'success criteria' were the result of broad consensus in the field and were supposed to be neutral and normative-free. These included economic growth (overall and per capita), stability as a measure of the system's ability to absorb shocks (employment and price stability), equality measured by income distribution, sustainability as maintaining the system fundamentals through reforms and challenges, efficiency measured by productivity and productivity growth, and openness as a measure of integration into the world economy (Eckstein, 1973). Other criteria (for example, innovation) were added or subtracted depending on the emphasis of the research.

Although the scientific goal was neutral and value-free criteria, in fact the criteria were normative in character. The tentativeness of these 'success criteria' can be easily demonstrated. For example, if the researcher ascribes different weights to the criteria when comparing concrete systems the result will inevitably be subjective and reflect their normative judgment. This basic fact cannot be denied, in spite of the broad consensus and the fact that these criteria reflect widely held social and economic goals in the analyzed economies. Nevertheless, the criteria were useful, in spite of the fact that in most cases the theoretical analysis could *a priori* predict the outcome of comparisons of certain criteria with almost complete accuracy. For example, it was not difficult to predict that the socialist system would be more egalitarian than the capitalist market system in terms of income distribution, even after taking the privileges of the communist *nomenklatura* into account.

The need for new criteria for evaluating and classifying economic systems arises from several deep structural shifts in the world economy. The first is the fall of communism in Europe and the new transition experience. There is great variation in the distance between transitioning countries and a fully fledged market economy and in the time that they take to get there. As will be demonstrated later, this transition is not fully complete and needs to be analyzed in terms of the characteristics of the economic system. Another reason is globalization, the rise of emerging markets, and the consequences of the 2008 financial crisis. The latter has profoundly undermined the consensus view of the basic superiority of the Anglo Saxon model in terms of economic growth and efficiency. Thus, the question is: What criteria, old or new, should we use to assess economic systems?

New Criteria for Evaluating Economic Systems

When considering new criteria to assess economic systems, the recent work of Balcerowicz (2014) represents a landmark. It focuses on judging the success of economic systems through an explicitly normative approach: the criteria used to determine the characteristics of a 'good life' are those which the West has historically defined, stemming from the values the West proclaims to hold dear, including human rights, political freedom, economic freedom, and a certain level of social welfare and social rights. The first three are correlated with the rule of law, while the fourth has to do with types of institutional solidarity. Can these values and the measurement of their attainment be used as 'success criteria' for economic systems?

Several fundamentally important questions immediately come to mind. Why substitute the traditional success criteria listed above with an alternative set of criteria? In other words, is it not the goal of economic systems to provide economic prosperity through economic growth, rising per capita income, stability, and equality? Secondly, in using the measurement of quality of life through political rights, human rights, the rule of law, and social welfare, the abandonment of the focus on the character and major traits of economic systems? Thirdly, is this not confusing the characteristics of developed capitalist economies as an end in itself with the characteristics of developed capitalist economies as a means to prosperity? Are they not themselves the result of economic development and prosperity? These questions need to be answered in a straightforward fashion.

In answer to the first question, it should be kept in mind that universal Western values have been a source of legitimacy not just in their place of origin but also in the revolutionary ideology of Marxism. Marx asserted that true human freedom and rights would be genuinely achieved after the establishment of a socialist system and that *bourgeois* rights are only a sham. Therefore, emancipation was part of Marxist doctrine and in some respects of Marxist practice. Secondly, the collapse of communism was followed by the inauguration of not just a transition to a capitalist economy but also to democracy as a political system. Finally, the perceived neglect of elements of the economic system, its structure, and its functioning can be dealt with by clustering the main models of the market economy, thus paving the way for subdivisions and further analysis. These models and sub-models can then be judged by the level of attainment of the core values defined as success criteria. In other words, the clusters will give us the common elements of economic systems, which can then be related to the criteria discussed. The debate as to whether economic development causes democracy in the historical evolution of capitalism or vice versa will certainly continue, probably with mixed results, but it is beyond the scope of this paper.

