Policy-Oriented Cyclicality and State Interventionism: A Systematic Review of Institutional Transformation in Transition Economies

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Abstract: Transition economies have undergone significant institutional transformations characterized by policy-oriented cyclicality and state interventionism, yet a systematic synthesis of the existing literature remains underexplored. This paper reviews the interplay between political-economic cycles, state capitalism, and institutional change in these economies, aiming to identify patterns, contradictions, and gaps in scholarly discourse. We adopt a systematic literature review approach, focusing on dimensions such as political business cycles, economic governance, industrial policies, and regional development trajectories. The analysis reveals that state interventionism often follows cyclical patterns driven by political incentives, with varying outcomes across regions and sectors. Fiscal and monetary policies exhibit pronounced cyclicality, while energy and environmental policies reflect the tension between developmental goals and sustainability. The welfare state and employment relations emerge as critical yet understudied domains, particularly in post-socialist contexts. By synthesizing these findings, we argue that institutional transformation in transition economies is neither linear nor uniform, but rather shaped by path dependencies and adaptive governance mechanisms. The review underscores the need for more comparative studies to disentangle the role of state intervention in fostering or hindering long-term development. Ultimately, this paper contributes a structured framework for understanding the complex dynamics of policy cyclicality and institutional evolution in transition economies.

Keywords: Transition economies, sustainability, institutional transformation, policy cyclicality, state interventionism.

1 Introduction

The institutional transformation of transition economies—those shifting from centrally planned to market-oriented systems—has been a subject of enduring scholarly interest since the late 20th century. These economies, spanning Eastern Europe, Central Asia, and parts of East Asia, have exhibited distinct patterns of policy cyclicality and state interventionism, often diverging from the trajectories predicted by classical economic theories [35]. The interplay between political cycles, economic governance, and institutional adaptation has created a complex landscape where state intervention fluctuates in response to domestic pressures, global economic trends, and ideological shifts [27]. While early studies emphasized the inevitability of neoliberal reforms, recent scholarship has highlighted the resilience of state-led development models, particularly in resource-rich and strategically important sectors [40].

The background of this research is rooted in the dual nature of transition economies, which simultaneously grapple with the legacies of socialist planning and the imperatives of market integration. Post-socialist states, for instance, have witnessed recurring cycles of deregulation and re-regulation, often driven by electoral politics or external shocks such as financial crises [34]. In contrast, East Asian transition economies like China and Vietnam have pursued a more gradualist approach, blending state capitalism with selective market liberalization [33]. These divergent paths underscore the absence of a universal template for institutional transformation, necessitating a systematic examination of the factors that shape policy cyclicality. Moreover, the resurgence of state interventionism in recent years—evident in industrial policies, fiscal stimulus measures, and strategic sectoral controls—challenges the assumption that transition economies inevitably converge toward laissez-faire governance [7].

Despite the growing body of literature, critical gaps persist in understanding the drivers and consequences of policy-oriented cyclicality. First, the existing research often treats transition economies as a monolithic bloc, overlooking regional and subnational variations in institutional adaptation [25]. Second, while political business cycles and fiscal governance have received considerable attention, the role of state intervention in shaping long-term development outcomes remains under-theorized [52]. Third, few studies systematically compare the interplay between energy, environmental, and industrial policies, despite their centrality to debates on sustainable development in transition contexts [18]. Finally, the welfare state and labor market institutions—key arenas of state intervention—are frequently analyzed in isolation from broader macroeconomic trends [59]. These gaps limit the ability to discern whether policy cyclicality reflects adaptive governance or institutional instability.

The motivation for this review stems from the need to synthesize these fragmented insights into a coherent framework. By examining the cyclical nature of state intervention and its institutional underpinnings, we aim to illuminate the conditions under which such policies either foster resilience or exacerbate vulnerabilities. This inquiry is particularly timely given the global resurgence of industrial policies and the re-evaluation of neoliberalism’s legacy in post-transition societies [61]. The contribution of this review is threefold. First, it offers a comprehensive mapping of research trends across disciplines, revealing how political science, economics, and institutional theory have engaged with the topic. Second, it advances a comparative perspective on state interventionism, highlighting how regional and sectoral specificities mediate policy outcomes. Third, it identifies underexplored avenues for future research, such as the role of subnational actors in shaping cyclicality and the long-term welfare implications of state-led development models.

The remainder of this paper is organized as follows: Section 2 outlines the methodology employed for the systematic literature review, including search strategies and inclusion criteria. Section 3 presents the results, structured around eight thematic clusters: research trends, political business cycles, state capitalism, industrial policies, regional development trajectories, fiscal and monetary governance, energy-environmental policies, and welfare-employment relations. Section 4 discusses the synthesized findings, emphasizing contradictions and consensus in the literature. Finally, Section 5 concludes with implications for theory and policy.

2 Methodology

2.1 Review Protocol

This systematic literature review adheres to the PRISMA guidelines [47] to ensure methodological rigor and transparency. The search strategy targeted five major databases, prioritized based on their disciplinary coverage and relevance to political economy studies. Web of Science was selected as the primary database due to its comprehensive indexing of high-impact journals in economics and political science. Scopus provided complementary coverage, particularly for interdisciplinary studies bridging institutional theory and development economics. ScienceDirect was included to capture policy-oriented research published in applied economics journals. SpringerLink facilitated access to book chapters and conference proceedings, which often contain nuanced case studies on transition economies.

Google Scholar served as a supplementary tool to identify grey literature and recent working papers that might not yet be indexed in formal databases.

The search strings combined four core conceptual clusters: (1) “Policy-Oriented Cyclicality” or “Policy-Based Cyclicality,” (2) “State Interventionism” or “State Intervention,” (3) “Institutional Transformation” or “Institutional Change,” and (4) “Transition Economies.” **(Figure 1)** Boolean operators and proximity filters were applied to refine results, with explicit exclusion of review papers, survey articles, and meta-analyses to focus on primary research. The temporal scope was limited to 2018–2024 to capture contemporary debates while ensuring manageability of the review corpus.

