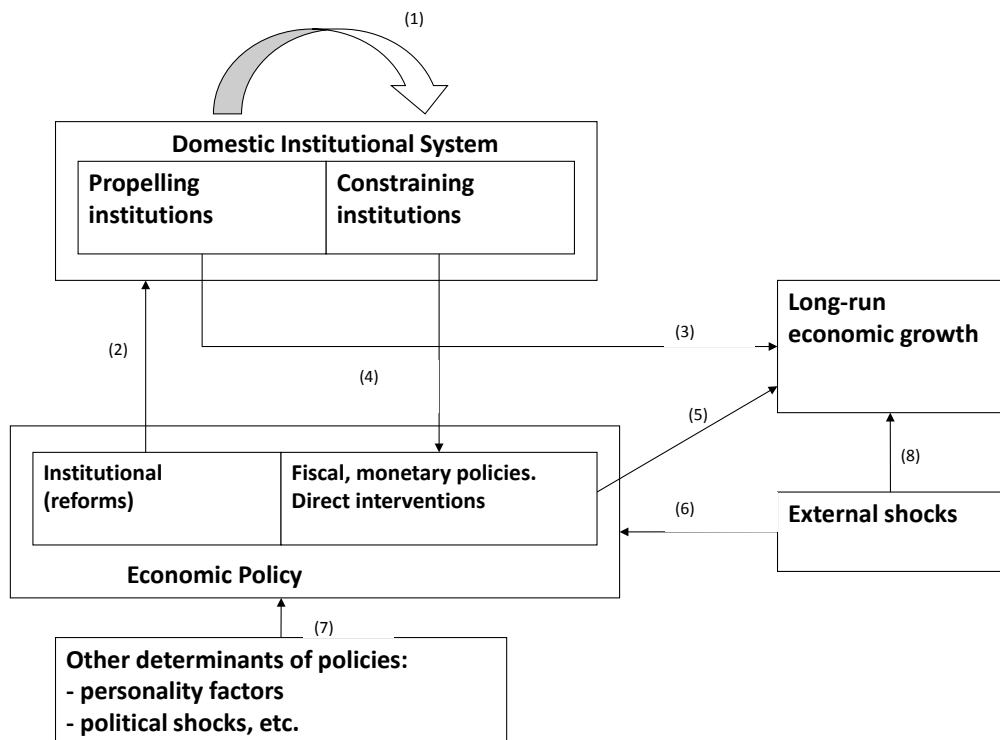


THE POST-SOCIALIST TRANSITION IN A COMPARATIVE PERSPECTIVE: THE LESSONS¹

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1. THE ANALYTICAL SCHEME: INSTITUTIONAL SYSTEMS VERSUS POLICIES



2. SOCIALISM AS AN INSTITUTIONAL SYSTEM

1. The monopoly of the non-private sector.
2. Command economy.
3. Non-democracy (the “democratic socialism” is impossible).
4. A long list of “crimes against socialism” (as distinct from crimes against other private persons)

In other words: socialism was characterized by:

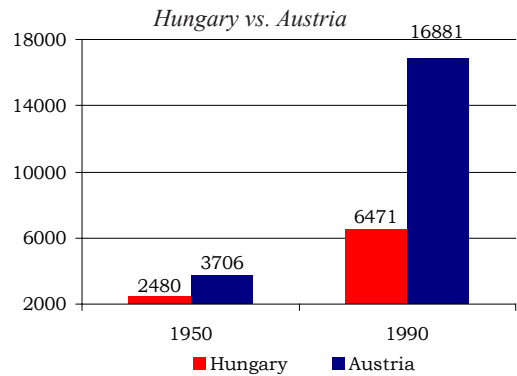
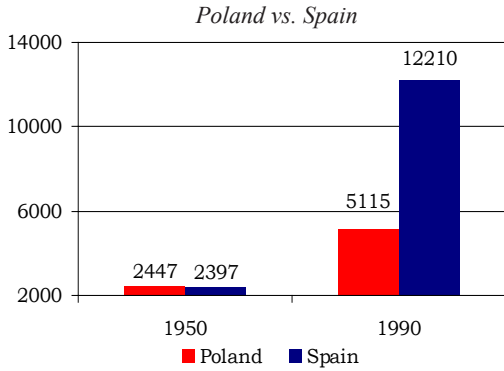
- a) Weak propelling institutions: responsible for the declining rate of economic growth over a longer run (waste, low innovativeness)
- b) Weak or non-existent constraining institutions: Responsible for the catastrophic policies which produced deep decline in GDP and sometimes in population (Stalinism, Maoism).

¹ I'm grateful to Magda Cizkowicz, Aleksander Łaszek, Marek Tatała and Konrad Wąsikiewicz for their assistance in preparing this presentation.

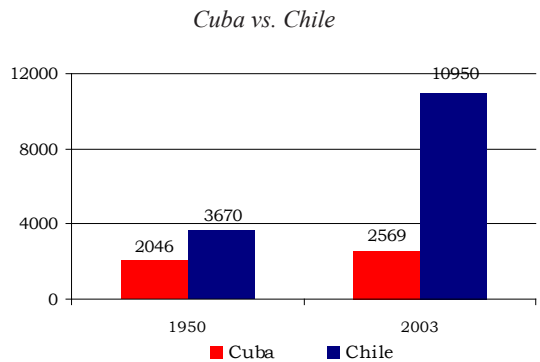
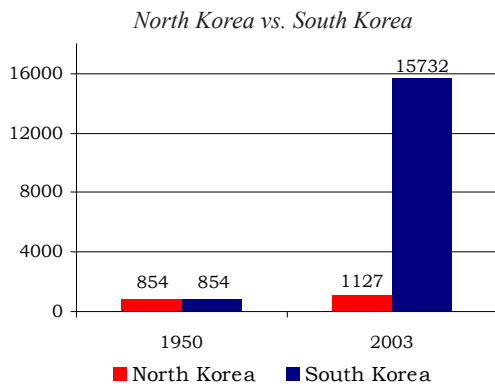
3. THE ECONOMIC COSTS OF SOCIALISM

