

THE GREAT TRANSFORMATION 1989–2029

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Over 1.8 billion people – from Central Europe to East Asia – have been involved in the great systemic transformation to market economy, civic society and democracy, lasting already a generation. The process has evolved more by chance than by design, and has brought mixed fruits. The diversification of the current situation is a result of both the legacy from the past and the different strategies and policies executed in particular countries over subsequent periods. These policies have been based on different assumptions and followed the advises of alternative schools of economic thought. Consequently, there are theoretical lessons to learn, as well as policy implications, from this vast experience. The paper, written from the comparative perspective and exercising counterfactual history analyses of the multi-track process of the great Post-Communist change during the last two decades, provides some forecasts and propositions for the next generation.

Keywords: transformation, economic growth, development, institutions, economic policy, post-Communist period, Central Eastern Europe, former Soviet Union, future

JEL codes: A11, E6, F02, F43, H11, I38, N1, O17

INTRODUCTION

It is rare that so many changes occur in such a short time as in case of the postsocialist system transformation. Usually, it is placed in the period between 1989 and the present time. Some people think that in the case of the ten Central Eastern European countries already belonging to the European Union (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) the transformation has already succeeded, because the re-

gion has institutionally matured to a full-blooded market economy. Others, however, are of the opinion that there is still a long way to go.

I share the latter view. Although the very fact of formal membership in the European Union – in accordance with the Copenhagen Criteria established as early as in 1992 – means that a new member is a “functional market economy,” able to compete within the European integration grouping, it does not necessarily determine real system maturity. The only reasonable criterion of maturity is the qualitative advancement of the market culture *sensu largo* and the reliability of the institutions, that is, if the rules of market economy game ensure the effective operation of the mechanisms of creating and allocating capital, as well as the division of the output. Talking about the effective operation of those mechanisms, one needs to bear in mind both dynamics and the balance of the economic processes. Therefore, in order to achieve a satisfying state of market institutions and culture, further development, which is going to take many years, is necessary.

As for other regions, especially in the post-Soviet Central Asia, there are even such countries which could not be called postsocialist, but not even countries reforming their systems. After all, there is no doubt that in 1989 Hungary, Poland or Yugoslavia of the time were much more marketised and liberalised than countries such as Azerbaijan, Uzbekistan or Turkmenistan are twenty years later. Because of the context, however, nobody even thought of calling the former “transformation economies”, just like now the latter are not referred to, also because of the context, as “reforming socialist (communist) economies”.

THE CASCADE

In Poland in the spring of 1989 the historic Round Table debate was crowned with a compromise agreement. Representatives of the contemporary authorities and opposition, intellectuals and businessmen, politicians and economists, gathered at the Table, were oriented at reform and development. That agreement became the catalyst for the process of the great system transformation, which covered a great part of the world: first, Eastern Europe, and, soon after that, the territories of the former Soviet Union. That impulse had a considerable influence on the market orientation and the speeding of the structural and institutional transformations in China and in the Indochina regions, particularly in Vietnam.

All in all, over thirty countries, stretching from the Elbe River to the Pacific Ocean, the territory of which is currently inhabited by over one billion eight hundred million people, which is more than one fourth of the world’s population, entered the path to a more or less liberal market and democratic transformation. Af-

ter twenty years, this process, taking place with globalisation, a scientific and technical revolution, and stormy cultural and political changes in the background, has not only brought about a different face to this part of the world, but has created a completely new world.

It is true all the more because the year 1989 was a historically significant date for many other regions of the world as well – from South and Central America through Africa and the Middle East to South and Eastern Asia. It can be observed, *inter alia*, in such countries as Chile and Nicaragua, Ghana and South Africa, Yemen and Syria, India and Sri Lanka.

The turnaround, which was made more radical by the year 1989 (more radical, because many elements of that turnaround had appeared earlier, to various extents, preparing particular countries for the transformation (Bąk 2006; Koźmiński 2008)) also meant the end of the Cold War. The clash between the First World (advanced capitalist countries led by the USA and the former colonial metropolitan countries) and the Second World (led by the USSR and China) predominantly on the territory of the Third World countries has come to an end. It is interesting to note that twenty years later China's influence is much greater and still growing. In some parts of the newly divided world China is the most important player.

The collapse of real socialism, the end of the Cold War, the postsocialist transformation and the expansion of neoliberalism, the markets “emerging” from the postcolonial and postsocialist countries, the increasing wave of the contemporary phase of globalisation, the information revolution, mass migration and the devastation of natural environment are the most important and accumulating factors to cause the cascade of cultural, political, social, economic, technological and environmental transformations.

