

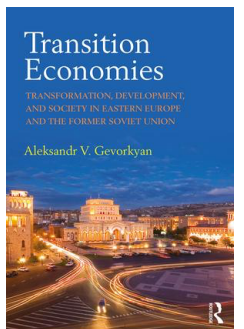
The post-socialist economic transitions: making sense of history and outcomes

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- Gevorkyan, A.V. and J. Assa. 2021. Poverty in “transition”: 30 years after and in the pandemic. *American Journal of Economics and Sociology*. Vol 80(4): 1233-1258. <https://doi.org/10.1111/ajes.12428>
- Gevorkyan, A.V. [Forthcoming 2021] Diaspora and Economic Development: A Systemic View. *The European Journal of Development Research*. <https://rdcu.be/cn1AV>
- Gevorkyan, A.V. 2018. *Transition Economies: Transformation, Development, and Society in Eastern Europe and the Former Soviet Union*. Oxford: Routledge. <https://goo.gl/otvbQe>



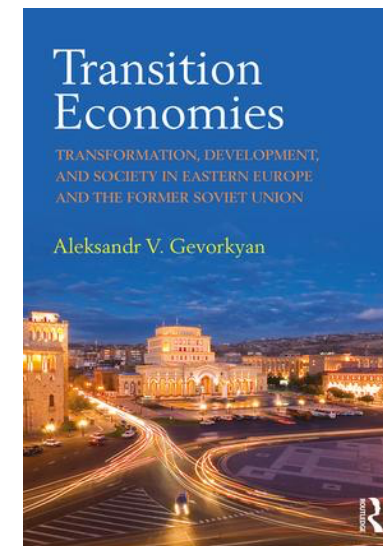
“The aim by itself is a lifeless universal...; and the bare result is the corpse which has left the guiding tendency behind it.”

G.W.F. Hegel, *Phenomenology of Spirit* (1807)

Where are they on the map...?



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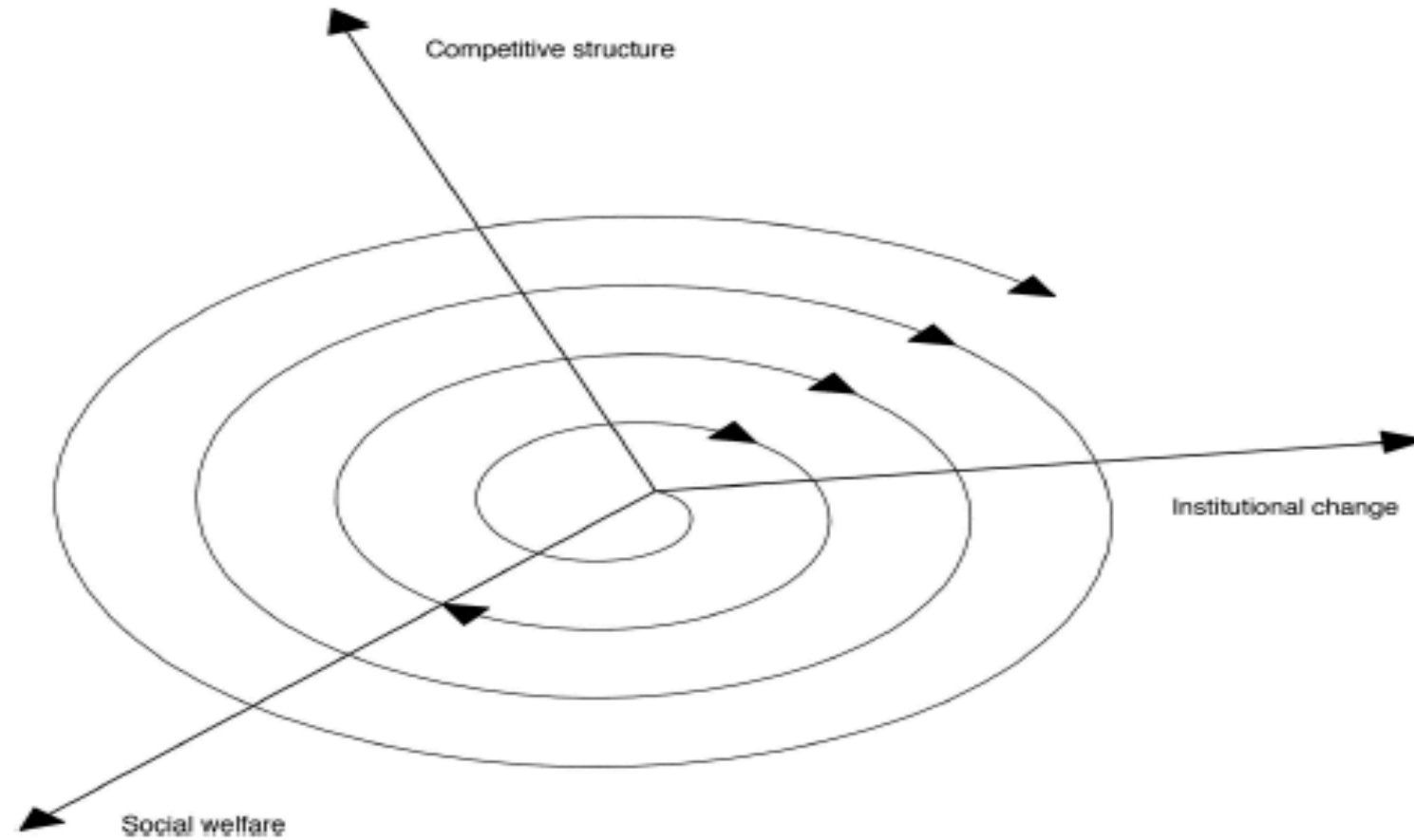
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Why should we care?

A lesson that is yet to be fully understood

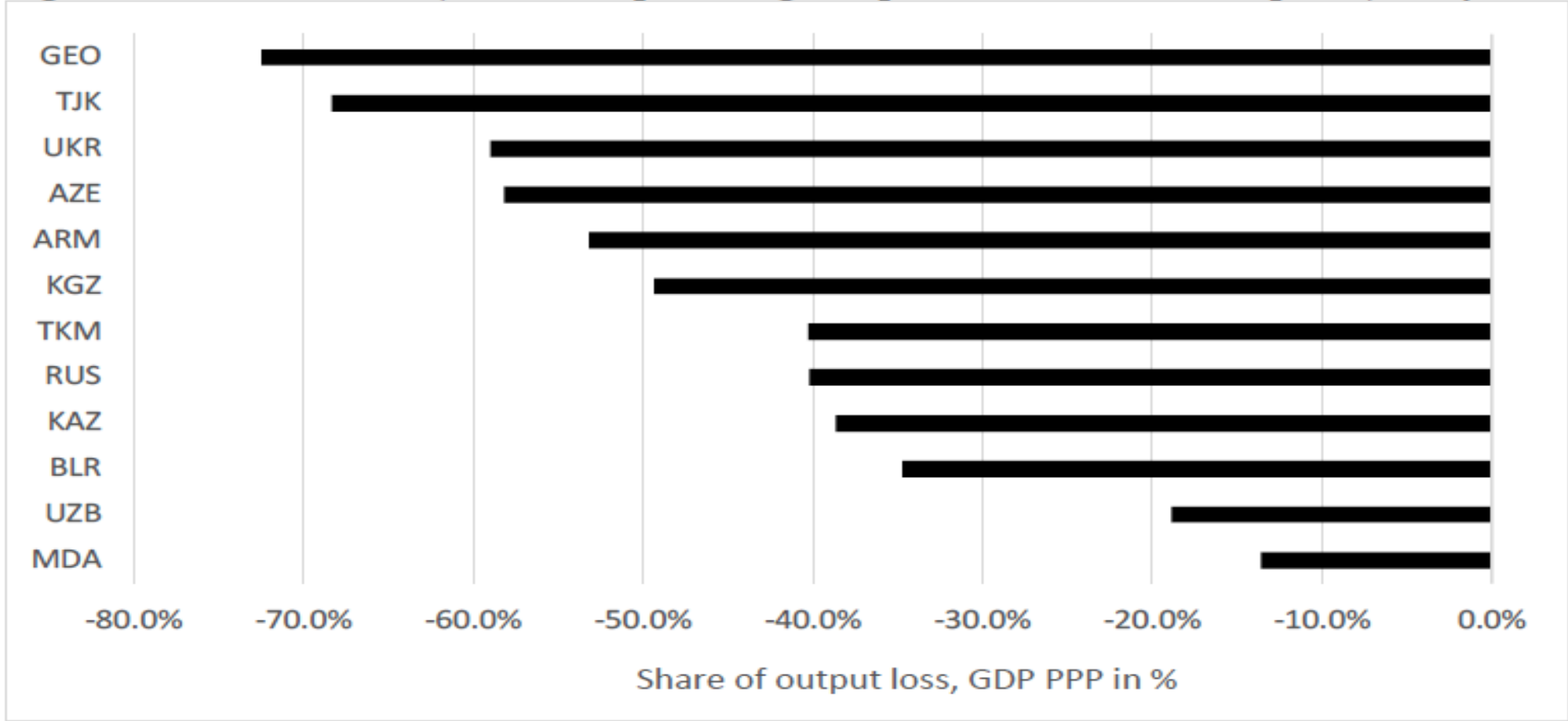
- A critical subset of the economic development field
- A unique merger of economic history-theory-macroeconomic policy
- The “flip a switch” attitude backfires