Countries under socialism lost a lot of distance to Western European economies

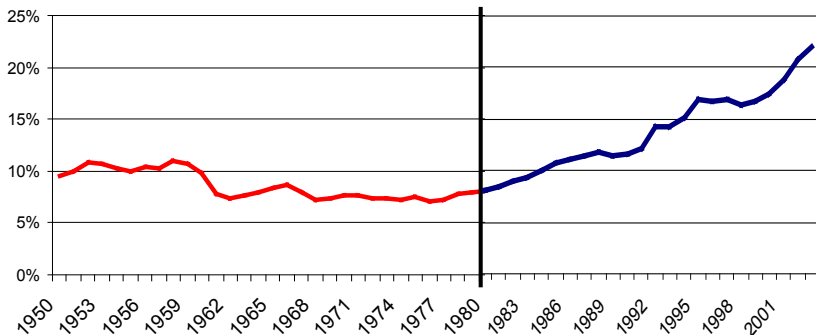
Per-capita GDP (in 1990 international dollars) in 1950 and 1990



Per-capita GDP (in 1990 international dollars) in 1950 and 2003

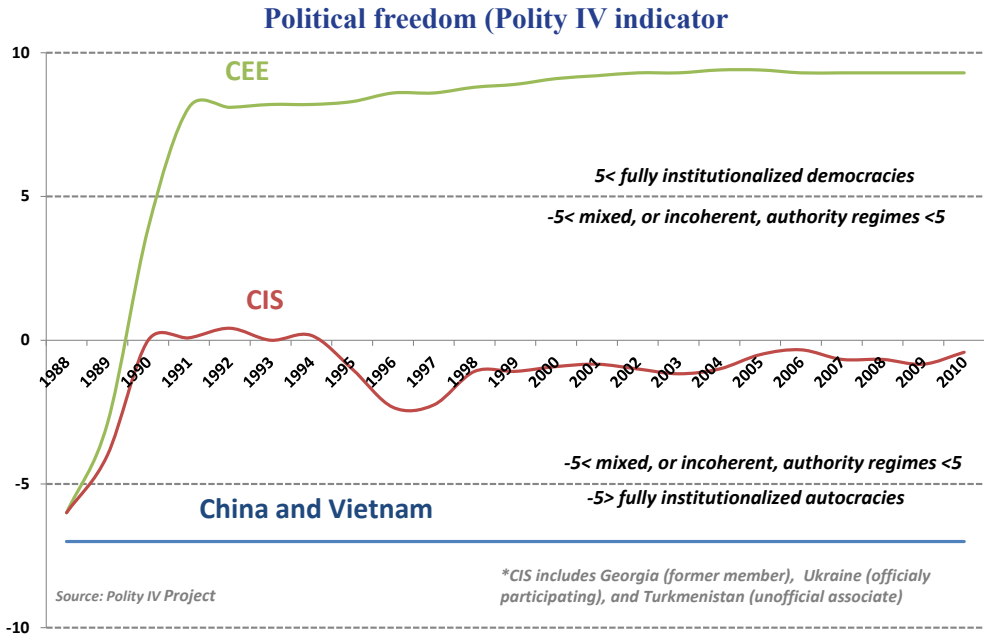


Per-capita GDP (in 1990 international dollars) in China (Western Europe=100)



Source: Maddison Database

4. THE INSTITUTIONAL TRAJECTORIES AFTER SOCIALISM



The Polity conceptual scheme is unique in that it examines concomitant qualities of democratic and autocratic authority in governing institutions, rather than discreet and mutually exclusive forms of governance