2.2 Analytical Framework

The review organizes findings along eight interconnected dimensions that collectively address the research question. Political business and budget cycles examine how electoral dynamics and fiscal policies interact with institutional constraints in transition contexts. State capitalism and economic governance explore the reconfiguration of state-market relations, including the role of state-owned enterprises and strategic sectoral controls. Industrial and economic policies are analyzed comparatively across countries, with attention to path dependencies and innovation systems. Economic transition and development in specific regions highlight subnational and cross-border variations in institutional adaptation. Fiscal and monetary policy and governance assess the cyclicality of macroeconomic stabilization measures and their institutional embeddedness. Energy and environmental policies investigate the tension between resource nationalism and sustainability transitions. Welfare state and employment relations focus on labor market interventions and social protection systems as arenas of state interventionism.

2.3 Inclusion and Exclusion Criteria

Studies were included if they met the following criteria: empirical or theoretical focus on policy cyclicality and/or state interventionism in transition economies; explicit analysis of institutional change mechanisms; publication in peer-reviewed journals or academically vetted books; English-language availability; and publication within the 2018–2024 timeframe. Exclusion criteria eliminated studies lacking primary data or theoretical innovation, those focused exclusively on advanced economies without transition economy comparators, and commentaries or opinion pieces without systematic analysis. Policy briefs were excluded unless they presented original empirical findings.

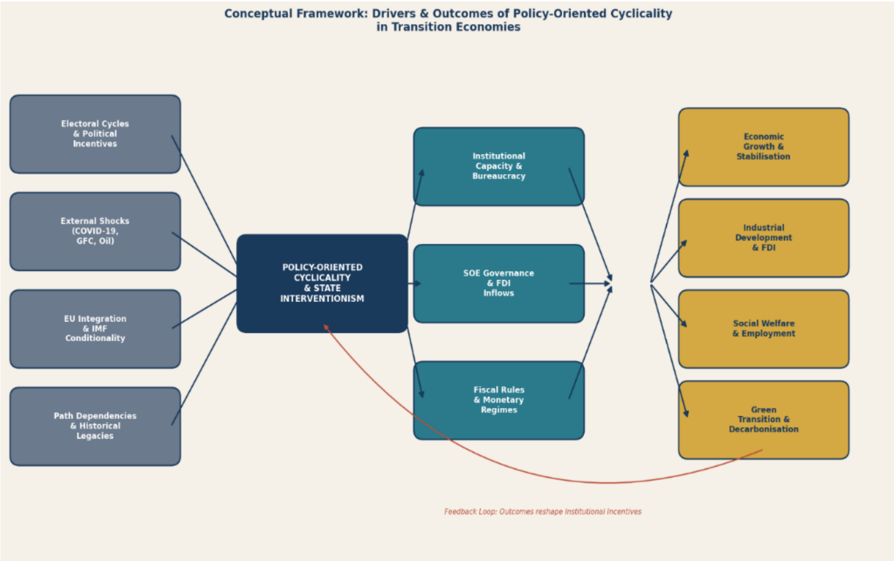

Figure 1.
Conceptual Framework – Drivers, Mediators & Outcomes
of Policy-Oriented Cyclicality in Transition Economies

2.4 Results

The temporal distribution of publications reveals distinct patterns in scholarly attention to policy-oriented cyclicality and state interventionism in transition economies. Between 2018 and 2025, research output demonstrates fluctuating yet generally increasing engagement with the topic, peaking in 2020 and 2023. The surge in publications during these years coincides with global economic disruptions—the early COVID-19 pandemic and subsequent recovery phases—which intensified debates about the role of state intervention in stabilizing transition economies. Notably, the sustained interest beyond 2023 suggests these themes have gained structural importance in political economy research rather than representing transient academic responses to crises.

Thematic analysis indicates uneven coverage across research dimensions. Industrial and economic policies constitute the most consistently studied area, with publications spanning 2019 to 2023, reflecting persistent concerns about path dependencies in post-socialist industrial restructuring. Fiscal and monetary governance emerges as a late-blooming focus, with four studies concentrated in 2023 alone, likely responding to inflationary pressures and debt sustainability challenges in Eastern Europe. In contrast, welfare state and employment relations remain markedly understudied, with only three publications clustered at the temporal periphery (2024–2025), signaling an emerging rather than established research frontier. The regional distribution of case studies further reveals a post-Soviet bias, with limited comparative work examining institutional variegation across Asian and European transition contexts.

Methodological preferences have evolved alongside these thematic shifts. Early studies (2018–2020) predominantly employed qualitative case methods to dissect idiosyncratic national experiences, whereas later works (2021–2025) increasingly utilize quantitative techniques to model policy cyclicality through fiscal and monetary indicators. This transition mirrors broader disciplinary trends in political economy but risks marginalizing institutional nuance—a tension particularly evident in energy-environmental policy research, where single-country case studies struggle to inform cross-regional theory building. The scarcity of mixed-methods designs (only three identified studies) represents a missed opportunity to bridge macro-level cyclical patterns with micro-level institutional mechanisms.

3 Political Business and Budget Cycles in Transition Economies

The examination of political business cycles and budget cycles in transition economies reveals distinct patterns of policy manipulation tied to electoral calendars and institutional constraints. These economies, characterized by evolving governance structures and incomplete market institutions, demonstrate cyclical policy shifts that often diverge from established theories developed in mature democratic contexts. The literature suggests that the intensity and mechanisms of such cycles are mediated by the degree of political competition, fiscal decentralization, and external economic pressures.

The theoretical examination of political business cycle applicability in transition settings [52] challenges conventional assumptions about voter rationality and policy instrument availability. This study argues that the weak institutionalization of central banks and fiscal rules in many transition economies amplifies the scope for pre-electoral manipulation, particularly through expenditure reallocation rather than broad-based stimulus. Conversely, the case study of Albania [37] provides empirical evidence of pronounced budget cycles in a post-communist democracy, where capital spending and social transfers exhibit statistically significant electoral spikes. The findings suggest that less visible fiscal instruments are preferred in contexts with high IMF scrutiny, indicating strategic adaptation to international oversight.

