

THE ELEVENTH DUBROVNIK ECONOMIC CONFERENCE

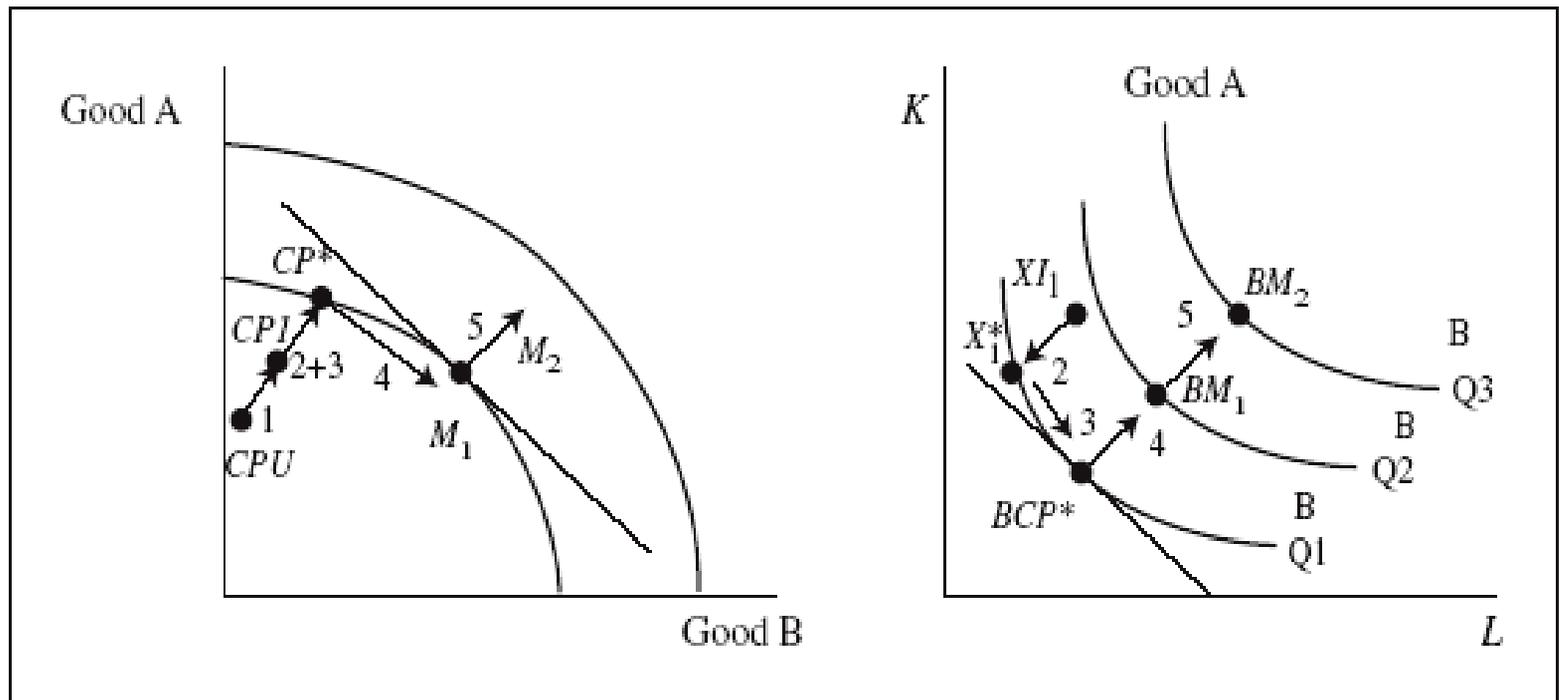


COMMENTS ON:
Thorsten Beck and Luc Laeven
“Institution Building and Growth in Transition
Economies”

Oleh Havrylyshyn—International Monetary Fund

Growth in the Recovery Phase of Transition

Figure A1. Growth In the Recovery Phase of Transition



Transition Indicator Values by Year and Type

	1994	1999	2003
■ C.E.: LIB	3.7	4.2	4.27
INST	2.7	3.1	3.3
■ Baltic	3.7	4.1	4.27
	2.3	2.9	3.3
■ S.E.E.	3.0	3.9	4.1
	1.7	2.2	3.0
■ CIS	2.2	3.7	3.9
	1.4	2.1	2.3
■ CISL	1.9	2.0	2.2
	1.4	1.6	1.5

- Source: Averages calculated from EBRD Transition Report 2000 and 2003, country tables. LIB refers to the first phase group of reforms, and INST to the second. CISL includes Belarus, Turkmenistan, Uzbekistan; CISM (Moderate Reformers) the remaining 9 countries of the CIS.

Type of First Government and Institutional Development 1996

	<u>Non-Communist</u>	<u>Coalition</u>	<u>Renamed Communist</u>
■ <u>B.L.</u>			
■ <u>INST. DEV.</u>			
■ Above 0.0	Czech. Rep. Estonia Latvia Lithuania Slovakia	Hungary	Slovenia
■ 0.0 to -0.50	Poland Armenia	Bulgaria Croatia	Albania Macedonia Moldova Kyrgyz Romania
■ Lower than -0.50		Belarus Georgia	Azerbaijan Kazakhstan Russia Tajikistan Turkmenistan. Ukraine

■ Source: Havrylyshyn (2005 forthcoming) based on Heenan and Lamontaigne (1999), *Handbook for Central Europe and Handbook for CIS*.