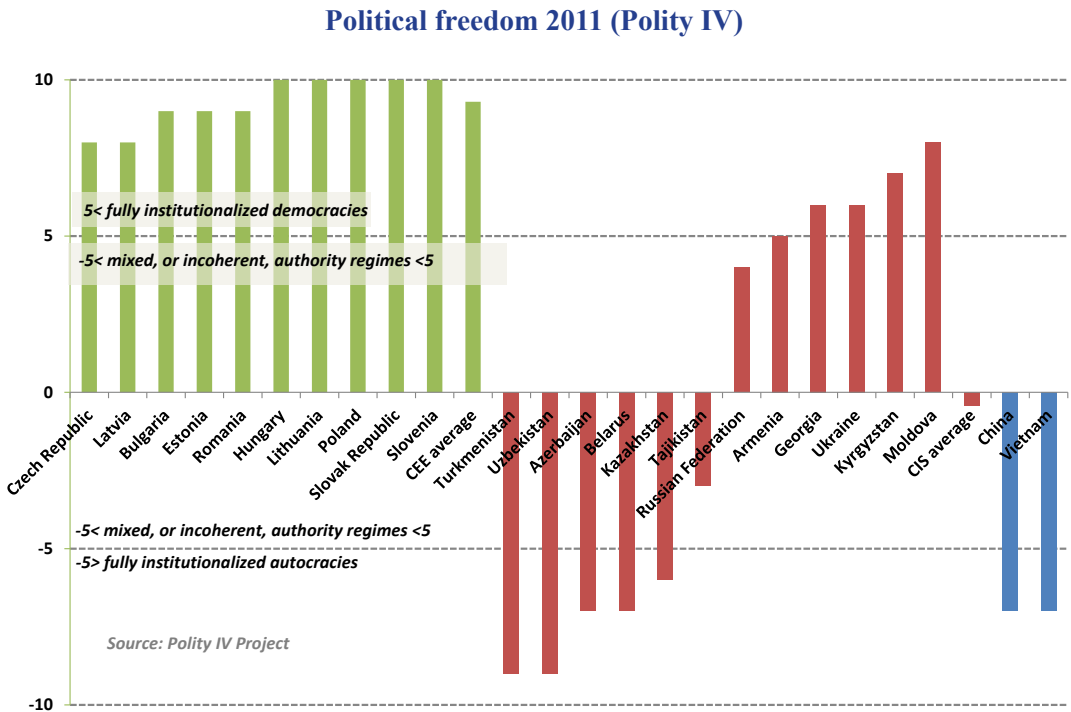


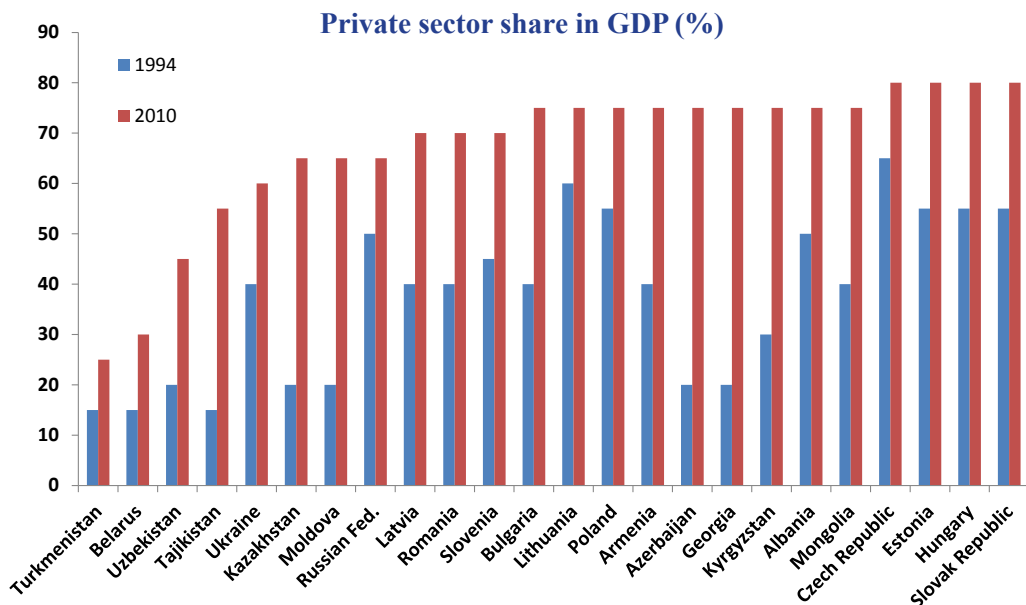
Table 1. Economic and Political Rights, 1996-2005

Country	Economic Rights ⁽¹⁾	Political Rights ⁽²⁾
	The Leaders	
Denmark		
Finland		
New Zealand	90-95	1
Switzerland		
	The Transition Countries	
Bulgaria	50 → 30	2 → 1
Czech Republic	70	1
Estonia	70 → 90	1
Hungary	70	1
Latvia	50	1 → 2
Lithuania	50	2 → 1
Poland	70 → 50	1
Romania	30	2
Slovakia	50	2 → 1
Slovenia	50 → 60	1
Belarus	50 → 20	6 → 7
Russia	50 → 25	4 → 6
Ukraine	30	4 → 3
China	30 → 20	7
	Other OECD Comparators	
Greece	70 → 50	1
Italy	70 → 50	1
Portugal	70	1
Spain	70	1

⁽¹⁾ Heritage Foundation, "Index of Economic Freedom", 2009

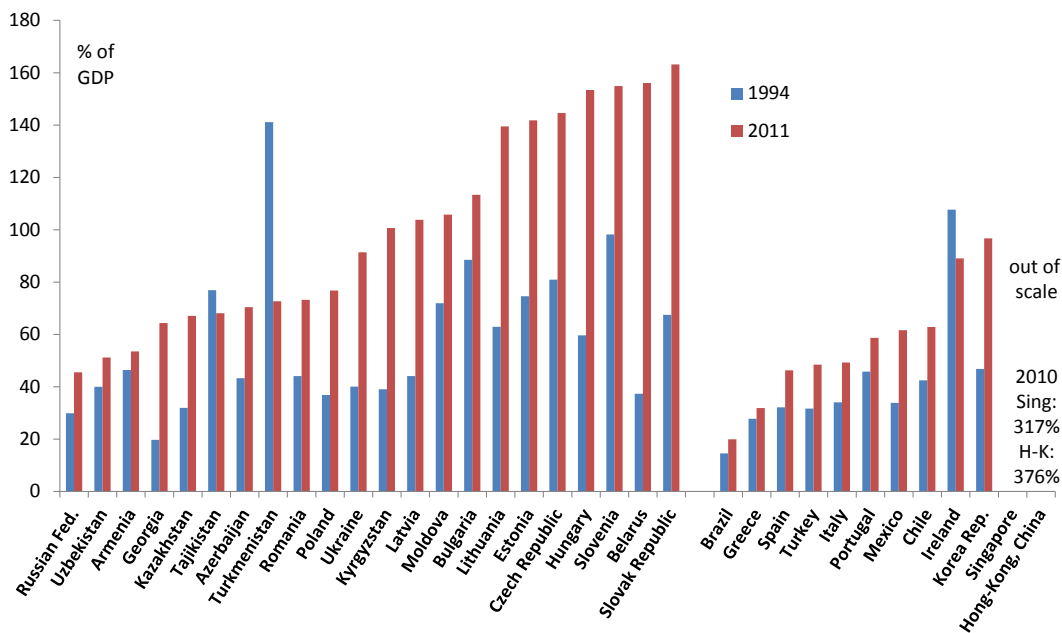
⁽²⁾ Freedom House, "Freedom in the World", 2009

