

# WAS COMMUNISM BETTER?: A COMPARISON OF ECONOMIC AND SOCIAL DEVELOPMENT OF CROATIA, BULGARIA, HUNGARY, POLAND AND ROMANIA

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**Summary** Political science discussions this year were focused on the following question: to what extent have the promises of European "annus mirabilis" been achieved and what does political and economic transition look like from today's perspective? Hence, this article compares the economic success of Croatia and a selection of European countries (Bulgaria, Hungary, Poland and Romania) before and after the fall of communism. The preliminary results show that the above-mentioned countries had – on average – almost identical economic growth during the last 18 years of communism and during the first 18 years of democracy and capitalism. The equality in distribution of national income (measured by the GINI index) has been decreased, while the increase in life expectancy (measured on a yearly basis) has been more than doubled during the post-communist period in comparison with the period of communism. Furthermore, former communist countries have much higher school enrolment now than during the period of communism. In short, communism was not better (except in equality of distribution of income), but capitalism and democracy have still not shown their superiority in stimulation of economic growth.

**Keywords** communism, liberal democracy, Croatia, Bulgaria, Hungary, Poland, Romania, inequality

## 1. Introduction

Discussions about advantages and disadvantages of different types of political systems last from the Antique period.<sup>1</sup> Modern econometrics and modern measures of social development provide new opportunities for comparison of success of different types of political systems. Consequently, previous theoretical discussions now have a new dimension, because today it is possible to compare different political and economic systems on the basis of empirical data. However, the main problem in this type of investigation is to isolate variables. In other words, it is difficult to know whether, for example, the economic success of China during the last thirty years is a result of its political system, economic system, cultural heritage, low starting point or some other variables. Therefore, Eastern Europe is a convenient “laboratory” for comparison of the two main types of political regime (democracy and dictatorship) and for comparison of capitalist and communist economy. The East European countries were communist dictatorships by the end of the 1980s and then, almost simultaneously, they transformed their systems to capitalism and democracy in a very short period of time. Hence, Eastern Europe enables the so-called “most similar system design” (Przeworski and Teune, 1970).

The ideal method of investigation is experimentation. Since it is not possible to conduct experiments in comparative politics, the only possible solution is to compare cases that are most similar, in order to isolate an independent variable as much as possible. “When doing

comparative research, we are told that one should find cases that are as similar as possible, in as many aspects as possible, and then to find a crucial difference that can explain what one wants to explain” (Przeworski et al., 1995: 17). Since a country is most similar to itself, a cross-time analysis of the same country enables the most similar system design. According to the same authors (*ibid.*: 16-17),

we are told to proceed quasi-experimentally, to look for a case that is exactly like Chile in all aspects other than its regime and, possibly, its rate of economic growth – a “Chile 1985” that is democratic – and then to compare the authoritarian Chile with the democratic “Chile”. If we then find that this democratic “Chile 1985” has a positive rate of growth, we conclude that democracy is good for growth. If decay is more profound, we discover that democracy is bad for growth.

This article is based on the above-mentioned method. In other words, this article compares economic growth, equality in distribution of national income and increase in life expectancy in selected former communist countries. The purpose of this article is to investigate whether democracy and capitalism or communism were more successful in promoting economic and social development.

## 2. Literature Review

The relationship between regimes and development has been investigated in two ways – on the basis of theoretical arguments and on the basis of empirical data. This literature review presents first the theoretical arguments and then pro-

<sup>1</sup> See, for example, Plato (1995) and Aristotle (1950).

vides a critical examination of the empirical investigations.<sup>2</sup> Then, in the third part, the literature that specifically compares East European experiences with the two systems will also be presented.

#### *(a) Theoretical Arguments*

There are two different answers to the question which regime – democracy or dictatorship – enables faster development. One group of authors (Galenson, 1959; De Schweinitz, 1959; Huntington, 1968; Rao, 1984-1985) argued that dictatorships are more effective than democracies in mobilizing resources for investment. An additional argument in favor of a dictatorship is its ability to force firms to invest and export, refusing particularistic pressures for unproductive uses of resources (Haggard, 1990). Furthermore, dictatorships may promote stability. Hewlett (1980) argues that repression, imposed by a military regime, prevented social unrest in Brazil in the 1960s and stabilized the economy. For Huntington, democratic political systems can be effective in developed countries. In contrast, democracy frequently produces anarchy in developing countries. Briefly, authors who argue that dictatorship fosters development claim that dictatorship provides more stability and mobilizes more resources.

Another group of authors argues that democracies are more successful than dictatorships. According to Sen (2000), universal suffrage and division of power neither produce political instability nor hinder economic growth. Economic and political freedoms strengthen one another and economic freedoms foster economic growth. According to

Olson (2000), dictatorships may produce economic miracles for a short period of time, but only democracies produce long-lasting economic success. He also argues that the main advantage of democracy is better protection of property rights. These rights stimulate economic activities because people know that they will enjoy the rewards of their work. In contrast, dictatorships produce much more uncertainty because they are prone to success crises.

According to North (1990), only democracy can force a government to act in the interest of the general population. The lack of democratic control enables dictators to steal resources instead of using them for economic development. In contrast, democracy enables the replacement of politicians that use resources inefficiently or only for the well-being of the ruling elite. In other words, democracy imposes accountability on governments. Finally, Goodell (1985) argues that only democracies may produce predictable “rules of the game”, and this predictability fosters investment. Briefly, authors who think that democracies produce faster economic growth claim that democracies allocate economic resources better than dictatorships. Furthermore, democracies protect property rights, which reduce uncertainty and encourage investment.

#### *(b) Empirical Studies*

In the literature, it is possible to find approximately fifty articles that compare GDP per capita growth in democracies and dictatorships. Roughly half of them argue that democracies were more successful, and half of them argue that dictatorships were more successful. It would be out of the scope of this article to present all those works. What is

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<sup>2</sup> The analysis in this section is based on Przeworski and Limongi (1997).

presented here is a critical summary of the articles.

