

# Abstract

This paper aims to investigate the impact of reforms on economic growth in a sample of transition economies of Central Eastern Europe, South Eastern Europe and Commonwealth of Independent States from 1989 until 2010. We employ a panel data methodology and run a Hausman test to distinguish between a fixed effect and a random effect model. In addition, we take into account the role of reform reversals and examine their contribution in the growth dynamics. Reform downgrades are very common since in some cases progress in reforms has been stalled or even reversed due to political instability, wars, economic crises, etc. We model the reforms downgrades following the previous work of Merlevede (2003) using a different methodology and extending our period of estimation. Furthermore, the relationship between other explanatory variables (i.e. initial conditions, fiscal balance) and growth is further explored in the empirical estimation.

**JEL Classification** O57, P21

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