**Background material 6**

for the paper

by

**János Kornai**

**The System Paradigm revisited**

**Clarification and additions**

**in the light of experiences in the post-socialist region**

October 2016

***Background material 6***

**Comparative reports about post-socialist countries**

Capitalism versus Socialism Forms of politics and government

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| A | B | C | D | E | F | G | H | I | J | K | L | M |
| No. | Country | Bertelsmann Transformation Index | | EBRD Transition Index | World Eco-nomic Forum | Bertelsmann Transformation Index | | | | | Freedom House Nations In Transit | |
| Market Economy Status | Market Economy Status category | Compe-tition Policy | Goods market efficiency value | Demo-cracy Status | Democracy Status category | Political System Total | Status Index | Democracy/  Autocracy | Democracy Score | Nation in Transit Category |
| 1 | Afghanistan | 2.89 | Rudimentary market economy | n.d. | n.d. | 3.02 | Hard-line autocracy | 4.00 | 2.95 | Autocracy | n.d. | n.d. |
| 2 | Albania | 6.46 | Functional flaws market economy | 2.33 | 4.34 | 6.95 | Defective democracy | 0.00 | 6.71 | Democracy | 4.14 | Transitional Government or Hybrid Regime |
| 3 | Angola | 4.07 | Poorly functioning market economy | n.d. | 2.92 | 4.25 | Moderate autocracy | 4.00 | 4.16 | Autocracy | n.d. | n.d. |
| 4 | Azerbaijan | 5.39 | Functional flaws market economy | 1.67 | 4.31 | 3.48 | Hard-line autocracy | 6.00 | 4.44 | Autocracy | 6.86 | Consolidated Authoritarian Regime |
| 5 | Benin | 5.00 | Functional flaws market economy | n.d. | 3.83 | 7.55 | Defective democracy | 0.00 | 6.28 | Democracy | n.d. | n.d. |

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| 6 | Bosnia and Herzegovina | 6.46 | Functional flaws market economy | 2.33 | 3.69 | 6.30 | Defective democracy | 0.00 | 6.38 | Democracy | 4.50 | Transitional Government or Hybrid Regime |
| 7 | Bulgaria | 7.68 | Functioning market economy | 3.00 | 4.35 | 8.15 | Democracy in consolidation | 0.00 | 7.91 | Democracy | 3.25 | Semi-Consolidated Democracy |
| 8 | Czech Republic | 9.36 | Developed market economy | 3.00 | 4.63 | 9.45 | Democracy in consolidation | 0.00 | 9.40 | Democracy | 2.21 | Consolidated Democracy |
| 9 | North Korea | 1.68 | Rudimentary market economy | n.d. | n.d. | 2.60 | Hard-line autocracy | 6.00 | 2.14 | Autocracy | n.d. | n.d. |
| 10 | Estonia | 9.29 | Developed market economy | 3.67 | 4.93 | 9.70 | Democracy in consolidation | 0.00 | 9.49 | Democracy | 1.93 | Consolidated Democracy |
| 11 | Ethiopia | 3.86 | Poorly functioning market economy | n.d. | 4.07 | 3.23 | Hard-line autocracy | 6.00 | 3.55 | Autocracy | n.d. | n.d. |
| 12 | Belarus | 4.61 | Poorly functioning market economy | 2.00 | n.d. | 3.93 | Hard-line autocracy | 6.00 | 4.27 | Autocracy | 6.64 | Consolidated Authoritarian Regime |
| 13 | Georgia | 5.93 | Functional flaws market economy | 2.00 | 4.48 | 6.70 | Defective democracy | 0.00 | 6.31 | Democracy | 4.61 | Transitional Government or Hybrid Regime |
| 14 | Croatia | 7.46 | Functioning market economy | 3.33 | 4.05 | 8.40 | Democracy in consolidation | 0.00 | 7.93 | Democracy | 3.68 | Semi-Consolidated Democracy |