The empirical studies about the influence of political regime on economic growth have one common characteristic – they neither prove that democracies enable faster economic development nor that dictatorships have better results. As Sirowy and Inkeles (1990: 137) pointed out:

Overall, these studies present a very mixed and confusing picture with regard to the effect of democracy on economic growth. The inconclusive results presented by these studies are further compounded by the fact that these studies are quite heterogeneous with respect to characteristics of measurement, coverage research design, and method of analysis.

Fortunately, there is a book that sheds substantial light on the investigation of the influence of regime type on economic development. The book *Democracy and Development* (2000) by Przeworski, Alvarez, Cheibub and Limongi contributes more to the investigation of a regime's effectiveness than any other previous investigation in this field. In their book, Przeworski et al. present many discoveries about the relationship between regime type and development. The most important finding is that, during the 1951-1990 period, dictatorships had higher annual rates of growth of GDP (4.42 percent) than democracies (3.95 percent). However, the average annual growth of GDP per capita was higher in democracies (2.46 percent) than in dictatorships (2.00 percent) (Przeworski et al., 2000: 216). In addition, people live longer in democracies. "Men live 66.2 years under democracy and 50.8 under dictatorship, and women 71.5 years under democracy

and 54.2 under dictatorship" (*ibid.*: 228). On the basis of comprehensive investigation of the successes of democracies and dictatorships, Przeworski et al. conclude the following: "Whenever regimes do make a difference, lives under dictatorships are miserable. The Churchillian view may not be enough, but it is accurate. Democracies are far from perfect but they are better than all the alternatives" (*ibid.*: 12).

(c) *Literature about Transition in Eastern Europe*

During the 1960s and 1970s, the East European economies, especially the Soviet Union, were considered relatively successful. According to the World Bank (1987: 44):

it is quite clear that the Soviet Union and some of the nonmarket economies have made tremendous progress in industrialization, especially since World War II. According to calculations by Western economists, Soviet GNP per capita grew at an average annual rate of 6.7 percent from 1929 to mid-1950s; 6.1 percent in 1953-65; 5.3 percent in 1966-70; 3.8 percent in 1971-75; 2.7 percent in 1976-80; and 2.4 percent in 1981-85... In the two decades following World War II (1950 to 1970), only Japan and Germany, among the industrial market economies, grew faster.

However, the collapse of communism caused completely opposite assessments of communist economies. For example, Ericson (1991: 11) argued: "it is increasingly apparent that traditional Soviet-type command economy is a catastrophic failure". Furthermore, Nordhaus, Peck and Richardson (1991: 321) claimed that the Soviet empire collapsed "under the weight of its own inef-

ficiency". Therefore, it was expected that transition to democracy and capitalism would produce much faster economic growth of the East European countries. According to Kornai (1993, quoted in Amsden et al., 1994: 18), no

"Forecast of... serious recession [can] be found in the early theoretical writings to outline the program for the transition." In contrast, "instantly liberalizing prices was supposed to lead to rapid adjustment to a full employment, inflation-free macroeconomic equilibrium while the invisible hand would painlessly reshape preexisting industry along Western lines".

Nevertheless, the first results of transition caused disappointment. Albania was the only former communist country that had a higher rate of growth after the introduction of capitalism than during the last years of communism. Therefore, the 1990-1995 period was a period of disappointment with capitalism in Eastern Europe. There were three main groups of theories that tried to explain the early economic failures of capitalism and democracy in Eastern Europe. Firstly, a small number of authors, that still consider themselves Marxists, explained the economic crisis in Eastern Europe and the former USSR as a logical consequence of capitalism. For example, Beams (1999) argued

All the economic and social processes now unfolding in the former USSR – falling living standards, declining health services, economic and social insecurity, deepening inequality and social polarization – are present to one degree or another everywhere and are nothing other than the most concentrated expression of the uni-

versal consequences of the workings of the capitalist "free market".

Secondly, some authors argued that the communist inheritance is responsible for the economic problems in Eastern Europe in the last 13 years. For example, Martin Wolf (quoted in Beams, 1999), economics columnist of "The Financial Times", wrote: "the roots of the problem lie in the rootless revolution of 1917 intended to create, by force, a selfless human being". He added that "Lenin's insane ambition has ended up in its opposite – in a capitalist economy more ruthless, more corrupt and more unequal than anything even he could have imagined". In other words, the spirit of the past caused the economic problems in the region.

Thirdly, so-called "transitional theory"<sup>3</sup> argued that economic hardships in the region were not the result of capitalism or democracy but were the result of transition. To make a comparison, if a bridge is in a very bad condition, the only solution is to destroy it and to build a new one. However, in the period of time when no bridge exists, the situation is worse than in the period when the old bridge was functioning. According to the transitional theory, a similar situation existed with the economies in Eastern Europe and the Soviet Union. In the 1980s, economic development in this region slowed down and, according to a great majority of economists, the only solution was transformation from

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<sup>3</sup> It should be noted that "transitional theory" is not a single school of thought. Here, this term is used for authors who try to explain economic hardships in Eastern Europe and the former Soviet Union as a logical consequence of transition from one system to another.

planned economy to market economy. According to the transitional theory, economic hardships were only the result of an interregnum between old and new economies. Paul Samuelson (1998), Peter Murrell (1996), the World Bank (1996) – to mention only a few – provided such an explanation. *The World Development Report* (1996: 26, 28) explained the economic decline in Eastern Europe and the former USSR as a result of the following main factors: “Demand shift due to liberalization, the collapse of the Council for Mutual Economic Assistance and the Soviet Union, and supply disruptions due to vanishing or absent institutions and distorted incentives”. The only solution for the economic problems, according to the World Bank (1996), is a fast transformation to capitalist economy and Western democracy. Countries that made the fastest and the most comprehensive transformations to market economies have started to recover from the economic crisis. According to the World Bank, “In countries where liberalization has been stronger ... output losses have on average been smaller” (*ibid.*: 28).

