

# Welfare or wild capitalism in post-communist Europe?

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# Content of the presentation

- External and internal determinants of the development in the post-communist world
- The European Union as an actor in post-Communist development
- Specific social conditions and social policy options of the New Member States (NMS)
- Differences between the Old and New Member States
- Tentative conclusions; questions

## External determinants of the development in the post-communist world

Ideological	The prevalence of neoliberal ideology embodied in the 1990s Washington consensus
Institutional	<ul style="list-style-type: none"><li>• Shift of power and resources from nation states to institutions of global economy</li><li>• Increasing but biased influence of the European Union on domestic policy making: from Copenhagen criteria of accession (1993) toward Lisbon Strategy (2000) and Europe 2020 (2010)</li><li>• Decisive influence of the World Bank and International Monetary Fund in shaping reform agendas</li></ul>
Material	Exposure of national economies to the world market; access to modern technologies

## Internal determinants of the development in the post-communist world

Ideological	Nearly total discrediting of the idea of social solidarity and its instrument - social policy (due to the failure of Soviet-type state socialism)
Institutional	<ul style="list-style-type: none"><li>• Insufficient experience with the practices of parliamentary democracy and management of public sector operating in the framework of market economy</li></ul>
Cultural	<ul style="list-style-type: none"><li>• Insufficient skills with the functional demands of political democracy and market economy (even more so in countries which used to be part of the Soviet Union)</li><li>• Individualization of life styles; consumerism on the rise</li></ul>
Material	<ul style="list-style-type: none"><li>• Considerably lower living standards in comparison to affluent Western democracies, associated with the post-communist economic trauma after the collapse of command economy</li></ul>

## The EU as an actor in post-communist development

The history of systematic preparation of the postcommunist candidate countries for accession started with the launching of the **Copenhagen criteria of accession (1993)**. These criteria have been designed more as a technical (economic and political) instrument from above than as an appropriate tool to steer peoples' living conditions in the candidate countries. **Legal, economic and political issues prevailed.**

The CEE Candidate Countries were asked to take part in the **Lisbon Strategy negotiations only after the 2002 Barcelona Summit**, when their preparation to enter the EU – until then organized within the logic of the Copenhagen criteria – had just been completed.

The fully fledged participation in the Lisbon Strategy started only with the countries' accession to the EU in May 2004. Thus, **social policy moved to the top of the EU political agenda of enlargement as late as one decade after setting up the Copenhagen criteria of accession.**

## Specific social conditions and social policy options of the New Member States (NMS)

The obvious discrepancy between the Copenhagen criteria of accession (1993) and the Lisbon Strategy (2000), that started to bind NMS as late as in 2002, has created a considerable opportunity for the actors of global economy (IMF, the World Bank) and their concepts of transformation (Washington Consensus of the 1990s) to use this region as a backdoor for broadening its operational space, especially in social welfare. This has had considerable impact on the living and working conditions of the population of the New Member States.

# New Member States of the European Union

## Total expenditure on social protection as % of GDP

Country	EU27	SL	HU	PO	CZ	SK	BU	RO	LT	EE	LA
2000		24.9	19.8	20.1	19.6	19.5	n.a.	n.a.	15.8	14.4	15.3
2003		24.6	21.4	21.6	20.1	18.4	n.a.	n.a.	13.6	13.4	13.4
2007	<b>27.1</b>	<b>21.4</b>	<b>22.3</b>	<b>18.1</b>	<b>18.6</b>	<b>16.0</b>	<b>15.1</b>	<b>12.8</b>	<b>14.3</b>	<b>12.5</b>	<b>11.0</b>

## At-risk-of-poverty-rate (%)

Country	EU27	SL	HU	PO	CZ	SK	BU	RO	LT	EE	LA
2008	<b>16.5</b>	12.3	12.4	<b>16.9</b>	9.0	10.9	<b>21.4</b>	<b>23.4</b>	<b>20</b>	<b>19.5</b>	<b>25.6</b>

## Inequality of income distribution (the ratio between top and lowest income quintile)

Country	EU27	SL	HU	PO	CZ	SK	BU	RO	LT	EE	LA
2008	<b>4.9</b>	3.4	3.6	<b>5.1</b>	3.4	3.4	<b>6.5</b>	<b>7.0</b>	<b>5.9</b>	<b>5.0</b>	<b>7.3</b>

Source: Eurostat (2010) 7

## Decline in family support

Indication of family support	Family allowances as a % of the total household income		Family/children support as a % of GDP (EU27 average – 2 %)	
	Year	1991	1999	2007
Hungary		8.1	3.8	2.8
Slovenia		0.6	1.4	1.8
Czech Republic		4.7	1.6	1.7
Slovakia		6.4	4.3	1.5
Poland		4.2	1.2	0.8

Sources: A Decade (2001); Eurostat (2010)



## Slow, but stable re-commodification of health services: the Czech case

	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public expenditures	91	90.6	90	90	89	89	87	86.9	85.4	82.7
Private expenditures	9	9.4	10	10	11	11	13	13.1	14.6	17.3

Source: Institute of Health Information and Statistics of the Czech Republic, Prague 2010.

