Comparison of Economical and Social Development of Transition Countries

Danutė Budreikaitė

Socialinių mokslų daktarė
Lietuvos teisės akademija
Europos komitetas prie Lietuvos Respublikos Vyriausybės
Gedimino pr. 56, LT-2685 Vilnius
Tel. (370–2) 22 26 60
Faksas (370–2) 61 21 78
El. paštas: db@www.euro.lt

The article gives the analysis of achievements of the most important Central and East European states, involved in the formation of a market economy, as relevant to the strategy of achieving the targeted goal. The analysis is aimed at revealing the advantages of transition to a market economy and possible costs. The period of 1985–1994 under analysis is the beginning of restructuring of the economy of the countries in transition and the point of turning. For comparative purposes, the basic economic, macroeconomic indicators, the growth of economy and structure, consumption, health care and education, State budget and payment balance, and other important economic and social indicators have been used that describe the level of economic and social development of state, its place in the world labour division. By using the comparative analysis attempts are made to relate the results of the economic and social development of the countries with the selected strategy of transition to a market economy. No doubt, various causes may have an effect on the economic and social achievements of the country, but this is logically inseparable from the strategy of the development of the country.

Post-socialist states, upon the disintegration of command economy, have faced the dilemma of choice – either revolutionary or evolutionary development. The choice of one of the ways could be specified as that of "shock", another as consistency. If for solution of the occurring problems *reform* is proposed, the evolution within certain reasonable limits, consistency and most frequently social orientation logically stand to reason.

In the period of transition to the market economy discussions of theoretical scholars and practitioners still take place as to what problems should be given priority – those of economic efficiency or social justice. Even though the understanding of social justice under market conditions is ambiguous.

In 1991–1992, at the beginning of the transitional period, with no existing analogues and experience of transition from the command economy to the market economy, some of the Eastern and Central European countries chose the more rapid method of therapy, that of "shock" (Poland, Estonia, and Hungary), but the ideas of "shock", as compared to their primary understanding, have been transformed in these countries and got changed considerably. Practically, it is impossible to distinguish the "pure" method – either shock or evolution. The elements of both methods have been applied in many countries. At the start – free price setting ("shock") – characteristic of Bulgaria, Lithuania, Russia, Poland, and other countries.

Currently, when crisis of a transitional period in most of the former socialist states has been overcome, the economy starts to stabilise and grow, the choice of a market economy model – liberal or socially oriented – still remains of importance. Both of these models have been implemented in various countries (China, USA, Germany, Japan, and Chile). Even though due to the level of development, conditions and the scope of new emerging tasks in post-socialist and capitalist states it is complicated to use the experience of capitalist and some developing countries, the analysis of that experience is important for making a prospective model for the development of the state.

The comparative analysis shows the economic and social results achieved by the transitional countries that selected a certain way of economic transformation and the results attained within the same period by the capitalist countries with the stable economy that have been implementing a liberal or socially oriented economic model.

Analysis of the Economical and Social Development of Transition Countries

For the sake of comparing the economic and social development the countries were placed in several groups:

- countries that used "shock" therapy in the period of transition: **Poland, Estonia,** and **Hungary (Group I);**
- countries that have applied the evolutionary (socially oriented) method of transition into the market economy: **Bulgaria, Lithuania, Latvia, the Czech Republic** and **Russia (Group II);**
- countries, similar to Lithuania by the size of their territories and the number of the population: **Ireland** and **Denmark (Group III);**
- developed (with stable economy) countries, applying the socially oriented market economy model: **Germany** and **Sweden (Group IV).**

For comparison of more important indicators the **USA** statistical data have been used.

Basic indicators. According to the classification provided by the World Bank [1] Bulgaria, Lithuania, Latvia, Poland, Estonia, Russia, the Czech Republic, and Hungary are attributed to the countries with an *average income level*, where GNP per capita in 1994 constituted from USD 725 to 8,956.

Ireland, Denmark, Germany and Sweden are attributed to the countries with a *high-income level* where GNP per capita in 1994 amounted to USD 8,956 and more.

Group I countries (Poland, Estonia, and Hungary) differ considerably by the size of their territories and the number of the population. The territory of Estonia constitutes 14 percent of the territory of Poland and its population makes 3,9 percent of the Polish population, but the GNP per capita in Estonia is 11 percent higher than in Poland. This proves once again that economic efficiency is not directly dependent on the scale of economy. Of these three states the highest GNP per capita belongs to Hungary – USD 3,840.

In Group II countries (Bulgaria, Lithuania, Latvia, the Czech Republic and Russia) GNP per capita in 1994 was: Bulgaria – USD 1,250, Lithuania – 1,350, Latvia – USD 2,320, Russia – USD 2,650, the Czech Republic – USD 3,200 (table 1).