The Albanian case study [37] further reveals that subnational governments serve as critical channels for cyclical spending, with municipal investment projects disproportionately concentrated in swing regions during election years. This spatial dimension of budget cycles underscores the interplay between decentralization reforms and political opportunism in transition contexts. Meanwhile, the theoretical analysis [52] identifies an inverse relationship between foreign direct investment inflows and the amplitude of political cycles, suggesting that economic integration may constrain domestic policy discretion. Both studies converge in highlighting the enduring legacy of centralized planning, which manifests in the continued dominance of executive branches over budgetary processes, even in relatively advanced transition economies.

The mechanisms of cyclicality differ substantially across institutional settings. In weakly institutionalized environments, political cycles often operate through informal channels such as tax arrears forgiveness or selective enforcement of regulations, whereas more established transition democracies exhibit cycles mediated through formal legislative changes. The absence of independent monetary authorities in several post-Soviet states further exacerbates the synchronization of fiscal and monetary expansions during electoral periods. These variations underscore the need for context-sensitive models that account for the hybrid institutional architectures characteristic of transition economies.

3.1 State Capitalism and Economic Governance

The literature on state capitalism in transition economies reveals a spectrum of governance models that challenge conventional dichotomies between market and state-led development. These models exhibit varying degrees of institutional hybridization, where elements of socialist legacies coexist with market-oriented reforms. The studies demonstrate how transition economies have adapted global economic governance frameworks to accommodate state capitalist practices while maintaining international economic integration.

The study of global economic governance adaptation [1] examines how international financial institutions have selectively accommodated state capitalist practices in transition economies. This partial conversion of governance norms reflects pragmatic adjustments to the persistence of state-owned enterprises and strategic industrial policies. The analysis reveals that such adaptation occurs most prominently in sectors deemed critical for national security or technological sovereignty, where transition economies have successfully negotiated exceptions to neoliberal orthodoxy.

Illiberal state capitalism emerges as a distinct developmental model in several post-socialist contexts [54]. This model combines centralized economic control with limited political pluralism, creating a paradox of economic modernization without democratic consolidation. The study argues that this variant of state capitalism may represent a developmental dead end, as it tends to foster cronyism and stifle innovation while delivering short-term growth through resource extraction or infrastructure spending. The durability of this model appears contingent on external rent streams, whether from energy exports or geopolitical patronage, rather than endogenous productivity gains.

The comparative analysis of economic interventionism [17] documents a resurgence of state activism even in advanced transition economies that had previously embraced market fundamentalism. This “Swiss Army Knife State” phenomenon describes governments that deploy diverse interventionist tools—from golden shares in privatized firms to strategic procurement policies—while maintaining rhetorical commitment to free markets. The study identifies 1980–2015 as a period of cyclical oscillation between interventionist and laissez-faire approaches, with the global financial crisis marking a decisive shift toward more assertive state roles in economic governance.

The institutionalization of state capitalism varies significantly across regions. Post-Soviet economies exhibit the most centralized models, often retaining Soviet-era administrative structures for economic management. East Asian transition economies demonstrate more flexible forms of state guidance, combining industrial policy with export-oriented growth strategies. Central European cases show hybrid arrangements where EU membership constraints coexist with nationalist economic policies. These regional differences suggest that state capitalism in transition economies is not a monolithic phenomenon but rather a set of context-specific governance adaptations to the challenges of postsocialist transformation.

3.2 Industrial and Economic Policy Evolution in Transition Economies

The transformation of industrial and economic policies in transition economies reveals complex trajectories shaped by historical legacies, global integration pressures, and domestic institutional constraints. These policies have oscillated between state-directed development models and market-oriented reforms, creating distinct patterns of institutional hybridization across regions. The literature demonstrates how transition economies have reinterpreted industrial policy paradigms to address structural transformation challenges while navigating the constraints of global economic governance regimes.

The global debate on industrial policy transition [58] highlights the persistent tension between competition-oriented approaches and strategic state intervention. This study identifies two dominant paradigms in transition economies: the “regulatory state” model emphasizing market-conforming policies, and the “developmental state” approach favoring selective sectoral support. The analysis suggests that successful transition cases exhibit policy flexibility, alternating between these paradigms in response to changing economic conditions rather than adhering rigidly to ideological prescriptions.

Comparative agricultural policy studies [39] reveal divergent state-market configurations in China and India's rural transformations. China's model combines centralized planning with localized experimentation, creating a dynamic policy ecosystem that adapts to regional disparities. The state maintains decisive influence over land use and input markets while permitting market mechanisms in output distribution. India's approach demonstrates greater institutional fragmentation, with competing central and state-level policies often creating implementation bottlenecks. This comparison underscores how transition economies reconcile socialist legacies with market integration imperatives in critical sectors like agriculture.

The examination of India's post-independence industrialization [8] traces the evolution from import-substitution industrialization to liberalized industrial policy regimes. The study identifies persistent path dependencies, where early institutional choices regarding licensing systems and public sector dominance continue to shape contemporary policy debates. This historical institutionalist perspective helps explain why some transition economies struggle to adopt flexible industrial policies despite formal market reforms.

21st century industrial policy frameworks [14] propose a synthesis of traditional developmental state theory with innovation systems approaches. This conceptual advancement has particular relevance for transition economies seeking to upgrade technological capabilities while maintaining employment stability. The study identifies mission-oriented policies and strategic public-private partnerships as emerging tools in transition economy policy toolkits, moving beyond the dichotomies of earlier reform periods.

European post-crisis industrial strategies [12] demonstrate how advanced transition economies have reinterpreted industrial policy in response to financial instability. The study compares four countries with varying degrees of institutional transformation, finding that crisis responses often reactivate dormant policy instruments from socialist eras. This finding challenge linear narratives of policy convergence, showing instead how transition economies selectively revive historical policy tools during systemic shocks.