Three points on economic system and macro development



The starting point for small post-socialist economies: **devastation**

Figure 1: Size of recession (cumulative percentage drop in GDP, constant PPP prices), early to mid 1990s



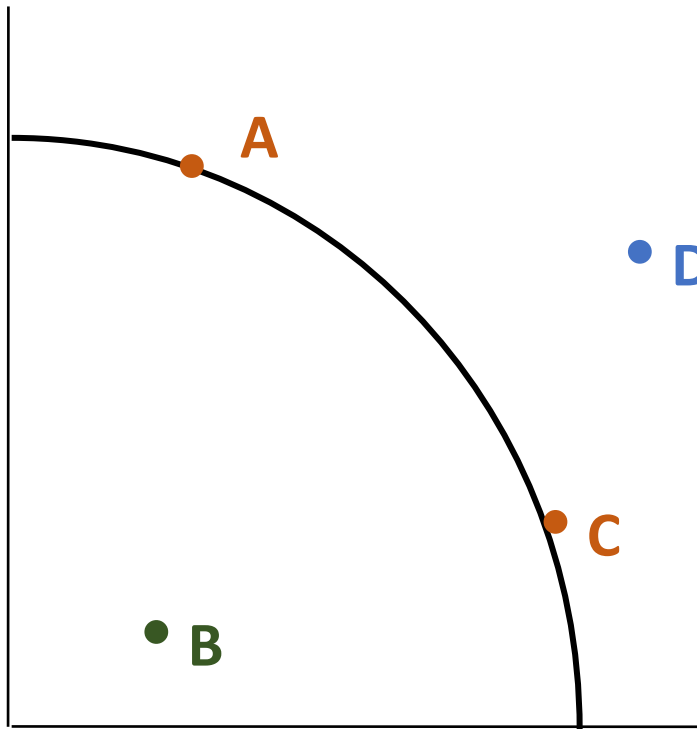
Source: Authors' calculation based on World Bank, World Development Indicators (accessed September 2021)

Source: Gevorkyan, A.V. and J. Assa. 2021. Poverty in “transition”: 30 years after and in the pandemic. American Journal of Economics and Sociology. Vol 80(4): 1233-1258. <https://doi.org/10.1111/ajes.12428>

Transition: a conventional view of the 1990s reforms

Productive efficiency is achieving as much output as possible from a given amount of inputs or resources.

Old (planned economy) sector



Modern sector

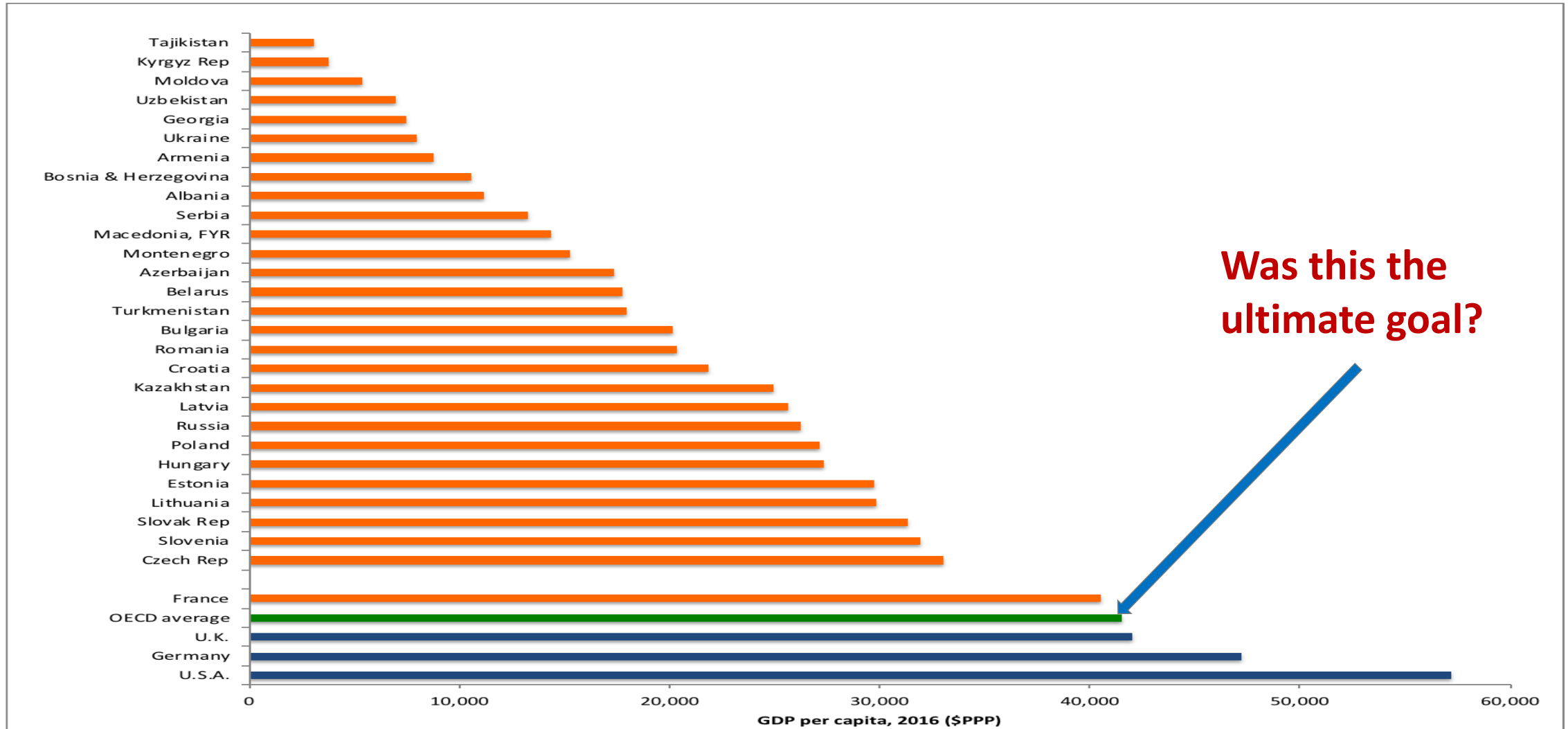
- opportunity costs due to administrative inefficiencies
- competitive results
- Comparative advantage & export led growth
- Speed vs. fine-tuning vs. sequence of reforms
- Gradualism vs. shock therapy

The end result

~~transition~~

fundamental economic,
social, political, and
cultural transformation

How to read the post-socialist transformation?