Nevertheless, two themes are important for this discussion. One relates to the major traits of the economic system and how they affect the values associated with democracy (human rights, political and economic freedom). Do the characteristics of the economic system enhance these values or do they diminish them? The other question is why the adoption of Western institutions in the transition process did not enable a more solid institutional adoption of these proclaimed values. Let us turn to the major characteristics of economic systems as related to the criteria that we have listed.

Table 1. The Balcerowicz classification of economic systems

Type of socioeconomic system	**Democracy**	**Human rights**	**Rule of Law**	**Economic freedoms**	**Public social spending**	**Examples -countries**
Socialism	Undemocratic	Almost non-existent	Very low level	None – command economy	High	North Korea Cuba
Quasi-socialism	Undemocratic	Almost non-existent	Very low level	Domination of state enterprises	High	Belarus Venezuela
Free market capitalism	Usually democratic	Wide	High level	Wide	Medium or low	Hong Kong Switz. Ireland
Crony Capitalism	Usually undemocratic	Limited	Low level	Limited –unequal protection of property rights	Undefined	Russia Ukraine
Overregulated capitalism	Democratic or Undemocratic	Mostly wide	Limited due to frequent arbitration	High	High	Italy France
Measurement	Political freedom Freedom House	Human rights Freedom House	Rule of Law World Bank	Fraser Institute	Various sources	

Source: http://www.balcerowicz.pl/pl/a/277,The-Institutional-Systems-and-the-Quality-of-Life

This is what Balcerowicz had done in his description of the relationships that is under investigation here (Balcerowicz,2014). However, his classification adds some new categories, such as overregulated capitalism, crony capitalism, and quasi-socialism as types of economic systems. These categories require a more accurate theoretical and empirical specification. Using his categorization as an inspiration, a somewhat different and hopefully enhanced analysis will be developed by introducing new categories of economic systems.

While the category of socialism used here needs no explanation because it is basically synonymous with a communist centrally planned system as described in the classical comparative systems literature, the others need more specification. The easiest one is the quasi-socialism category, in which there is no central planning but the dominance of state-owned enterprises is such that there is no substantial market economy except for a small business sector. Delineating overregulated and free market capitalism boils down to the degree of economic freedom, provided that the political system is democratic. However, the category of crony capitalism is extremely difficult to pin down both theoretically and empirically.

In terms of the described success criteria, the free market capitalist system and the overregulated capitalist system are generally associated with much higher levels of democracy and human and political rights, with high levels of public social spending in the overregulated capitalist system. The other economic systems generally score very badly on these criteria, except in most cases the criterion of public social spending, which tends to be high. The most obvious weakness in this classification is the crony capitalism category, which remains undefined. For this reason, a new, more precise classification of economic systems seems appropriate.

A New Classification – New State Capitalism and State Capture

Two big events have shaped the world in the last thirty years. The first is the fall of communism in Europe and the transition process to a market economy and Western-style democracy in the former socialist countries. The second is the financial crisis of 2008. The first boosted the hegemony of the Western market economic and political system. The second resulted in skepticism towards Western capitalism in general and the Anglo-Saxon model of capitalism in particular, as it was identified with the dominance of financial markets as the major driver of investment and the main culprit behind the global recession.

The opposite of the Anglo-Saxon model is the system best described as state capitalism, characteristic of some emerging markets. This term has acquired various meanings over a very long period, the discussion of which will be avoided. Instead, the use of the term 'new state capitalism' as defined by Bremmer (2010) as a system in which the political elite does not act to maximize economic prosperity but uses economic resources to maximize its power and perpetuate its hold on power, will applied in this analysis. To achieve this goal the political elites use sovereign wealth funds, subsidies for national champions, and controlling stakes in state-owned enterprises or publicly traded corporations. In this system the state has the dominant role in controlling economic resources and employment. In essence, it is a new type of mercantilism, in which the state helps its businesses penetrate foreign markets not only through subsidies and soft loans but also by using political means wherever possible.