It is true that the merging and mutual influence of continuity and change processes are always present. Yet, at certain times it occurs that a coincidence of accumulating changes creates a specific cascade. Moreover, historic processes are not linear in character. That is what is taking place now: things are happening as they are, because much is happening at the same time. The cascade of changes is rolling with great force through societies and economies, causing something at its contact with nature, culture and technology that could be called tectonic shift. A new quality is being created, which can be explained on the basis of the coincidence theory of development (Kolodko 2009b). It should be perceived that all this is happening with the process of postsocialist market transformation, *per se* historic, in the background.

THE SENTENCE

If we had asked people, including outstanding economists (proficient in the field of the essence of the economic growth and development process, fully aware of the realities of the countries referred to, since 1989, as postsocialist) what the average standard of life and production level would be after two decades of transformation (excluding China and Indochina, whose development is very specific), we would not have found a single one to answer that it would be only 20 per cent higher. Yet current GDP levels of the transformation countries are, on average, only around 120 per cent of the levels measured 20 years ago. With such a finding, one may regard the great change pointless from an economic point of view. Why should one transform the system only to sentence the next generation (400 million people) to a slow, rickety, pace of growth, only average 0.9 per cent per year?! And yet that is what was done...

Twenty years ago, there was also no one to take a risk of forecasting, seemingly ridiculously, that China would increase its GDP per capita not by one fifth, but five times. And over that time, the huge country, still deemed by some as communist, has increased its production level by more than 420 per cent. It has achieved that by following its chosen path and ignoring Western pressures and advice, unlike the countries of Eastern Europe and some republics of the former Soviet Union, which have accepted them in different periods and to different extents. China has been able to ensure perfectly well the cooperation of an invisible hand of the market and a visible head of the state. The synergy of those two regulators of social reproduction process has determined China's unprecedented success, as the country has gently turned from the phase of a reforming socialist planned economy to gradual creation of a capitalist market economy. Although it still does not admit that, and it is still advancing the thesis of constructing "a harmonious society", intentionally still socialist, it is already on the path of building a market economy, which, by nature, is capitalist, with all the long-term implications, including political ones.

We will never get a satisfactory answer to a counterfactual, or alternative historical question: What would have happened if...? What would have happened if China had followed the path of the chaotic political and economic liberalisation, like Russia did in the decade of Yeltsin's administration? Would it have a bigger population than it has now and a lower standard of life than in 1989, at the same time flooding the world with additional tens of millions of miserable migrants?

What would have happened if, first in Eastern Europe, beginning with Poland, and then in the Soviet Union, political conditions for complex, profound system transformations had not appeared, and if this part of the world had followed a path of gradual but effective market reforms, like China and Indochina did, instead of

the rapid postsocialist transformation as they did? We can speculate that it would have been better and the pace of growth in the 1990–2009 period would have been significantly faster than the miserable annual average of 0.9 per cent, as it actually was better in the previous twenty-year period (1970–1989), and even to a greater extent, in two earlier decades (1950–1969).

But it can also be assumed that, as a result of the crisis at the turn of the 1980s and 1990s, and the systemic ineptitude to enter the path of fast and balanced growth, those countries would have got into secular stagnation and, possibly, would now have an even lower production level than in that period. Nevertheless, if we take into consideration the engagement in market reforms at the end of 1980s, especially in Hungary and Poland, as well as Gorbachev's *glasnost* and *perestroika*, the first option seems more probable: a higher average pace of growth than what really has taken place.

Certainly, in the realities of more profoundly reformed socialism, shaped this way or another, redistribution mechanisms would have also worked differently. The range of income inequality would surely be greater than in the time of the so-called real socialism, yet smaller than it has actually been (Kolodko 2000). That supposition, however, could be questioned as well, as the Chinese and Vietnamese experience proves otherwise. In these countries, advanced reforms of the socialist economic system have triggered gradual increase of inequality, even to a greater extent than in the countries which chose the path of gradual transformation. It is sufficient to point to the Gini index, illustrating the level of income differences, which is 0.47 in China (as of 2007) and 0.37 in Vietnam (2004), while in Poland it is 0.35 (2005) and in Hungary only 0.28 (also 2005) (CIA 2009).