For Group I and Group II countries, in spite of the strategy of the transitional period, characteristic is the reduction of GNP per capita in 1985–1994 (except Poland) and similar volumes of GNP per capita.

Within the period of 1985–1994, GNP per capita in Ireland increased by 5 percent (constituted USD 13,530), in Denmark by 1,3 percent (but amounted to USD 27,970). These both states are similar to Lithuania as to the size of their territory and the number of the population. In Denmark this indicator is higher than in Germany and Sweden.

Having recalculated the GNP on the basis of the purchasing power parities, the highest GNP per capita belonged to the Czech Republic – USD 8,900 and the lowest to Latvia – USD 3,220. This indicator of the other countries of the two groups is highest in Denmark (USD 19,880).

Making attempts to justify the results achieved by the countries under comparison, relating them with the choice of the strategy of transition, we can make a prerequisite that neither the size of the territories of the states nor the number of the population had a more considerable effect on the implementation of the selected strategy.

Macroeconomic indicators. According to the data available for 1994, only Lithuania and the Czech Republic had the Central government current surplus (current revenue of central

Table 1. ***Basic indicators***

	Population (million) mid. 1994	*Area (thousand of sq. km)*	*GNP per capita*		*PPP estimates of GNP per capita*
			Dollars 1994	*Avg. ann. growth (%)1985–1994*	*Current int'l $1994*[j]
Bulgaria	8,4	111	1,250	–2,7	4,380
Lithuania [f]	3,7	65	1,350	–8,0	3,290
Latvia [f]	2,5	64	2,320	–6,0	3,220
Poland	38,5	313	2,410	0,8	5,480
Russia [f]	148,3	17,075	2,650	–4,1	4,610
Estonia [f]	1,5	45	2,820	–6,1	4,510
Czech Rep.	10,3	79	3,200	–2,1	8,900
Hungary	10,3	93	3,840	–1,2	6,080
Ireland	3,6	70	13,530	5,0	13,550
Denmark	5,2	43	27,970	1,3	19,880
Germany	81,5	357	25,580		19,480
Sweden	8,8	450	23,530	–0,1	17,130

Sources: From plan to market. World Development Report, 1996.
[f] Estimates for Economic of former Soviet Union are preliminary.
[j] Extrapolated from 1980 ICP estimates.

government less current expenditure) (calculating from the Gross National Product). For other countries in transition the current deficit is characteristic. The current deficit is also characteristic of Ireland, Denmark, Germany, and Sweden. Such monetary-oriented country like USA also had the current deficit of 2,2 percent (from GNP) in 1994.

The highest inflation in 1984–1994 from Group I countries was observed in Poland – 97,8 percent and Estonia – 77,3 percent. In December 1996 – December 1997 inflation in Estonia reduced to 11,6 percent. Within that period it was by 3,6 points higher than in Lithuania and by 4,8 points higher than in Latvia [2].

Of Group II states the highest inflation was in Russia. It reached 124,3 percent.

In the countries of the stable economy (Groups III and IV) inflation reached: in Ireland – 2,0 percent, in Sweden somewhat more – 5,8 percent.

The greatest difference in "shock" states between bank deposits and loan interest was in 1994 in Estonia – the loan interest rate was twice as much. In Poland the loan interest was higher than deposit interest by 2,2 points, in Hungary by 7,1 points. Analogous situation was also observed for Group II states.

In Ireland, Denmark, Germany and Sweden, where inflation was low, the deposit and credit interest was correspondingly low as well. The lowest deposit and credit interest was in Ireland (accordingly 0,3 and 6,1 percent).

Of "shock" countries foreign currency reserves in 1994 were highest in Hungary – it could cover 5,1 months of import (Poland – 2,8, Estonia – 3,8 months).

In Group II the greatest reserves were in Latvia – 5,3 months, the smallest in Russia – 1,5 months. Russia plans to increase this indicator in the future up to 3 months.

Data on the dynamics of this indicator in the countries of the transitional period are lacking, but in the countries of stable economy, independently of the monetary or social strategy, the currency reserves reduced in 1980–1994 in Ireland – from 2,8 months to 1,9 months, in Denmark from 2,9 to 2,0 months, in Germany from 5,5 to 2,5 months, in USA from 6,2 to 2,0 months [1].

Such a tendency may be partly explained by the fact that countries in transition strive to reduce the risk and to be insured from the possible unexpected occurrences (table 2).

The figures provided show that the budget deficit in 1994 is typical of all the countries in the transitional period and those with stable economy, independently of the strategy of their development. Due to the problems in economy, in most transition countries the loan interest was much higher than interest of deposits. Some countries, striving to reduce the economic risk, had quite considerable foreign currency reserves.