The heavy involvement of the state brings back a long-neglected categorization of Max Weber (1978, originally1920), who defined aberrations from the ideal type of capitalist profit. These were a) predatory, b) obtained through domination and force, and c) stemming from closeness to and unusual transactions with political authority. In other words, Weber identified 'political capitalism' as a category associated with the types of profit listed above and separate from the ideal type of capitalism and capitalism based on trade (Weber,1978, pp.164-165). With the expansion of new state capitalism and the increasing use of the term 'crony capitalism', Weber's concept of political capitalism gains in relevance.

At first glance these two categories are completely distinct. The category ‘new state capitalism’ has already been defined. Crony capitalism, on the other hand, is usually loosely defined as a situation in which collusion between business interests and political power leads to special privileges and rents which otherwise would not exist and which are associated with corruption. The introduction of various types of institutional arrangement that privilege businesses without economic justification is usually accompanied by some type of *quid pro quo* for parts of the governing political elite. The London *Economist* (2016) has attempted to measure the extent of crony capitalism by constructing a crony capitalism index to rank countries, based on the presence of certain industries that are susceptible to monopoly and require licensing or are highly dependent on government regulation.

However, the concept of crony capitalism lacks the *differentia specifica* that would make it useful in defining it as an economic system. The reason is that crony capitalism, just like corruption or rent-seeking behavior, will always exist, just as market imperfections exist in all countries. Thus, the existence of crony capitalism as a dominant characteristic that defines the economic system becomes a matter of the degree of the existence of certain phenomena, measured by a set of agreed upon indicators. This is not only extremely difficult, but also somewhat fuzzy. For example, does the entrenched and extensive political lobbying in the United States classify its economic system as crony capitalist and put it in the same category as Russia? If so, does not this category not obscure differences that are so vast as to render the concept of crony capitalism meaningless. This does not mean that crony capitalism does not exist, but merely that it is a phenomenon present in every system in hugely varying degrees. This would mean that another category is needed to describe the differences between economic systems, including systems in which crony capitalism is largely present.

The obvious candidate for the demarcation line is the concept of state capture. State capture is often used as synonymous with crony capitalism, but the two should be clearly differentiated. Crony capitalism is part of rent-seeking and is gained through lobbying, influence, corruption, or other means, but is limited to certain sectors which then gain one-off, mid-term, or longer-term advantages through various, mostly legal means (tax breaks, subsidies, licenses, regulation etc). In crony capitalism illegal means can also lead to rents (inside information, influencing conditions of tenders, etc.). The major difference between crony capitalism and state capture, however, does not lie in the legality or illegality of certain actions, but in the partial (as opposed to all-encompassing) character of state capture. With all the various different definitions, in our view the concept of state capture should reflect a situation in which political power is systematically used on a large scale to more or less permanently abuse institutions in order to provide advantages and rents to the business elite. The business elite can either be subservient to the political class or it can dominate it. Furthermore, the business and political elites can be intertwined and overlap. The importance of this difference with crony capitalism cannot be exaggerated. More to the point, state capture can therefore to a great degree be directly associated with new state capitalism.

Starting from here our analysis modifies and expands Balcerowicz's classification of economic systems by introducing the category of new state capitalism as an economic system and moving the category of crony capitalism from defining an economic system to a characteristic present to varying degrees in all economic systems. The category of state capture as a characteristic of economic systems is also included. The new classification excludes social spending, as the other values are deemed as more important Finally, a new category of economic system is added : transition countries. Before proceeding, some explanation of this category is in order.