REFORMS VERSUS TRANSFORMATION

There is a substantial difference between the market reforms of a real socialist economy and a postsocialist market transformation. In the first case, all it is about is changing the way the present system functions in order to retain it. Attempts to make the system more flexible and increase its ability to adjust to the changing cultural and technological conditions were made with that end in view. Their purpose was to enhance the effectiveness of the companies and to gain social support, or, at least, acceptance, for the system's functioning. So in the case of reforms, the changes – although at times profound and advanced – were to serve the purpose of retaining the economic and political system, and not its rejection. That was the objective of the soviet *perestroika* at the end of the 1980s; that was the objective of Polish reforms in that decade; that was the meaning of transformations in Hungary

started in 1968; and that was the basis of a different Yugoslavian model of self-government socialism, initiated as early as in 1950s.

As for the second option – postsocialist transformation – its aim is to eliminate the former system and replace it through substantial, qualitative institutional reconstruction by a new system, which is, *de facto*, a market capitalist economy. The fact that the term “capitalism” is still surprisingly rarely used to refer to the system created in the territory of Eastern Europe and the former Soviet Union does not change anything. Although euphemisms such as “market economy” are more frequently used, its capitalist nature is obvious.

Besides, it is not mere fate that the former “communism” with all its disadvantages, also imaginary ones, is contrasted with “market economy”, with its advantages, some of which are only hypothetical. Such intentional (ideologically-motivated, practically meaningless but politically useful) contrast of non-existent, gloomy “communism” with the idealised “market economy”, also non-existent, is erroneous from a methodological point of view and factually confusing. Proper comparisons necessitate the confronting of existing realities – the former one and the present one – and not a slandered image of the past and coloured image of the present or imagined future.

Therefore, the so-called real socialism as it really was, especially in its economic aspect, and the so-called real, contemporary postsocialist capitalism, as it really is, should be juxtaposed (Główczyk 2003). What is amazing is that neither economists nor economic historians are yet ready to make such an objective, comprehensive comparison. So we must wait for maybe another twenty years or more ...

EMERGING MARKETS

A commonly used (and misused in referring to the postsocialist reality without necessary reflection) term, *emerging markets* was not created to describe the new, complex economic reality of the countries under systemic transformation. The term is another neoliberal concept, which is related to the expansion of the neoliberal model of capitalism, lasting over the same time as the now twenty-year-long episode of postsocialist transformations (Harvey 2005). Those “emerging” markets are, in reality, not appearing, evolving and maturing market economies, civic societies and political democracies but emerging new fields of economic activity, particularly speculation, for the richer part of the world – the one which had “emerged” long ago as a capitalist economy and had institutionally and financially matured so now it is so strong and affluent that it is able and willing to use that affluence somewhere else, apart from the traditional fields of its domina-

tion. Considering the map of the world before 1989 with the division then existing, the situation called for the non-market part of the world to “emerge” and open for capital penetration. That, in turn, was and still is possible only through transformation from socialist planned economy to capitalist market economy.

From this neoliberal point of view, “emerging markets” are treated instrumentally, as one more opportunity to do good business, not necessarily taking into consideration the social costs in the places where the business is done. But from the point of view of the countries and economies interested in “emerging”, the purpose is basically different: it is the appearance of a market economy system, effective and competitive on the world’s scale, which would be able to fulfil the needs of their own societies in a satisfactory way.

Shortly speaking, that is the fundamental difference between the neoliberal approach to the postsocialist systemic transformation and the one represented by social market economy. The first approach concentrates on the emerging opportunities to do business, with which one should not be surprised but it would be necessary to understand it and react properly. The other approach concentrates on creating and developing a new type of social bonds, based on new, market management principles. Hence, it is not just “markets” that emerge but a market economy based society, which is something quite different...

Therefore, the declared Western concern for democracy and progress, for development and wealth of the postsocialist societies is mainly rhetoric, covering concern for own interests, not only political ones but first of all economic, particularly interests of the financial elite of the rich countries. We must not take offence at this fact though, not failing to realise that would be great naivety. We need to learn to adjust to it practically as to a new challenge which (in the time of globalisation, i.e. creating a mutually dependent world economy following the advancement of liberalisation and integration of markets) creates not only new dangers and risks but even more new opportunities. But so that it can be beneficial from the point of view of long-term social and economic development, an effective strategy, determining the aims of development and based on an accurate economic theory, is necessary.

As far as the historical sentence mentioned above is concerned, it was inevitable to take into consideration the dialectics of the whole development process. Its size still needs to be a subject of serious reflection and debate, as well as reliable assessment – both in political and *strict* scientific terms.

It was inevitable because, over two decades ago, the real socialist system – with an economy functioning in the condition of lacking political democracy and based on the domination of state property, central capital allocation and bureaucratic control – was heading towards an end, as it had used up its development capacity.

