

# GOOD GOVERNANCE AND TRANSFORMATION

Author\*  
Hans-Jürgen WAGENER

## **Abstract**

*Transformation of a totalitarian, basically administratively coordinated system into a democratic one that is coordinated predominantly by markets and competition has been triggered by, among others, the perception of a serious deficit in welfare and happiness. Public policy has a special task transforming the economic order by liberalisation, privatisation, stabilisation and the installation of institutions that are supportive for competition. After 15 years since transformation began, there are sufficiently differentiated success stories to test the hypothesis: it was good governance that is responsible for success and bad governance for failure. The empirical results support the “Lorenzetti hypothesis”: where freedom, security and trust prevail, the economy flourishes, where they are lacking, the costs of long-term investment are too high. The initial conditions of transition countries seem to be quite similar, nevertheless, even there one can discern good and bad governance. The extent of socialist lawfulness, planning security, cronyism and corruption differed widely between East Berlin and Tashkent. And a good deal of such variations can be found in the pre-socialist history of these countries. However, the main conclusion is that the co-evolution hypothesis states that both, welfare and good governance, go together.*

**Key words:** *governance, public policy, transition countries*

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\* Prof. Hans-Jürgen WAGENER, Ph.d., Europa Universitaet Viadrina, Frankfurt/Odera.  
e-mail: [wagener@euv-frankfurt-o.de](mailto:wagener@euv-frankfurt-o.de)