For a long time transition was seen as a phase through which countries pass in order to become fully fledged democracies and market economies. The underlying theoretical assumption was an optimistically inclined modernization theory that came to prominence in the early days of the Cold War: former socialist countries would undergo market reforms (stabilization, liberalization, and privatization) and introduce supporting institutions (property rights, the rule of law, etc.) that would put them on the road to economic growth and development. As communism had collapsed and the long-awaited possibility of establishing a free democratic society had arrived, most of these countries would also adopt a democratic system that emulated a Western type of democracy. Furthermore, these processes would be encouraged by the process of accession to EU membership in those countries that had embarked on or completed this path. In short, there would be convergence not only regarding market institutions and GDP per capita, but also in regards to democratic institutions and governing practices of developed Western European countries. Eventually, in spite of some difficulty overcoming initial obstacles (transition recession, resistance to reforms by vested interests, etc.), the countries in transition would resemble Western-style democracies and market economies.

Evaluating Transition

In evaluating transition analysis is confined to the new EU member states and the countries of the Western Balkans aspiring to join the EU, which have been in the process of transition for two to three decades. The countries of former Yugoslavia entered transition late due to the wars of the break up – Serbia, whose transition really only began in 2000, being last. The well-known European Bank for Reconstruction and Development (EBRD) Transition Report tried to measure the transition process to a market economy using a set of indicators. In 2014 EBRD stopped measuring the transition process, as after a quarter of a century it was considered completed in most countries. The countries of the former Yugoslavia were all laggards in this transition process since it took them much longer to reach values that were lower than those achieved by the Visegrad countries (the only exception being Croatia, and not, as one would expect, Slovenia). The other laggards were Romania and Bulgaria.

The expected effect of these reforms was that they would make these economies more efficient and that given their lower level of development they would achieve growth rates that would lead to clear convergence of their GDP per capita with that of core EU countries, here defined as EU members before the enlargement of 2004. Most reports on the transition by international financial institutions find clear evidence of a convergence process in GDP per capita, measured in purchasing power parity. However, these calculations are based on the average GDP per capita of the 28 EU members. This means that the new member states are part of the sample and part of the average. If the Eurostat database is used to compare average GDP per capita in purchasing power parity of the EU 28 members (EU 28 = 100) in 2017, with that of the 19 euro zone members as a rough proxy for the higher income countries (although they include the Baltic states, Slovakia, Slovenia, Portugal, Malta, and Greece), the index of the latter is found to be 106. Of the new member states that have undergone transition, only the Czech Republic and Slovenia score an index above 80, while only Slovakia and two Baltic states have an index above 70. In short, convergence had not been as quick as was expected, in spite of the completed economic transition in the new member states and access to EU funds. All the potential candidates from the Western Balkans score well below 50 on the index.

In the comparison at the countries of former Yugoslavia with the average GDP per capita purchasing power of the twelve richest EU countries in 2017, things look even worse, as presented in the Table 2.

Table 2: GDP per capita (ppp) of the states of former Yugoslavia compared to the average of the 12 richest EU countries 2017.

State/ Year	2017
Slovenia	71%
Croatia	51%
Bosnia and Herzegovina	26%
Serbia	32%
North Macedonia	30%
Montenegro	36%

Source: Authors' calculations, https://ec.europa.eu/eurostat/data/database

The example shows that using the richest EU states as a benchmark instead of the EU28 average reduces the GDP per capita in purchasing power parity of both Slovenia and Croatia by 11%. Using this benchmark puts them at roughly the same percentage point they were at in 1990, before the break-up of Yugoslavia. To conclude, the economic transition aided by the EU accession process certainly did not meet the convergence expectations hoped for at the beginning of transition.

How do the new member states rate in relation to the other criteria of the degree of democracy, the rule of law, human rights, good governance, and economic freedom? The sad truth is that there has been backsliding in some of the new member states. The Freedom House Nations in Transition Report for 2018 (FH, 2018) labeled four of the eleven new member states (Croatia, Hungary, Romania, and Bulgaria) as semi-consolidated democracies. Of the Western Balkan countries aspiring to become EU members, Serbia and Montenegro were in the same category, while Kosovo, Albania, and North Macedonia were classified as hybrid regimes. In the same publication for 2020, Freedom House (FH, 2020) registers a turn for the worse. The four EU members listed as semi-consolidated democracies are Croatia, Romania, Bulgaria, and Poland. Hungary has joined the Western Balkan states, which are now all classified as hybrid regimes. The most disappointing fact is that the status of the two countries that have opened chapters in negotiations for EU membership, Serbia and Montenegro, has been downgraded.