People were more and more dissatisfied in all of their three social functions they played:

- producers – frustration was increasing, which resulted from wrongly organised production, failing to bring the expected effects;
- consumers – in the face of increasing deficiencies and the deepening “shortageflation” syndrome (Kolodko – McMahon 1987), the level of consumer satisfaction was relatively low (against the background of increasing production), and sometimes absolutely low, because it was difficult not only to earn money but also to spend it;
- citizens – the so-called people’s democracy and more or less liberalised one-party system was far from giving people the possibility to express opinions in an organised and creative way and to have an impact on public matters.

In that situation, when the system was clearly creating more problems than it was able to solve, the “material fatigue” was so great that the system was bound to collapse under the weight of its own disfunctionality.

It happened in 1989 and in the subsequent years, but it could have happened a few, or about a dozen, years earlier or later. It definitely had to happen though. First, under the increasing social pressure, most clearly expressed in Poland, mainly though not exclusively, by the “Solidarity” movement, which, with the passing of time, contradicted itself, turning to populist or neoliberal positions (Ost 2005). It was also in Poland that the authorities, oriented at reforms, understood it first and decided to share power at the Round Table. In Romania they behaved in a completely different way. The processes in the other countries took forms between those two extremities.

Obviously, external pressures played their role here, yet, basically, it was an internal process. External pressure, consequently, should not be overestimated, as it took advantage of the internal decomposition processes instead of imposing the direction or pace of the changes. Even if in the USA the power had belonged to the Democrats, with their conciliation and cooperation attitude and kindness towards reforming the system and looking for “socialism with a human face”, instead of the Republicans with their confrontational outlook; even if in Great Britain the power had been with the Labour Party, concentrated on social market economy and looking for the “third way”, instead of the Tories, perceiving the East with hostility; the real socialism would have still been doomed to fail. If it had not happened at the end of the 1980s, it would have happened a bit later. But it was not doomed to what occurred after that, over the next two decades and what is, to a great extent, still taking place.

FACTS, INTERPRETATIONS, SPECULATIONS

While the past is the matter of facts and their interpretation, the future – except for shaping it actively, which is the most important – is the question of speculations and their interpretation. The former is more difficult; the latter is more appealing, as the future knows no facts, but it provides them. What kind of facts will come, however, greatly depends on assumptions taken *ex ante* and their consequences, theoretical and practical, intellectual and political ones. Therefore, hypothetical deliberations on the future, with certain intellectual and formal limitations, are not only interesting but may also be creative and fertile. Those who do not speculate, do not predict things. And without predictions, participation in creating the future is impossible.

The assessment of the previous course of postsocialist transformation process is still controversial, and it is going to be so for many generations, if not forever. Yet, certain areas of theoretical generalisations, hard to undermine rationally, are appearing (Blanchard 1997; Csaba 2007). At the same time, everybody seems to share the opinion that more could have been achieved in terms of economic growth, although sometimes there are fundamental controversies as to the paths that could have led to it. There is no doubt, however, that twenty years after the transformation, its results, measured as the scale of economic growth, could be much greater and its social costs (unemployment, inequalities, margin of exclusion, poverty, excessive death rate etc.) could be substantially smaller. A similar thing is going to be observed in the future.

In the face of neoliberal propaganda, oriented at presenting a false path of transformation (one without an alternative) *ex ante* and its image *ex post*, attempts to estimate economic growth that could have occurred in the years 1990–2009 are rarely made. Obviously, even an accurate result of such complex estimation with reference to the growth of production and consumption cannot be satisfactory for the assessment of the existing situation, as the GDP category used does not cover all the aspects of the socio-economic situation. UNDP's Human Development Index (HDI), used in practice, is better, though not perfect either, as it does not take into consideration the question of the natural environment or the evaluation of free time and its use. With time, all those and some other aspects of socio-economic development (cultural values and evaluation of the relations between the way of exercising power and the functioning of the economy) will be given due attention in a synthetic way, for example, in the form of the Integrated Well-Being Index (ZIP – Zintegrowany Indeks Pomyślności) (Kolodko 2009b).

Let us take the example of Poland – the biggest economy out of the new member states of the European Union – for which the GDP in 2009 equals to approximately 180 per cent of the value of 1989. Excluding China and Vietnam, it is the

best result in the postsocialist countries, apart from a specific case of Turkmenistan where the index is about 220 per cent (EBRD 2008), bumped up by a boom in energy resources prices in the recent years. It must be added that the growth of GDP by 80 per cent in Poland basically has happened due to fast growth in the period 1994–1997 and from the second half of 2002 to mid-2008. In the periods of 1990–1993 and 1998–2001, on the other hand, the aggregated GDP growth was close to zero. These changes in the dynamics and the level of production were clearly correlated with the employment and unemployment rates (Figure 1).