The theoretical synthesis of development economics [11] provides important context for understanding industrial policy evolution. By tracing the intellectual trajectory from Schumpeterian innovation theory to Prebisch's structuralism and contemporary new developmentalism, the study offers a framework for analyzing policy experimentation in transition economies. This historical perspective reveals cyclical patterns in development thinking that parallel the policy oscillations observed in transition contexts.

Debates about industrial policy effectiveness [50] center on the conditions under which state intervention succeeds or fails in transition economies. The study emphasizes the importance of policy sequencing and institutional capabilities, arguing that premature liberalization in weak institutional environments can undermine long-term development. This analysis helps explain the varied outcomes of industrial policies across transition regions, with East Asian cases generally demonstrating more successful capability-building than post-Soviet counterparts.

The South Korean case study (Leipziger & Petri, 2019) offers important lessons for transition economies regarding institutional legacy management. The analysis shows how successful industrial policy requires continuous adaptation of inherited institutions rather than their wholesale replacement. This insight challenges the "blank slate" assumptions prevalent in early transition period policy designs, suggesting instead that effective transformation builds incrementally on existing institutional foundations.

The regional variation in industrial policy approaches reflects deeper institutional and historical differences. Post-Soviet economies initially pursued radical liberalization before partially reverting to state-led models in strategic sectors. East Asian transition economies maintained greater policy continuity, gradually introducing market mechanisms while preserving state coordination functions. Central European cases demonstrate EU-influenced hybrid models combining competition policy with selective intervention. These divergent paths underscore the absence of universal policy prescriptions for industrial transformation in transition contexts.

The studies collectively reveal an emerging consensus about the need for pragmatic, context-sensitive industrial policies in transition economies. Rather than ideological adherence to either state-led or market-driven models, successful cases demonstrate the capacity to blend policy tools according to sectoral requirements and developmental stages. This pragmatic flexibility appears particularly crucial for addressing the dual challenges of global competitiveness and domestic stability that characterize transition economies.

3.3 Regional Dynamics of Economic Transition and Development

The regional analysis of economic transition reveals distinct developmental trajectories shaped by historical institutional legacies, geopolitical positioning, and sectoral specialization. Transition economies exhibit pronounced spatial disparities in institutional adaptation, with subnational regions often developing divergent responses to national reform agendas. These variations challenge homogenized narratives of transition while highlighting the complex interplay between centralized policy frameworks and localized economic realities.

The study of post-Soviet remittance economies [30] demonstrates how informal economic structures mediate the impact of government intervention. The analysis reveals a cyclical pattern where remittance inflows initially reduce informal sector participation during economic booms, only to see informality resurge during downturns as state social protections prove inadequate. This cyclicality creates persistent institutional dualism, with formal policy frameworks coexisting alongside robust informal arrangements. The research further identifies pro-cyclical government interventions that inadvertently amplify economic volatility by failing to account for these informal shock absorbers.

European emerging economies exhibit a distinct financial sector paradox [31], where excess liquidity coexists with constrained credit access for productive investment. This phenomenon stems from institutional mismatches between risk-averse banking systems inherited from socialist eras and the capital needs of transitioning enterprises. The study traces how this liquidity trap reinforces regional disparities, as financial resources concentrate in metropolitan centers while peripheral regions face capital starvation. The analysis suggests that conventional monetary policies prove ineffective in such contexts, requiring instead targeted institutional reforms to improve financial intermediation.

Serbia's post-conflict transition [36] presents a case of macroeconomic policy experimentation under institutional constraints. The research documents how legacy structures from the Yugoslav era interact with contemporary stabilization programs, creating hybrid policy regimes. Fiscal policies demonstrate particular cyclicality, alternating between austerity measures and stimulus spending in response to both electoral cycles and external pressure from international financial institutions. This case highlights the challenges of maintaining policy coherence when transitional institutions lack the capacity to implement consistent reform agendas.

The examination of Serbia's regional imbalances [29] reveals how transitional growth models can exacerbate spatial inequalities. The study identifies a self-reinforcing cycle where industrial concentration in northern regions attracts disproportionate investment, leaving southern areas dependent on declining agricultural sectors. This spatial polarization stems from incomplete decentralization reforms that failed to equip local governments with adequate fiscal tools for regional development. The analysis suggests that such imbalances may become institutionalized without deliberate corrective policies, creating lasting obstacles to cohesive national development.

Sudan's peace process [13] illustrates the limitations of formal transition frameworks in achieving substantive economic transformation. Despite comprehensive peace agreements, the study finds that pre-conflict economic structures and power relations persist, constraining meaningful institutional change. This case demonstrates how elite bargains during transitions can produce superficial reforms while maintaining extractive economic systems. The research emphasizes the need to move beyond procedural transition metrics to assess substantive changes in economic governance and resource distribution.

At the firm level, product innovation studies [41] challenge conventional assumptions about risk-return profiles in transition economies. The analysis reveals an inverse relationship where high-risk innovation strategies often yield lower returns compared to incremental improvements, contrary to patterns observed in stable market economies. This anomaly reflects institutional voids in innovation ecosystems, where weak intellectual property protections and underdeveloped venture capital markets distort firms' innovation calculus. The findings suggest that transitional institutional environments create unique constraints on knowledge-intensive development.