Source: Leszek Balcerowicz Institutional Change after Socialism and the Rule of Law, Hague Journal on the Rule of Law, 1: 215-240, 2009



Source: EBRD - Structural and institutional change indicators

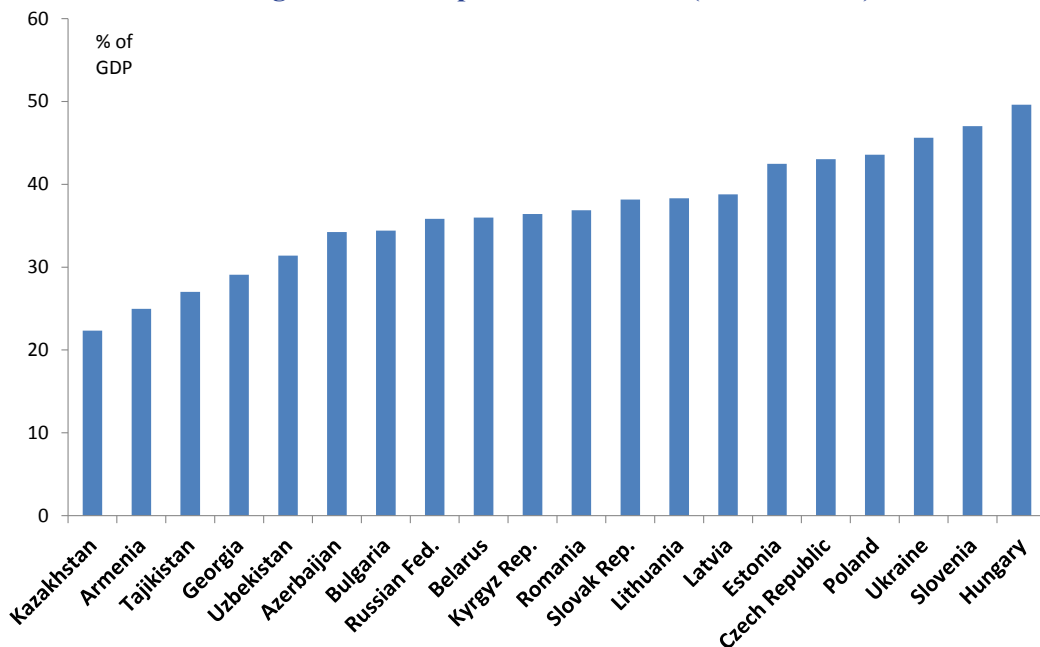
Trade openness (Merchandise Trade as % Of Gdp)



Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP, all in current U.S. dollars. (WDI)

Source: World Bank, World Development Indicators

General government expenditure in 2011 (as % of GDP)



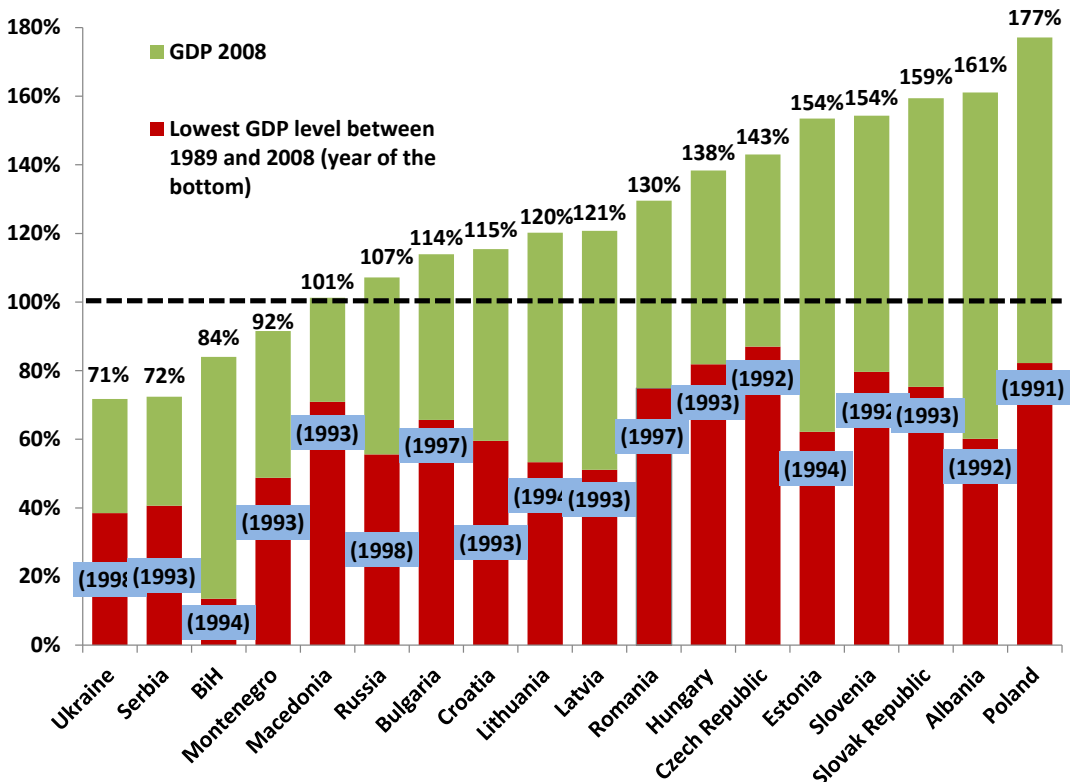
Source: IMF, World Economic Outlook, April 2013

Observations:

- Democracy was introduced and maintained in the countries which introduced capitalism (CEE),
- Non-democratic political systems co-exist with:
- quasi-capitalist economies (e.g. Russia),
- quasi-socialist economies (e.g. Belarus, Central Asia),
- Important questions regarding the variation of the economic systems after socialism include especially the differences between the capitalist systems in CEE and quasi-capitalist systems elsewhere.