Growth of the Economy. Economy of the states in transition grew unevenly prior to the beginning of the transition period: the highest average annual growth of GDP within 1980–1990 was observed in Bulgaria (4,0 percent) and Latvia (3,5 percent), the lowest in Estonia (0,2 percent). Within the period of 1990–1994 the economic decline – the reduction of GDP – was characteristic of all these countries, except Poland. But the period of 1990–1994 was not successful for the developed countries either: the growth of GDP as compared to the previous period slackened in Denmark, Germany, Sweden, and USA [1].

Table 2. Macroeconomic indicators

	Central gov't curr. deficit/surplusa (% of GNP)		Nominal interest ratesof banks (averageannual %) 1994		Average annual inflat. (%) (GDP deflator)	Gross international reserves (months of import cov.)	Nett present value of external debt (% of GNP)
	1980	1994	Deposits rate	Lending rate	1984–1994	1994	1994
Bulgaria		–4,7	54,5	64,1	42,2		100
Lithuania		0,2	27,4	62,3	102,3	2,9	7
Latvia		–0,9	31,7	55,9	69,8	5,3	6
Poland		–1,0	30,6	32,8	97,8	2,8	37
Russia		–5,7			124,3	1,5	23
Estonia			11,5	23,1	77,3	3,8	4
Czech Rep.		3,4	7,1	13,1	11,8	4,2	28
Hungary	4,9		20,3	27,4	19,4	5,1	66
Ireland	–5,9	–2,1	0,3	6,1	2,0	1,9	
Denmark	–1,2	–4,7	3,8	8,3	2,9	2,0	
Germany		–0,3	4,5	11,5		2,5	
Sweden	–2,6	–11,7	4,9	10,6	5,8	3,8	

Sources: From plan to market. World Development Report, 1996.
[a] Refers to current budget balance excluding grants.

In 1995 and 1996, as compared to the previous years, in all the countries in transition, except Bulgaria, GDP increased: mostly in Poland (6,1 percent in 1996) and least in Hungary (1,0 percent). The rates of GDP growth in Denmark and Germany have become still slower [3].

The general domestic investments in the countries in transition in 1980–1990 increased inconsiderably, mostly in Bulgaria (2,4 percent) and least in Estonia (0,5 percent), in 1990–1994 reduced: in Bulgaria by 10,1 percent, and in Estonia by 33,8 percent, on the average.

Within the last years foreign investments increased in the countries of the transitional period.

In 1990–1994 the same tendency for reduction in investments was also observed in the countries of stable economy: in Sweden by 13,3 percent, Ireland by 10,8 percent, least in Germany by 1,8 percent. The general domestic investments within the said period increased in the USA (4,1 percent in 1990–1994, 3,4 percent in 1980–1990) [1].

Only in Poland, which started economic reforms earlier than in other countries, the growth of industry and services (except agriculture) was observed in 1990–1994. Most considerable decline in industry and services in Group I was observed in Estonia.

In Group II, according to the data available, in 1990–1994, the agricultural and industrial production reduced mostly in Latvia.

Growth rates became slower in Denmark, Germany, and Sweden.

Thus we see that the period of 1990–1994 was quite complex not only for the states of the countries in transition. The GDP reduced unevenly, like its uneven growth in the transition countries observed in 1980–1990. The growth of GDP also slowed down in the stable economy countries in 1995–1996.

Structure of the economy: production. According to the creation of GDP per capita in Group I countries, the leading position was taken by Poland – USD 6,900 (1996). In Estonia this indicator was USD 4,431, it differed inconsiderably from Group II countries – Lithuania (USD 4,273), Bulgaria (USD 4,190). In Group II the highest indicator was in the Czech Republic – USD 10,100 (table 3).

In the countries in transition in 1994 as compared to 1980 the change in the economic structure was observed: the shift of GDP from agriculture and industry to the sector of services.

In 1994 in the sector of services in Group I more than half of GDP was created: in Hungary – 60 percent, Estonia – 55 percent, Poland – 54 percent.

In Group III 57 percent of GDP in the sector of services was created in Latvia, 55 percent in Russia, 53 percent in Bulgaria.

In Ireland this indicator has reached 83 percent, in Denmark – 69 percent, in Sweden – 68 percent, in the USA – 64 percent (1980) [1, table 4].

In the period of 1980–1994, a part of GDP created in the industry increased in low-income countries – Mongolia, India and other countries, into which the developed countries transfer part of their industrial production.

