



Reforms in Slovakia: How to Make them Happen?

Eugen Jurzyca, INEKO 16.5.2005

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Economic and Social Trends Before and After 2000

- 1997: Slovakia was not invited to
 - NATO (Madrid Summit)
 - EU (Luxemburg Summit)
- IMF, WB, OECD Reports



Economic and Social Trends Before and After 2000

- Worsening corruption, economic freedom, human development before 2002
- Improvements after 2000



Economic and Social Trends Before and After 2000

- In 2002 Slovakia was invited to
 - NATO (Prague Summit)
 - EU (Council of Europe Meeting)
- World Bank Doing Business in 2005
 - „Slovakia was the leading reformer“.
 - „Lithuania and Slovakia broke into the list of the 20 economies with the best business conditions as measured in this year’s report“.



Sources of Improvement

- Well known issues: bad starting point, size of the country, geographical location, harmonisation to EU standards etc.

Role of the national governments in the EU

World Economic Forum: The best and the worst performers (out of 104)

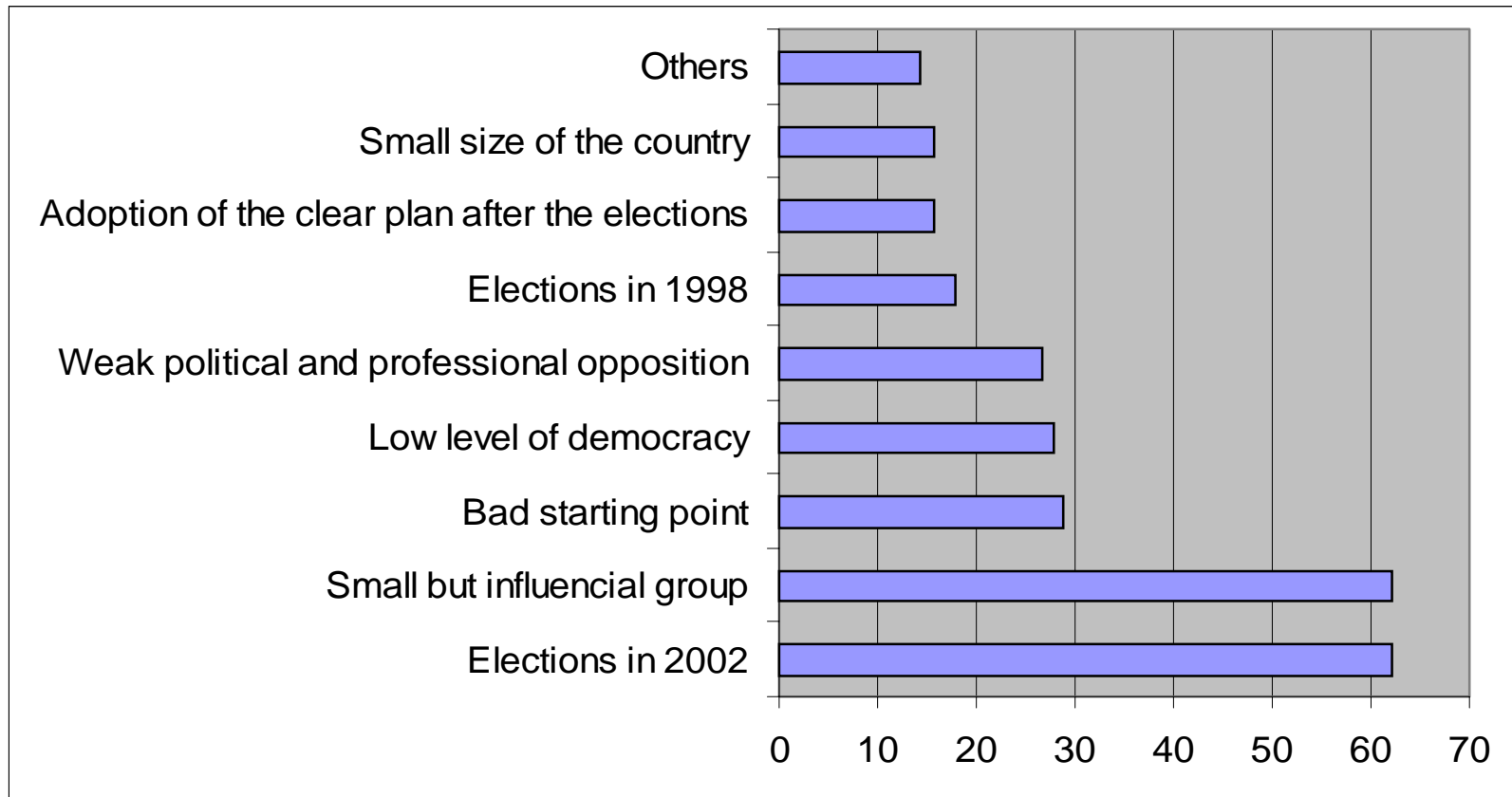
Parameter	Rank of the best EU members	Rank of the worst EU members
Transparency of government policymaking	3, 4, 5	101, 83, 78
Quality of the educational system	1, 4, 5	73, 56, 52
Ease of hiring foreign labor	4, 9, 10	100, 98, 96
Efficiency of legal framework	1, 3, 5	79, 71, 68
Property rights	1, 2, 6	78, 71, 57
Intellectual property protection	1, 2, 4	79, 72, 61
Foreign ownership restrictions	2, 3, 4	95, 94, 88