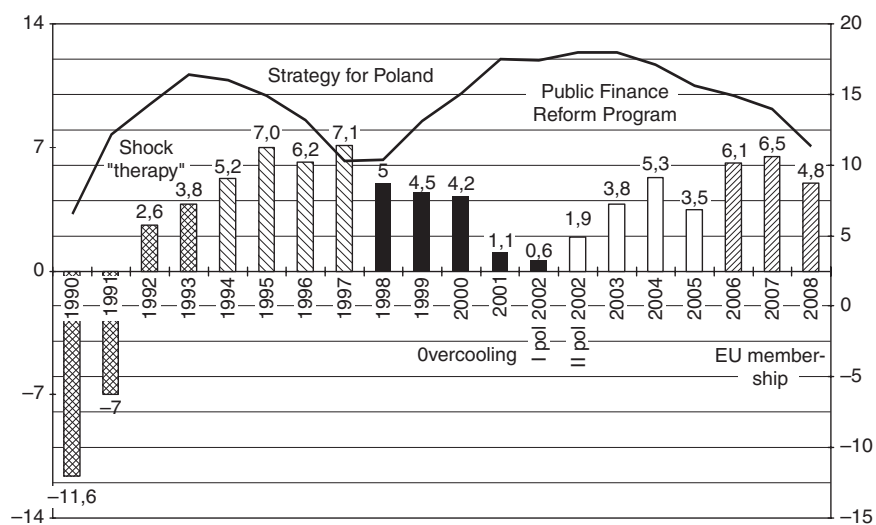


Figure 1. From Shock without Therapy to Therapy without Shocks
GDP growth (left scale) and unemployment rate (right scale) in Poland, 1990–2008

Source: GUS (Central Statistical Office), Warsaw (various years).

There has been an attempt to estimate the hypothetical pace of growth over the past twenty years in Poland. The basis for the estimation is the assumption that the changes of GDP level in the years 1990–1993 could have complied with the original government's plans (a fall by 3.1 per cent in year 1990 and further growth), and in the years 1998–2001 they could have been similar to the real dynamics observed in the 1994–1997 period, which was also presumed by the contemporary government's policy *ex ante* (Kolodko 2009a). This was possible, because implementing such a scenario only required avoiding the obvious mistakes: firstly, devastating stabilisation policy at the beginning of the past decade (Kolodko – Nuti 1997); secondly, the unnecessary cooling of the economy at the end of the decade, when the pace of growth was brought from the maximum (considering the trans-

formation period) level of 7 per cent in 1997 to the stagnation level of 0.2 per cent at the end of 2001 (EBRD 2008).

If the events had followed that scenario, based on the assumption of the sound policy of building market institutions and responsible strategy for economic development, and if we had reacted more effectively to the world economic crisis of 2008–2009 and retained the GDP dynamics at about 4–5 per cent, then in 2009 the GDP level would not be 180 per cent of the value from twenty years ago over 280 per cent of that value (*Figure 2*).

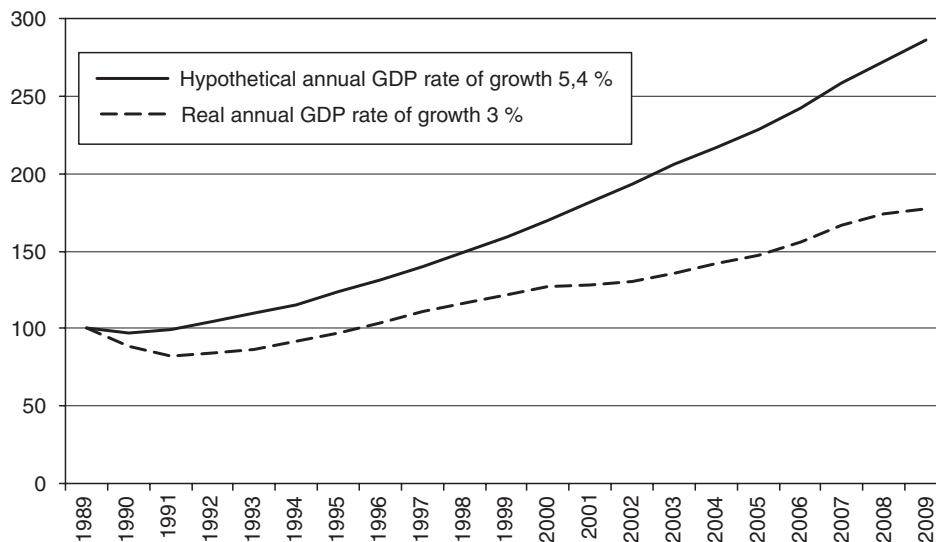


Figure 2. What if...Poland's GDP growth in 1990–2009 (1989 = 100)
Actual and counterfactual (optimal policy) GDP growth

