

# Transition of Visegrad countries: success, failure, or muddle through?

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Main issue: different transition paths from command to market economy, and from authoritarian to democratic political regimes.

- **Visegrad countries** – general overview
- Demographic trends
- Economic development
- Political development
- Social security
- Pension reform
- Conclusion: success, failure, or muddle through?



# Visegrad countries: in the middle of Europe



Country	Population (millions, 2012)	Fertility rate (2012)	Change per year incl. migration (thousands)
Poland	38	1,30	- 12,5
Czech Republic	10,5	1,43	- 6,5
Slovakia	5,5	1,45	+ 3
Hungary	10	1,3	- 9





Country	GDP in PPP (thousands USD) 2012	GDP growth/decline: 2012/2011 (%)	Employment rate (20-64) 2012 (%)	Un-employment rate April 2013 (%)	National debt per GDP, 2012 (%)
Poland	21,9	+1,9	64,7	10,7	55,6
Czech Republic	26,4	-1,3	71,5	7,2	45,8
Slovakia	24,9	+2,0	65,1	14,1	52,1
Hungary	21,6	-1,7	62,1	10,5	79,2

# External determinants of the post-1989 development



Ideological	The prevalence of neoliberal ideology, embodied in the 1990s Washington consensus
Institutional	<ul style="list-style-type: none"><li>• Shift of power and resources from nation states to actors of global economy</li><li>• Increasing but biased influence of the European Union (both before and after joining the EU in 2004)</li><li>• Decisive influence of the World Bank and International Monetary Fund in shaping reform agendas</li></ul>
Material	Integration of national economies into the world market, including infrastructural networks' inclusion

# Internal determinants of the post-1989 development



Ideological	Discrediting of the idea of social solidarity and its instrument - social policy (due to the failure of Soviet-type state socialism)
Institutional	<ul style="list-style-type: none"><li>• Insufficient experience with the practices of parliamentary democracy and market economy</li><li>• Limited capacity of public administration</li></ul>
Cultural	<ul style="list-style-type: none"><li>• Individualization of life styles</li><li>• Consumerism on the rise</li></ul>
Material	Considerably lower living standards in comparison to affluent Western democracies

## Pars pro toto: Introduction of flat income tax

Country	Year of introduction/ rate (% of income)	Present rate (% of income)
Estonia	1994	21
Lithuania	Mid 1990s	24
Latvia	Mid 1990s	24
Slovakia	2004-2012	19
Romania	2005	16
Czech Republic	2008	15
Bulgaria	2008	10
Hungary	2011	16
Poland	-	-



## Political developments

“...party systems of the (Visegrad) region show little sign of consolidation... (...) In Poland and Slovakia they are much more in the kind of constant and hectic flux... (...) When some stabilization occur at all, as in the Czech Republic and Hungary, it takes place at the price of arguably dysfunctional ideological opposition and hostility between the major party alternatives.” (Tóka, Henjak 2007:236)

“All the Visegrad countries experienced the crisis of the system of political power where the political elites used their political power for its capitalization into the economic one (so called „partocracy“). Such trends caused the alienation of voters from the politicians, especially in the case of left wing segment of the society.” (Marušiak 2007:161)

*Depending on electoral cycles, the share of people who do not trust political parties oscillates between four fifths and nine tenths in all Visegrad countries.*

Ratio of Social and Health System Expenditure to GDP (%)	2000	2005	2010
Poland	19,7	19,7	18,9
Czech Republic	18,8	18,4	20,1
Slovakia	19,4	16,5	18,6
Hungary	19,9	21,9	23,1



Ratio of Social and Health System Expenditure to GDP within the EU was **29,4 %** in 2010



Average labour market policy expenditure within the EU was **2,18 %** in 2009.

Labour market policy expenditure to GDP (%)	2005	2010
Poland	1,282	1,036
Czech Republic	0,471	0,558
Slovakia	0,604	0,939
Hungary	0,688	1,336

Life expectancy at birth	Women 1989	Women 2011	Men 1989	Men 2011
Poland	75,5	81,1	66,7	72,6
Czech Republic	75,4	81,1	68,1	74,8
Slovakia	75,2	79,8	66,8	72,3
Hungary	73,8	78,7	65,4	71,2



Average life expectancy at birth within the EU was **77,4 years for men and 83,2 years for women** in 2011



Old age and survivors pensions expenditures as a % of GDP within the EU was **12,99 %** in 2010

Old age and survivors pensions expenditures as a % of GDP	2001	2010
Poland	13,60	11,88
Czech Republic	8,21	9,21
Slovakia	7,38	8,43
Hungary	8,73	10,96

GINI coefficient	1987-1989	2005	2011
Poland	28	35,6	31,1
Czech Republic	20	26	25,2
Slovakia	19	26,2	25,7
Hungary	23	27,6	26,9



GINI coefficient	1987-1989	2005	2011
Poland	28	35,6	31,1
Czech Republic	20	26	25,2
Slovakia	19	26,2	25,7
Hungary	23	27,6	26,9
<b>Slovenia</b>	<b>21</b>	<b>23,8</b>	<b>23,8</b>
Estonia	28	34,1	31,9
Lithuania	26	36,3	32,9
Latvia	26	36,1	35,2

Expenditure in family/children as a % of GDP	1991	1999	2005	2010
Poland	4,2	1,2	0,8	0,8
Czech Republic	4,7	1,6	1,3	1,3
Slovakia	6,4	4,3	1,7	1,8
Hungary	8,1	3,8	2,5	2,9



Introduction of mandatory old age pension tier run by for-profit pension funds	Year of introduction
Hungary	1998
Poland	1999
Latvia	2001
Estonia	2002
Slovakia	2003
Lithuania	2004
Czech Republic	2013 (only voluntary)
Slovenia	-

## What has happened with the original design of pension reforms?

Introduction of mandatory old age pension tier run by for-profit pension funds	Year of introduction	Original contribution as a % of earnings	State as of 2013
Hungary	1998	8	Abolished <i>de facto</i> in 2010
Poland	1999	7,3	Reduced to 2,3 % in 2011
Slovakia	2003	9	Opened up several times to enable participants to return back to the first (public PAYG) tier
Czech Republic	2013 (only voluntary)	3	Expected 750 thousand applicants; 75 thousand applied by the beginning of July

# Past. Present. Future?

1. Performance of nation states has been mediocre. States are unable to perform some functions well. They are to considerable extent captured by private interests and spoiled by corruption.
2. Visegrad countries have not yet been able to cope with the economic consequences of the global crisis.
3. There is an apparent alienation of political elite from the population.
4. Social contract between people and political representatives is fragile, too weak to prevent social unrest, discontent and political crises and turbulences.
5. The European Union has not developed effective ways to prevent such developments.

*Visegrad countries' transition has been lacking both clear strategic vision and firm political leadership.*

*Countries have been muddling through, each in its own way...*



Thank you for your attention!

<http://martinpotucek.cz>; <http://ceses.cuni.cz>



## Data resources:

Eurostat, Eurobarometer, The World Bank

## Selected relevant personal bibliography in English:

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