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from the editor

IT IS more than a decade since the dramatic process of transforming the former socialist societies into market economies began. The outcome so far has been mixed. Some of these countries, mainly those in Central and Eastern Europe and the Baltics, are now close to becoming full market systems. Others, particularly those farther east and in southeastern Europe, are still struggling to develop their private sectors and establish market institutions.

This issue of *Finance & Development* reviews what has been achieved to date. In the opening article, Stanley Fischer and Ratna Sahay discuss the varied economic progress the different transition economies have made and find that the countries that have performed the best were those that were most committed to reform at the outset. Oleh Havrylyshyn and John Odling-Smee analyze the barriers raised by vested interests in many countries but argue that, despite these, reforms should continue.

János Kornai of Harvard University provides his personal perspective of transition as an organic, often trial-and-error, process that should not be rushed. Two of the architects of transition in their countries provide their own distinct perspectives. Leszek Balcerowicz discusses the Polish experience and Einars Repše, that of Latvia. The daunting challenges facing President Putin of Russia are discussed by Andrei Nesterenko of the Russian Academy of Sciences. Other articles on the general theme of transition describe how some transition economies are preparing for accession to the European Union, how transition economies should adapt their institutions to the new financial architecture, the challenge of building treasury systems in such economies, and the distinct situations of the Central Asian economies and Mongolia.

Enzo Croce and Mohsin Khan take a look, in their article, at how developing countries may often benefit from using inflation targeting as a basis for their monetary policy—an approach that has had considerable success in industrial countries. Paul Hilbers, Russell Krueger, and Marina Moretti explain how what are called macroprudential indicators may be used to measure the vulnerability of banking systems to crisis and how they relate to ongoing work on strengthening the international financial architecture.

In the final article of this issue, Mary Locke takes a look at the lively debate in the U.S. Congress in 1997–98 over funding the IMF and asks how it was that, despite the very vocal opposition, full funding was finally approved.

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As an innovation, we are including in the center of this issue a special supplement of topical material and items relating to the work of the IMF. This includes an overview of recent economic developments in the Czech Republic, which is the setting for this year's Annual Meetings of the IMF and World Bank; highlights of the forthcoming *World Economic Outlook* and *International Capital Markets* reports; and an outline of some of the items on the agenda for the Annual Meetings.

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