

Discussion of

Transition Fatigue

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The words of a veteran

- *“Policy-makers know what they should do; they just do not know how to be re-elected if they do the things that they should do” (Jean Claude Juncker)*
- Is it true that they won't be re-elected?
- Transition countries as an excellent case study
- Arena of the most wide-ranging structural reforms

This paper

- Analysis of the support to reforms (actually more to the regime change) in different transition countries
- Based on micro-data, thus controlling for individual characteristics, labour market status, etc.
- Not theory driving empirical work, but very informative

Key findings

- Unsurprisingly lower support among losers (unemployed, with obsolete human capital, rural areas, poor, in the CIS)....
- But there is more than personal experience in evaluating the regime change
- Other non-economic factors matter

Issues

- Can we identify these non-economic sources of support? What is it? Ideology? Fairness? Identity? Some framework guiding the specification search
- Take into account of data limitations
- Empirical specification

Non-economic determinants

- Perceived fairness of the system.
Presence of redistributive policies. EU conditionality (NMS vs. CIS).
- Fragmentation, buildup of democratic institutions, electoral systems and representation of minorities.
- More consistency over time in the assessment of economic and political systems?

EU Conditionality

Summary of EC Recommendations in the Labour and Social Policy Area

Country	Employment strategy	Labour Law	Social Dialogue	Equality of Treatment and Opportunities	Pension and Health System	Health and Safety at Work
<i>First Round Candidates</i>						
Czech Republic		•	•	•		•
Estonia	••	••	•	•		•
Hungary		•			••	•
Poland		•	•	•		•
Slovenia		•		•	••	
<i>Second Round Candidates</i>						
Bulgaria		•	•	•	•	••
Latvia		-	•	•	-	•
Lithuania		•				•
Romania		•	•	•	•	•
Slovakia		•		•	••	••

Source: Regular Report from the European Commission (various countries).

Notes:

• No further progress registered during the last year, only partial or insufficient alignment to the *acquis*, more efforts in implementing reforms are needed.

•• Recommendation of immediate action to Titto Boeri -- March 2009

"-" subject not mentioned in the report.

Data limitations

- Repeated cross-section treated as a single cross-section (with year dummies but no interactions).
- Subjective evaluations: if panel, it would be possible to use individual fixed effects.
- *Difference* (“distance”) in the evaluation of the two regimes is also affected by subjective grading. Cardinal interpretation is problematic.

Questionnaire

- Economies and political regimes out of the steady-state
- What was the “present economic system” in the 1991-6 period?
- And the “present system with free elections and many parties” was really there? Some framing here
- Recall bias. Is increasing support for old systems due to that?

Empirical specification

- Better to interpret answers as ordinal scaling and consequently use a logit (1 if I prefer the old/ 0 otherwise) or ordered probit (2 prefer new both/ 1 prefer new just one/ 0 prefer old) ?
- How DK/NA are treated?
- More interaction variables. Years vs. characteristics. Low fit.
- Endogeneity issues: opinions may affect outcomes.
- More controls: public vs private sector (or privatised) workers.

ULB3

Diapositiva 10

ULB3

Non esiste una distinzione tra temporary e permanent workers. c'è una distinzione part time -full time.
Potrebbe essere utile inserire una variabile per il tipo di impresa: privatizzata, semi statale e statale.

Universita' Luigi Bocconi; 10/03/2009

Overall

- Interesting paper and data
- Important to explain cross-country heterogeneity
- Need to relate to cross-country heterogeneity of transition trajectories. Some theory would be helpful in driving empirical search.....

Overall (cont.)

- Not true that “differences across specifications are related to the size and significance, but never to the sign” (p. 17).
- Allow for changes in Government and ideology from year to year.
- What happened in Romania? Older, less educated, rural people more supportive