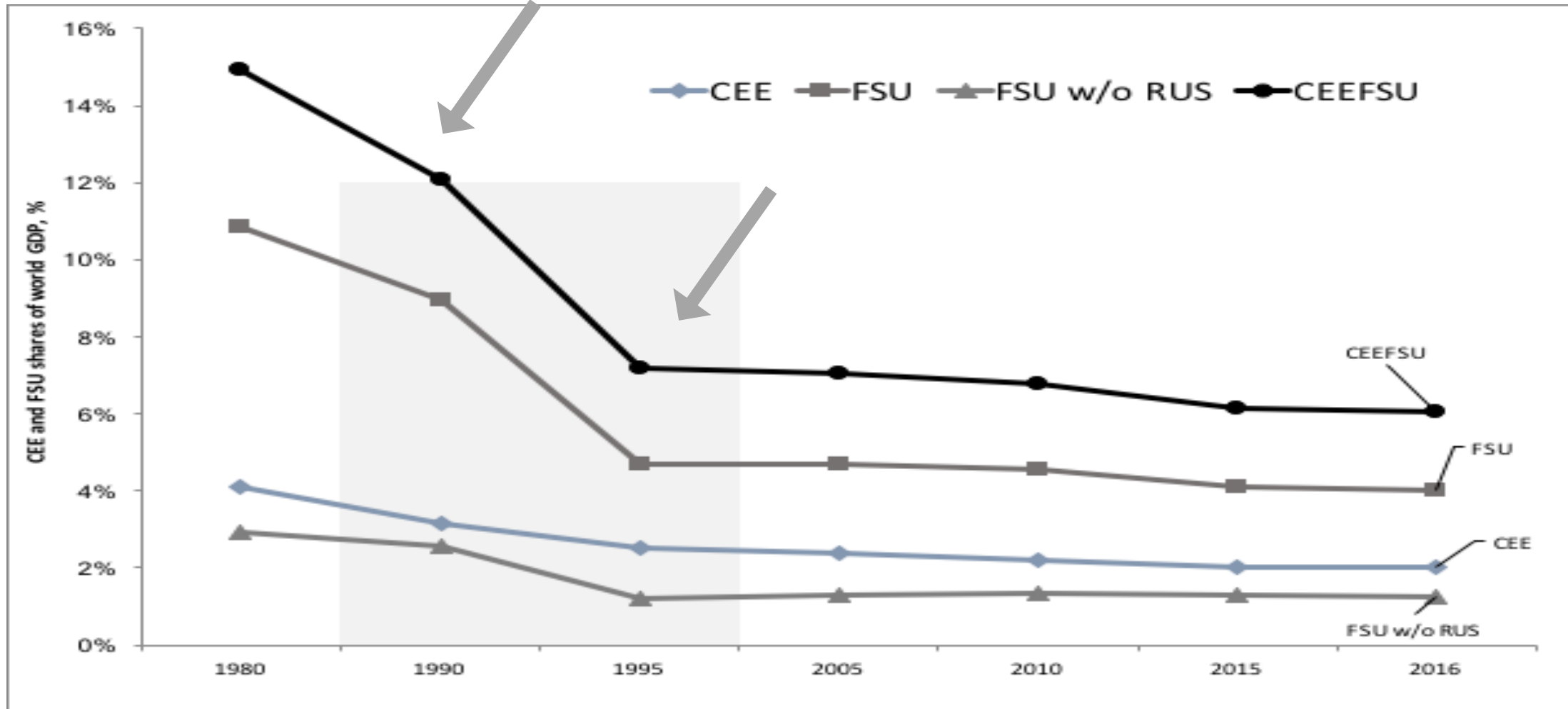
The promise of the socialist economy – stability & sustained living standards – pre-determined economic policy measures and priorities, i.e. the plan

Communism was never a reality, but a final destination

“The train goes from the station "Socialism" to the station "Communism". Proven driver of the locomotive of revolution comrade Stalin”

Soviet poster, 1939

A long Kondratieff wave? Two phases of declining GDP shares: a) lack of capital reinvestment in 1970-80s; b) systemic collapse of 1990s



HOW THE BEATLES ROCKED THE KREMLIN



<http://www.youtube.com/watch?v=nwvFMhVsh-8>

<http://www.thirteen.org/beatles/>

But it was an unequal *transition*...

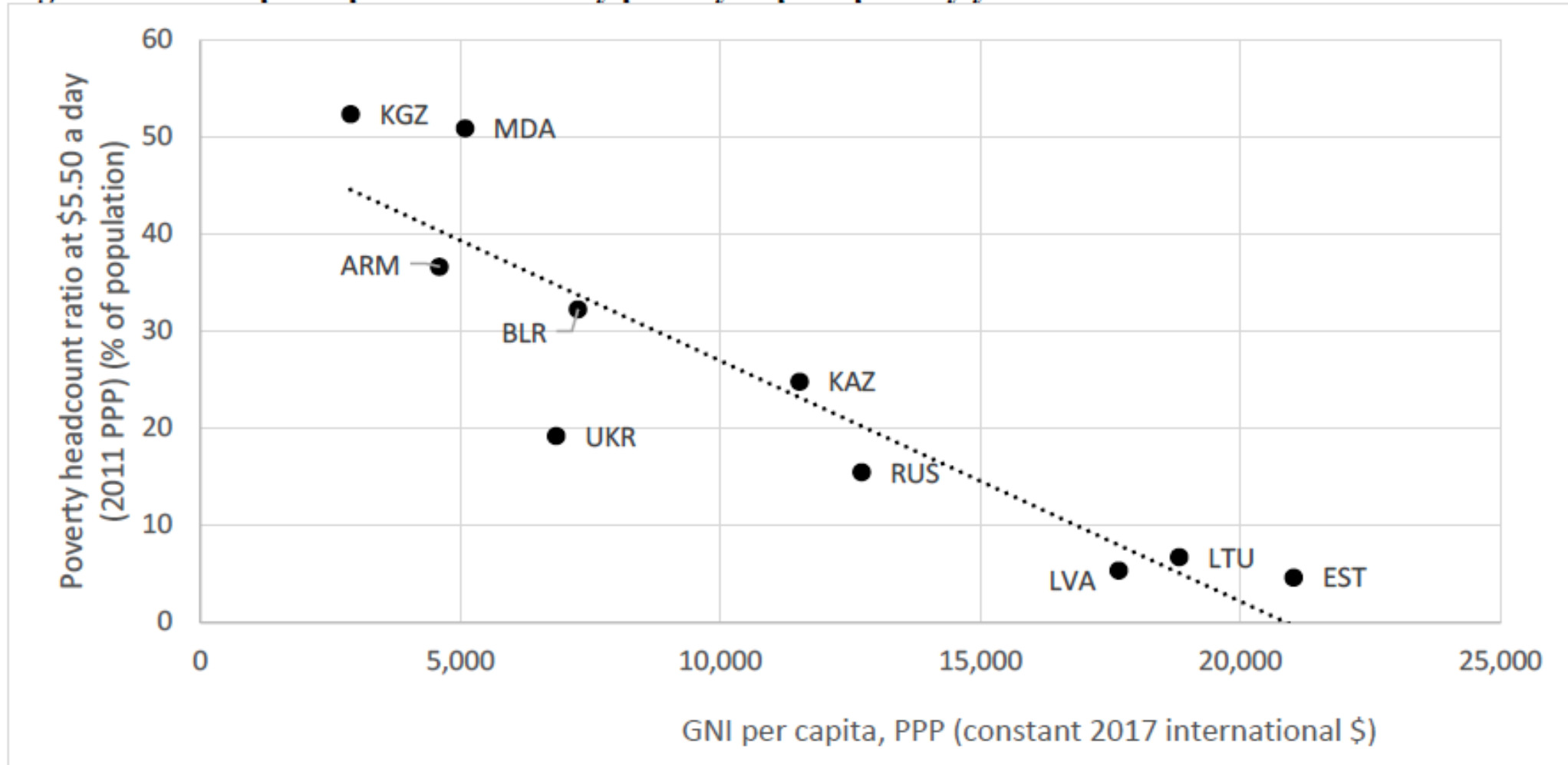
It is important to appreciate the diversity of the socialist economic systems

Country	Economic System	Industry	Agriculture	Finance	Prices
USSR	State-planned	State-owned	Collective (state) + micro farms	Mono-banks (state only)	Not relevant / Planned
Yugoslavia	Market socialism	Self-management + private enterprise	Mixed	Double-tier; profits; credit	Allocative purpose
Hungary	Market socialism	Self regulation	Mixed	Double-tier; profits; credit	Allocative
Czechoslovakia	Planned but flexible	State + small private firms	Mainly collective	Mono + some private credit	Allocative
Poland	Planned but flexible	Mostly state + small private firms	High share of private farms	Mono banks	Planned + Allocative
Romania	State-planned	Mainly state-owned	Collective + private	Mono banks	Planned
Bulgaria	State-planned	Mainly state-owned	Collective + private	Mono banks	Planned

The broad macroeconomic factors would lead to concrete social outcomes

Countries that were poorer (based on GNI per capita in PPPs) at the peak of the 1990s recession also had the highest poverty rate (under \$5.50 income per day), with some exceptions (KAZ & UKR).