5. THE ECONOMIC OUTCOMES AFTER SOCIALISM

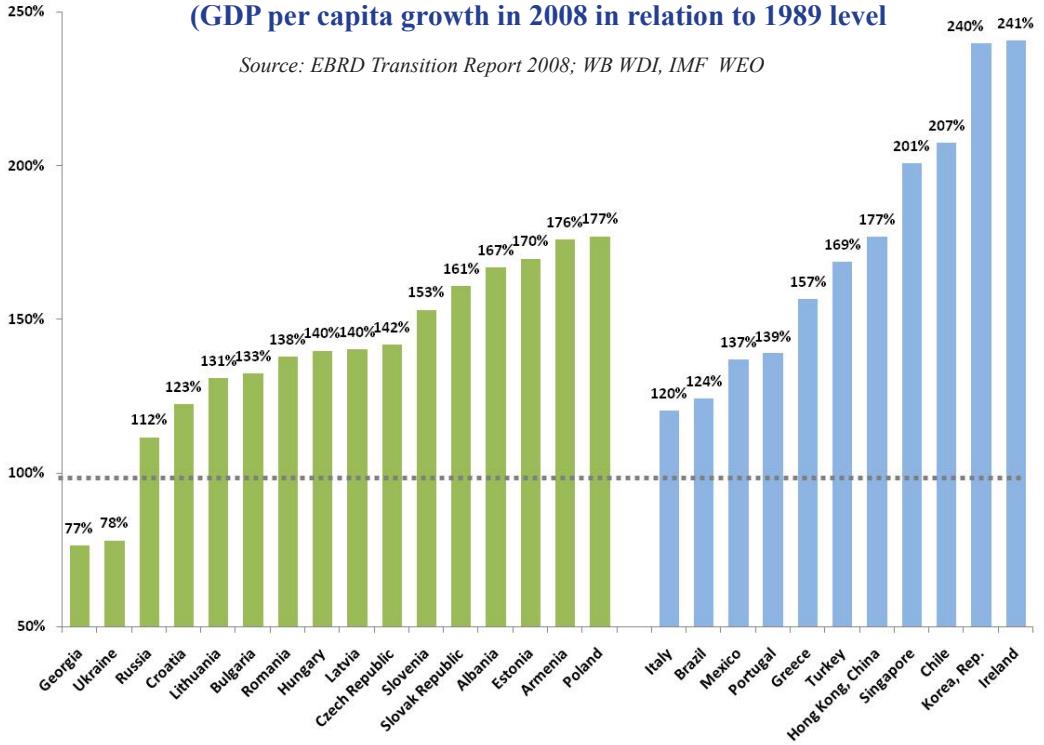
GDP growth (1989 = 100%)



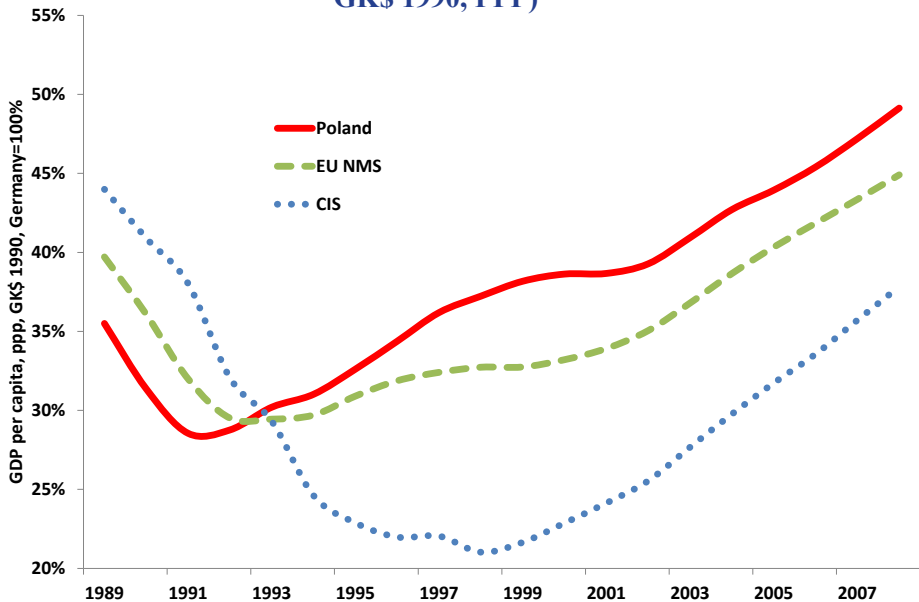
Source: EBRD Transition Report 2008; EU Commission

GPD per capita growth (1989 = 100%) (GDP per capita growth in 2008 in relation to 1989 level)

Source: EBRD Transition Report 2008; WB WDI, IMF WEO



Transition economies GDP per capita against Germany's GDP (Germany= 100%, GK\$ 1990, PPP)