However, the newest literature in the field does not fully support this assessment. For example, according to Kolodko (2009: 326), “... the economic policy in this first period, the years 1990–93, was generally based on the neoliberal doctrine, very often identified with the so-called Washington Consensus, whose usefulness for the complex work of post-socialist systemic transformation was limited”. Moreover, according to Nobel-prize winner Stiglitz (2002: 181), “... the success of [Poland] was due to its explicit rejection of the doctrines of the Washington Consensus. The country did not do what the IMF recommended – it did not engage in rapid privatization.”

Former communist countries started to recover in the second part of the 1990s, and most of them even experienced a fast economic growth in the beginning of the 21st century. According to Berend (2007: 274), “... the pain of the first period of transformation decreased, even disappeared by the first years of the twenty-first century in some parts of the region”. The recent economic success of the former communist countries has had reflection in the literature where, once again, authors praise the ability of democracy and capitalism to foster economic growth (see Bourguignon and Pleskovic, 2007).

Still, some important questions remain unanswered. First, why was the transition to capitalism so painful and why did capitalism produce disastrous consequences in the beginning of transition? Second, having in mind all the ebbs and tides during the transition, what is the overall result? In other words: was communism better? Which economic and political system – communist dictatorship or democracy and capitalism – was more successful in promoting the economic and social development of Eastern Europe? The purpose of this article is to answer these questions.

### 3. The Investigation Plan

#### a) *The Research Questions and Hypotheses*

On the basis of general questions specified above, more precise questions, which enable an empirical investigation, are formulated:

1. When did the East European countries have a faster growth of GDP: during the period of communism or during the period of democracy and capitalism?

2. When was the equality in distribution of national income (measured by the GINI index) higher: during the period of communism or during the period of democracy and capitalism?
3. When was the increase in life expectancy in Eastern Europe faster: during the period of communism or during the period of democracy and capitalism?

According to Nachmias and Nachmias (2000: 56), “researchers derive hypotheses deductively from theories, inductively on the basis of their experience and intuition, or by using a combination of these approaches”. On the basis of the existing theories and previous empirical investigation in the field, this article will test the following hypotheses:

1. *The East European countries have had a faster growth of GDP during the period of democracy and capitalism than during the period of communism.* Since communist countries did not allow free entrepreneurship and since – according to the mainstream economic theory – the functioning of the market fosters economic growth, it is logical to formulate the above hypothesis.
2. *The equality in distribution of national income (measured by the GINI index) was higher during the period of communism than during the period of democracy and capitalism.* Since equality was in the essence of communist ideology and a source of legitimacy of this system, it is logical to expect that equality in communism was higher than in capitalism, which is based on the idea of competition.
3. *The increase in life expectancy in Eastern Europe was faster during the*

*period of communism than during the period of democracy and capitalism.* Previous researches found that life expectancy decreased during the first years of transition in Eastern Europe (see Heleniak, 1995; The World Bank, 1999; Beams, 1999; Murell, 1996; UNICEF, 1993). Furthermore, according to Economic Commission for Europe (2004: 170-171), “under the socialist system, access to health care was not an issue... differences between groups in terms of access to health care were negligible”. In contrast, “the health of the population deteriorated in most of the CIS during the period 1990-1995, with falls in the life expectancy in 12 out of 15 countries.” Therefore, it is logical to hypothesize, as mentioned above, that the communist system was more successful in increasing life expectancy.

Since there is not enough data about the increase of school enrolment during the period of communism, this article will not compare the *increase* in school enrolment in the two systems. However, it does compare school enrolment in the year 1991 with enrolment in 2005.

#### *b) Definitions of Key Terms*

There are four key terms (communism, capitalism, democracy and dictatorship) that are used in this article and, therefore, they need to be defined. According to the Encyclopedia Britannica (1998, Vol. 2: 496), “... communism came to denote a totalitarian system in which a single political party controls the government, which in turn owns the means of production and distributes wealth”. According to the same source, capitalism is an “... economic system, dominant in the Western world since the breakup

of feudalism, in which most of the means of production are privately owned and production is guided and income distributed largely through the operation of markets" (*ibid.*, Vol. 3: 831). Definitions of the two other important terms are taken from Przeworski et al. According to them, democracy is a regime "... in which those who govern are selected through contested elections..., whereas dictatorships are regimes that are not democracies" (Przeworski et al., 2000: 15, 18). In other words, the East European countries started to be democracies after the first democratic elections.

### c) Data

The main source of data is the World Development Indicators 2008 CD-ROM. For the year 2008, data are taken from the World Development Indicators 2009 (printed edition). Both sources are published by the World Bank. Data about the economic growth of Croatia by the year 1990 are from the Croatian Central Bureau for Statistics, Statistical Yearbooks. When data about the economic growth for the pre-1990 period were not available at World Development Indicators, the source of data was Maddison (2001). Data about life expectancy for 2009 are from CIA's World Factbook (The World Factbook, 2009).

### d) Selection of Cases

The above analysis has shown that the entire region of Eastern Europe is suitable for comparison between communist dictatorships and democracy and capitalism. Hence, this article will include transitional results of Croatia. However, Croatia emerged as a result of disintegration of the former Yugoslavia, and Croatia also experienced war on its territory. Consequently, changes of eco-

