Policy Reversals in Transition:
A Lesson from The Great Rebirth

Simeon Djankov
Visiting Fellow, Peterson Institute for International Economics
Rector, New Economic School

December 3, 2014
Some Examples of Reform Reversals

• Rapid increase of state-ownership in finance and resource sectors in Russia after 2003
• Nationalization of the pension system in Hungary in 2011-2014
• Nationalization of “strategic” assets and establishing new state monopolies in Hungary, 2010-2014
• Partial nationalization of the pension systems in Poland and Slovakia, 2012-2014
• Subsidizing loss-making state-owned enterprises in Bulgaria, 2013-2014
Reasons for Such Reversals

- The rise of populists to power (Orban in Hungary; Putin in Russia)
- The Eurozone crisis and discontent with fiscal discipline (Fico in Slovakia; Oresharski in Bulgaria)
- The loss of memory on the evils of communism, central planning, and limits to democracy
Are You Familiar with Bulgaria’s Economic Development Under Communism?

Source: Alpha Research poll, Nov 1-9, 2014
Do You Approve of Todor Zhivkov? (Bulgaria’s communist party leader from 1962-1989)

Source: Alpha Research poll, Nov 1-9, 2014
How Do You Evaluate Bulgaria’s Post-Communist Development?

- Not Successful: 50%
- Successful: 10%
- The Same as Before: 21%
- No Opinion: 19%

Source: Alpha Research poll, Nov 1-9, 2014