Source: Data for real GDP growth – GUS, Warsaw (various years). 2009 – author's forecast. Hypothetical rates of GDP growth – author's calculation. See text for explanation.

Presented in absolute values, it would mean not around 18 thousand dollars *per capita* (calculated at purchasing power parity dollars, \$PPP), as in Latvia, but over 28 thousand \$PPP, more than in Portugal. That illustrates the range of the unexploited possibilities and, at the same time, irretrievably lost income. Failure to make income that could have potentially been gained, with all the ensuing results, is the effect of a neoliberal economic policy in some periods.

As for other transformed economies, which, taken together, only in 2007, returned to the production level of 1989, the range of mistakes was even greater than in Poland, consequently, the failure to use the growth potential was even more significant there. It was due to various causes, usually ones of political rather than

economic character: the virtually never-ending political disputes – sometimes turning to the populist direction, sometimes to the neoliberal one – made it difficult to exercise rational and practical policy of balanced economic growth.

Still, it must be emphasised that in Poland, following the path of average pace of growth at 3 per cent per annum was not inevitable, as a pace of approximately 5 per cent could have been achievable.

Similarly, the transformation countries as a group were by no means doomed *ex ante* to have the slow pace of growth of 0.9 per cent. Fundamental mistakes in economic strategy, both with reference to structural changes and creating new institutions, necessary for the efficient functioning of market economy, and to economic policy *sensu stricto*, triggered high costs. The price we now have to pay is the relatively low competitiveness of companies and the relatively low standard of life, as well as excessive foreign debt and dependence on external capital and politics.

Will we have to pay a similar price in the future too? Let us hope not, though we cannot be sure, especially when we see how slow the process of learning from our own mistakes is. The observed inertia partly results from the postsocialist establishment's attachment to ineffective doctrines, and partly from pressures put by national and foreign lobbies to secure their particular interests.

In 2008, the ten postsocialist member states of the European Union were inhabited by 103 million people, which is 1.53 per cent of the world's population. They created GDP of about 1.86 trillion \$PPP, which is 2.6 per cent of the Gross World Product (GWP) and at the same time 12.4 per cent of the gross product of the whole European Union. It must be emphasised that these ratios are relatively less – yes, less, not more – than twenty years ago. It is caused by the fact that the pace of production growth over the period 1990–2009, both on the global scale and in the wealthy part of the world, including the Western part of the European Union, has been much higher than in the postsocialist countries.

In the next twenty years (2010–2029), though, it can and should be different. Postsocialist economies, even in the current decade – until the outbreak of the world crisis – have demonstrated much greater dynamics than the highly developed countries, partly making up for the difference between those countries. Enormous institutional progress, combined with technological advancement and raising qualifications and managerial skills of the employees, is resulting in a pace of growth of labour productivity faster than in the West. That tendency, accompanied by further enhancement of the quality of microeconomic management, ought to continue in the future. Obviously, it also requires an effective macroeconomic policy, as microeconomic changes alone are not sufficient.

The year 2009 and the subsequent years are characterised by particularly great uncertainty, connected with the spreading of the successive stages of the world

crisis. Certainly, it is difficult to reasonably forecast the economic dynamics for the next few years in such a context, but the entirety of the long-term analysis of systemic changes suggests that in the long run, postsocialist economies have many reasons – related to global politics, institutions, culture, population and technology – to grow much faster than the “old” members of the European Union.

In the long-lasting process of eliminating historical differences in development levels, each fraction of a percentage point counts, as compound interest works with the passing of time. But first of all, the proper strategy of long-term, fast economic growth must work. It must be based on new pragmatism (Kolodko 2009b), turning back both from the threat of populism and from neoliberal deviation of the market economy. What is particularly dangerous for economic balance and dynamics is the combination of the two, which still sometimes happens in post-socialist countries.