Figure 3. Income per capita and monetary poverty at peak poverty year



Source: World Bank, World Development Indicators (accessed September 2021)

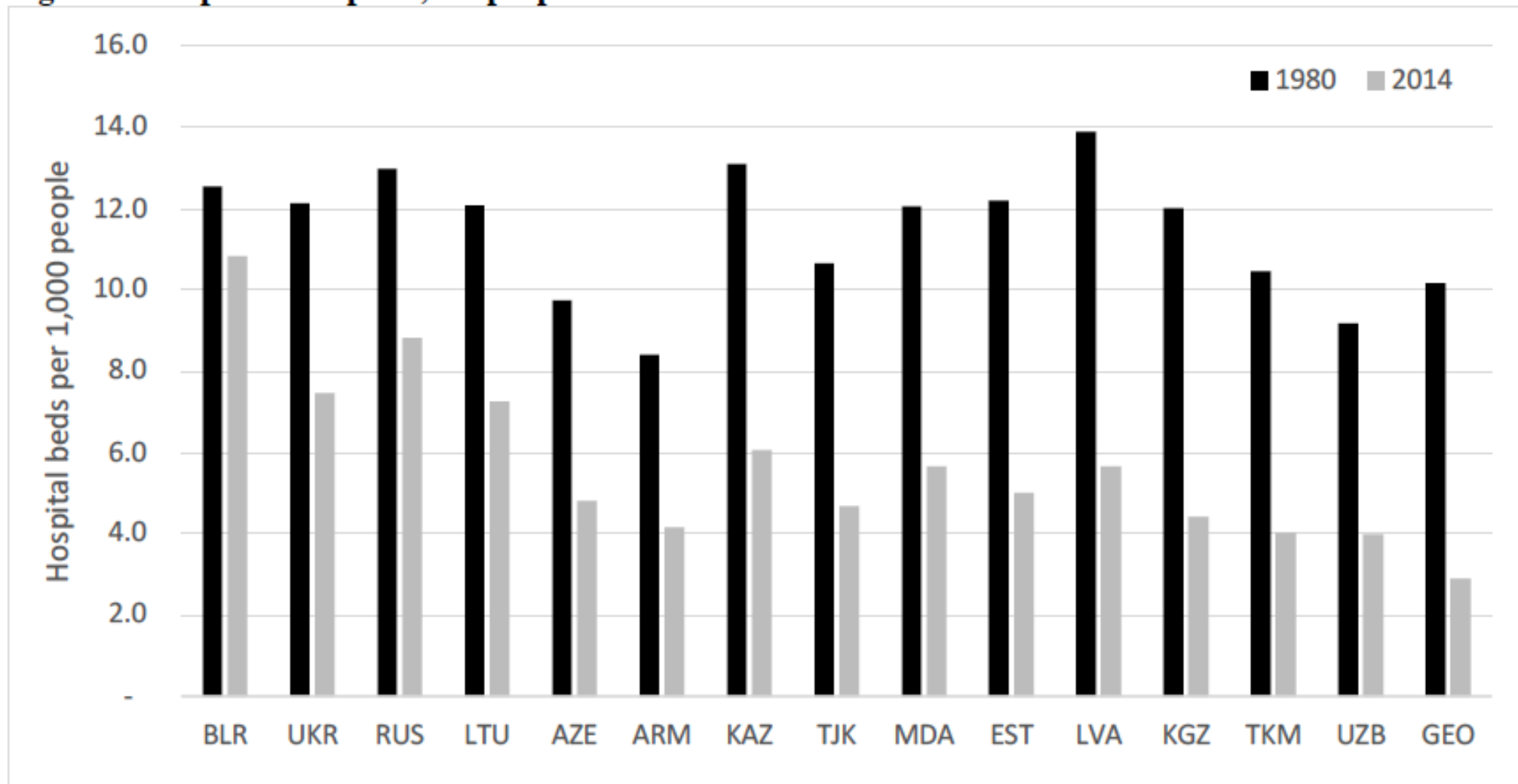
Source: Gevorkyan, A.V. and J. Assa. 2021. Poverty in “transition”: 30 years after and in the pandemic. American Journal of Economics and Sociology. Vol 80(4): 1233-1258. <https://doi.org/10.1111/ajes.12428>

Table 1: Peak income poverty (at \$5.5 vs. \$1.9 a day)

Country	% of population earning less than \$5.50 a day	Year	% of population earning less than \$1.90 a day	Year
Armenia	36.7	2001	14.4	2001
Azerbaijan	22.9	1995	7.1	1995
Belarus	32.3	1998	11.8	1998
Estonia	4.7	2003	2.3	2003
Georgia	36.5	2001	19.2	2000
Kazakhstan	24.9	2001	9	2001
Kyrgyzstan	52.4	2000	35.1	2000
Latvia	5.4	2004	2.4	2004
Lithuania	6.8	2004	2.7	2004
Moldova	51	1999	38	1999
Russian Federation	15.5	1999	4.8	1999
Tajikistan	61.2	1999	50.7	1996
Turkmenistan	57.1	1998	49.8	1998
Ukraine	19.3	1996	5	1996
Uzbekistan	64.9	2000	61.6	2000

Source: World Bank, World Development Indicators (accessed September 2021)

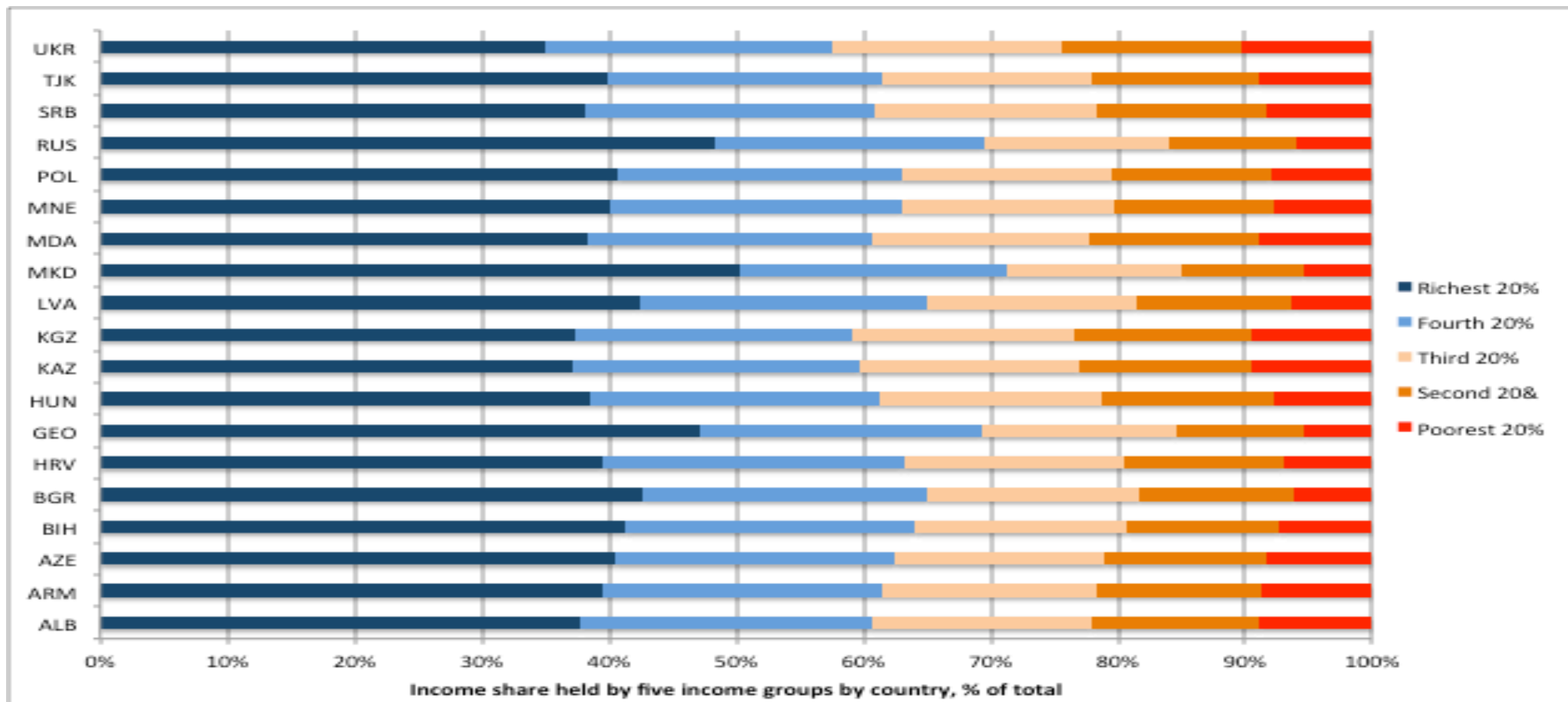
Figure 6. Hospital beds per 1,000 people