In 1995, in the industry (including energy) the biggest GNP in Group I was created by Poland – 33,3 percent, the least by Estonia – 22,9 percent. In Group II – the biggest GNP was in the Czech Republic – 34,8 percent and the least in Latvia – 26,0 percent [3]. This depended partly on the development of industry

*Table 3. **Gross domestic product per capita according to the purchasing power parity, USD***

	1994 WB data	*1994 Human Development Report, UNDP*	*1995*[1]	*1996*[1]
Bulgaria	4,230	4,533	4,588	4,190
Lithuania	3,240	4,011	4,014	4,273
Latvia	5,170	3,332	3,291	3,484
Poland	5,380	5,002	5,900	6,900
Estonia	...	4,294	4,138	4,431
Czech Republic	7,910	9,201	9,500	10,100
Hungary	6,310	6,437	6,600	6,800
Denmark	20,800	21,341	21,500	22,300
Germany	19,890	19,675	20,500	21,100

[1] Preliminary data

Source: Lithuania in Europe. Vilnius: Department of Statistics, 1998.

*Table 4. **Structure of the economy: production***

	Distribution of gross domestic product (%)							
	GDP (million)		*Agriculture*		*Industry*		*Services*	
	1980	*1994*	*1980*	*1994*	*1980*	*1994*	*1980*	*1994*
Bulgaria	20,040	10,199	14	13	54	35	32	53
Lithuania[d)]	..	5,224	19	21	53	41	29	38
Latvia		5,817		9		34	..	57
Poland	57,068	92,580	..	6		40	..	54
Russia	..	376,555	9	7	54	38	37	55
Estonia[d)]	..	4,578	14	10	49	36	37	55
Czech Rep.	29,123	36,024	7	6	63	39	30	55
Hungary[d)]	22,163	41,374	..	7		33	..	60
Ireland	20,231	52,060	..	8	..	9	..	83
Denmark	66,322	146,076	6	4	30	27	65	69
Germany	..	2045,991	..	1		..	..	..
Sweden	125,557	196,441	4	2	34	30	62	68

Sources: From plan to market. World Development Report, 1996.
[b)] Services, etc., include unallocated items.
[d)] GDP components are at purchaser values.

in the country and its successes in restructurisation, when adapting to market conditions.

Depending on the changes in the industry, energy consumption also got changed, a tendency of reduction in consumption was observed (except the Czech Republic). In 1994, as compared to 1980, energy per capita (recalculated by an oil equivalent) reduced: in Lithuania by 34,1 percent, Poland – 26,8 percent, Russia – 25,2 percent, in the Czech Republic increased by 35,8 percent. In 1994, from Group I countries the greatest consumption was observed in Estonia – 3,552 kg (an oil equivalent) and the least in Hungary – 2,455 kg, in Group II – the most energy consumption was observed in Russia – 4,038 kg and the least in Latvia – 1,755 kg [1].

The greatest volume of electric energy was produced by Poland (138,7 MWh in 1995) and per capita consumption was 3,216 kWh. Hungary produced 33,8 MWh of electric power and used 3,294 kWh, Estonia accordingly 8,6 TWh and 4,475 kWh, Latvia – 4,0 TWh and 2,422 kWh, Ireland 17,9 TWh and 4,590 kWh, Germany –529,1 TWh and 6,046 kWh.

Most countries of the transitional period and other countries import electric and other energy resources.

The reduction in industrial production where energy resources are mostly used should also make the corresponding corrections to the energy consumption.

Energy consumption per capita increased inconsiderably in Ireland, Denmark, and Sweden, has not changed practically in the USA and reduced by 10,7 percent in Germany. In Ireland, however, consumption per capita was

3,136 kg, and in USA – 7,905 kg (an oil equivalent) [1].

The data provided show that marked changes in energy production and consumption are observed in both groups of countries in transition, involved in the intensive restructuring of their economic structure.

The analysis shows that in all the countries of the transitional period a change in economic structure was observed – the shift of the GDP from agriculture to the sector of industry and services (more than 50 percent of the GDP). The reduction in the industrial production and inadequate change in the consumption of energy means first of all the slow restructurisation of industry.

Structure of the economy: demand. Within the period of 1980–1994, in all the countries in transition the structure of GDP distribution was subject to changes: State management expenses increased (except Lithuania), individual consumption reduced (except Lithuania, Bulgaria, and Hungary).

From Group I countries only in Estonia, and from Group II countries only in Russia the general domestic investments increased, but in the latter private consumption reduced mostly (from 63 percent to 48 percent in Estonia and from 62 to 50 percent in Russia). But the general domestic accumulation in both these countries also increased.

In Group I and Group II countries a similar policy has been pursued with regard to the distribution of GDP.

Within the period of 1980–1994 in Group II and IV countries the state consumption, private consumption (except Sweden and USA), and the general domestic investments reduced, whereas general domestic accumulation increased (except USA) [1, table 5].