THE FUTURE

Looking into the future, let us analyse the example of Poland once again. Nowadays, just like in 1989 and the subsequent years, we are *ex ante* facing the opportunity of following various paths of economic growth. Let us look again how they are placed between a very high (but not impossible to achieve) average annual level of growth of about 5 per cent and the pace of about 3 per cent, evaluated as low from the point of view of possibilities and, especially, ambitions. Let us see, then, how big the difference is between the estimated GDP level after another twenty years, in 2029, achieved at the pace of growth equalling 3 per cent, as it has really been in the years between 1990 and 2009, and at the pace of growth equalling 5.4 per cent, as it could have been in the same period if economic policy mistakes, especially shock without therapy at the beginning of the previous decade and unnecessary cooling and over-killing at its end, had been avoided. It seems that under certain conditions, the 5 per cent growth rate may be achieved for the next two decades, but what has the fundamental importance here is basing the long-term strategy on the proper economic theory (*Figure 3*).

If all the ten postsocialist countries in the European Union followed the path of fast growth of 5.4 per cent for the next twenty years, *ceteris paribus* their total GDP in 2029 would be 5.33 trillion \$PPP, nearly three times more than now. Assuming that the average annual pace of growth of world GDP will be about 3.5 per cent in the same time (which means only 2.5 per cent per resident of the Earth), and for the “old” fifteen countries of the European Union it will not exceed 1.5 per cent, after another two decades the ten countries’ GDP will grow from the current 12.4 per cent in the European Union and 2.6 per cent in the world, to around 30

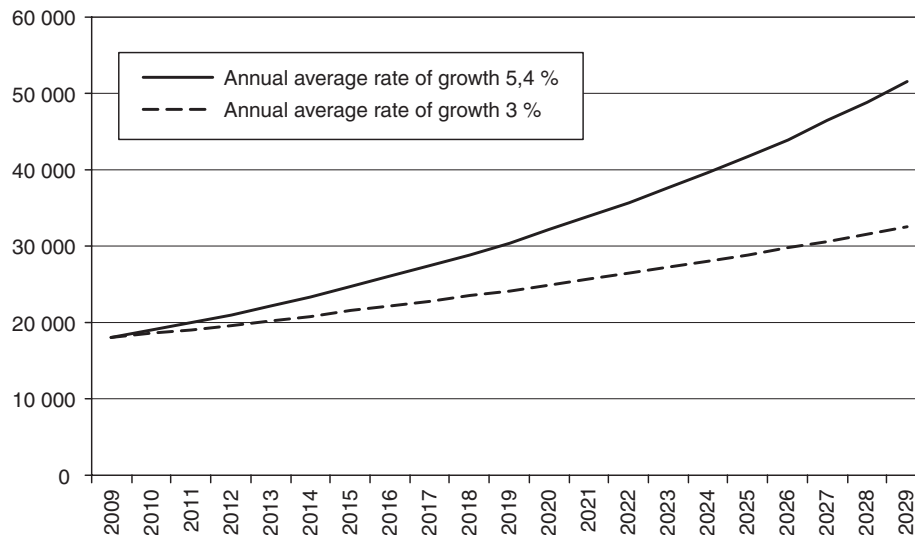


Figure 3. Alternative scenarios for Poland's GDP growth in 2009–2029
(2009 GDP per capita = \$PPP 18,000)

Source: Author's calculation. See text for explanation.

and 3.8 per cent, respectively, which would strengthen the relative position of the Eastern European region, especially within Europe.

It needs to be added that by 2029, probably the remaining ten postsocialist countries will have joined the European Union: all the Balkan countries (Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia) and some post-Soviet republics (Belarus, Moldova and Ukraine). In 2008, their total GDP was 729 billion \$PPP (half of which, 360 billion, is the Ukraine). The GDP of those ten countries equals to, respectively, 39.2, 4.9 and 1 per cent of the total product of the ten countries which already are in the European Union, the whole Union, and the entire world. Putting the GDP calculated according to purchasing power, aggregated for the seven Balkan countries and the three post-Soviet republics in another context, it is little higher than Poland's GDP (729 and 685 billion \$PPP, respectively) (Table 1).