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| 15 | Yemen | 3.00 | Poorly functioning market economy | n.d. | 3.64 | 2.82 | Hard-line autocracy | 6.00 | 2.91 | Autocracy | n.d. | n.d. |
| 16 | Cambodia | 4.50 | Poorly functioning market economy | n.d. | 4.15 | 3.73 | Hard-line autocracy | 5.00 | 4.12 | Autocracy | n.d. | n.d. |
| 17 | Kazakhstan | 6.04 | Functional flaws market economy | 2.00 | 4.48 | 3.73 | Hard-line autocracy | 6.00 | 4.88 | Autocracy | 6.61 | Consolidated Authoritarian Regime |
| 18 | China | 6.61 | Functional flaws market economy | n.d. | 4.37 | 3.28 | Hard-line autocracy | 6.00 | 4.95 | Autocracy | n.d. | n.d. |
| 19 | Kyrgyzstan | 5.46 | Functional flaws market economy | n.d. | n.d. | 5.95 | Highly defective democracy | 0.00 | 5.71 | Democracy | 5.89 | Semi-Consolidated Authoritarian Regime |
| 20 | Kosovo | 6.00 | Functional flaws market economy | 2.33 | n.d. | 6.65 | Defective democracy | 0.00 | 6.33 | Democracy | 5.07 | Semi-Consolidated Authoritarian Regime |
| 21 | Cuba | 4.61 | Poorly functioning market economy | n.d. | n.d. | 3.68 | Hard-line autocracy | 5.00 | 4.15 | Autocracy | n.d. | n.d. |
| 22 | Republic of Congo (Congo-Brazzaville) | 3.71 | Poorly functioning market economy | n.d. | n.d. | 3.45 | Hard-line autocracy | 6.00 | 3.58 | Autocracy | n.d. | n.d. |

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| Market Economy Status | Market Economy Status category | Compe-  tition Policy | Goods market efficiency value | Demo-cracy Status | Democracy Status category | Political System Total | Status Index | Democracy  /  Autocracy | Democracy Score | Nation in Transit Category |
| 23 | Laos | 4.75 | Poorly functioning market economy | n.d. | n.d. | 2.90 | Hard-line autocracy | 6.00 | 3.83 | Autocracy | n.d. | n.d. |
| 24 | Poland | 8.96 | Developed market economy | 3.67 | 4.51 | 9.50 | Democracy in consolidation | 0.00 | 9.23 | Democracy | 2.32 | Consolidated Democracy |
| 25 | Latvia | 8.50 | Developed market economy | 3.67 | 4.64 | 8.75 | Democracy in consolidation | 0.00 | 8.63 | Democracy | 2.07 | Consolidated Democracy |
| 26 | Lithuania | 9.00 | Developed market economy | 3.67 | 4.64 | 9.30 | Democracy in consolidation | 0.00 | 9.15 | Democracy | 2.32 | Consolidated Democracy |
| 27 | Macedonia | 7.07 | Functioning market economy | n.d. | n.d. | 6.65 | Defective democracy | 0.00 | 6.86 | Democracy | 4.29 | Transitional Government or Hybrid Regime |
| 28 | Hungary | 7.79 | Functioning market economy | 3.33 | 4.29 | 7.60 | Defective democracy | 0.00 | 7.69 | Democracy | 3.29 | Semi-Consolidated Democracy |
| 29 | Moldova | 5.79 | Functional flaws market economy | 2.33 | 4.06 | 6.70 | Defective democracy | 0.00 | 6.24 | Democracy | 4.89 | Transitional Government or Hybrid Regime |
| 30 | Mongolia | 5.93 | Functional flaws market economy | 2.67 | 4.24 | 7.30 | Defective democracy | 0.00 | 6.61 | Democracy | n.d. | n.d. |
| 31 | Montenegro | 7.11 | Functioning market economy | 2.33 | 4.30 | 7.85 | Defective democracy | 0.00 | 7.48 | Democracy | 3.93 | Semi-Consolidated Democracy |

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| Market Economy Status | Market Economy Status category | Competi-  tion Policy | Goods market effici-ency value | Demo-cracy Status | Democracy Status category | Political System Total | Status Index | Democracy/  Autocracy | Democracy Score | Nation in Transit Category |
| 32 | Mozambique | 4.86 | Poorly functioning market economy | n.d. | 3.97 | 5.60 | Highly defective democracy | 0.00 | 5.23 | Democracy | n.d. | n.d. |
| 33 | Germany | n.d. | n.d. | n.d. | 4.92 | n.d. | n.d. | n.d. | n.d. | n.d. | n.d. | n.d. |
| 34 | Nicaragua | 5.46 | Functional flaws market economy | n.d. | 3.77 | 5.60 | Highly defective democracy | 0.00 | 5.53 | Democracy | n.d. | n.d. |
| 35 | Russia | 5.71 | Functional flaws market economy | n.d. | n.d. | 4.40 | Moderate autocracy | 4.00 | 5.06 | Autocracy | 6.50 | Consolidated Authoritarian Regime |
| 36 | Armenia | 5.89 | Functional flaws market economy | 2.33 | 4.46 | 5.23 | Moderate autocracy | 2.00 | 5.56 | Autocracy | 5.36 | Semi-Consolidated Authoritarian Regime |
| 37 | Romania | 7.96 | Functioning market economy | 3.33 | 4.28 | 8.15 | Democracy in consolidation | 0.00 | 8.06 | Democracy | 3.46 | Semi-Consolidated Democracy |
| 38 | Serbia | 7.00 | Functioning market economy | 2.33 | 3.74 | 7.85 | Defective democracy | 0.00 | 7.43 | Democracy | 3.75 | Semi-Consolidated Democracy |
| 39 | Slovakia | 8.64 | Developed market economy | n.d. | n.d. | 8.85 | Democracy in consolidation | 0.00 | 8.75 | Democracy | 2.61 | Consolidated Democracy |
| 40 | Slovenia | 8.82 | Developed market economy | 2.67 | 4.50 | 9.20 | Democracy in consolidation | 0.00 | 9.01 | Democracy | 2.00 | Consolidated Democracy |