Source: World Bank, World Development Indicators (accessed September 2021)

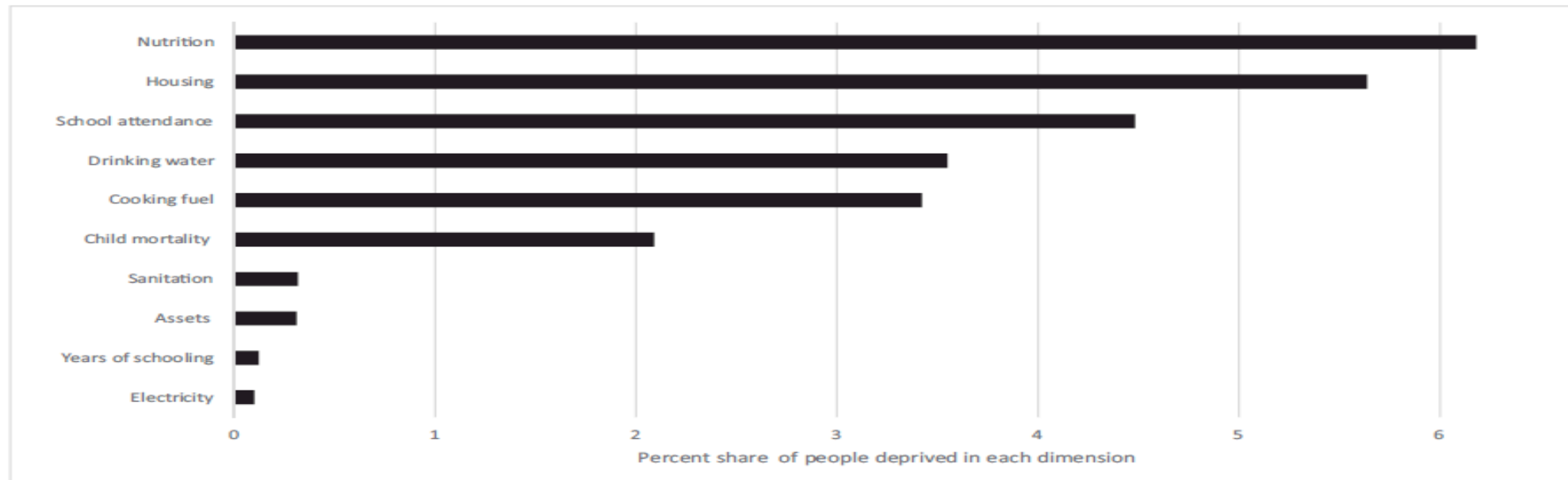
Note: first data point for Russia and Tajikistan is from 1985.

Worsening income (consumption) inequality: the split between the haves and the have nots becoming more pronounced, though tempered in 2010s



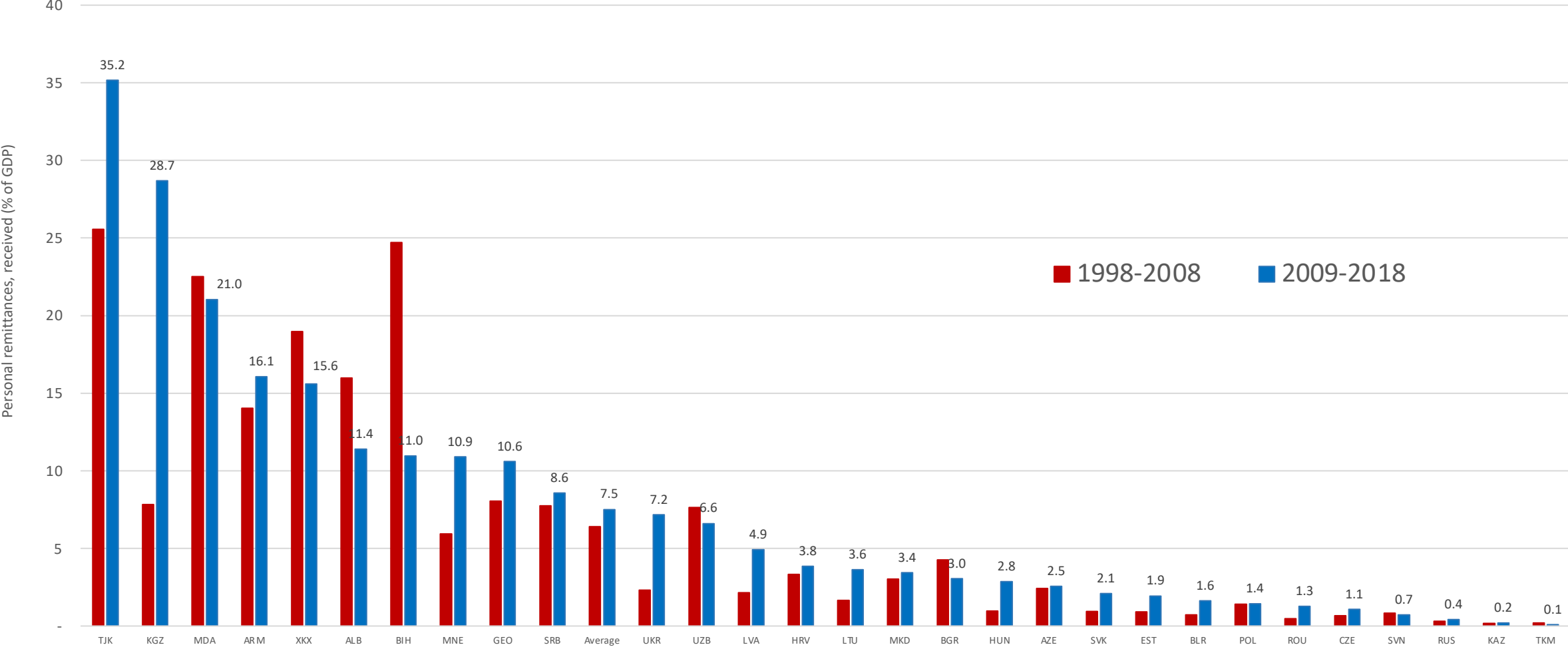
Example: nutrition, housing, school in TAJ

Figure 5
Decomposition of Multidimensional Poverty in Tajikistan



Source: UNDP (2020b).