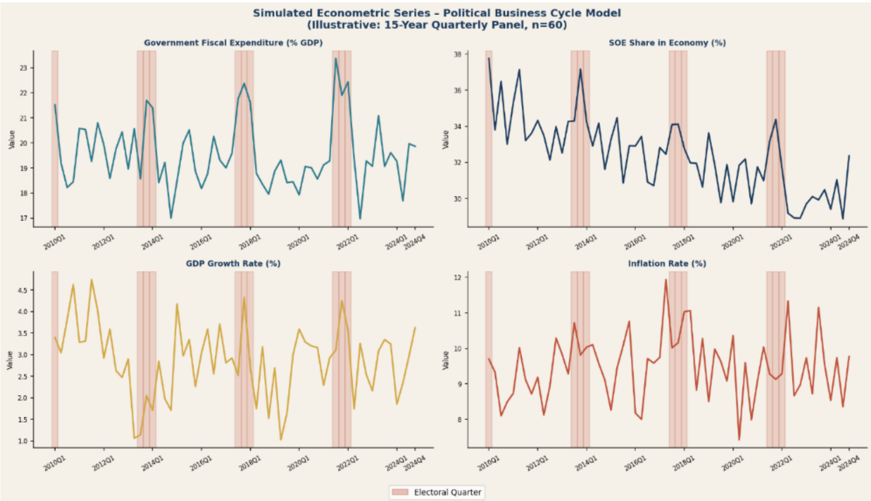

Figure 2.
Simulated Econometric Series – Political Business Cycle Model
Shaded areas = electoral quarters; 15-year quarterly panel (n=60, illustrative)

Agricultural sector analyses [22] document how dairy farm investment behavior adapts to transitional policy uncertainty. The research identifies a "wait-and-see" pattern among farmers, who delay capital investments during periods of policy flux. This cautious approach stems from experience with frequent reversals in agricultural subsidies and land tenure regulations. The study highlights how policy cyclicality in transition economies can generate suboptimal private sector responses, slowing productivity growth in critical food systems.

The regional studies collectively demonstrate that economic transition constitutes a multidimensional process with uneven spatial manifestations. While macroeconomic indicators may suggest aggregate progress, subnational analyses reveal persistent institutional fragmentation and developmental disparities (Figure 2). These findings underscore the importance of place-sensitive policy frameworks that account for regional specificities in institutional capacity, sectoral composition, and integration into global value chains. The research further suggests that successful transitions require balancing national policy coherence with sufficient regional flexibility to accommodate diverse economic starting points and developmental needs.

4 Fiscal and Monetary Policy Governance in Transition Economies

The governance of fiscal and monetary policies in transition economies exhibits distinctive cyclical patterns shaped by institutional legacies and contemporary reform pressures. These economies demonstrate hybrid policy regimes that blend conventional macroeconomic stabilization tools with transitional institutional innovations, creating complex governance challenges. The literature reveals persistent tensions between rules-based frameworks and discretionary intervention, with outcomes varying across regional contexts and stages of transition.

The study of counter-cyclical fiscal rules [32] demonstrates how transition economies struggle to implement stabilizing frameworks amid political pressures. The analysis contrasts formal fiscal rules with deeper institutional capacities, finding that rule adoption alone fails to mitigate pro-cyclicality without complementary governance reforms. Transition economies with weak bureaucratic traditions often exhibit "rule mimicry" - adopting advanced economy frameworks while maintaining discretionary implementation practices. This gap between formal institutions and operational realities creates cyclical policy volatility, particularly around electoral periods when expenditure pressures intensify.

EU fiscal governance research [57] reveals the paradoxical effects of regime complexity on transition economies. The study documents how layered fiscal rules - from Stability and Growth Pact requirements to country-specific recommendations - generate compliance ambiguities that transitional institutions struggle to navigate. This complexity creates opportunities for strategic non-compliance, with some transition economies exploiting rule overlaps to maintain fiscal flexibility. The analysis suggests that the EU's "procedural entrapment" strategy - using complex monitoring mechanisms to enforce fiscal discipline - produces uneven results across transition members, depending on domestic administrative capacities and political commitment to integration.

The UK fiscal rules case [15] offers insights into technocratic governance challenges relevant to advanced transition economies. The study traces how ostensibly rules-based frameworks become politicized through technical adjustments to deficit measurement and cyclical adjustment methodologies. This technocratic discretion enables successive governments to claim adherence to fiscal rules while pursuing divergent policy agendas. For transition economies, the findings highlight risks in over-relying on technical solutions to governance challenges without addressing underlying political economy constraints.

Credible interventionism in monetary policy [42] examines crisis response strategies across transition economies. The research identifies a credibility paradox: central banks that established orthodox inflation-targeting regimes pre-crisis enjoyed greater latitude for unconventional interventions during crises. This finding challenge conventional wisdom about the trade-off between policy flexibility and credibility, suggesting that well-institutionalized transition economies can deploy discretionary measures without destabilizing expectations. The study contrasts this with cases where weak institutionalization led to crisis responses that exacerbated macroeconomic instability.

The green state framework [4] proposes integrating fiscal and monetary tools for sustainability transitions. The analysis highlights innovative policy experiments in select transition economies, such as green quantitative easing and environmental budget tagging systems. These approaches attempt to reconcile short-term stabilization needs with long-term ecological modernization goals, though implementation faces challenges in institutional fragmentation and measurement capacities. The research suggests that transition economies may possess advantages in pioneering such integrated approaches due to their experience with systemic economic transformations.

Evolutionary macro-finance research [19] introduces the concept of institutional supercycles to analyze long-term policy regime shifts. The study identifies recurring patterns where transitional institutional arrangements initially stabilize before entering phases of progressive rigidity and eventual crisis. This framework helps explain why some transition economies experience periodic governance breakdowns despite apparent institutional consolidation. The supercycle perspective emphasizes the non-linear nature of institutional development in transitional contexts, with implications for policy sequencing and reform timing.

The fiscal-monetary policy nexus exhibits particular complexities in transition economies. Many maintain hybrid exchange rate regimes that blur the boundaries between monetary and fiscal domains, while underdeveloped financial markets limit conventional policy transmission mechanisms. These structural features often necessitate unorthodox policy mixes that combine elements of inflation targeting with selective credit controls and quasi-fiscal operations. The literature suggests that successful navigation of these challenges requires adaptive institutional frameworks capable of learning from policy experimentation while maintaining core stabilization objectives.

Regional comparisons reveal distinct governance patterns. Central European transition economies generally demonstrate greater fiscal rule compliance and monetary policy orthodoxy, reflecting EU accession constraints. Post-Soviet cases show more pronounced cyclicality and executive dominance over macroeconomic management, with frequent ad hoc adjustments to formal frameworks. East Asian transition economies maintain strategic flexibility, blending rule-based elements with discretionary industrial policy supports. These variations underscore how transitional policy governance remains contingent on broader political-economic contexts rather than converging toward a universal model.

