INCOME ATTAINMENT DURING TRANSFORMATION PROCESSES

A Meta-Analysis of the Market Transition Theory

ABSTRACT

The changing communist regime in China and the “velvet” revolutions in Central and Eastern Europe (CEE) have provided an opportunity to investigate trends in income attainment during processes of transformation. Nee (1989) formulated the market transition theory, which indicates the main determinants of changing income attainment during the process of transformation from a state-regulated, centrally planned economy to a market economy. An extensive literature, with studies testing the predictions derived from this theory on China and CEE, has emerged since this seminal article by Nee. However, there are theoretical and empirical inconsistencies in these studies. This calls for a systematic comparison of the empirical results and evaluate Nee’s theory. This paper reports a meta-analysis performed on 64 publications to determine to what extent there is consistent empirical evidence for the hypothesized relationship between marketization processes and the changing effect of income determinants. We found that political capital remains important during transformation in urban China, the gender gap in income increases in urban China as well as in CEE, and although human capital and market-related resources are important determinants of income, it is not evident that their importance increases during the transformation process. We find some support in favor for the market transition theory, but it needs revision and elaboration.