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## INTERVIEW

*– In recent years transformation processes are typical for many countries. And what are, to your mind, characteristic peculiarities of economic transformation of post-socialist countries of Eastern and Central Europe?*

As for me, there are several groups of differences of economies' transformation in our countries which differ from those we can observe in other parts of the world. For instance, even in Latin-American countries with authoritarian regimes there were very few restrictions in the sphere of economic life, in private ownership of land, and as well of means of production. That is why, on the whole, liberalization promoted only modernization of the economic system. But in China, only agriculture and relevant branches were predominant before the reforms and naturally they seemed to be oriented at short-scale production and exchange relations (ratio). In such environment it is rather easier to develop the market; in fact, market relations have been developed of their own accord after lifting the bans and thus, organizing government intervention has been minimized.

Secondly, in our countries not only government intervention into economic life was observed (it could be observed in certain periods even in such countries as France and Great Britain), but an effort of state machine to substitute market institutions for itself was also made. Besides, the government didn't burden itself with the observance of its own laws. So we had to sharply restrain bad influence of the government and at the same time to create such establishments as central bank, stock exchange, etc., and also to get used the state bodies to strict observance of the laws.

Thirdly, our instance should be considered as a constituent part of a rather broad tendency characteristic for the XX century. I mean the development in all spheres of human life. Communism is the utmost form of this form. That's why it is the most difficult one. As the experience shows – both in industrially

developed and developing countries – the greatest success in economic development was achieved by those countries which were resolute for government intervention restriction. There are no opposite examples (in any case I am not aware of.).

Fourthly, from the transformation experience in post-socialist European countries, success was achieved when the government concentrated its efforts to solve really fundamental tasks. It follows that in countries with underdeveloped democracy no economic reforms take place.

Lack of large-scale social protests in those countries that undertook definite drastic reforms and promptly changed the essence of social relations has become the fifth characteristic feature, somehow even discouraging for skeptics and opponents of reforms. The society realized that problem aggravation is associated with the short period of reforms and it won't continue for years. Protests, especially strikes (actions) of trade-unions and of left-wing parties adherents, of course took place, but on the whole, their number in all countries didn't exceed similar actions in France which is considered to be a prosperous country. Such protests are natural enough, and in most cases they are directed by no means against the reforms. For instance, miners protest against mines closing, but not against establishing market relations. In this respect they behave the same way both in Poland and Great Britain. And this point, of course, should be taken into consideration. But it is also necessary to think over the society's readiness to bear the aggravation of social and economic problems in the time of drastic reforms, as well as over the unwillingness to suffer from the delay of reforms.

***– But may we speak about any lessons, which can be delivered from the experience of countries that made progress in economic reform implementation?***

1) Delay of privatization slows down the process of structural reforms in country's economy. In fact, deceleration of privatization rates leads to worsening of economic and financial situation. As a result we have rising national budget deficit and the necessity of to finance our budget by currency issue, we also have galloping inflation. Hereby, I can repeat once more that rapid privatization is a guarantee of successful reforms. In this connection I'd like to draw your attention to another point. Sometimes in political circles a false dilemma is submitted: «What's better – rapid but poor privatization or slow but efficient». But in fact the quality of privatization is by no means determined by the terms of its preparation. If true and skilled professionals are engaged in these processes, then implementation of privatization is rapid and efficient, and vice versa.

2) Law reform is a very important aspect. The matter is as follows: it's not sufficient to change the laws (although it's also very important), but all the system of legal provision should be changed including courts, public prosecutor's departments, etc. And special attention should be paid to the observance of right of ownership. In other case, the economic reforms will be spinning.

3) Financial system situation assumes greater and greater importance in the course of economic reforms. It should be promptly realized that the financial system health and economic situation in the whole are completely interconnected. It somewhat differs from the things we used to have during the period of social economy. And one more specific aspect: in Eastern and Central European countries the banking sector plays more important role in financial system, while in the West such role belongs to the share market. Underestimation and underdevelopment of share market and its instruments may become a grave impediment for implementation of economic reform.

4) Private banks are of particular importance in banking systems' development, though I don't know any examples of long-term success of the National Bank. Privatization is the only possible reform to be carried out. It is notable that national banks are predominant in «third countries», and the largest number of

them is in Africa, i.e. in countries with the weakest banking system. Thus, banks' privatization is the key to the banking sector reforms, and taking into account prevailing of banks over the share market institutions it's also the key to the financial system reforms. But taking into consideration a special role of financial system in transition economy, we come to conclusion that not all private banks are doomed to success. First of all, banks created by industrial conglomerates with the purpose to serve their own needs naturally can't be successful in the long-term outlook. Lacking both sufficient money and practical experience banks which do not attract foreign investors don't achieve real success. So, success of banks with foreign capital in Hungary, Poland, Baltic countries seriously signify this fact.

5) Budgetary restraints (typical for socialist economy) induce more failures than incomplete privatization does. It should be realized that economic reforms as well as liberalization of economic life lead to disintegration of the old fiscal system. But the task of its rehabilitation shouldn't be the return to the same high level of national income redistribution through the state budget. (To my mind this very mistake has become the main cause of economic crisis in South and Eastern Asian countries). The reform experience shows that it's rather easier to restrain budgetary expenditures than to increase tax funds. The matter is not only in technical and organizing difficulties, but first of all in political and economic consequences.

6) There are no contradictions between the combat against inflation and support of economic growth at a long date. It's also one of the myths, i.e. the example of a false dilemma. Actually quiet inflation encourages decision-making that provides the industrial production growth in the country. Another thing is that in pre-reforming period almost all countries of Eastern and Central Europe had a very high rate of hidden inflation. Probably only in the Czech Republic inflation rate was low, and in Hungary it was moderate. So in the process of reformation, as well as in some other above-mentioned cases, the task wasn't only to create something new, but also to pay for the old system's sins, which fairly complicated the reformers' work.