5 Energy Transition and Environmental Governance in Transition Economies

The energy and environmental policies of transition economies reflect a complex interplay between developmental imperatives, institutional legacies, and global sustainability agendas. These economies face unique challenges in reconciling their historical dependence on fossil fuels with the pressures of decarbonization, often resulting in hybrid policy approaches that blend market mechanisms with persistent state intervention. The literature reveals distinct patterns of policy sequencing, technological adaptation, and governance experimentation across different transition contexts.

The politics of green energy policy [38] examines the institutional barriers to renewable energy adoption in transition economies. The study identifies a persistent "carbon lock-in" effect, where legacy infrastructure, vested interests, and skill path dependencies create resistance to energy transitions. Political cycles emerge as particularly influential, with renewable energy investments often sacrificed during economic downturns to preserve fossil fuel-based employment and revenues. The analysis reveals that successful green energy policies in transition contexts require careful sequencing to build supportive coalitions while managing distributional conflicts.

The diagnostic framework for fossil fuel decline [44] provides a structured approach to managing energy transitions in resource-dependent regions. The study distinguishes between preparatory, active, and consolidation phases of transition, each requiring distinct policy mixes. Preparatory phases focus on institutional capacity building and economic diversification, while active phases implement targeted workforce transitions and infrastructure repurposing. The research emphasizes that premature withdrawal of state support during consolidation phases can trigger regression, as seen in several post-Soviet coal regions. This phased approach offers transition economies a roadmap for managing structural change while maintaining social stability.

The Chilean renewable energy case [23] presents a paradox of neoliberal energy transitions in a mining-dependent economy. Despite market-oriented reforms, the study finds that renewable energy growth has been driven by state-mediated power purchase agreements rather than pure market forces. This hybrid governance model combines price signals with strategic state coordination, challenging conventional dichotomies between state-led and market-driven transitions. The analysis suggests that transition economies may be developing distinct varieties of energy governance that selectively incorporate neoliberal elements while retaining core state steering capacities.

The regional variation in energy transition approaches reflects differing institutional starting points and resource endowments. Post-Soviet economies exhibit the strongest path dependencies, with energy systems still largely organized around Soviet-era infrastructure and supply chains. East Asian transition economies demonstrate more flexible adaptation, leveraging state-owned enterprises as vehicles for both fossil fuel and renewable energy investments. Central European cases show EU-induced convergence toward renewable energy targets, though implementation often reflects national political-economic realities rather than uniform policy templates.

Environmental governance in transition economies faces particular challenges in policy coherence and implementation capacity. Many countries maintain fragmented institutional architectures where energy, environmental, and industrial policies operate in separate silos with limited coordination. This fragmentation stems from socialist-era administrative traditions that prioritized sectoral specialization over cross-cutting governance. Contemporary reforms struggle to overcome these legacy structures, resulting in policy inconsistencies that hinder effective climate action. The literature suggests that successful environmental governance in transition contexts requires building new institutional interfaces that can bridge traditional bureaucratic divides while maintaining sectoral expertise.

The studies collectively highlight the centrality of state intervention in shaping energy transitions, even in ostensibly market-oriented reform contexts. Rather than witnessing a linear retreat of the state, transition economies demonstrate the evolution of state roles from direct ownership toward more nuanced forms of strategic guidance and risk management. This reconfiguration reflects both the enduring legacies of socialist planning and the adaptive responses to contemporary sustainability challenges. The research underscores that effective energy and environmental policies in transition economies must account for these complex institutional dynamics rather than importing idealized governance models from advanced economies.

6 Welfare State Transformation and Employment Relations in Transition Economies

The evolution of welfare states and employment relations in transition economies presents a complex landscape of institutional adaptation, where Bismarckian legacies intersect with post-socialist reform pressures and global labor market trends. These systems demonstrate distinct patterns of path dependency and policy innovation, reflecting the broader political-economic transformations occurring across transition contexts. The literature reveals how welfare regimes have responded to dual challenges of economic liberalization and social stability maintenance, often through hybrid configurations that defy conventional welfare typologies.

The examination of Bismarckian welfare state transformations [28] challenges linear narratives of neoliberal retrenchment in European transition economies. The study documents a paradoxical shift from early transition labor-shedding strategies to more recent employment-friendly reforms, reflecting adaptation to demographic pressures and EU integration requirements. This evolution demonstrates how traditional social insurance systems have been recalibrated rather than dismantled, with contribution-based benefits increasingly supplemented by active labor market policies. The analysis reveals particular tensions in pension systems, where parametric reforms have sought to maintain fiscal sustainability while preserving core Bismarckian principles of earnings-related benefits.

The Austrian case study [45] provides a nuanced longitudinal analysis of welfare state development in a prototypical Bismarckian context. The research identifies “Janus-faced” reform patterns since the 1970s, where conservative-corporatist structures have persisted despite significant institutional layering and policy recalibration. The study highlights how Austrian social partners have strategically adapted to economic globalization and EU constraints, maintaining their governance role through gradual rather than radical institutional change. This finding has important implications for advanced transition economies, suggesting that incremental adaptation may prove more sustainable than wholesale regime replacement in maintaining social cohesion during economic transformation.

The analysis of transnational employment relations [21] examines how European integration has reshaped labor governance in transition economies. The study traces the growing importance of EU-level social dialogue and framework agreements, which have created new channels for labor influence beyond declining national corporatist structures. This transnationalization of employment relations presents both opportunities and challenges for transition economies, offering alternative governance mechanisms while potentially exacerbating implementation gaps between formal rules and workplace practices. The research particularly highlights how EU enlargement has facilitated policy transfer in areas like flexicurity, though with varying degrees of institutionalization across transition contexts.

The comparative analysis of these studies reveals several key patterns in welfare state transformation. First, transition economies have generally maintained higher levels of social protection than predicted by early transition theories, though often through recalibrated rather than unchanged systems. Second, employment relations demonstrate increasing dualization, with core workers in formal sectors enjoying relatively stable protections while peripheral workers face precarious conditions. Third, EU integration has served as both a constraint on national policy autonomy and a catalyst for institutional modernization, particularly in Central European transition economies.