Syndrome of learned passivity proved to be wrong

The role of „mediators“

- Businesses provide consumers with goods and services because they are motivated by profits
- Motivation of politicians to prepare and implement good reforms is popularity among voters. The system fails because of the information bias – the reforms are often too complicated to be understood by general public
- Therefore, mediators between the government and general public are needed
- In Slovakia, the role has been played by some journalists, NGOs, business associations.
- Example: HESO, BAS

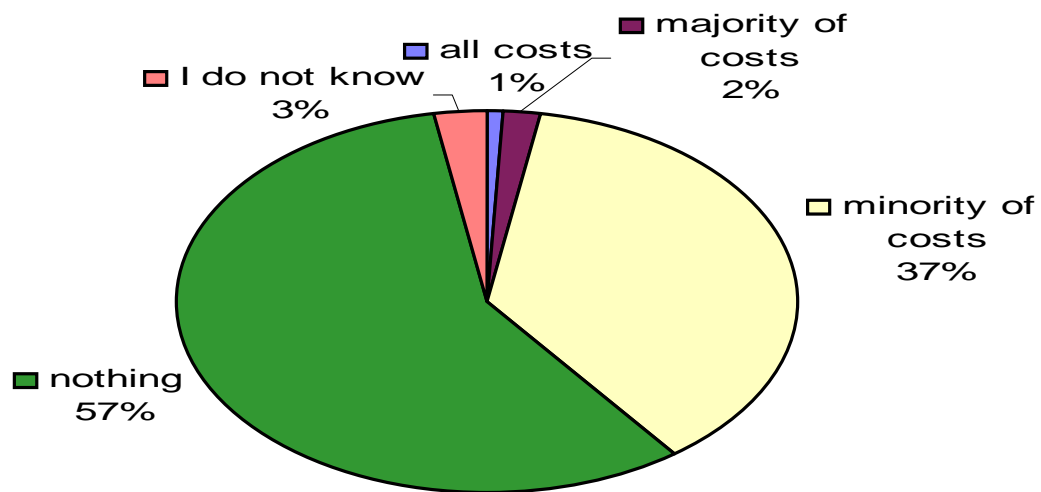
The role of the national government and „mediators“



Source: INEKO, 2004

Populism versus Truth

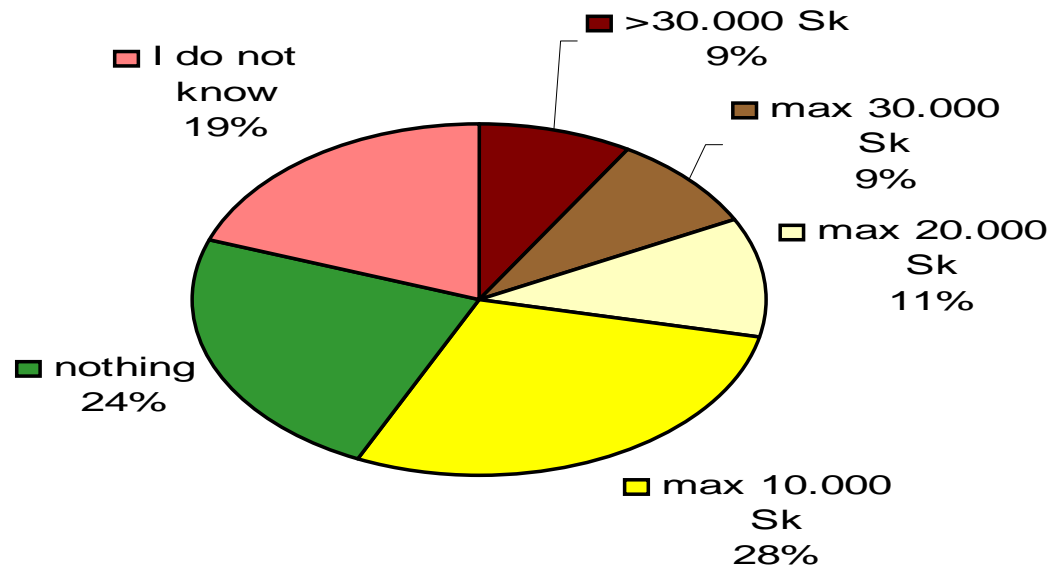
Which part of the total costs of health care services should be paid by patients, according to you?



Zdroj: INEKO, november 2002

Populism versus Truth

How much should contribute every employee on average per year to allow for free health care?



Source: INEKO, November 2002



Populism versus Truth

- Majority of Slovak citizens (voters) think that education and health care should be paid neither directly nor through taxes. What choices the politicians faced?
- Truth or populism



Everybody loved somebody sometimes

- Early winners after supporting reforms become often opponents of the next steps (privatization - bankruptcies)
- But evolution can not be stopped
- There is a time when early winners should support the reform process in their own interest (join the early losers)
- Early winners should understand the reform process in their own interest

Redistribution versus solidarity

- Old social system: Redistribution from rich, healthy and strong to poor, sick and weak. Or vice versa? That (chaos) lead to the growth of the group of rent-seekers
- Conscious fight against rent-seekers
 - stronger contribution-benefit links
 - better controlling mechanisms
- Only after rent-seekers lost decisive power – start finding optimal level of solidarity (transfer from strong and healthy to weak and sick)

Other Sources of Improvement

- Administration needed creativity
 - small groups at ministries
- Foreign investors- the best pro Slovak lobby
- Successful reforms started right after elections
- Foreign trade liberalisation increases chances for good reforms
 - Country can hardly export goods produced by firms paying too high taxes, contributions
 - Closed economy (not exposed to competition in the product markets) lacks information about the efficiency of its social systems