Table 5. **Structure of the economy: demand**

	Distribution of gross domestic product (%)							
	General govt. consumption		*Private consumption, etc.*		*Gross domestic investment*		*Gross domestic Saving*	
	1980	*1994*	*1980*	*1994*	*1980*	*1994*	*1980*	*1994*
Bulgaria	6	15	55	64	34	21	39	21
Lithuania	20	13	64	76	31	18	16	11
Latvia	10	22	58	53	26	9	32	25
Poland	9	19	67	64	26	16	23	17
Russia	15	21	62	50	22	27	22	29
Estonia	12	24	63	48	28	32	25	28
Czech Rep.	..	22	..	58		20		20
Hungary	10	13	61	72	31	21	29	15
Ireland	19	16	67	56	27	14	14	28
Denmark	27	26	56	52	19	14	17	21
Germany	..	20	..	58	..	22	..	22
Sweden	29	28	51	55	21	13	19	17

Sources: From plan to market. World Development Report 1996.

The data show that characteristic is the change in the GDP distribution structure independently of the strategy of development selected by the state. The implementation of economic reforms (primarily in Russia and Estonia) is being made at the expense of private consumption.

Export and import. In 1994, from Group I the major part of export belonged to Poland – USD 17,240 million. In 1995, its export increased by 32,8 percent, in 1996, as compared to 1995, almost by 7 percent. Estonia in 1994 exported goods for USD 1,313 million, in 1995 – 40 percent more than in 1994, in 1996 – 12,8 percent more than in 1995 [3].

From Group II countries leading in exports was the Czech Republic (in 1994 – for USD 14,252 million. In 1995, its export increased by 52 percent, in 1996 – by 1,2 percent. Latvia exported in 1994 least – for USD 990 million (in 1995 – for USD 1,902 million, in 1996 – for USD 2,515 million).

According to the available data, almost equal share in the export structure of Poland, Hungary and Lithuania (64–68 percent) – belongs to the processing industry production.

Export of Denmark in 1995 made USD 49,036 million (18 percent more than in 1994). Export of Germany within 1994–1995 increased by 22 percent, but in 1996, as compared to 1995, reduced by 2,2 percent [3].

Within 1994–1996 import of Poland increased by 72 percent, of Estonia – 92 percent, the Czech Republic – 95 percent, Latvia – by 2,8 times, Germany – by 1,2 times.

An important element of import structure is fuel. Most fuel is imported by Lithuania (44 percent of 1993 import), Bulgaria (22 percent), Hungary (13 percent), and Poland (12 percent).

Fuel in the import of Ireland and Denmark constitutes 5 percent of the total import (1993).

Share of fuel import in the general import characterises partly the use of not economical power technologies of the countries in transition.

All countries in transition in 1994–1996 had a negative foreign trade balance: the largest in Poland and the smallest in Latvia [3].

The increase in import (of technologies and consumer goods to a great extent) is characteristic of all countries in transition due to the restructuring of economy, the use of part of the loans under governmental guarantee for consumption.

Distribution of consumption income and some social indicators. *Gini* index in Group I countries was highest in Estonia (39,5) and lowest in Hungary (27,0). In Group II this indicator was highest in Russia (49,6) and lowest in the Czech Republic (26,6) (in 1993).

The longest *working week* in 1995 in Group I was in Poland (40,4 hours), and shortest in Estonia (35,0 hours).

In Group II countries the longest *working day* (average indicator) was in the Czech Republic (39,4 hours). In Lithuania the average duration of the working week was 34,5 hours, but the paid working time was – 37,5 hours [3].

During the transitional period the hidden unemployment is characteristic of many countries.

The level of unemployment in 1996 in Group I countries made: in Poland – 14,3 percent, in Estonia – 10,2 percent.

In Group II countries the lowest unemployment level in 1996 was in the Czech Republic (3,4 percent).

In Ireland the level of unemployment in 1996 was 14,1 percent, in Germany -11,5 percent, in Denmark – 8,6 percent [3].

The greatest level of the *population activity* (the relation of the number of the labour force and population over 14 years of age) in 1996 was in Lithuania (72,7 percent) and in the Czech Republic (62,6 percent).

In Denmark the level of the population activity in 1995 was 64,6 percent, in Germany – 57,7 percent [3].

The hidden unemployment is characteristic of the transition countries. The highest level of the population activity is in Lithuania and the Czech Republic – the countries that selected the slower road of transition to the market economy. It is difficult, however, to establish an evident relation between the strategy of the transition to a market economy, the employment of the population and the efficiency of economy.

