

**DEC XIX.JUNE 12-14,2013.**

**H.Wagner**

**“History of European Integration”**

Comment by Oleh Havrylyshyn..... >

**IS TRANSITION FROM *SOCIALISM* TO *MARKET***

**THE SAME AS CONVERGENCE?**

# From Socialism to Market in 20 years....SUCCESS!



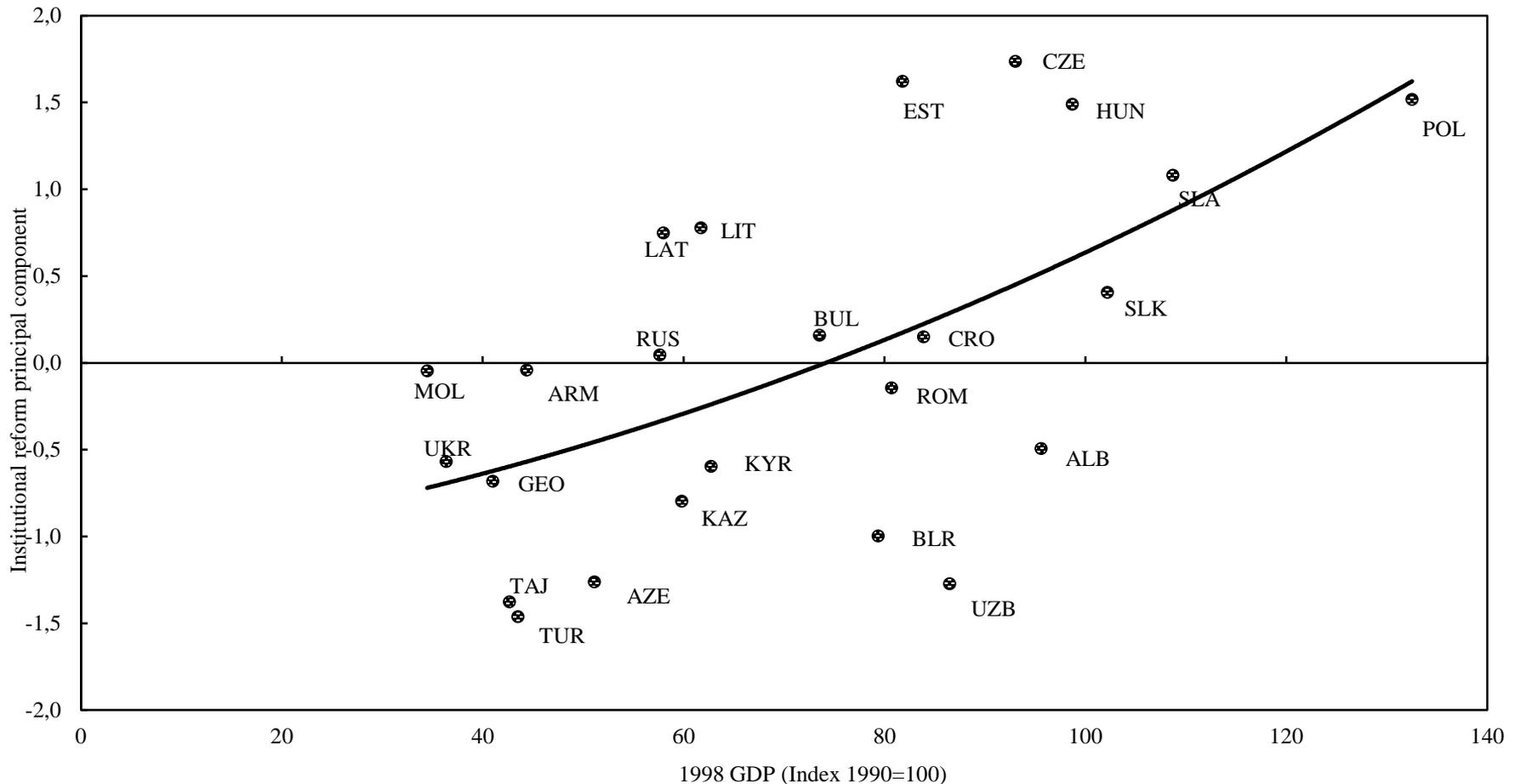
# WHAT I LIKE ABOUT PAPER...

- **MOST NOVEL: FOCUS NOT ON gdp/cap, OR macro stability AS PER OCA OPTIMALITY--BUT ON *INST. EVOLUTION* ( call it SYSTEM CONVERGENCE?)**
- **DIFFERENTIATES COUNTRIES BY DEGREE OF INTEGRATION : EZ member;EU Accession; candidacy; potential candidacy ;“good neighbours”**
- **THIS IS BETTER WAY TO INVESTIGATE NEW OCA “ENDOGENEITY THESIS:” THAT ADVANCE EU ‘ENTRY’ MOTIVATES FASTER CATCH-UP, because -- as I infer Wagner hypothesizes,GOOD INST BASIS FOR GOOD MACRO POLICIES, AND GOOD gdp PERFORMANCE**
- **Evidence of this hypothesis seen in Next slide .....**