It should be mentioned in passing that the methodology used by Freedom House is hardly strict when it comes to classifying political regimes. The Economist Intelligence Unit's 2018 Democracy Index did not classify any of the new EU member states as full democracies (EIU, 2018). The Bertelsmann Transformation Index is differently constructed but has also highlighted backsliding in economic and political governance in recent years. Finally, the Varieties of Democracy index shows a decline in the level of democracy between 2009 and 2019 in all of the new EU member states of Eastern and Southeastern Europe, as well as in the Western Balkan countries that are at various stages of the EU integration process. Finally, in another paper (Vujačic et al., 2019) we analyzed the transition process by drawing on the comparative values of the World Governance indicators constructed by the World Bank. The values of the indicators (from 2004–2018) showed some improvement in the rule of law for the countries in transition, but little or no progress in the control of corruption or government accountability.

The question arises as to why, with all the aid from the EU in terms of funding, guidance, and political support, all these countries have been unable to meet the standards of Western-style democracies after a quarter of a century. Some of them have been full EU members for more than a decade.

The Mid-Transition Trap

There are various answers to this and other related questions. No matter how varied the answers may be, there is no denying that the transition countries have not met the set criteria, or after having met them have regressed in terms of democracy and good governance. In other words, in most countries the transition process has proven to be either incomplete or unsustainable.

This points to the existence of what we term the 'mid-transition trap'. This term is analogous to the 'middle-income trap', describing the inability of the vast majority of countries to reach the high-income country category after escaping from poverty and reaching middle-income level. There is much controversy as to the existence of such a 'trap', which is beyond the scope of this paper. However, 'mid-transition trap' seems to be an appropriate term to describe countries that have completed most of the economic transition but have been unable to sustain political or democratic reforms. Thus, they have not really completed the transition to a fully fledged democratic system in line with the Copenhagen criteria for EU membership. That these countries are members of the EU makes this phenomena all the more disturbing. It is worth noting that some economic reforms have also been dismantled, but for reasons of space and the focus of this paper this issue will not be addressed.

We propose that the concepts of new state capitalism and state capture are key in shedding light on the causes of the mid-transition trap. It is interesting to note that the state capture phenomenon was recognized towards the end of the first decade of transition. The World Bank has actually tried to measure the extent of this phenomenon in the transition countries. The results for transition countries after the first decade of transition were obtained by combining various elements of corporate influence – obtaining privileges through parliamentary legislation, presidential decrees, central bank action, criminal and commercial courts, and party finance – in a composite index. The countries were divided into those with high and medium levels of state capture. Of the European countries in the sample, Croatia, Slovakia, Romania, Bulgaria, and Moldova were in the high category, with the rest classified as medium. More importantly, countries with strong economic reform and high civil liberties clustered at low levels of state capture, which at that point in time were Slovenia, Poland, Hungary, the Czech Republic, Estonia, and Lithuania (Hellman et al., 2000). In order to appreciate the broad accuracy of these findings it is important to remember the political landscape of the time (CESifo, 2011). Things have changed since then and the World Bank has switched to World Governance Indicators.

The following table is an attempt to provide a new classification that includes the discussed concepts and categories of new state capitalism, crony capitalism, and state capture.