Monetary transfers home from labor migrants matter in the short-term, alleviating extreme poverty & in some cases helping fund small business projects

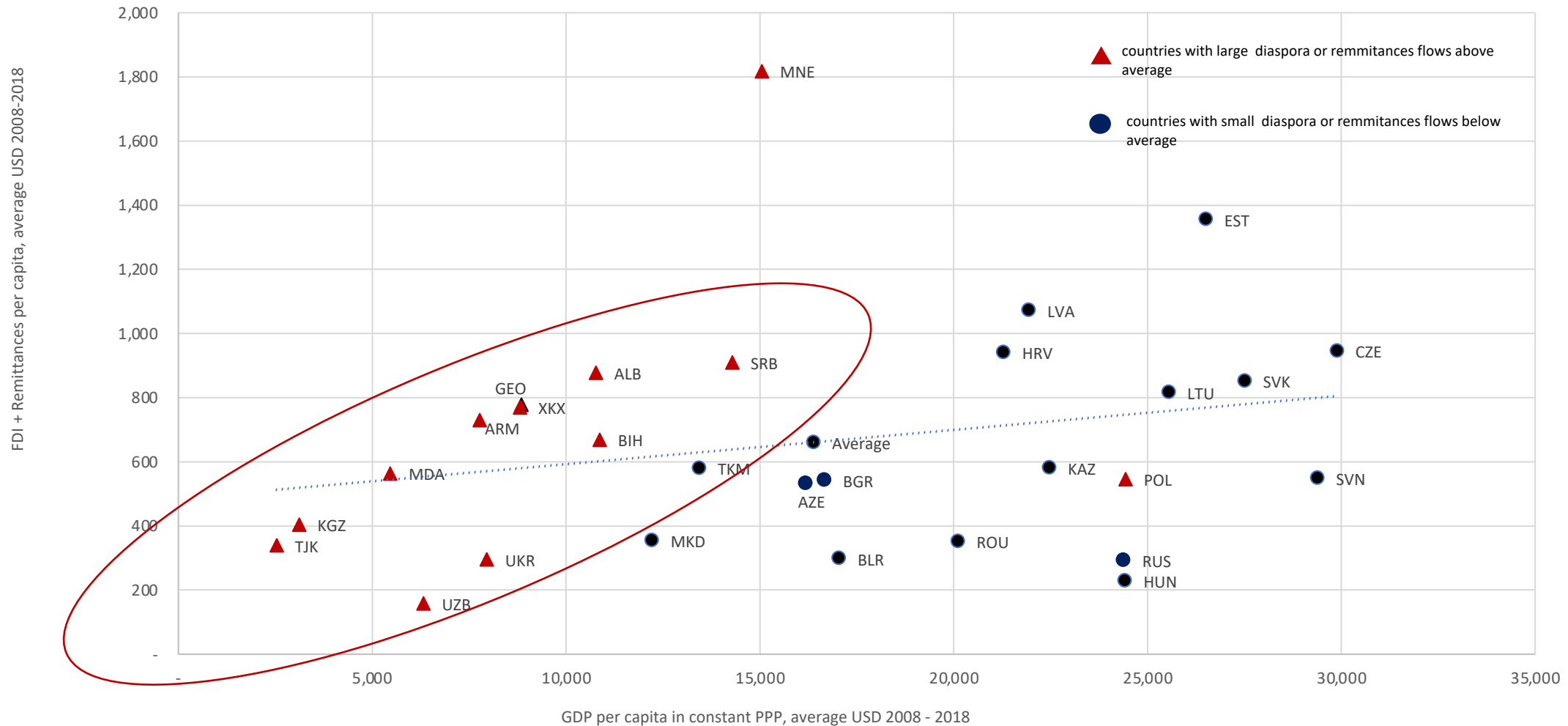


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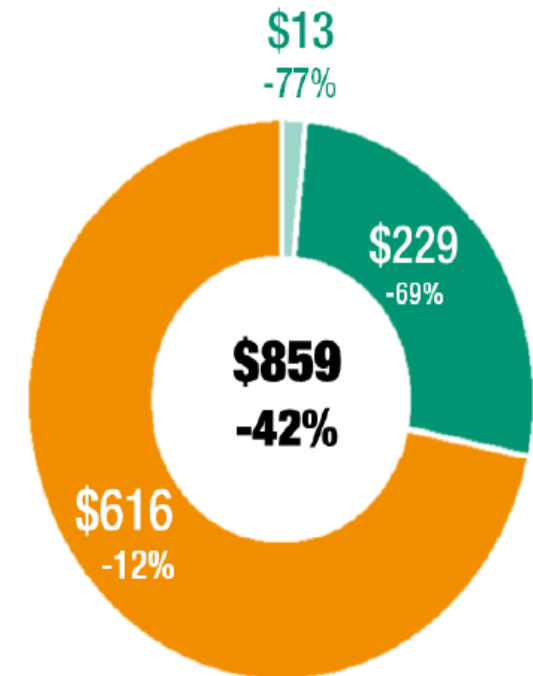
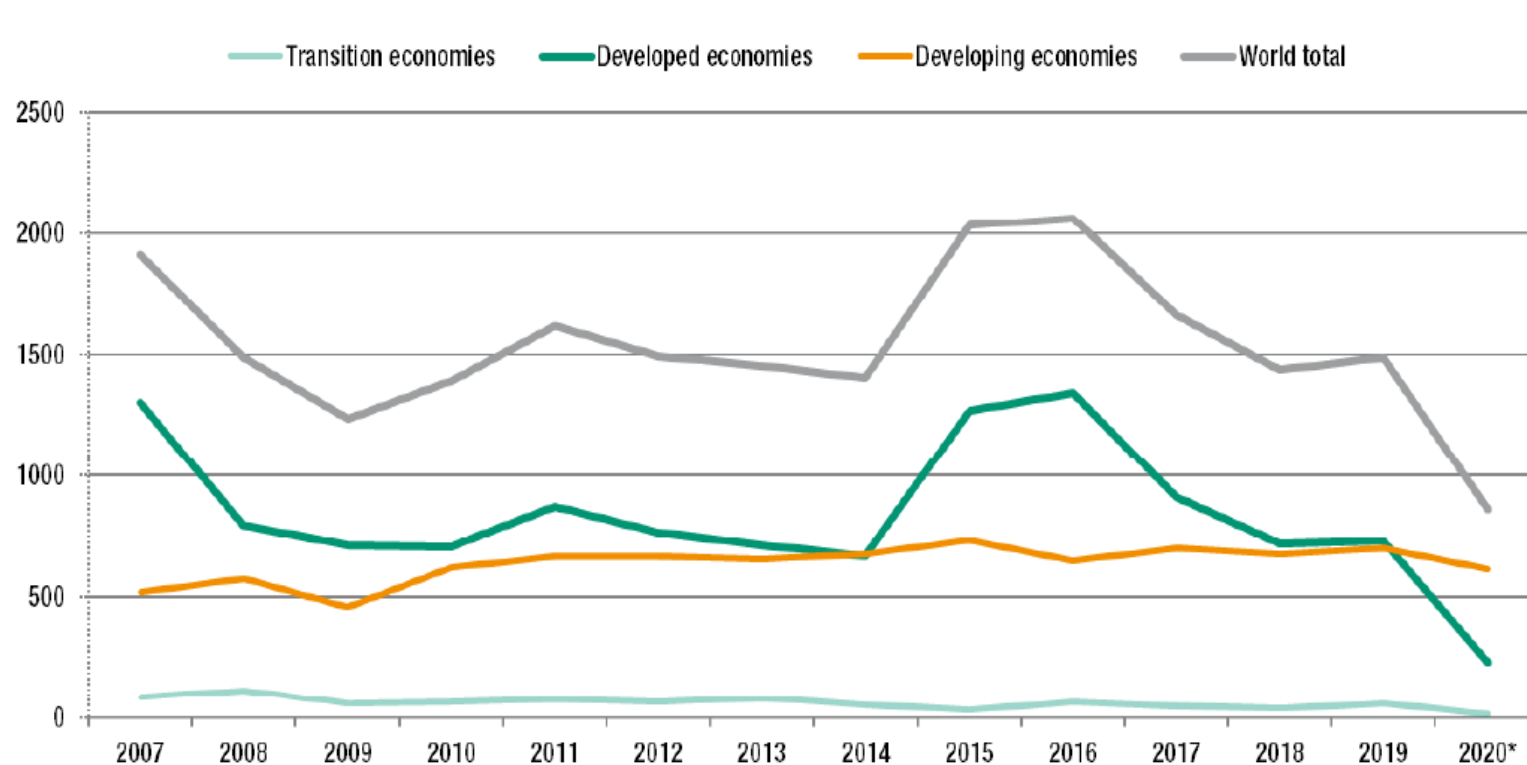
These days there's an abundance of diaspora models of "potential"

- The mythical "diaspora networks"
- Remittances
- Skills/knowledge transfers
- Diaspora bond
- Cultural engagement
- Ultimately → *repatriation?*
 - *[but it's more like, immigration]*

But for countries with large diasporas -- > FDI + Remittances per capita could/should be higher with a diaspora effect