Health care and demographic situation. In 1995, Hungary allocated for *health care* 6,9 percent of GDP, Estonia 6,2 percent, Poland – 4,7 percent of GDP. In Group II most funds were allocated by the Czech Republic (most of all of the countries of the transitional period), the smallest amount by Latvia – 4,2 percent.

In Hungary there were 312 inhabitants per physician, in Poland – 467 inhabitants [4].

In Denmark, in 1994 for health care 6,6 percent of GDP was allocated, and in Germany – 9,5 percent of GDP [3].

The expected duration of life in 1995 in Group I in all states was the same – 70 years. In Group II: in Bulgaria – 71 years, in Latvia and in Lithuania 69 each, the Czech Republic – 73, in Russia – 65 years.

The longest expected life duration in Sweden – 79 years, the USA and Ireland – 77, Germany – 76, Denmark – 75 years [4].

Most *dependants* (0–14 years, 65 years and older) as of the beginning of 1996 belonged to Latvia (51,5), the same number of dependants had Poland, Estonia and Lithuania (50,8), Denmark 48,5, and least in the Czech Republic – 46,3 dependants [3].

The highest *mortality from accidents, suicides, murders* (per 100,000 of the population) in 1995 in Group I belonged to Estonia (198,8), Hungary (119,4), in Group II the first in this respect was Latvia (206,5), second was Lithuania (176,0). In the Czech Republic this indicator is the least of all transitional period countries – 61,6.

Death-rate in Denmark was 72,2 (1993), in Germany – 52,6 (1992).

Children death-rate (per 1000 of births until 1 year of age), having a tendency to decrease in all stable economy countries and most countries in transition, increased only in Latvia within 1994–1995 (from 15,7 to 18,8) and Estonia (from 14,5 to 14,8).

The general demographic situation exacerbated in many countries in the transitional period (table 6).

Natural increase was positive in 1995 only in Poland. Natural increase in the populations reduced especially considerably in Latvia, Bulgaria, and Estonia.

Lithuania is the first regarding the number of *suicides* – 45,6 (per 100 000 of the population in 1995), Latvia – 40,7, Estonia – 40,1, Hungary – 35,9. This indicator is lowest in Germany.

In 1995 the highest indicator in *divorces* was in Estonia (per 1000 of the population) – 5,0 (in Lithuania – 2,8, Hungary – 2,4, Poland – 1,0, Germany – 2,0) [3].

*Table 6. **Natural movement of the population (1995)***

	The deceased per 1000 of the population			General fertility coefficient
	Births	Deaths	Natural increase	
Bulgaria	8,6	13,6	–5,0	1,24
Lithuania	11,1	12,2	–1,1	1,49
Latvia	8,6	15,5	–6,9	1,25
Poland	11,2	10,0	1,2	1,61
Estonia	9,1	14,1	–4,9	1,32
Czech Republic	9,3	11,4	–2,1	1,28
Hungary	11,0	14,2	–3,2	1,57
Denmark	13,4	12,1	1,3	1,81[1]
Germany	9,3	10,7	–1,4	1,24[1]

[1] 1994.

Source: Lithuania in Europe. Vilnius: Department of Statistics, 1998.

The exacerbation in the demographic situation, an increase in the children mortality (Estonia and Latvia), a great number of suicides (Lithuania), the reduction in the increase of population, the growth of the number of divorces (Estonia) etc. are characteristic of the countries in transition and are the result of the difficulties of the transitional period, independently of the attributed group of states.

Education. An important indicator of the condition of education is the *portion of expenses for education in the Gross Domestic Product.*

According to this indicator in Group I the first is Hungary, in Group II – Latvia, of the developed countries under study – Denmark (Table 7).

*Table 7. **Ratio of expenses for education with the GDP (in percent)***

	1994
Bulgaria	4,5
Lithuania	4,5
Latvia	6,5
Poland	5,5
Estonia	5,8
Czech Republic	5,9
Hungary	6,7
Denmark	8,5
Germany	4,8

Source: Lithuania in Europe. Vilnius: Department of Statistics, 1998.

In Denmark the higher GDP per capita is created and more is allocated to the education than in Germany.

In 1994 the number of *primary school pupils* per teacher was: in Group I – in Estonia – 18 (1993), Poland – 16, Hungary – 11. In Group II – Czech Republic – 20, Lithuania – 17, Latvia –13. The greatest number of pupils per teacher was in Ireland – 24 (1993).

In Group I countries the greatest number of *libraries* was in Poland – 9,605 and each library has 690 readers, in Hungary there are 530 readers per library, in Estonia – 570 readers. In Group II the greatest number of *readers* per library belongs to Lithuania – 560, Bulgaria – 270, the Czech Republic – 180. But the

Czech Republic, if compared to Poland, had 0,6 libraries per thousand of the population, and Poland – 0,24 libraries. Ireland in 1991 had 364 libraries with 2,210 readers in each of them [3].

