NARRATIVE EXPLANATION OF BREAK POINTS AND CONVERGENCE PATTERNS IN YUGOSLAVIA AND ITS SUCCESSOR STATES 1952-2015

Working Paper written for WIIW GDN Project
'Falling Behind and Catching Up in Southeast Europe

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Four aspects of the time series:
GDP p/c 1952-2015

1. Break points in time series of individual successor states (Bai-Perron test)
2. Convergence of successor states (σ-convergence and β-convergence)
3. Pair convergence of successor states and benchmarks (Barnard-Durlauf)
4. Relationship of break point tests, convergence and narrative
Bai-Perron test break points of time series of individual successor states

Table 5.1 Structural break dates (Bai-Perron test) for the successor states using the whole sample, period 1952-2015

|---------|-----------|-----------|-----------|-----------|-----------|

Source: authors’ calculations
The Bai-Perron test: example of Serbia
Bai-Perron test

Developed successor states (above Yu average)

Less developed successor states (below Yu average)
σ-convergence and β-convergence gives among successor states
same result: socialist/Yugoslav divergence and capitalist/independent convergence
Pair convergence: successor states: no change in pattern
Successor state’s pair convergence with benchmark divergence
The lag in prospective: the Croatian case

<table>
<thead>
<tr>
<th></th>
<th>Slovenija (3% growth rate)</th>
<th>Austrija (1,5% growth rate)</th>
<th>EU prosjek (2% growth rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial value (ppu Euro)</td>
<td>18 093</td>
<td>38 541</td>
<td>27 394</td>
</tr>
<tr>
<td>Croatian growth rate 2%</td>
<td>Increasing lag</td>
<td>170 years</td>
<td>Never, parallel growth</td>
</tr>
<tr>
<td>Croatian growth rate 3%</td>
<td>Never, parallel growth</td>
<td>57 years</td>
<td>53 years</td>
</tr>
<tr>
<td>Croatian growth rate 5%</td>
<td>25 years</td>
<td>25 years</td>
<td>18 years</td>
</tr>
</tbody>
</table>
Pair convergence break points:
successor states and benchmark

Number of breaks successor states
Number of breaks EU benchmarks
## Average growth rates for narrative periods

<table>
<thead>
<tr>
<th>Period</th>
<th>B. and H.</th>
<th>Croatia</th>
<th>Macedon.</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>Slovenia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole period</td>
<td>1952-2015</td>
<td>1.94</td>
<td>2.88</td>
<td>2.77</td>
<td>2.95</td>
<td>2.15</td>
</tr>
<tr>
<td><strong>'SOCIALIST' PERIOD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Succesf. socialism</td>
<td>1952-1979</td>
<td>4.8</td>
<td>6.4</td>
<td>6.0</td>
<td>5.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Socialist stagnati</td>
<td>1980-1989</td>
<td>0.5</td>
<td>0.0</td>
<td>-0.1</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>'CAPITALIST' PERIOD</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wartime capital.</td>
<td>1990-1994</td>
<td>-9.6</td>
<td>-8.7</td>
<td>0.8</td>
<td>-8.6</td>
<td>-10.0</td>
</tr>
<tr>
<td>Succesf. Capital.</td>
<td>1995-2008</td>
<td>9.1</td>
<td>5.1</td>
<td>3.7</td>
<td>6.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Capital. Stagnat</td>
<td>2009-2015</td>
<td>2.2</td>
<td>-0.2</td>
<td>2.5</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Peacet. capitalis</td>
<td>1995-2015</td>
<td>6.8</td>
<td>3.3</td>
<td>3.3</td>
<td>4.6</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: authors’ calculations
Narrative break points
Narrative periods: exceptions:

Montenegro

Slovenia
Some commonalities

- No successor state ever experienced Modern economic growth in either regime
- In terms of growth patterns no change with regime replacement (a spurt and a stagnation)
- All growth accelerations were temporary spurts
- Independence and transformation did not lead to acceleration or convergence (no change on development gradient)
- The lag behind the European core is increasing
- Vulnerability to external shock, inability to adapt to shocks which lead to stagnation
- Spurts linked to external debt, importing savings
- Unchanged gradient among successor states
Four useful spectacles:

- Time series of successor states GDP p/c 1952-2015
  - Simon Kuznets *Modern Economic Growth*
  - Alexander Gerschenkron *Spurts that fail*
  - Vladimir Pertot *Reflexive interventionism*
  - Branko Horvat *It’s the political economy, stupid*
What is needed for convergence?

• Growth, but not any growth

Modern Economic Growth

• Simon Kuznets (1966):
  Persistently high growth rates over a long period with restructuring in
  an acceptable social environment

• Elements of definition
  – High growth rates (above 5%, doubles income every 16 years)
  – Over a long period (30 years or longer, a couple of cycles)
  – Restructuring (ease of resource mobility)
  – Acceptable social environment (democracy and accountability)
10 possible reasons for MEG

• 1: EFFICIENCY DIVIDEND
• 2: CYLES I POST-RECESSION BOOM
• 3: BETA CONDITIONAL CONVERGENCE IN EU
• 4: EU CONVERGENCE MACHINE
• 5: POSITIVE MEMBERSHIP SHOCK
• 6: REDUCING INTERNAL GROWTH BARRIERS
• 7: ADVANTAGES OF BACKWARDNESS
• 8: WORLD POST RECESSION BOOM
• 9: NATURAL MONIOPOLY (POSITION, RESOURCES)
• 10 LUCK