# CORRELATION OF GROWTH AND INSTITUTIONAL DEVELOPMENT

[from EBRD Transition Report, 2000]

Figure 3. Growth and Institutional Reform



# WHAT I DON'T LIKE ABOUT PAPER...

- ?? Tried and failed here.... SORRY

# **WHAT I THINK COULD BE RECONSIDERED/ADDED/REVISED**

- 1. ALMOST ALL SAMPLE TRANSITION COUNTRIES! IS THERE AN EFFECT SEPARATE FROM EU STATUS? i.e.- reform commitment varies**
- 2. EXPLAIN MORE ON WHY BEST-PERFORMING NOT IMPROVED FURTHER (slide 16)**
- 3. MANY CLEAR POLICY IMPLICATIONS , BUT SOMEWHAT JUMBLED : WHAT EU SHOULD DO, WHAT COUNTRY SHOULD (OR SHOULD NOT )DO, SAFER TO WAIT FOR EZ ENTRY, POLITICAL IMPLEMENTATION IMPORTANT, ONE DEPENDS ON THE OTHER, AND SO ON.**

# 1. REFORM COMMITMENT EXOGENOUS ?

- ❑ **TRANSITION LIT. ( esp. POLSCI) SHOWS INHERENT REFORM COMMITMENT DIFFERS (CE& BALT more committed than CIS, in latter 3-4 like BEL,TKM, virtually no commitment )**
- ❑ **MANY CASES OF COMMITMENT WITHOUT /OR BEFORE EU PROSPECT– ( Balt. < '95 Assoc Agree; CRO even longer; SVK , BG sharp change after elections '97-98)**
- ❑ **ABOVE SUPPORTED BY EVIDENCE OF PROGRESS ON EBRD REFORMS: COUNTRIES DOING MACRO STAB, AND LIB. REFORMS EARLY , WERE ALSO THE FASTEST ON INST. REFORM ( the EBRD “2<sup>nd</sup>, generation reforms) –NEXT SLIDE**
- ❑ **THE LAST FACT ALSO SUPPORTS WAGNER’S UNDERLYING HYP. THAT GOOD INSTITUTIONS ,GOOD POLICY, GOOD PERFORMANCE ALL PART OF SAME PACKAGE OF “SYSTEM CONVERGENCE”**

# EBRD Transition Progress Index

## Liberalization (LIB) Institutions (INST)

		1994	1999	2005
Central Europe	LIB	3.7	4.2	4.3
	<b>INST</b>	<b>2.7</b>	<b>3.1</b>	<b>3.3</b>
Baltics	LIB	3.7	4.1	4.3
	<b>INST</b>	<b>2.3</b>	<b>2.9</b>	<b>3.2</b>
S.E. Europe <sup>1/</sup>	LIB	3.0 (n.a)	4.0 (3.9)	4.1 (4.0)
	<b>INST</b>	<b>1.7 (n.a)</b>	<b>2.2 (1.9)</b>	<b>2.5 (2.3)</b>
CISM	LIB	2.2	3.7	3.9
	<b>INST</b>	<b>1.4</b>	<b>2.1</b>	<b>2.2</b>
CISL	LIB	1.9	2.0	2.3
	<b>INST</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>

## **2. BEST NOT IMPROVED FURTHER**

- **AN INTERESTING QUESTION ; LIT. OFTEN NOTES NEW MEMBERS 'SLOW DOWN AFTER ENTRY—WAGNER SAYS THIS TOO.**
- **BUT COULD THERE BE OTHER EXPLANATIONS ?**
  - **Some institutions take more time, are technically, legally and politically more difficult**
  - **How is speed measured ? Virtually all metrics of INSTQUAL are asymptotic curves either by definition or in practice ; 1<sup>st</sup> difference may not be right measure ( Roncza and Cizkowicz,2003)-one alternative: % change of absolute distance from asymptote**
  - **This + my slide 8-- may help understand some of uncertainty of Wald tests( Wagner #20)**

### 3. SORT OUT POLICY LESSONS.a

- EASY TO CRITICIZE, HARDER TO DO. EACH OF POLICY PROPOSALS SENSIBLE , BUT TOO MANY WITHOUT CLEAR PRIORITY, SEQUENCE, LINKS.
- PERHAPS END THIS PAPER AT CONCLUSIONS FROM EVIDENCE? DO A SEPARATE PAPER ON FEASIBLE POLICY ALTERNATIVES? first best, second bests, doable by some not others...
-

### 3.SORT OUT POLICY LESSONS. b

- I infer Wagner considers 1<sup>st</sup> Best for EU to fix architecture so entrants not tempted to act irresponsibly
- BUT if EU does not 2<sup>nd</sup> Best is then to delay EZ entry. OK makes sense, but he recognizes many countries HAVE been able to resist the temptation even after EZ ( EST,SVK, FIN, AUS)
- The alternative, to avoid temptation, he tantalizingly dangles on #27 : *will Croatia be like Finland ..?*— Surely this deserves more analysis i.e. what are conditions leading to self-discipline?



# and THE REWARD FOR SELF-DISCIPLINE AT DEC ... the post-DEC DECK !!