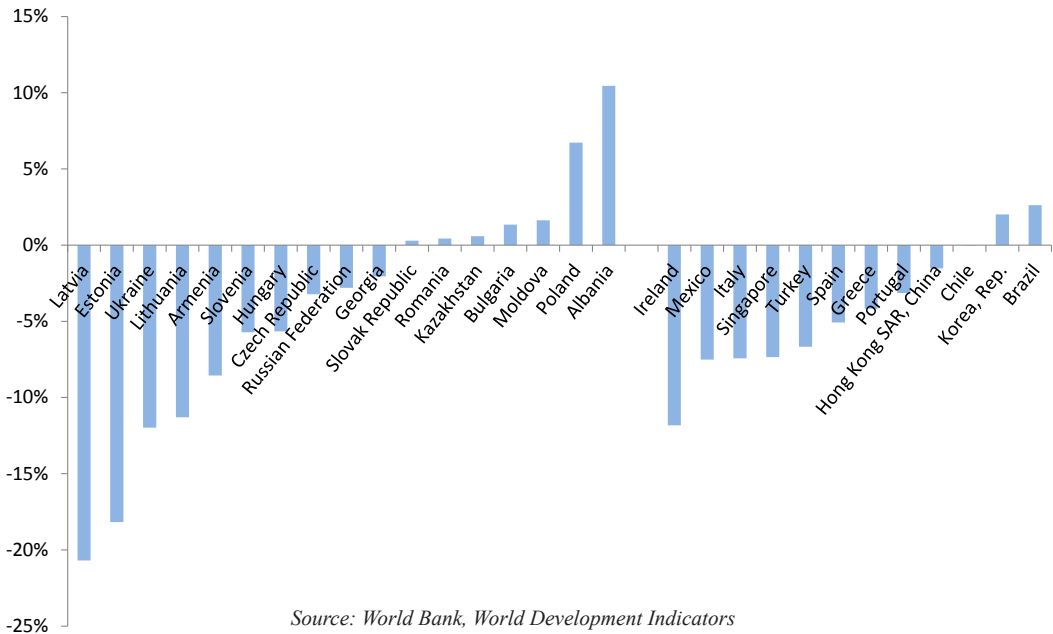


NMS=Bulgaria, Czech R., Estonia, Hungary, Latvia, Lithuania, Slovak R., Romania

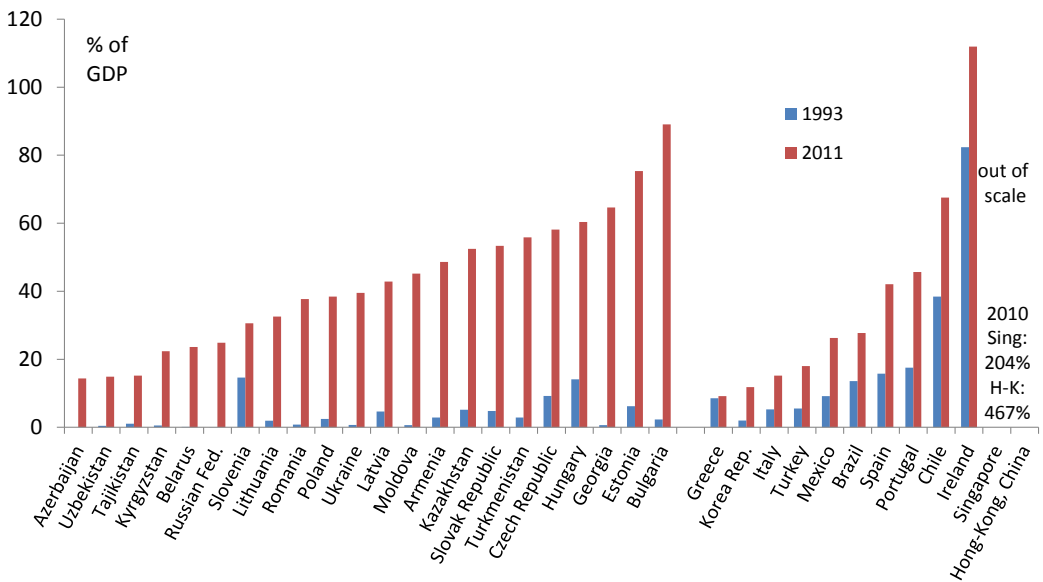
CIS=Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Tajikistan, Uzbekistan Ukraine

Source: The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2009

GDP per capita (constant US\$) change between 2007 and 2009 (in %)



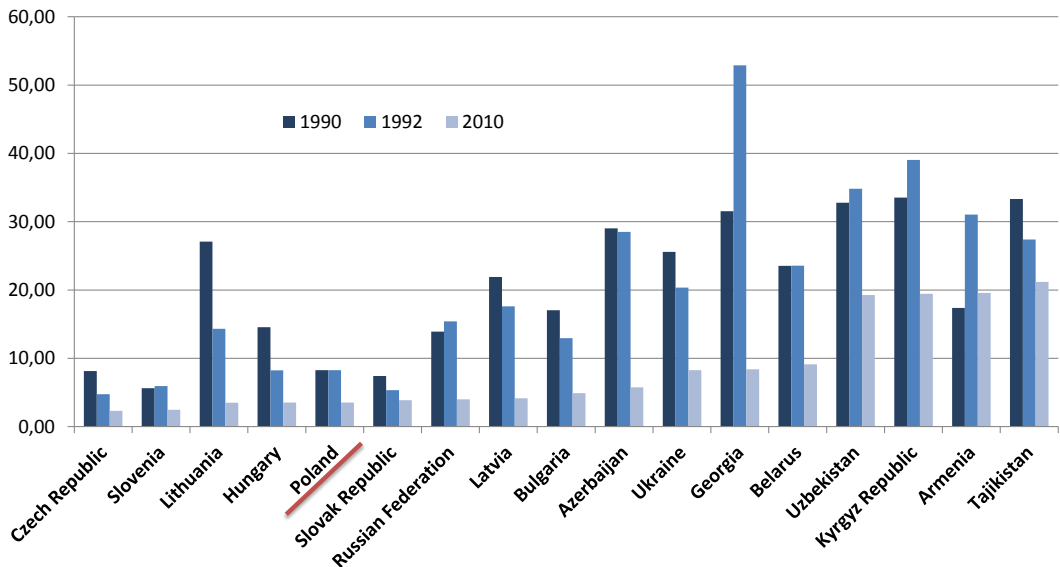
FDI stock (% of GDP)