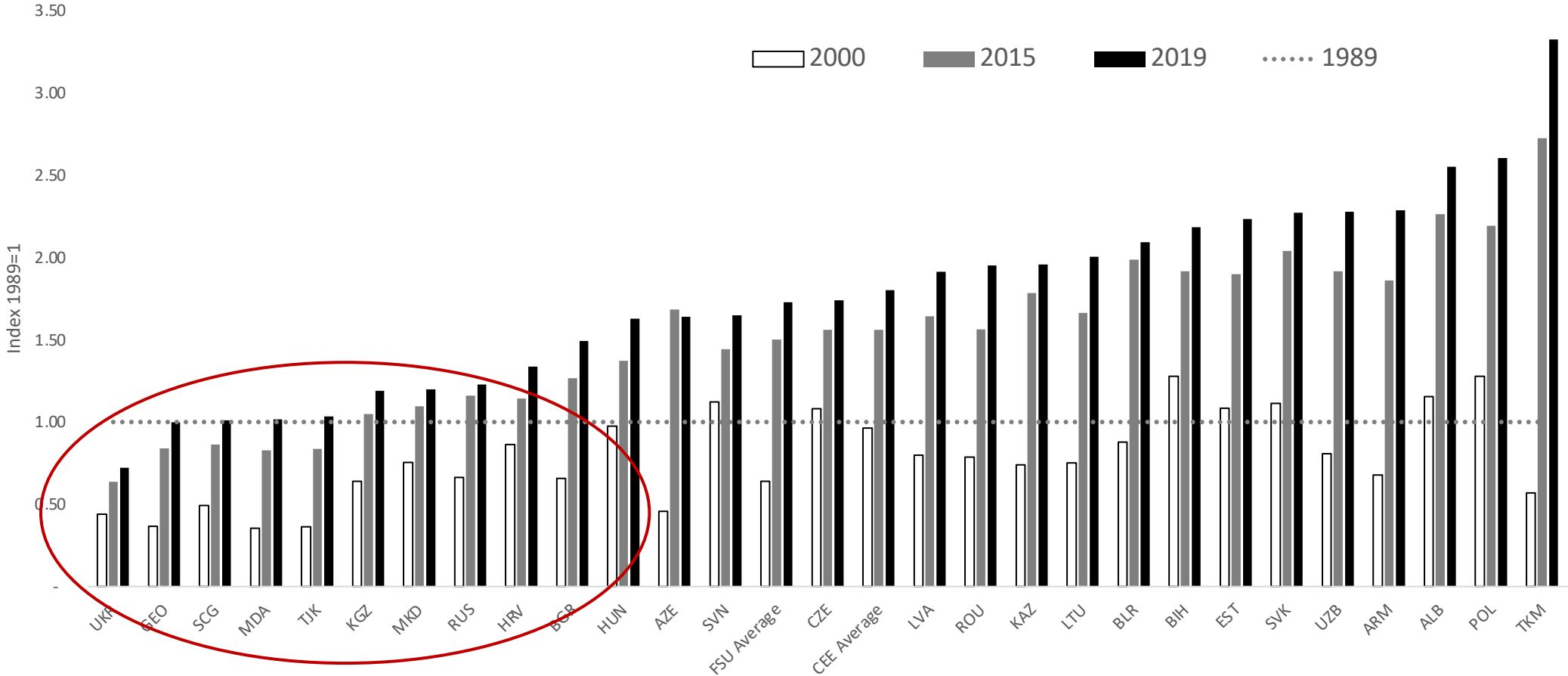
Transition economies losing 77% in FDI flows between 2019-2020



Source: <https://unctad.org/news/global-foreign-direct-investment-fell-42-2020-outlook-remains-weak>

Diverse macroeconomic outcomes & rising social / economic pressures from the pandemic + political instability

CEE & FSU GDP per capita, USD 2019 (index to 1989 levels)



Source: Gevorkyan, A.V. 2018. *Transition Economies: Transformation, Development, and Society in Eastern Europe and the Former Soviet Union*. Oxford: Routledge. <https://goo.gl/jSN65c> ²⁶

Fundamental changes or how history matters today

- The 1990s resulted in an unprecedented change + unprecedented freedoms for the 20th century, in fact, an *“accidental progress”*
- Shock-therapy was a trigger but not the only cause of the 1990s economic / social destruction
- Overcoming systemic disruption with best institutions in mind takes time – **can we learn to consider complex outcomes?**

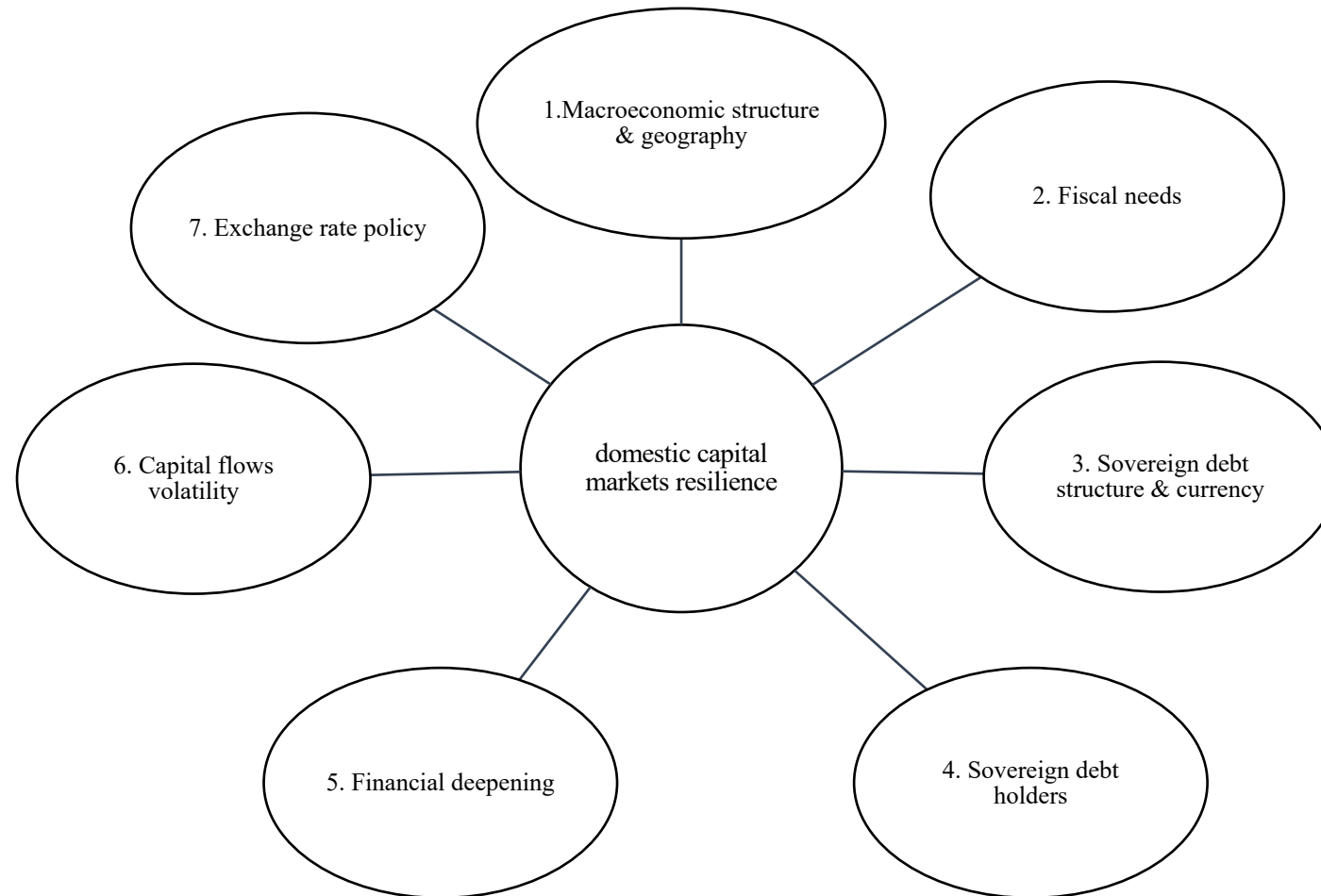
Current economic projections

	Real GDP, annual variation in %				
	2019	2020	2021	2022	2023
World	2.6	-3.2	5.7	4.2	3.3
United States	2.3	-3.4	5.7	3.8	2.5
Euro Area	1.6	-6.5	5.2	4.0	2.5
Japan	-0.2	-4.5	1.8	2.8	1.5
China	6.0	2.2	8.1	5.1	5.2
CIS Plus	2.3	-2.9	4.3	3.0	2.6
Armenia	7.6	-7.4	5.2	5.7	4.9
Azerbaijan	2.5	-4.3	5.6	3.4	3.0
Belarus	1.4	-0.7	2.3	1.3	1.8
Georgia	5.0	-6.8	10.1	5.9	5.2
Kazakhstan	4.5	-2.5	3.8	4.3	4.2
Kyrgyzstan	4.6	-8.6	3.6	5.4	4.1
Moldova	3.7	-7.0	8.5	4.4	4.0
Russia	2.0	-3.0	4.2	2.6	2.1
Tajikistan	7.4	4.5	5.9	5.2	4.6
Turkmenistan	-7.7	-3.4	4.8	4.3	3.7
Ukraine	3.2	-4.0	3.2	3.4	3.3
Uzbekistan	5.7	1.7	7.4	5.9	5.6

