ECU’92-CONGRES: EMERGING ECONOMIES. CHALLENGES OF EASTERN EUROPE
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Recent Developments in CEE-countries: Challenges for the West in an Era of Transition.

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THE LONG TRANSITION ROAD FROM THE COMMUNIST COMMAND ECONOMY TO THE MARKET-ORIENTED ECONOMY

A Threefold Track:

1. Change of Coordination Mechanism: from budgets to prices/markets!

2. Change of External Organisation: from monopoly to (regulated/managed ) competition!

3. Change of Property Right-structure: from collective/state ownership to private ownership!
THE LONG AND WINDING ROAD

1. There are no radical, ready-made and quick solutions.
2. Only solutions through a slow and evolutionary path of trial and error-experiments.
3. Learning by doing, and by making and allowing mistakes: how to learn from failure and success, work in progress!
4. But theory-driven, nothing is as practical as a good theory. A theory-driven policy that works!
5. FIGHTING Consultancy-Disease. No more fly-in in the morning, no more quick scan in the afternoon and no more fly back home in the evening!
6. The Open Society is a prerequisite, but beware of its Enemies!
7. A Shock-Therapy only works by accident!
NECESSARY CONTINGENCIES

1. IN THE PUBLIC SECTOR:
   a. Democratic Constitution;
   b. Rule of Law;
   c. Good Governance;
   d. Transparency and Absence of Corruption!

2. IN THE PRIVATE SECTOR:
   a. good working Market System;
   b. good working Financial and Banking System;
   c. good Corporate Governance!
ARE THE NECESSARY CONTINGENCIES REALISED? THE CASE OF RUSSIA

1. State of Affairs in the Public Sector:
   • Democratic Constitution: 0/-
   • Rule of Law: -/-
   • Good Governance: -/-
   d. Corruption and Transparency: -/-

2. State of Affairs in the Private Sector:
   • Good working Market system: -/-
   • Financial and Banking System: -/-
   • Corporate Governance: -/-
FURTHER REFLECTIONS

1. Almost all indicators are negative.
2. Is it that bad? Mixed feelings!
3. BUT: some improvement can be seen!
4. Breznjév < Gorbachov < Yeltsin < Putin < ?
5. How to proceed from here?

APPLY A MIXED STRATEGY:

a. Strong policy to the regime: staying put but offering cooperation to mutual benefit, and also setting limits (see US-Reagan policies in the Seventies!)

b. Support democratic forces and NGO’s in Russia: transfer of knowledge and expertise, man power, facilities, money. But beware of counter-measures from the regime!
1. EU-energy dependency: Gas and Gasprom!
2. Political environment of Russia: former Comecon-countries and Soviet-republics: instabilities!
3. Accession to the EU; NATO-membership.
5. Old super-power nostalgia and new super-power aspirations of Russia.
SOME CONCLUSIONS

1. In search of prudent EU-policies!

2. What about internal EU-differences with regard to ideology and politics, economic interests? See political divide in the EU about Kosovo!

3. The debate goes on!!