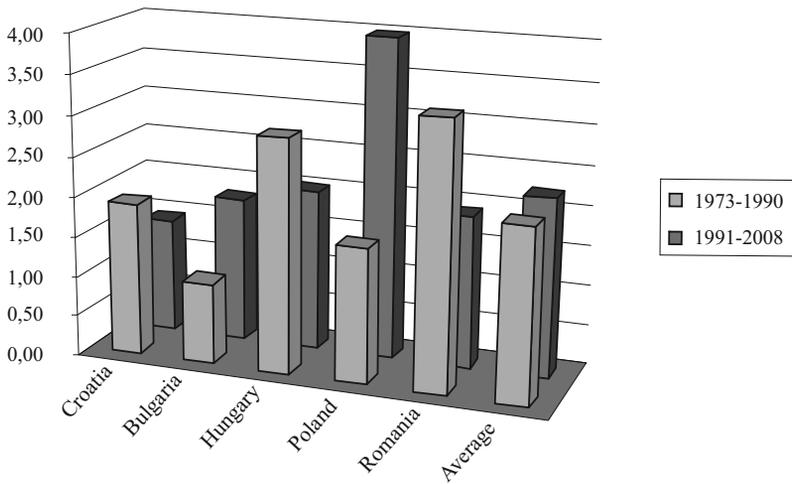
nomical and social development indicators can be a result of changes of political and economic systems, but also a result of war and disintegration of the former Yugoslavia. Therefore, for the sake of comparison, analyses of countries that did not change borders after the fall of communism and countries that did not experience war are added to the analysis of Croatia. According to Peters (1998: 23), "This strategy holds (relatively) constant the cultural and social factors that may confound analysis of political relationship". Four former communist countries fulfill these requirements:<sup>4</sup> Bulgaria, Hungary, Poland and Romania<sup>5</sup>. These four countries are closest to that what Przeworsky et al. (1995) call "quasi-experimental" cases and, consequently, they are included in the comparison of developmental success of the two systems (communism and capitalism). In order to prevent biasing of data, all the analyses in this article present both: data with inclusion of Croatia, but also data without inclusion of Croatia. The time-span for all the countries is the same: the last 18 years of communism (1973-1990) are compared with the first 18 years of democracy and capitalism (1991-2008).

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<sup>4</sup> Albania also fulfils this requirement, but transition to democracy occurred in this country later than in the five countries mentioned above. Therefore, Albania is not included in this sample.

<sup>5</sup> Romania did have a civil unrest that forced dictator Ceausescu to leave power. However, the number of casualties in this conflict did not exceed one thousand, and Mansfield and Snyder (1995) define war as a conflict with at least 1,000 casualties.

**Figure 1.** GDP Growth (%)



#### 4. GDP Growth Before and After the Fall of Communism

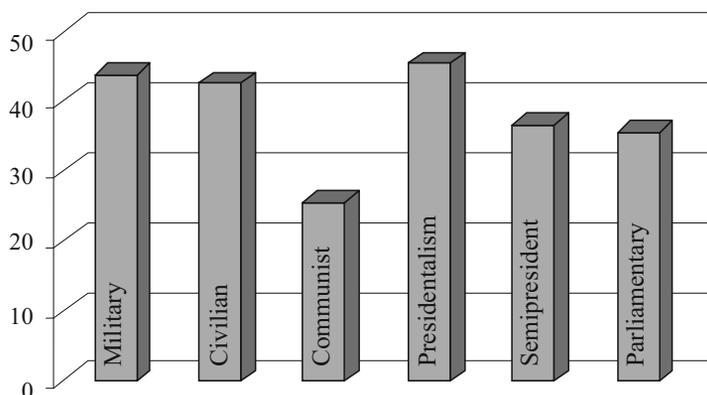
The first hypothesis that this article wants to check is whether former communist countries have had a faster economic growth after the fall of communism. However, as Figure 1 shows, this hypothesis is not supported by data.

The selected countries had, on average, almost identical economic growth during the last 18 years of communism (2.16%) and during the first 18 years of capitalism and democracy (2.23%). If Croatia is excluded from the sample (due to reasons explained above), the other four countries had slightly better results during the period of democracy and capitalism (2.43%) than during the period of communism (2.23%). Nevertheless, huge differences exist between them. Poland's economic growth is more than two times higher after the fall of communism (3.98%) than during communism (1.67%). Similarly, Bulgaria also had an almost two times faster growth during the last 18 years (1.81%)

than during the period of communism (1.01%). However, Hungary and Romania developed faster during the old system (2.91% and 3.31% respectively) than during the new system (2.01% and 1.90% respectively). The Croatian case is a bit different. Though Croatia had a faster economic growth during communism (1.90), its economic growth after the year 1990 (1.43%) was strongly influenced by war. If the five years of war are excluded, Croatia had a much faster growth under democracy and capitalism (4.15%).

Differences exist not only between countries, but also between different periods of time after the fall of communism. For example, Poland is, generally speaking, one of the most successful countries in transition. However, during the first three years of transition, Poland had, on average, a -3.13% decline of GDP. In the same period, the situation was even worse in Bulgaria (-5.73%), in Hungary (-5.18), and in Romania (-6.74%). However, the country that experienced the steepest decline was Croatia (-13.60%),

**Figure 2.** The GINI Index<sup>6</sup> of Inequality for Different Subtypes of Political Regime (1951-1990)<sup>7</sup>



mainly as a result of the war. From 1994 to 2008, all countries had a relatively fast economic growth (3.88% on average), rather higher than during the last years of communism. To conclude this section, the communist system was not more successful in promoting economic growth of the countries under consideration. Nonetheless, capitalism and democracy have still not shown that they are more efficient tools for a fast GDP growth.

## 5. Inequality

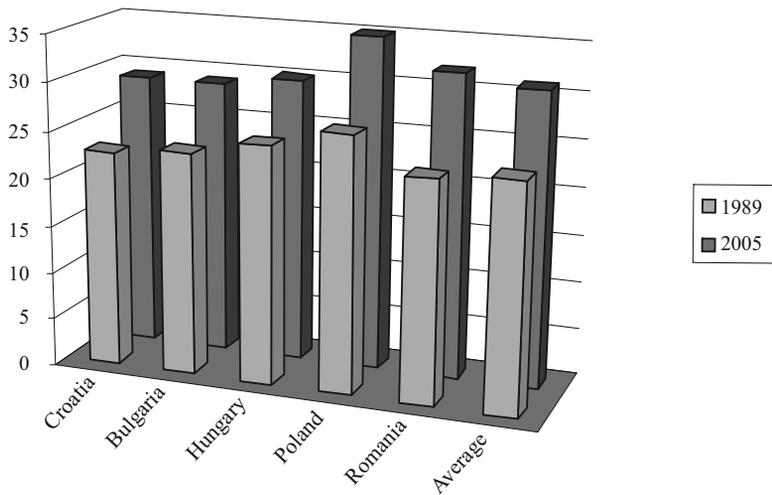
Inequality of income has been one of the main problems in the world. According to Reinicke (1998: 4), 358 wealthiest people in the world earn more than 3 billion poorest people.<sup>8</sup> Inequality in communist countries was far lower than in any other type of regime. To illustrate, immediately after World War II, the maximum difference in salaries that was tolerated in Yugoslavia was 1: 3.5. This means that the executive management in any firm was not allowed to have more than a 3.5 times higher salary than, for example, the janitorial staff (Bilandžić, 1985: 115). Furthermore, the government distributed land to the poorest farmers, and apartments to people who worked for state firms and the government (which was the majority of