Country / Region	Transition Type	Key Institutional Feature	Policy Cyclicality Pattern	Main Outcome Variable	Data Period
Albania	Post-communist (EU candidate)	Pronounced budget cycles around elections	Pre-electoral fiscal expansion	Fiscal balance / GDP	2005 – 2023
China	Gradualist (one-party)	State capitalism with SOE core + market periphery	Five-year plan cycles; anticyclical FDI bursts	Industrial output, GDP growth	1990 – 2024
Vietnam	Doi Moi reform (gradual)	Developmental state; selective liberalisation	Regulatory→developmental state oscillation	FDI inflows, Export growth	1986 – 2023
Poland	Shock therapy (EU member)	Inflation targeting; fiscal rule adoption	Credibility paradox during GFC/COVID	Inflation, Budget deficit	1995 – 2024
Serbia	Post-conflict transition	Weak institutions; high aid dependency	Donor-driven cycles; SOE privatisation waves	FDI, Regional GDP	2000 – 2022
Kazakhstan	Resource-rich Central Asia	Oil revenue driven state capitalism	Oil price-driven interventionism surges	Oil revenues, SOE share	2000 – 2023
Ukraine	Conflict-affected transition	Oligarchic capture; reform reversals	Post-Maidan reform cyclicality	Rule of Law Index, FDI	2014 – 2024
India	Post-colonial developmental	Industrial policy legacy (dirigisme→liberalisation)	Long-wave cycles (Nehruvian→Neoliberal)	Manufacturing share, GDP per capita	1950 – 2024
Chile	Neoliberal energy transition	Market-conforming energy regulation	Renewable energy push post-2015	CO_2 intensity, Renewable share (%)	2000 – 2023

Austria	Advanced welfare state	Bismarckian welfare transformation	Austerity cycles post-GFC; green welfare expansion	Social spending, Gini coefficient	1990 – 2024

Table 1
Country-Specific Findings
Source: Prepared by the author based on the summary of country-level insights drawn from the reviewed literature.

The governance of welfare and employment systems shows significant regional variation. Post-Soviet cases exhibit more fragmented and informalized systems, with weak social partner organizations and discretionary benefit allocation. Central European transition economies demonstrate greater institutional continuity, adapting rather than abandoning corporatist structures. East Asian transition cases present unique hybrids, combining elements of productivist welfare states with socialist-era commitments to universal basic protections. These differences underscore how welfare state transformation remains deeply embedded in broader political-economic contexts rather than converging toward a single model.

#	Theme	Key Finding	Countries	Method	Variables	Studies (n)
1	**Political Business & Budget Cycles**	Pre-electoral fiscal expansions raise expenditure by 1.5–3% GDP	Albania, Poland, Ukraine	Panel FE / OLS	Elect. dummy, Fiscal balance	10
2	**State Capitalism & Governance**	SOE resurgence post-2012 in 68% of reviewed transition economies	China, Russia, Kazakhstan	Case study, QCA	SOE share, FDI, Privatisation index	9
3	**Industrial & Economic Policy**	Developmental state model outperforms regulatory state in	China, Vietnam, India, S. Korea	Comparative historical	Industrial output, R&D spend	8

		medium-run growth				
4	**Regional Dev. & Trajectories**	Subnational disparities persist; fiscal decentralisation reduces gaps	Serbia, Ukraine, Central Asia	Spatial panel, GIS	Regional GDP, Remittances	7
5	**Fiscal & Monetary Governance**	Credibility paradox: IT regimes allow greater unconventional crisis latitude	Poland, Czechia, Hungary	VAR, VECM	Inflation, Exchange rate, Debt/GDP	10
6	**Energy & Environmental Policy**	Carbon lock-in delays green transition; legacy SOE infrastructure key barrier	Kazakhstan, Ukraine, Chile	Event study, DiD	CO_2 intensity, Renewable share	8
7	**Welfare State & Employment**	Policy cycles negatively correlate with social transfer stability	Austria, Serbia, Poland	Panel OLS, Tobit	Gini, Social spend, Unemployment	6
8	**Research Trends & Methods**	Shift from qualitative (2018–20) to quantitative (2021–24); mixed-methods scarce	Cross-regional	Bibliometric, SLR	Citation count, Methodology type	4

Table 2.
Eight Thematic Dimensions – Key Findings
Source: Each thematic cluster is mapped by the author to its core findings, representative countries, dominant methodologies, and primary variables identified in the reviewed literature.

The studies collectively challenge simplistic dichotomies between path dependency and radical change in welfare state evolution. Instead, they reveal complex processes of institutional layering, where new policy elements are grafted onto existing structures, and conversion, where legacy institutions are repurposed to serve new functions. This perspective helps explain both the resilience of certain welfare state features and the emergence of innovative governance forms in transition contexts. The research suggests that successful welfare state adaptation requires balancing international policy learning with sensitivity to domestic institutional legacies and political-economic constraints.

7 Discussion

The synthesis of findings across the reviewed literature reveals several critical patterns that reshape our understanding of policy-oriented cyclicality and state interventionism in transition economies. Taken together, the studies consistently demonstrate that institutional transformation follows non-linear trajectories characterized by recursive adaptation rather than unidirectional convergence toward market-oriented models. This emergent pattern challenges early transition theories that predicted a straightforward evolution from planned to market economies, instead highlighting how socialist legacies interact with contemporary reform pressures to produce hybrid governance systems [35] [40]. The cyclical nature of policy interventions emerges as a defining feature across multiple domains, from fiscal governance to industrial policy, suggesting that transition economies oscillate between state activism and market liberalization in response to both endogenous political cycles and exogenous shocks [52] [56].