In 1994 in *book publishing* of all the countries under study it is Germany which is in the lead – 70,643 units. Poland and Hungary in 1994 published approximately 11,000 printed units each, Denmark – 12,000. Of the Baltic countries the greatest number of printed units was in Lithuania – 3,654 (1996), least in Latvia – 1,677 units.

The major part of the indicators provided in the transition countries is inherited from the socialist period. In the transitional period the states had no enough possibilities to set up libraries, to supply them with publications, etc. The size of these indicators, probably, depends insignificantly on the transition strategy selected, but rather on the number of the population.

Central government budget. The *budget* of all states under analysis are mostly formed of taxes: in Ireland – 39,2 percent (from GNP), the Czech Republic – 38,0 percent, Sweden – 31,7 percent, Lithuania – 18,3 percent. Most allocations *for current expenditures* are made by Sweden – 50,3 percent, Bulgaria – 42,8 percent, Poland – 43,1 percent, least – in Lithuania – 18,9 percent.

As regards *defence* most budgetary expenditures belong to Russia – 14,5 percent, least in Estonia – 3,0 percent.

In the sphere of *social assistance* and programmes most budgetary expenditures go to Germany (in 1980 – 68,5 percent), the Czech Republic – 60,6 percent (1994), Ireland – 57,3 percent, Sweden – 56,8 percent, Estonia – 56,4 percent, Russia – 54,1 percent, least – Bulgaria – 36,6 percent.

The use of the state budget for current expenditures (also for social support and programmes) is not directly dependent on the economic level of the state (Germany, Sweden, Russia).

Balance of payment. Of special importance in the payment balance are export and import items for goods and services. According to the available data, in 1980–1994 *export* increased in Poland by 40 percent, Hungary – 17 percent, decreased in Bulgaria – by 42 percent.

Export increased constantly in Ireland – 3,8 times, in Denmark – 3 times, in Germany – 2,4 times, in Sweden – 2,1 times.

Import also had a tendency to increase (except Bulgaria, where with the decrease of export, import reduced by 35 percent).

In the countries of the transitional period *the currency reserves* in 1994 were: in Russia – USD 7,206 million, the Czech Republic – USD 6,949 million, Hungary – USD 6,853 million, Poland – USD 6,023 million, Estonia – USD 446 million.

The greatest reserves in the countries of stable economy were in Germany – USD 113,841 million and the USA – USD 163,591 million [1].

External debts. The greatest *foreign debts* in 1994 had Russia – USD 94,232 million, Poland – USD 42,160 million, Hungary – USD 28,016 million, the Czech Republic – USD 10,694 million, Bulgaria – USD 10,468 million. The least debts were in Estonia – USD 186 million, Latvia – USD 364 million and Lithuania – USD 438 million.

Foreign debts in the Gross National Product in 1994 in Bulgaria made 104,8 percent,

Table 8. ***External debt***

	Total external debt (million $)		*External debt as percentage of*				*Debt service as % of exports of goods and services*	
			GNP		*Exports of goods and services*			
	1980	*1994*	*1980*	*1994*	*1980*	*1994*	*1980*	*1994*
Bulgaria	392	10,468	2,0	104,8	4,2	193,1	0,5	14,0
Lithuania	..	438	..	8,4	..	20,3	..	2,8
Latvia		364	..	6,3	..	28,8		2,1
Poland	8,894	42,160	16,3	46,2	55,5	195,0	18,1	14,3
Russia	4,477	94,232	..	25,4	..	161,1	..	6,3
Estonia	..	186	..	4,1	..	..		..
Czech. Rep.	3,789	10,694	13,0	29,0		56,8	..	13,1
Hungary	9,764	28,016	44,8	70,1		260,9		53,0
Ireland		..	..	..	..	..	..	..
Denmark	..	..	..	..				..
Germany		..		..			..	..
Sweden		..		..		..		..

Sources: From plan to market. World Development Report, 1996.

Hungary – 70,1 percent, Poland – 46,2 percent, the Czech Republic – 29,7 percent, Russia – 25,4 percent, Estonia, Latvia and Lithuania did not reach 10 percent.

Heavy foreign debts are characteristic of the states that selected a more rapid road of transition to a market economy (table 8).