<sup>6</sup> The GINI index is a standard economic measure of income inequality. A society that scores 0.0 on the GINI scale has perfect equality in income distribution. Higher the number over 0, higher the inequality, and the score of 1.0 (or 100) indicates total inequality where only one person corners all the income (Business Dictionary, 2009).

<sup>7</sup> Data taken from Antić (2003: 190). The first three figures are for military, civilian and communist dictatorships. The last three columns refer to presidential, semi-presidential and parliamentary democracy.

<sup>8</sup> Some authors questioned the comparison of wealth and income. However, according to UNDP (1996: 13), "... a contrast of wealth alone, if it were possible, would be even starker".

**Figure 3.** The GINI Index



the population). In addition, there were many other measures designed to decrease inequality. For example, the government and bigger firms built resorts where employees had an opportunity to enjoy their vacation for a very small price.<sup>9</sup>

The situation was not much different in other communist countries. These countries, generally, had a much lower level of inequality than countries with other types of political system, as obvious from Figure 2.

So, what happened with inequality after the fall of communism? As evident from Figure 3, the second hypothesis of this article is proven. All former communist countries now have a more unequal distribution of national income than they used to have during the period of communism.<sup>10</sup>

However, it is logical to ask whether this increasing level of inequality is good or bad for the economy. The answer to this question is unequivocal. According to Aghion et al. (1999: 1617), "Several studies have examined the impact of inequality upon economic growth. The picture they draw is impressively unambiguous, since they all suggest that greater inequality reduces the rate of growth."<sup>11</sup>

So, should we expect that an increasing level of inequality will undermine economic growth in the former communist countries? The answer is simple: not necessarily. There are two reasons. First, in spite of rising inequality, the countries mentioned above are still relatively egalitarian in comparison to other regions in the world. Their average GINI index (31) is still lower than the GINI index of any group of countries presented in

<sup>9</sup> Of course, members of the governing elite had many privileges, mainly as a result of their political power.

<sup>10</sup> The average does not change if Croatia is excluded.

<sup>11</sup> The main empirical studies about the influence of equality on economic growth were conducted by Alesina and Rodrick (1994), Perotti (1992, 1993, 1996), and Person and Tabellini (1994).

Figure 2 (except for communist countries). Therefore, if equality fosters growth, the former communist countries still have relatively favorable conditions for growth. The second reason for optimism is that, in spite of the fact that the GINI index deteriorated, many other circumstances (for example, access to the world market, foreign investments, etc.) are much more favorable today than they used to be during the period of communism. Therefore, rising inequality is still not an insurmountable obstacle for economic growth in this region.

## 6. Increase in Life Expectancy

It has already been mentioned (see p. 57, hypothesis 3) that former communist countries experienced a decline in life expectancy<sup>12</sup> after the fall of communism. The decline in life expectancy was especially sharp during the first several years after communism. In Russia, from 1989 to 1994, male life expectancy dropped from 64.4 to 57.3 years (Heleniak, 1995: 1-5). From 1989 to 1997, life expectancy in Belarus decreased from 72 to 68 years, in Moldova from 69 to 67 years, in Russia from 69 to 67, in Kazakhstan from 68 to 65 years, and in Ukraine from 71 to 67 years (The World Bank, 1999). This decline has led to the loss of some 9.7 million people (Beams, 1999). Male life expectancy fell in half the transition countries in the early post-communist era (Murell, 1996: 40). In addition, from 1991 to 1993, the death rate increased by 26 percent and

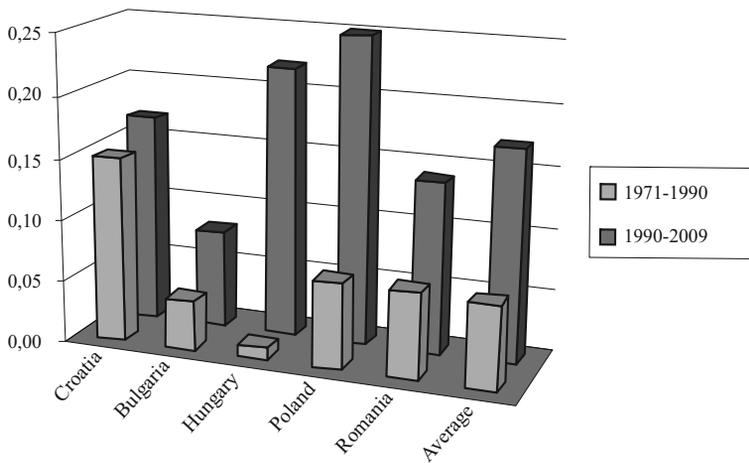
the infant mortality rate increased by 4 percent (UNICEF, 1993). Countries that are in focus of this investigation did not have such a steep decline in life expectancy. However, even in these countries life expectancy slightly decreased after the fall of communism. In Croatia, life expectancy was 72.17 in 1990, and it decreased to 72.08 in 1995. In Bulgaria, the same figure was 71.64 in 1990, and it decreased to 70.35 in 1997. In Hungary, life expectancy dropped from 69.32 in 1990 to 69.10 in 1993. In Poland, life expectancy was 70.89 in 1990, and one year later it decreased to 70.59. Finally, in Romania, life expectancy dropped from 70.69 in 1990 to 69.00 in 1997. Therefore, it was logical to hypothesize that, on average, these countries were more successful in increasing life expectancy during the period of communism than after the collapse of this system. However, Figure 4 shows that this hypothesis is not proven.