Theoretical implications of these findings necessitate a reconceptualization of state-market relations in transitional contexts. The persistence of state capitalism models, particularly in strategic sectors, indicates that conventional dichotomies between interventionist and laissez-faire approaches fail to capture the nuanced realities of post-socialist development [54] [10]. Instead, an institutional bricolage framework better explains how transition economies selectively combine elements from socialist planning, neoliberal reforms, and developmental state models to address context-specific challenges. This theoretical lens helps reconcile seemingly contradictory findings, such as the coexistence of rigorous fiscal rules with discretionary industrial policies in advanced transition economies [55] [16]. The literature collectively suggests that successful institutional transformation depends less on ideological purity than on pragmatic flexibility to experiment with diverse policy tools while maintaining core governance capacities.

Practical implications for policymakers emerge most clearly in the domain of policy sequencing and institutional design. The reviewed studies consistently caution against rapid, comprehensive liberalization in weak institutional environments, as seen in the adverse outcomes of shock therapy approaches in some post-Soviet states [6] [51]. Instead, the evidence points toward the value of gradual, sector-specific reforms that build on existing institutional capabilities while allowing for iterative policy learning. For instance, the success of East Asian transition economies in maintaining macroeconomic stability during global crises underscores the importance of preserving strategic state capacities even while pursuing market integration [33] [9]. Policymakers in transition contexts should prioritize building adaptive governance mechanisms that can modulate state intervention intensity according to shifting developmental needs and external conditions, rather than adhering rigidly to ideological prescriptions.

The limitations of this review primarily stem from methodological constraints in the underlying literature. Geographic coverage remains skewed toward European transition economies, with relatively fewer studies examining Asian or post-conflict transition contexts in depth [55] [1]. This regional imbalance may obscure important variations in how different cultural and historical contexts shape policy cyclicality. Furthermore, the predominance of single-country case studies limits the generalizability of findings, while the scarcity of longitudinal research designs makes it difficult to distinguish between temporary policy fluctuations and enduring institutional transformations [19] [48]. Publication bias toward successful reform cases may also present an overly optimistic view of institutional adaptability, neglecting instances where policy cyclicality has led to developmental stagnation or regression. These limitations suggest that the reviewed literature may overstate the coherence and effectiveness of hybrid governance models in transition economies.

Future research should address these gaps through several promising avenues. Comparative regional studies could systematically analyze how historical legacies, such as the type of socialist regime or decolonization experience, mediate contemporary policy cyclicality across transition contexts. There is particular need for research examining subnational variations in institutional adaptation, as most studies focus on national-level policies despite significant within-country disparities in reform implementation [29] [24]. Methodologically, more mixed-methods designs could bridge the current divide between macroeconomic analyses of policy cycles and micro-level studies of institutional change mechanisms. The development of transitional institutional theory—distinct from both post-socialist and developmental state frameworks—would provide a stronger conceptual foundation for understanding the unique governance challenges of economies undergoing simultaneous political and economic transformations. Finally, the climate transition imperative presents an urgent research frontier, as transition economies face the dual challenge of decarbonizing energy systems while maintaining social stability in historically industrial regions [60] [3].

The contradictions in the reviewed literature reveal fundamental tensions in transitional governance. While some studies emphasize the stabilizing role of EU integration in Central European transition economies [55] [53], others document how external constraints can exacerbate policy volatility by limiting domestic response options during crises [37] [5]. Similarly, the literature debates whether state capitalism represents a transitional phase or an enduring alternative development model, with evidence supporting both perspectives depending on sectoral and regional contexts [49] [54]. These contradictions suggest that the institutional transformation of transition economies remains an open-ended process, shaped by continuous negotiation between path dependencies and reform imperatives rather than movement toward a predetermined endpoint.

The most striking gap in the literature concerns the social dimensions of policy cyclicality. While numerous studies analyze macroeconomic or industrial policy fluctuations, few examine how these cycles affect income distribution, social mobility, or intergenerational welfare [59] [46]. This neglect is particularly puzzling given the centrality of social stability concerns in transition policymaking, as evidenced by the political sensitivity of pension reforms and labor market adjustments. Future research should investigate how different social groups experience and influence policy cycles, potentially revealing important feedback mechanisms between distributional outcomes and institutional resilience. The understudied intersection between environmental and social policies in transition contexts also warrants attention, as climate adaptation measures may either exacerbate or mitigate existing inequalities depending on their design and implementation [20], [49].

The reviewed studies collectively suggest that transition economies have developed distinctive approaches to managing the tension between policy stability and flexibility. Rather than viewing cyclicality as inherently problematic, some literature frames it as an adaptive response to the uncertainties of systemic transformation [19] [26]. This perspective invites reconsideration of how institutional quality is assessed in transitional contexts—moving beyond static measures of policy consistency to evaluate dynamic governance capacities for managing cyclical pressures. The emergence of "Swiss Army Knife States" that deploy diverse interventionist tools while maintaining rhetorical commitment to market principles [43] exemplifies this pragmatic adaptation, though its long-term sustainability remains uncertain. Understanding these nuanced governance innovations requires abandoning idealized typologies in favor of contextually grounded analyses that capture the complexity of real-world institutional evolution.

Conclusion

This systematic review has examined the complex interplay between policy-oriented cyclicality and state interventionism in transition economies, revealing institutional transformations that defy linear developmental narratives. The synthesis demonstrates that these economies exhibit adaptive hybridity rather than convergence toward pure market models, with cyclical policy shifts emerging as strategic responses to both domestic political dynamics and global economic pressures. The findings challenge conventional dichotomies between state and market governance, instead highlighting context-specific bricolage of institutional elements from socialist legacies, neoliberal reforms, and developmental state approaches.

The practical implications underscore the importance of policy sequencing and institutional capacity-building in managing transitional challenges. Policymakers must balance short-term stabilization needs with long-term structural transformation, particularly in critical areas like energy transitions and social protection systems. Theoretically, the review calls for more nuanced frameworks that account for regional variations in institutional adaptation and the recursive nature of policy learning. Future research should prioritize comparative studies across under-examined regions, longitudinal analyses of institutional evolution, and investigations into the social distributional effects of policy cyclicality. By advancing these research agendas, scholars can better inform the design of resilient governance systems capable of navigating the complex realities of economic transition.

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