Conclusions. An analysis of the selected economic and social indicators of the countries in transition and those with the stable economy allows the following conclusions to be made:

For the countries of the transitional period characteristic are:

- reduction of the GDP volumes per capita;
- the budget deficit in 1994 is typical practically of all countries of the transitional period and those with stable economy, independently of the strategy of their development;
- in most countries in transition the loan interest was higher than that of deposits;
- some transitional period countries (Hungary), striving to reduce the economic risk, had quite considerable foreign currency reserves;
- the greatest foreign debts had the countries of "shock" therapy – Hungary and Poland, the least debts had Latvia;
- the Gross Domestic Product reduced unevenly, like its uneven growth in the countries of the transitional period observed in 1980–1990; the growth of the GDP also slowed down in the stable economy countries in 1995–1996;
- the production of industry and services in all countries under analysis reduced, only in the countries of stable economy – insignificantly;
- in the "shock" states inflation was considerably higher than in other countries

of the transitional period (except Russia);

- in *all* countries of the transitional period a change in economic structure was observed – the shift of the GDP from agriculture to the sector of industry and services (more than 50 percent of the GNP);
- a reduction in the industrial production and inadequate change in the consumption of energy resources was observed;
- characteristic is the change in the GNP distribution structure independently of the strategy of development selected by the state;
- implementation of economic reforms (Estonia, Russia) at the expense of the private consumption ;
- almost the same share of the processing industry in the export structure of Poland, Hungary and Lithuania;
- an increase in import (of consumer goods to a great extent) is characteristic of all the countries in transition and Germany;
- the share of fuel import in the total import, if comparing the countries in transition with those with the stable economy, partially characterises the use of outdated, not energy sustaining technologies;
- the highest level of the population activity is in Lithuania and the Czech Republic – the countries that selected the slower road of transition to a market economy;
- the exacerbation in the demographic situation, an increase in the children mortality (Estonia and Latvia), a great number of suicides (Lithuania) on in the increase of population, the growth of the number of divorces (Estonia) etc. are characteristic of the countries in transition, independently of the attributed group of states;
- the use of the state budget funds for current expenditures (also for social support and programmes) is not directly dependent on the economic level of the state (Germany, Sweden, Russia).

It is possible to make a conclusion that no special achievements were observed in the economic and social development of the states that selected the "shock" therapy. It would be necessary to study more deeply and evaluate the social price of reforms, which from the material submitted may be seen as high enough.

Comparison of Strategies of the Development of Transition Countries

Upon analysis of the characteristics of strategies of the three states – **Russia, Poland** and **Germany** until 2000, it is possible to make some conclusions.

Russia has rather selected the evolutionary road of transition to a market economy, Poland – "shock" therapy , Germany – a social market economy model.

The strategies of development of all the three states foresee the most important objective – *the ensuring of economic growth* in solving *macroeconomic problems* and *problems of taxation* of economic entities.

Means used for achieving the strategic goals:

- tax policy reform;
- real estate taxation (Poland, Russia);
- restructuring of the management of economic objects;
- participation of investors in the management of an enterprise (Russia);
- participation of the employees of enterprises in the management of enterprises (Germany);

- social system reform;
- wages regulation (Germany, Russia);
- maintenance of minimum level wages (Russia, Germany);
- improvement of qualification and requalification of the labour force (Russia, Germany).

Analysis shows that all the countries have similar problems and for their solution apply very similar methods of their solving. Frequently non predicted situations and circumstances as well as political decisions, however, make corrections to the selected strategy of the creation of a market economy.

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PEREINAMOJO LAIKOTARPIO ŠALIŲ EKONOMINĖ IR SOCIALINĖ RAIDA: LYGINAMOJI ANALIZĖ

Santrauka

Straipsnyje analizuojami svarbiausių Vidurio ir Rytų Europos valstybių, kuriančių rinkos ekonomiką, laimėjimai. Aptariamas 1985–1994 metų laikotarpis – tai pereinamojo laikotarpio valstybių ekonomikos pertvarkos pradžia ir lūžio taškas.

Pasirinktoms valstybėms – Lenkijai, Estijai, Vengrijai, Bulgarijai, Lietuvai ir kitoms palyginti panaudoti makroekonominiai, ekonomikos augimo ir struktūros, vartojimo, sveikatos priežiūros ir švietimo, valstybės biudžeto ir mokėjimų balanso bei kiti svarbūs ekonominiai ir socialiniai rodikliai, charakterizuojantys valstybės ekonominės ir socialinės raidos lygį, jos vietą pasaulinėje darbo pasidalijimo sistemoje. Lyginamosios analizės būdu šalių ekonominės ir socialinės raidos rezultatai susieti su pasirinkta perėjimo į rinkos ekonomiką strategija. Be abejo, šalies ekonominiams ir socialiniams laimėjimams įtakos gali turėti įvairios priežastys, tačiau tai logiškai neatsiejama nuo šalies plėtros strategijos.

Įteikta 1999 m. vasario mėn.