During the 1990-2009 period, the increase in life expectancy was .17 years per year, which is a more than two times higher increase than during the last 19 years of communism (.07 years per year). In other words, life expectancy increased in the above-mentioned countries one year every six years during the period of democracy and capitalism (the exclusion of Croatia does not change the result for the post-communist period). In contrast, during the period of communism, life expectancy increased, on average, one year every 16 years. If Croatia is excluded from the sample, the increase during the period of communism is even lower (0.05 years per year).

All the countries experienced a much faster increase in life expectancy during the last 19 years than during the period of communism. However, the big-

<sup>12</sup> Life expectancy (at birth) is the number of years a new-born infant would live if patterns of mortality prevailing at its birth were to remain the same throughout its life (The World Bank, 2006: 307).

**Figure 4.** Increase in Life Expectancy (years per year)



gest difference was noticed in Hungary, where life expectancy virtually did not change during the last period of communism, and then started to increase .22 years per year during the period of capitalism and democracy. The slightest difference occurred in Croatia, where life expectancy increased .15 years per year during communism and .17 years per year after the collapse of communism. Nevertheless, this has been a big success of democratically elected governments, if we take into account that Croatia went through a war in its own territory during the 1990-1995 period, which took 22,000 lives.<sup>13</sup> Since all the countries listed above experienced a decline in life expectancy during the first years of transition, it is obvious that their success occurred during the last fourteen years. Indeed, during the 1995-2009 period, the average increase in life expectancy was .22 years per year. This means that, during this period of time, life expectan-

cy increased, on average, one year every four and half years.

Still, it is important to compare the increase in life expectancy in these six countries with the increase in other countries of the world. Previous investigation showed that during the 1960-1999 period, life expectancy in democracies rose by .24 years per year (see Antić, 2003: 137). This means that countries that are investigated had a similar growth of life expectancy as other democratic countries in the world. In other words, these countries do not have a very fast increase in life expectancy today, but they did have a very slow increase during the last 19 years of communism.

Finally, it is important to investigate what caused a faster increase of life expectancy after the fall of communism. Sudhir Anand and Martin Ravallion (1993; quoted in Sen, 2000: 44) found that there are three main factors that influence life expectancy. "Life expectancy does indeed have a significantly positive correlation with GNP per head, but... this relationship works

<sup>13</sup> 15.000 of them were Croats, and 7.000 of them were Serbs (Bjelajac, Žunec, 2007: 60).

mainly through the impact of GNP on (1) the incomes specifically of the poor and (2) public expenditure particularly in health care". However, their findings do not help much in explaining differences in the increase of life expectancy in the above-mentioned countries. The economic growth was similar during the periods of communism and capitalism. Furthermore, poverty increased after the fall of communism.<sup>14</sup> Finally, these countries had almost universal health care during the period of communism. Therefore, Lake and Baum (2001) are probably more important for explaining differences between the two periods. According to these two authors, people who vote demand a better health care for all the segments of society. Therefore, the increase in life expectancy is faster in democracies.<sup>15</sup> Nevertheless, one additional factor should also be mentioned. After WWII, the Western countries imposed a very strict embargo on the export of technology to former communist countries, with the exception of Croatia (see Mastanduno, 1988). In contrast, all of these countries have had, since 1990, full access to modern technology, including medical technology. It is very likely that this access, which makes possible the most sophisticated medical treatments, has had a positive impact on the increase of life expectancy. In addition, doctors from the former

communist countries have now access to the best literature in the field and possibilities for contacts and learning from the best Western medical experts, which has probably also contributed to better medical treatment of the population. Therefore, it is logical to assume that openness to Western medical technology increased life expectancy. However, this is only a hypothesis that demands further investigation, which is out of the scope of this article.

To conclude, the investigated countries have had a much faster growth of life expectancy after the fall of communism than during the period of communism. There are two main reasons for this increase: demand of voters for better health care, and better access of these countries to modern Western medical technology.

## 7. Education

According to Dasgupta (1993), the well-being in every country depends mostly on three factors – income, health and education. Income and health have been analyzed in previous sections. This section compares success in education prior to and after the end of communism. If one compares educational results of the two regimes, it should be noted that, in their early years, the communist countries were very successful in the eradication of illiteracy. In addition, these countries promoted extensive primary and secondary education. As a result, at the end of communism the percentages of literacy, primary school enrolment and secondary school enrolment were relatively high (see Economic Commission for Europe, 2004: 174). So, has the situation deteriorated or improved after the fall of communism?

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<sup>14</sup> According to The World Bank (1999a: 7), 168 million people in Eastern Europe were in poverty after the fall of communism, in contrast to 13.6 million before the fall of communism.

<sup>15</sup> The authors' theory can be valid for Eastern Europe. However, dictatorships had, on average, a faster increase of life expectancy than democracies. See Antić (2004: 219).