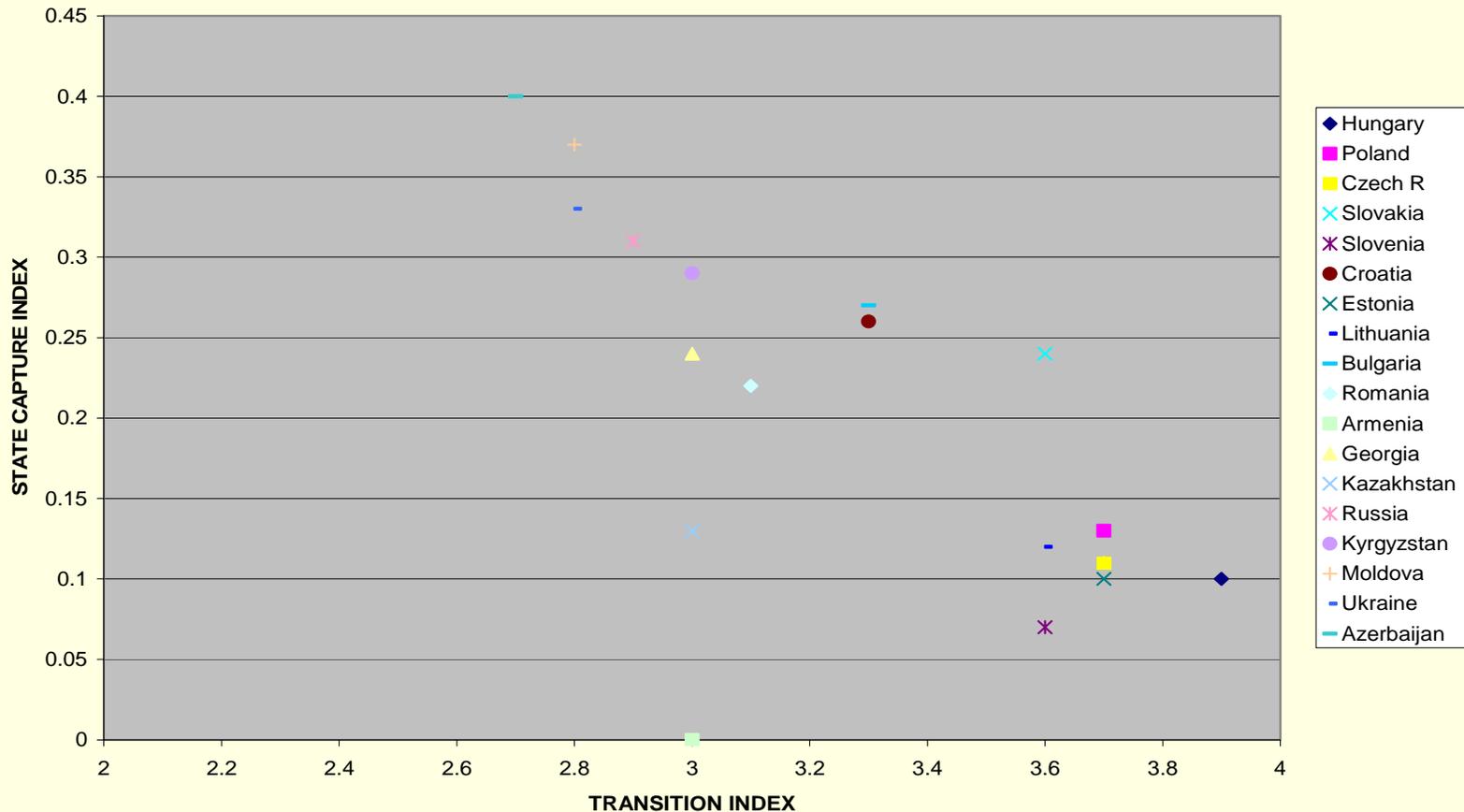
Type of First Government Adjusted for Liberal Commitment, and Institutional Development



■ Source: as in SLIDE 3; countries in bold have low exports share in BL above average.

State Capture Index (1998) and Transition Index (2003)

State Capture Index (1998) & Transition Index (2003)



Summary Comments

- Excellent start on important question: determinants of institutional development.
- Implausible conclusion that Inst. Dev. variable fully explains growth with no significance for stability, liberalization.
- Socialist entrenchment: a compelling explanation of Inst. Dev. But could be made even stronger by defining it as “liberal commitment” and better measurement.
- Natural resource share not so convincing; rent-seeking in general is the probable answer. Small sample cross-country design is a problem in this connection.
- Inst. Dev. Determinants do not include EU Accession. Implausible result again may be due to small sample size.