## Introduction of mandatory second tier old age pension schemes run by for-profit pension funds

Country	Year of introduction
Hungary	1998
Poland	1999
Latvia	2001
Estonia	2002
Slovakia	2003
Lithuania	2004
Slovenia	2004 <sup>1)</sup>
Czech Republic	discussion is going on

1) Only for public sector employees and pre-defined professions; choice of a public fund possible)

## Introduction of flat income tax

Country	Year of introduction/ rate (% of income)	Rate 2010 (% of income)
Estonia	1994 / 26	20
Lithuania	Mid1990s / 34	15
Latvia	Mid 1990s / 24	23
Slovakia	2004	19
Romania	2005	16
Czech Republic	2008	15 (effective level 23)
Bulgaria	2008	10
Poland	discussion is going on	18/32
Hungary		17/32
Slovenia		16/41

Source: [www.worldwidetax.com](http://www.worldwidetax.com)

## Satisfaction with health care system and social services: comparison of OMSs and NMSs

Countries	Sector of services	Very and fairly satisfied (%)	Not at all and not very satisfied (%)
Old Member States	Social services	52	43
	Health care	56	42
New Member States (+Turkey)	Social services	24	74
	Health care	32	67

Source: Alber (2003), own calculations

## Are income differences in your country too large: distribution of answers, affluent democracies

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	TOTAL
Austria	41.6	44.7	9.1	4.5	0.1	100
Canada	26.7	41.5	16.3	12.5	3.1	100
France	60.0	26.8	7.4	5.0	0.8	100
Germany	29.4	52.8	10.7	6.5	0.6	100
Great Britain	30.6	50.7	12.3	5.8	0.6	100
Japan	38.6	30.5	18.3	7.5	5.0	100
Netherlands	15.7	48.2	21.7	12.6	1.8	100
New Zealand	29.4	43.8	13.5	11.8	1.6	100
Norway	22.4	50.1	13.8	12.0	1.8	100
Portugal	82.2	13.8	1.8	1.4	0.9	100
Spain	35.9	53.4	7.4	3.1	0.3	100
Sweden	29.2	41.9	18.1	8.4	2.4	100
Switzerland	18.8	36.1	37.0	7.3	0.7	100
<b>Av. OECD</b>	<b>35.4</b>	<b>41.1</b>	<b>14.4</b>	<b>7.6</b>	<b>1.5</b>	<b>100</b>

## Are income differences in your country too large: distribution of answers, post-communist countries

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	TOTAL
Bulgaria	84.0	12.8	1.4	0.8	0.9	100
Czech Rep	60.3	27.5	6.0	4.2	2.1	100
Hungary	68.2	25.0	3.5	2.9	0.3	100
Latvia	57.2	39.5	1.8	1.3	0.2	100
Poland	47.7	41.6	6.3	3.5	0.9	100
Russia	79.1	16.7	1.9	1.1	1.3	100
Slovenia	49.7	41.3	4.8	3.6	0.6	100
<b>Av. CEECs</b>	<b>63.8</b>	<b>29.2</b>	<b>3.7</b>	<b>2.5</b>	<b>0.9</b>	<b>100</b>

Source: ISSP (1999), own calculations

## Satisfaction with the government (% of adult population)

### Old Member States: **satisfaction prevails**

Old Member States	DK 2001	IE 2002	SE 2002	ES 2004	FI 2003	BE 2003	FR 2002	DE 2002	PT 2002 ?
Satisfied	92	81	75	68	68	67	55	51	50
Dissatisfied	7	18	23	19	30	28	43	49	44

### New Member States: **dissatisfaction prevails**

New Member States	HU 2002	CZ 2002	PL 2001	BG 2001
Satisfied	46	42	35	19
Dissatisfied	<b>52</b>	<b>49</b>	<b>54</b>	<b>70</b>

Source: CSES, Module 2.  
In: Haerpfer 2007

# Differences between the Old and New Member States

„East and Central Europe is clearly the most under-defined region, a virtual laboratory of experimentation. “ (Esping-Andersen 1996:267)

“...there is the obvious difference in the perspective of Western and Eastern Europe. In the East, more basic material needs, as well as feelings about unjust and sharp social inequalities, are the source of social tensions.” (Musil 2000:249)



## Tentative conclusions; questions I

1. Social contract between people and political representatives (sensu Dahrendorf) is fragile, in some NMSs too weak to prevent social unrest, discontent and political crises and turbulences: „All the Visegrad countries experienced the crisis of the system of political power where the political elites used their political power for its capitalization into the economic one (so called „partocracy“). Such trends caused the alienation of voters from the politicians, especially in the case of left wing segment of the society.” (Marušiak 2007:161) „THE POST-ACCESSION CRISIS.“
2. The European Union has not developed effective ways to prevent such development. The Lisbon Strategy, the Open Method of Coordination and other instruments were designed in and for the different cultural and institutional framework of the OMSs. „ONE SIZE DOES NOT NECESSARILY FIT ALL.“

## Tentative conclusions; questions II

3. The genuine goals of the EU (social solidarity, human dignity, equality) are endangered, in some fields, in some countries completely abandoned. „TRAIAN HORSE EFFECT“
4. Re-commodification of health and social welfare in NMSs may exert considerable institutional pressure to induce similar developments in the OMSs. „DOMINO EFFECT“
5. The legitimacy of the whole European project is at stake. „HANNIBAL ANTE PORTAS“

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