**Figure 5.** Primary School Enrolment, gross (%)

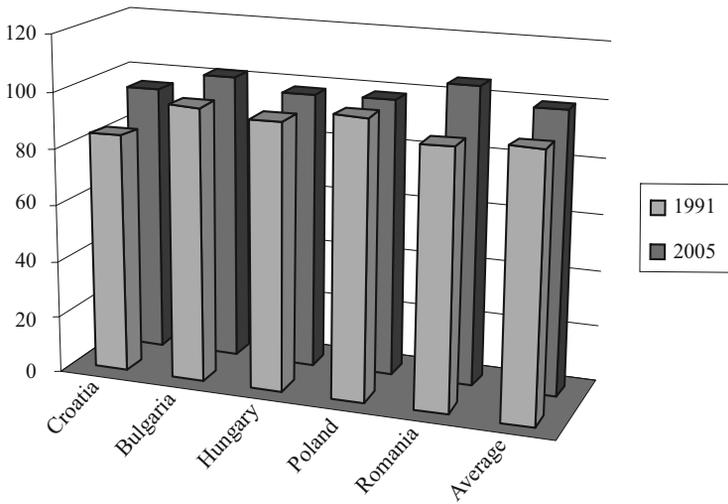
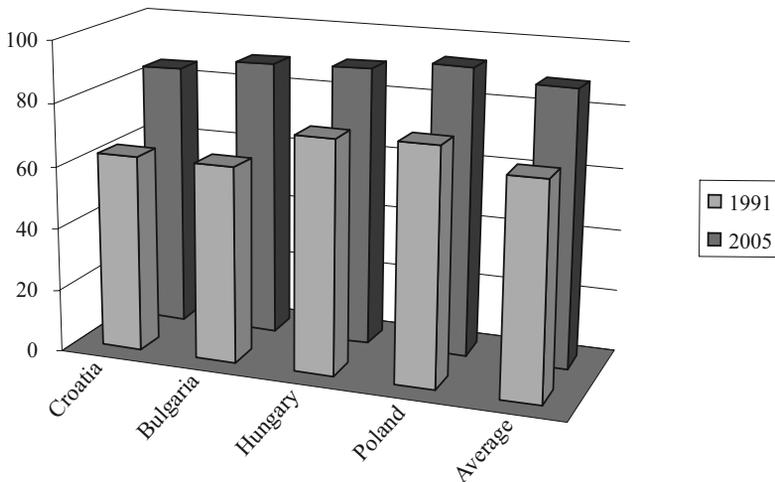


Figure 5 shows that primary school enrolment has been further improved after the fall of communism. In all the countries, this enrolment is higher today than it was during the period of communism. In Bulgaria and Romania enrolment even exceeds 100 percent as a result of the education of adults. On average, primary school enrolment (gross) is 100 percent, which is seven percent

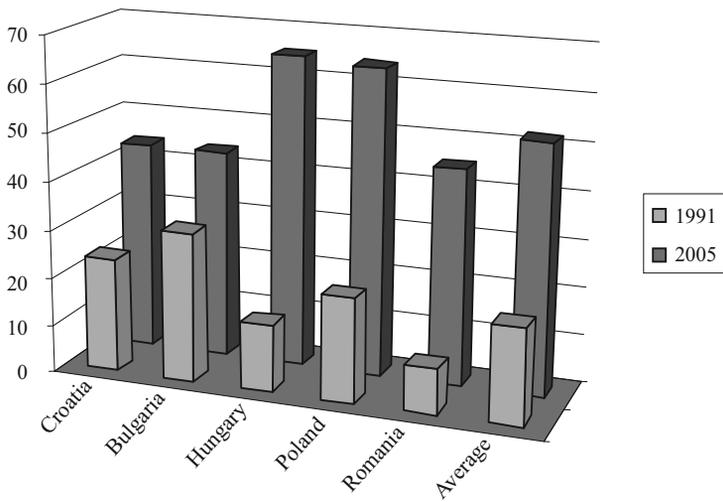
higher than in the last years of communism. The result is only slightly different if Croatia is excluded from the sample. In this case, the average primary school enrolment today is 101 percent, while primary school enrolment during the period of communism was 95 percent.

The improvement is even more pronounced in the field of secondary school enrolment. In 1991, 69% of the pupils,

**Figure 6.** Secondary School Enrolment, gross (%)



**Figure 7.** Tertiary School Enrolment (%)



on average, were enrolled in secondary education.<sup>16</sup> In 2005, the same figure was 89%. Without Croatia, the corresponding figures are 71% and 91%.

All the countries experienced increase in enrolment, but the increase was highest in Bulgaria (by 26%).

So, the former communist countries significantly improved primary and secondary school enrolment. However, the improvement in tertiary school enrolment is even better, almost dramatic, as is evident from Figure 7. Tertiary school enrolment increased – in only 14 years – by more than two and half times (from 20% to 52%) in these five countries. Without Croatia, the increase is even higher (from 19% to 55%). The biggest increase has happened in Hungary, where enrolment increased almost five times in 14 years (from 14% to 65%), and in Poland (from 22% to 64%). According to Kolodko (2009: 335), “... almost five-

fold increase in the number of students over a period of less than twenty years is a sensation”. To conclude, Bulgaria, Croatia, Hungary, Poland and Romania experienced a dramatic improvement in school enrolment in the last 19 years.

## 8. Discussion and Conclusion

The main question of this article is whether communism was better. And the answer is unequivocal – it was not. The main reasons for this assessment are the following. First, democracy makes possible a much better protection of human rights for its own citizens than dictatorship. Hence, democracy is not only a tool for economic development; it is a goal in itself. Free elections, the protection of human rights, freedom of speech, freedom of press, etc. significantly increase the quality of human life. Second, the analyses in this article show that the new system was much more successful in increasing life expectancy. Third, the former communist countries now have a much higher school enrolment than during the period of communism, and

<sup>16</sup> Romania is not included because The World Bank (2008) does not provide data about enrolment in 1991.

the increase in tertiary school enrolment is literally dramatic. Therefore, democracy is proven to be, in Eastern Europe, not only a goal in itself, but also a useful tool for social development. The only indicator that deteriorated after 1990 is the GINI index of inequality, but this has been a logical consequence of the new system which is based on competition. Furthermore, inequality in the former communist countries is still much lower than in other regions of the world.