FDI stock is the value of the share of their capital and reserves (including retained profits) attributable to the parent enterprise, plus the net indebtedness of affiliates to the parent enterprises. (WDI)
Source: UNCTAD

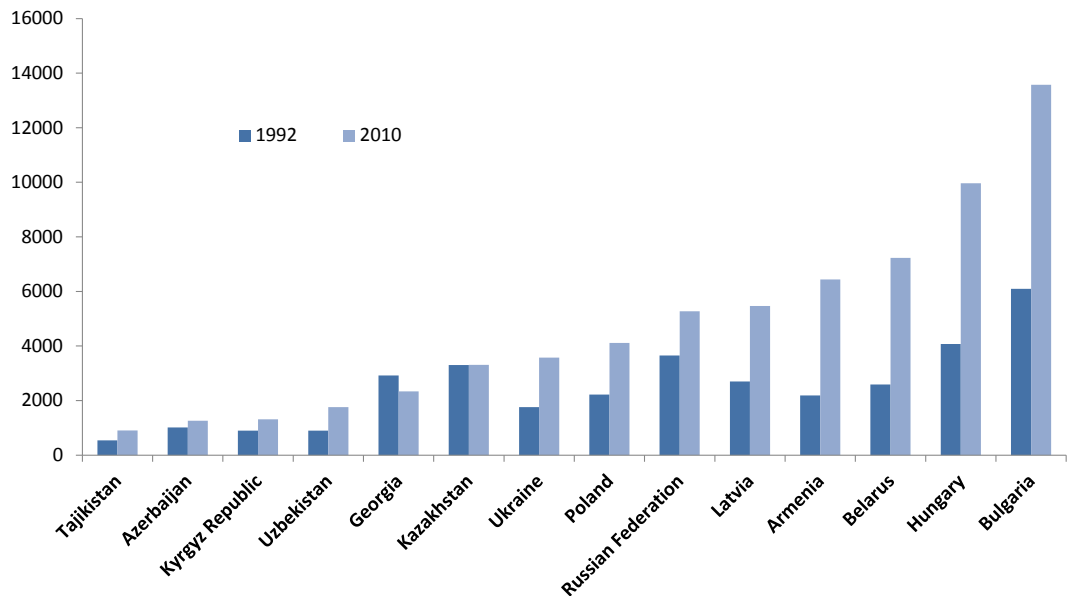
6. AGRICULTURAL SECTOR AFTER SOCIALISM

Agriculture, value added (% of GDP)



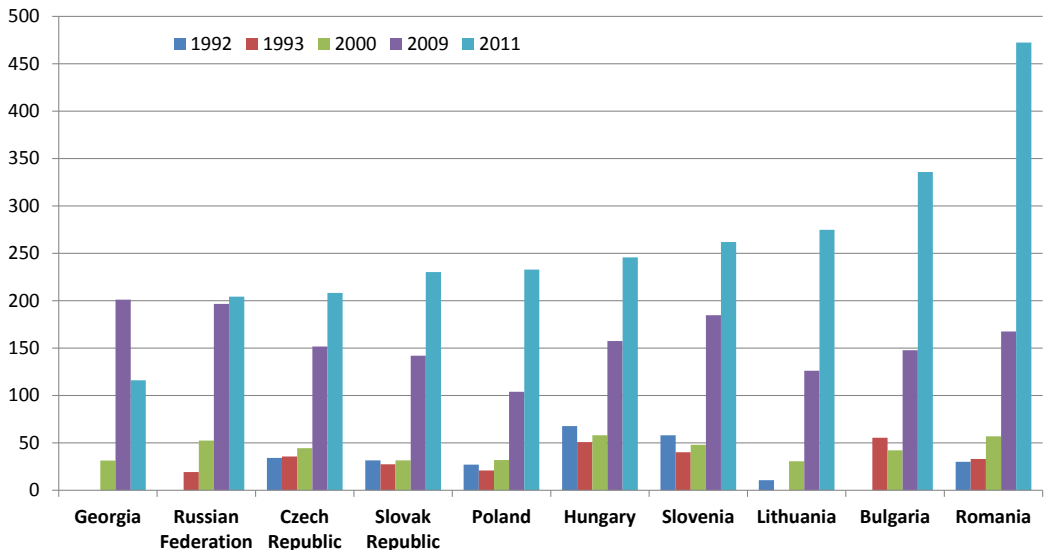
Source: World Bank, World Development Indicators

Agriculture value added per worker (constant 2005 US\$)