As we can expect, starting from a lower level, the GDP of the European postsocialist economies, still outside the European Union, may in the future grow faster than in the relatively more advanced countries. Therefore, the assumption of its threefold growth until 2029 – up to around 2 trillion \$PPP – seems realistic. Then, the GDP of all the twenty postsocialist European countries (the ten already in the Union and the ten that should join it with time) would be approximately 5.3 per cent of the world's production. The world's population will then be around 8 billion, while in Eastern Europe there will be more or less the same number of

Table 1
Population and GDP (in \$PPP) in Central and South Eastern Europe in 2008

Country	Population (in million)	GDP (in billion \$PPP)	GDP per capita (in \$PPP)
Bulgaria	7.3	95.9	13,200
Czech Republic	10.2	273.7	26,800
Estonia	1.3	28.6	21,900
Hungary	9.9	205.7	20,500
Latvia	2.2	41.6	17,800
Lithuania	3.6	65.8	18,400
Poland	38.5	684.5	17,800
Romania	22.2	278.4	12,500
Slovakia	5.5	123.1	22,600
Slovenia	2.0	61.8	30,800
EU-10	103	1,859	18,100
Albania	3.6	23.1	6,400
Bosnia and Herzegovina	4.6	30.5	6,600
Croatia	4.5	73.4	16,900
Kosovo	2.1	5.0	2,300
Macedonia	2.1	19.0	9,200
Montenegro	0.7	7.2	10,600
Serbia	10.2	83.1	8,200
Belarus	9.7	116.7	12,000
Moldova	4.3	10.8	2,500
Ukraine	46.0	359.9	6,900
SEE-10	87.7	728.6	8,300
ECE-20	190	2,588	13,600
EU-27	491	14,960	34,000
World	6,707	70,650	10,500

Source: CIA (2009).

people as now, i.e. 190 to 200 million. So the one fortieth of the global population, 2.5 per cent of all mankind, will produce one twentieth of GWP. Currently, the population of Central and South Eastern Europe, being 2.84 per cent of the Earth's population, produce about 3.7 per cent of GWP.

The most important thing is, however, that with the optimistic scenario of an annual GDP growth by 5.4 per cent for the ten postsocialist countries already in the European Union, its *per capita* value would increase by as much as 34 thousand \$PPP (from the average 18,000 now to 52,000 in 2029), which means nearly 190 per cent per head, as there are not going to be more residents than there are now. It would be good, though, if they could at least enjoy higher output and, consequently, a perceptibly higher standard of life, which is what the meaning of postsocialist systemic transformation should bring down to, not mistaking the means of action with its end, as it sometimes happens.

CONCLUSIONS

In conclusion, answering the questions *Could it have been better?* and *Will it be better?*, it must be said that obviously it could have been better – to various extents in various countries, in various fields for particular individuals and social groups. It would have been better if the objectives had been more accurately determined and the systemic transformation had been treated not as a self-contained aim but as an instrument to achieve the superior aim, which is fast socio-economic development, enabling to make up for historical lags (Kolodko 2002).

Will it be better? In the absolute sense, of course, yes. After the next two decades of transformations, the level of production and consumption will double and in some cases even triple. Will GDP per head in the new postsocialist member states of the European Union be around 50,000 \$PPP in twenty years? It is not very probable as regards the whole, one hundred million people of this part of Europe, but it is possible for certain countries and regions (more and more often, one needs to think now in terms of regions, not countries), which are able to achieve economic successes. In the places where it will happen, it will mean even more than the GDP presently falling to a resident in the “old” fifteen countries of the European Union. And although the latter will go forward, increasing their production and consumption at least by one-third, the countries of Eastern Europe will differ less from Western Europe, but, obviously, even in twenty years, in many cases those differences will be substantial, still causing social tensions and political problems.

The situation, however, may not be relatively better, because subjective opinions do not depend on the assessment of difference between the past and the present, nor on reduction of the difference in comparison with more affluent societies and richer parts of the world, but predominantly on self-evaluation of one’s individual, group, social and national situation – as it is perceived in relation to one’s desires, expectations and ideas. There is no doubt that they will always be higher than the opportunities for fulfilling them and their actual realisation, for which they will be, on the one hand, the driving force of further changes and development, but on the other hand, the reason for endless frustration.

Taking into consideration the very dynamics of growth and development and the progress achieved in the future in those fields, the situation will still be worse than it could be. As usual, the potential will not be fully used, for the same reason as in the previous twenty years. The period is also bound to be full of mistakes in economic policy, resulting from badly solved conflicts of group interests, based partly on inaccurate theoretical assumptions and, more generally, theory falling behind reality and endless problems: first with crystallisation of the general aim of

development, and then its disaggregation into partial aims. It has been like this, it is like this and it will be like this.

The conclusions coming from the past twenty years, as well as from the preceding ones, should facilitate the reduction of the difference between the potential and the reality for the next two decades – years 2010–2029. Although, even in 2029, just like in 1989 and in 2009, there will be people who, when asked, “When at last will it be better?” will sarcastically answer, “It already is better ...”

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