So, do we have reason for triumphalism? The answer is, once again, negative. The economic growth during the 1990-2008 period was only slightly faster than during the period of communism, in spite of the fact that conditions for growth are now much more favorable than during the 1972-1990 period. For example, up until 1990, these countries had a very limited access to the world market. After World War II, the Western countries imposed an economic embargo on the communist countries. The transfer of technology was especially restricted. Even though sanctions were not equally strong during the entire 1945-1989 period, the East European countries had very limited opportunities to participate in the world economy during the Cold War period. To illustrate, tourists from the West did not travel to the East European countries. In contrast, the collapse of communism enabled the integration of East European countries into the world economy. There is no restriction on the transfer of technology to this region any more. Western investments and credits are now available. In addition, the East European countries received substantial economic aid from the West.

Aid under the Marshall Plan after World War II averaged 2.5 percent

of the incomes of the recipient countries at the time. Total official disbursements to the CEE<sup>17</sup> economies, which have generally progressed furthest in their reforms, accounted on average for about 2.7 percent of their combined GDP in 1991-93... Marshall Plan disbursements were not materially larger than official flows to CEE. (The World Bank, 1996: 138)

Having all those favorable conditions in mind, it is logical to ask why the former communist countries did not have a faster economic growth during the last 19 years than during the period of communism. Amsden et al. identify the main reasons for underperformance of the former communist countries. According to them, the economic problems in Eastern Europe and the former Soviet Union

can be attributed both to the blanket rejection of any remnant of the immediate socialist past and, further, to the embrace by almost every country in the region of a simplistic capitalist experiment... Allowing first-rate firms to go to bankrupt and world-scale research and development laboratories to deteriorate has delayed not just catching up with the world's richest countries but recovering pre-transition income levels by several years... East Europe's below-potential performance... has stemmed from copying the wrong capitalist model... The local true believers in the market were fortified by advisers from Western Universities, the World Bank, and the International Mone-

<sup>17</sup> Central and East European countries (authors' note).

tary Fund. They pushed reforms in predictable directions, minimizing the role of the state and postulating that uncontrolled markets are an infallible guarantee for robust output growth. These ideas follow from a fundamentalist reading of mainstream, neoclassical theory, which flourished during the administrations of Presidents Reagan and Bush. (Amsden et al., 1994: 2-4, 18)

Probably the most problematic issue was the model of privatization, which was frequently a form of robbery. For a minimum amount of money, state-owned enterprises became the private property of people with political connections. Corruption was omnipresent. An investigation of privatization in Croatia showed that 94 percent of privatization cases were connected with some sort of illegal activity. In privatized firms, 60 percent of the workers were fired (Croatian Television 2/1/2003). Croatia was not an exception, but rather a rule. For example, according to Holmes (1997: 36),

in Russia, the current distribution of ownership – which underlines the market – appears illegitimate to ordinary people because most owners did not work for their wealth or inherit it according to publicly known and accepted rules. Private property is a more troublesome institution in Russia than in the West because, for obvious reasons, no post-communist society can consistently implement the rule “give back what is stolen”.

Similar problems arose also in other countries investigated in this article. As a result, many once successful state-owned enterprises became unsuccessful private enterprises. Hence, the wrong model of privatization was probably the main reason why the former communist countries have not been as successful in promoting economic growth as they have been in promoting social development.

To conclude, the former communist countries made many mistakes during the transition period. However, the very decision to start transition from communism to democracy and market economy was not among these mistakes.

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## APPENDIX

**Table 1.** GDP Growth (%)

	CRO	BUL	HUN	POL	ROM	AV	AV-CRO
1973-1990	1.90	1.01	2.91	1.67	3.31	2.16	2.23
1991-2008	1.43	1.81	2.01	3.98	1.90	2.23	2.43

**Table 2.** GINI Index

	CRO	BUL	HUN	POL	ROM	AV	AV-CRO
2005	29	29	30	35	32	31	31
1989	23	23	25	27	23	24	24

**Table 3.** Increase in Life Expectancy (years per year)

	CRO	BUL	HUN	POL	ROM	AV	AV-CRO
1971-1990	0.15	0.04	0.01	0.07	0.07	0.07	0.05
1990-2009	0.17	0.08	0.22	0.25	0.14	0.17	0.17

**Table 4.** Primary School Enrolment, gross (%)

	CRO	BUL	HUN	POL	ROM	AV	AV-CRO
1991	85	97	95	98	91	93	95
2005	95	102	98	98	105	100	101

**Table 5.** Secondary School Enrolment, gross (%)

	CRO	BUL	HUN	POL	AV	AV-CRO
1991	63	63	75	76	69	71
2005	85	89	90	93	89	91

**Table 6.** Tertiary School Enrolment (%)

	CRO	BUL	HUN	POL	ROM	AV	AV-CRO
1991	24	31	14	22	10	20	19
2005	44	44	65	64	45	52	55

## Je li komunizam bio bolji? Usporedba ekonomskog i društvenog razvoja Hrvatske, Bugarske, Mađarske, Poljske i Rumunjske

**SAŽETAK** U žarištu ovogodišnjih Politoloških razgovora bilo je pitanje u kojoj su se mjeri ostvarila obećanja europske "annus mirabilis" i kako rezultati političke i ekonomske transformacije izgledaju iz današnje perspektive. Stoga članak uspoređuje ekonomski rast Hrvatske i odabranih europskih država (Bugarske, Mađarske, Poljske i Rumunjske) prije i poslije pada komunizma. Preliminarni rezultati pokazuju da su navedene države imale – u prosjeku – gotovo identičan ekonomski rast u zadnjih 18 godina komunističkog poretka i u prvih 18 godina demokracije i kapitalizma. U postkomunističkom se periodu pravednost distribucije nacionalnog dohotka (mjerena GINI-indeksom) smanjila, a porast životnog vijeka – na godišnjoj razini – više je nego udvostručen. Dodatno, postotak stanovništva koji se školuje značajno se povećao. Ukratko, komunizam nije bio bolji (osim u pravednosti distribucije dohotka), ali kapitalizam i demokracija još nisu pokazali svoju superiornost u stimuliranju ekonomskog rasta.

**KLJUČNE RIJEČI** komunizam, liberalna demokracija, Hrvatska, Bugarska, Mađarska, Poljska, Rumunjska, nejednakost