Source: World Bank, World Development Indicators

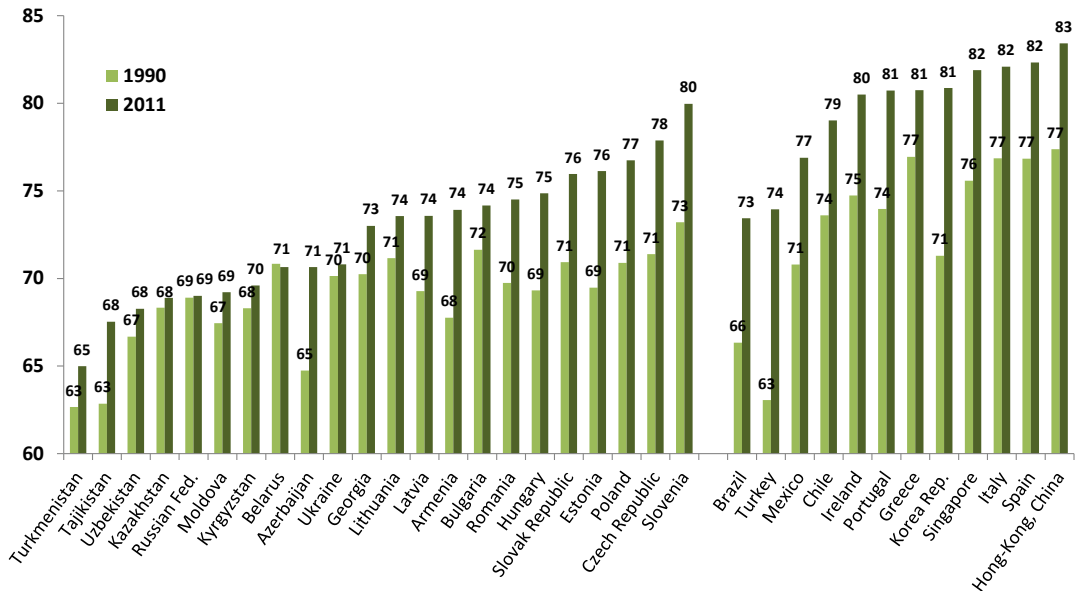
Export of agricultural products (2005=100 current US\$)



Source: WTO

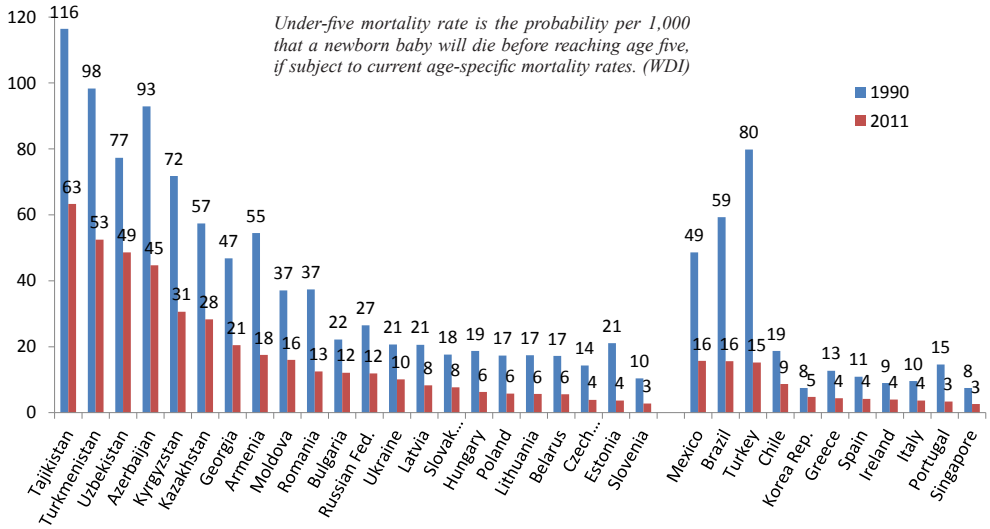
7. THE NON-ECONOMIC OUTCOMES AFTER SOCIALISM

Life expectancy at birth, total (years)



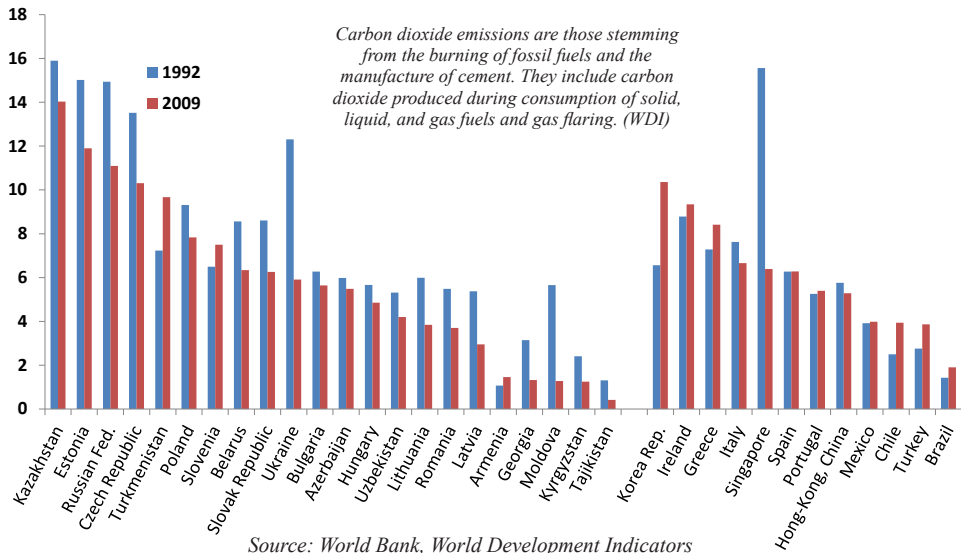
Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.
Source: World Bank, World Development Indicators

Mortality rate, under-5 (per 1,000 live births)



Source: World Bank, World Development Indicators

CO₂ emissions (metric tonnes per capita)



Source: World Bank, World Development Indicators

EXPLAINING THE DIFFERENCES IN ECONOMIC OUTCOMES

The principal factors explaining differences in growth rates are:

- initial conditions,
- external developments (e.g. the Russian crisis) including:
 - access to markets,
- location,
- extent of market reforms and the nature of macroeconomic policies:
 - most important in the long run.