	Real GDP, annual variation in %				
	2019	2020	2021	2022	2023
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Euro Area	1.6	-6.5	5.2	4.0	2.5
Japan	-0.2	-4.5	1.8	2.8	1.5
China	6.0	2.2	8.1	5.1	5.2
CEE	4.0	-3.8	5.5	4.5	4.0
Bulgaria	4.0	-4.4	3.6	3.7	3.9
Croatia	3.5	-8.1	9.5	4.5	3.8
Czech Republic	3.0	-5.8	3.3	4.1	3.8
Hungary	4.6	-4.7	6.6	4.8	3.8
Poland	4.7	-2.5	5.7	4.8	4.1
Romania	4.2	-3.9	6.6	4.5	4.3
Euro Area Members	3.3	-3.2	5.0	4.0	3.8
Baltics	3.9	-1.8	5.6	3.8	3.5
Estonia	4.1	-3.0	8.2	4.0	3.7
Latvia	2.5	-3.6	4.7	4.4	4.0
Lithuania	4.6	-0.1	4.8	3.4	3.2
Slovakia	2.6	-4.4	3.4	4.2	4.3
Slovenia	3.3	-4.2	6.3	3.9	3.3

Source: FocusEconomics (Feb, 2022)

Analytical framework of domestic capital markets resilience in the small transition economies



The quiet revolution of our time: economic development alternatives for the small CEE/FSU

1. Big-Push protectionism: attempts to become self-sufficient
2. Search for integration with the existing trading partners and economic unions
3. Maintain the current status-quo
4. Unite in a separate economic cooperation mechanism.
5. Diaspora – the fifth element?

Sources:

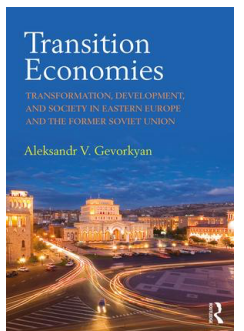
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The takeaway

“while the past remains debatable
and difficult to accept,

the future is full of promise (as it
naturally should, perhaps),

the present remains unclear
and as doubtful as ever.”



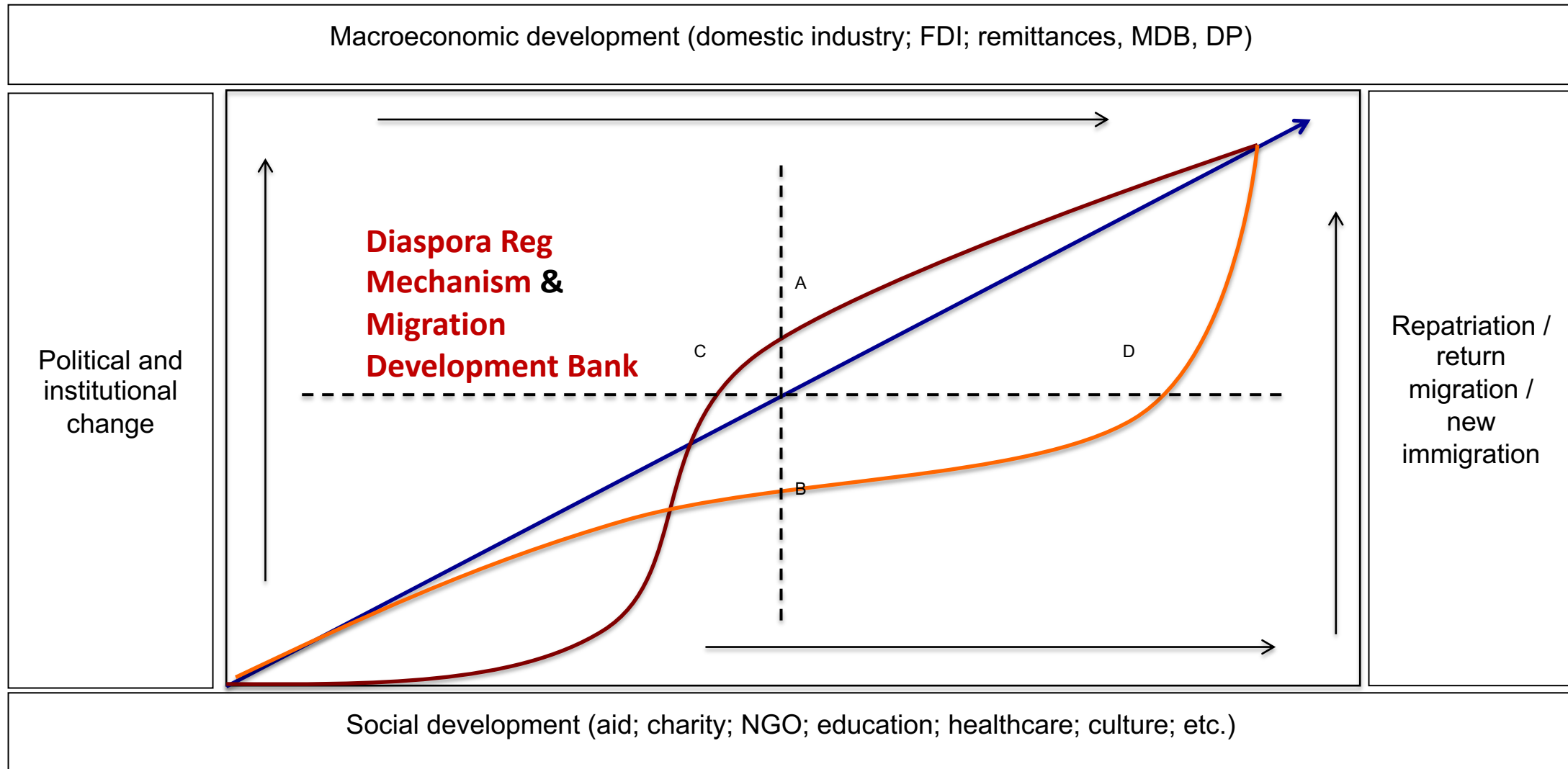
Except there are problems with “only” remittances view in “development”

- [-] scale
- [-] individual well-being vs common good
- [-] dependence on host country’s economic cycle
- [-] macroeconomic balance at home

- [-] origin: labor migrants, but is that a “diaspora”?

- What is development?

The big picture - all systems go: a macro framework of a diaspora “led” economic development



Source: adapted from Gevorkyan, A.V. 2018. *Transition Economies: Transformation, Development, and Society in Eastern Europe and the Former Soviet Union*. Oxford: Routledge. <https://goo.gl/iSN65c>

Note: direction of arrows indicates improvement in the corresponding indicator; multiple equilibria are possible; best outcome direction is in the north-east quadrant.

Table 2: Multidimensional vs. income poverty

Country	Population in multidimensional poverty, headcount (%)	Year	% of population earning less than \$1.90 a day	Year
Armenia	0.2	2016	1.2	2016
Georgia	0.3	2018	4.5	2018
Kazakhstan	0.5	2015	0	2015
Kyrgyz Rep	0.4	2018	0.6	2018
Moldova	0.9	2012	0.3	1999
Tajikistan	7.4	2017	4.1	2015
Ukraine	0.2	2012	0	2012

Source: UNDP, The 2020 Global Multidimensional Poverty Index and World Bank, (both accessed September 2021)