Table 3: A proposed classification of economic systems

Type of socioeconomic system	Democracy	Human rights	Rule of Law	Economic freedoms	Crony capitalism	State capture	Examples -countries
Market socialism	Undemocratic	Almost non-existent	Very low level	Medium level	Highly present	Non-existent Communist party rules	China Vietnam
New state capitalism	Undemocratic	Very low level	Very low level	Limited	Highly present	High probability of state capture	Russia Mexico OPEC Ukraine
Free market capitalism	Usually democratic	Very high level	High level	Wide	Medium or low presence Examples – US and UK	Non-existent	Hong Kong Switz. Ireland
Transition countries	Flawed democracies or hybrid regimes	Medium or low level	Low level	Medium	High or medium presence	High probability of state capture	Hungary Poland Bulgaria Romania etc.
Overregulated capitalism	Democratic or flawed democracy	Mostly high level	Limited due to frequent arbitration	Limited-over-regulation and fiscal instability	Highly present	Medium probability, but not necessarily present	Italy France
European capitalism	Democratic	Very high level	High level	Wide	Low presence	Non-existent	Germany Netherlands
Measurement	Political freedom Freedom House	Human rights Freedom House	Rule of Law World Bank	Fraser Institute	Various sources		

Thus, the general characteristics of the transition countries (bearing in mind that only countries of Eastern, Central, or Southeast Europe that have joined the EU or are at various stages of joining are being observed) are: flawed democracies or hybrid regimes; a medium or low level of human rights, rule of law, and economic freedom; a high or medium presence of crony capitalism; and a high probability of state capture. These are certainly not very inspiring characteristics. If democracy, human rights, the rule of law, and economic freedom are used as success criteria, then the transition process in the observed countries can hardly be called a success. Can this be explained by applying crony capitalism, state capture, or a combination of the two as key concepts of analysis?

We believe that these concepts largely explain the existence of what we have termed the 'mid-transition trap'. The problem with the concept of state capture is that no matter how it is defined, it is difficult to measure. There are significant insights in case studies such as the seminal work of Ganev (2007) on Bulgaria. These case studies should be taken seriously as they provide an overview of the variety of this phenomenon. Some studies are broader and, more significantly, some put the Central European new EU member states at the center of a comparative study. Thus, Abbey (2014) finds two types of state capture in these countries. The first is based on political party monopoly (Poland, Hungary), the other on the capture of the state by dominant business elites (Czech Republic, Slovakia, Latvia, Bulgaria). However, for purposes of comparative analysis a somewhat more unified and thorough methodology is needed. Recently there have been some significant attempts to refine and significantly extend and deepen the measurement methodology used in comparative analysis (Stoyanov et al., 2019). Interestingly, the authors then applied this methodology to five EU member states, of which three were new member states (Bulgaria, Romania, and the Czech Republic), with the result that one of the new member states (Czech Republic) came out looking better in this respect than two of the core 15 EU states (Italy, Spain). In this study Bulgaria was ranked the worst, followed by Romania, while Italy had a worse rank than Spain.

That state capture is recognized as an important phenomenon in the EU is implicitly present in the initiative to reform the EU, first proposed by French president Macron. Proposals for reform are scheduled to be discussed and decided on in the next two years. Furthermore, the French proposal to reorganize the accession methodology for the Western Balkan states that are on the road to European integration is further proof that there is an impasse – which we have labeled here as the mid-transition trap. Worse still, the measurement of progress in the opening chapters of the accession process is inversely related to the state of democracy in these countries (Richter & Wunsc, 2019). That the closer the countries get to the EU in terms of negotiating the accession chapters the further they get from democratic rule is certainly surprising, to say the least.

All this brings some grim conclusions. The process of transition did not turn out to be as smooth and irreversible as was assumed. This has led to misunderstandings and problems in the EU itself and in its structures. Getting out of the mid-transition trap that a number of countries have fallen into is a fundamental challenge that faces both the EU itself and its strategy for further expansion. Moreover, given that the EU operates by consensus it is difficult to see how it can reform itself. The hollowing out of the basic values that the EU has stood for over the years could either undermine it or lead to different levels of EU integration, with some or most of the transition countries given a semi-peripheral status. If there is a line of thinking that points in this direction, the mid-transition trap will certainly have contributed to it.

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