

The Economic Crisis in Eastern Europe

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How far is it possible to speak of an economic crisis in Eastern Europe? If the answer is in the positive, then how do societies dominated by planned economies ever come to be in a state of crisis? Do the East European economies suffer from inflation, unemployment and recession? What is the role of corruption and to what extent does it affect productivity? Or efficiency? Is the widely acclaimed Hungarian model only an exception which merely confirms the rule? Further, is it Poland that will ultimately show the way? These are some of the many stimulating questions which this slim volume attempts to answer. The result is a brief yet original account of the nature of the crisis obtaining on the economic front both in the Soviet Union and Eastern Europe and in this attempt remains one of the few of its kind.¹

The first chapter deals with the symptoms of the crisis presented under six different headings : performance, efficiency, unemployment and inflation, standard of living and balance of payments, and population growth. Economic performance is judged upon the basis of both *national income* and *investment*. Basing himself largely upon the United Nations survey of the economic situation in Europe in 1983, the author points out that there had been a break in the development of national income in 1977, when the East European countries registered a growth rate of 6% which came close to zero growth five years later in 1982. Accordingly, apart from Poland, the other countries of Eastern Europe have a continuity in the increase of national income - what has declined is the *rhythm* of the increase. Similarly in the field of investment, comparison with the Western countries shows that the contraction of investment is stronger in the Western countries than in Eastern Europe (Poland being the only exception) and is clearly more pronounced in the USSR. Also, there appears to have been a decline in the long term : statistics show that the rate of growth of national income and investment has been regularly declining since the last thirty years. Thus, the growth rate of national income has passed for example from 10.7% per year between 1951-1955, to 6.1% between 1971-1975, and to 4.2% from 1976-1980. The five year plans for 1981-1985 anticipates an average rate of about 3.4%.