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| No. | Country | Bertelsmann Transformation Index | | EBRD Transition Index | World Eco-nomic Forum | Bertelsmann Transformation Index | | | | | Freedom House Nations In Transit | |
| Market Economy Status | Market Economy Status category | Com-peti-  tion Policy | Goods market effici-ency value | Demo-  cracy Status | Democracy Status category | Political System Total | Status Index | Democracy/  Autocracy | Democracy Score | Nation in Transit Category |
| 41 | Somalia | 1.25 | Rudimentary market economy | n.d. | n.d. | 1.50 | Hard-line autocracy | 7.00 | 1.38 | Autocracy | n.d. | n.d. |
| 42 | Tajikistan | 3.64 | Poorly functioning market economy | 1.67 | 4.12 | 3.55 | Hard-line autocracy | 6.00 | 3.60 | Autocracy | 6.54 | Consolidated Authoritarian Regime |
| 43 | Turkmen-istan | 3.93 | Poorly functioning market economy | 1.00 | n.d. | 2.85 | Hard-line autocracy | 6.00 | 3.39 | Autocracy | 6.93 | Consolidated Authoritarian Regime |
| 44 | Ukraine | 5.36 | Functional flaws market economy | 2.33 | 4.02 | 6.75 | Defective democracy | 0.00 | 6.05 | Democracy | 4.68 | Transitional Government or Hybrid Regime |
| 45 | Uzbekistan | 3.79 | Poorly functioning market economy | 1.67 | n.d. | 3.02 | Hard-line autocracy | 6.00 | 3.40 | Autocracy | 6.93 | Consolidated Authoritarian Regime |
| 46 | Vietnam | 5.93 | Functional flaws market economy | n.d. | 4.23 | 3.52 | Hard-line autocracy | 6.00 | 4.72 | Autocracy | n.d. | n.d. |
| 47 | Zimbabwe | 3.46 | Poorly functioning market economy | n.d. | 3.54 | 4.20 | Moderate autocracy | 3.00 | 3.83 | Autocracy | n.d. | n.d. |

**Explanation for the comparative reports about post-socialist countries**

**Column A**

Numbers

**Column B**

Country name

**Capitalism versus Socialism -- Column C to F**

**Column C**

**Market Economy Status – the Bertelsmann Transformation Index (BTI)**

The BTI assesses the transformation toward market economy in 129 countries. and BTI’s latest report covers the period from 1 February 2013 to 31 January 2015. The BTI’s concept of a market economy includes not only aspects such as economic performance, regulatory or competition policy and property rights; it also includes elements of social justice, such as social safety nets, equality of opportunity and sustainability. In BTI terms, comprehensive development does not only aim at economic growth but also requires successful poverty alleviation and the freedom of action and choice for as many citizens as possible. The exact source of the Market Economy Status quantitative value can be found in a data file (Bertelsmann, 2016c), the so called “BTI 2016” sheet’s 108th column, whose value is equal to the average of 14 indicators (cf. Bertelsmann, 2016a pp. 2-3 and Bertelsmann, 2016b: pp. 25-33). The scale ranges from 1 (worst) to 10 (best).

**Column D**

**Market Economy Status category - the Bertelsmann Transformation Index (BTI)**

The quantitative value of column C might be classified into qualitative categories. The exact source of the Market Economy Status Category’s data is Bertelsmann, 2016c Data file (BTI\_2016\_Scores.xlsx) sheets (BTI 2016) 110th column’s value, where the five sub-categories are: i. Developed market economy, ii. Functioning market economy, iii. Market Economy with Functional flaws, iv. Poorly functioning Market Economy, v. Rudimentary Market Economy.

**Column E**

**Competition Policy - European Bank of Reconstruction and Development (EBRD)**

The exact source of the Competition policy indicator’s data is EBRD, 2015b Data file (Tic.xlsx) sheets (Page1\_1) 28th column’s value regarding 2014. This indicator reflects the state of the competition legislation, competition institutions, entry restrictions to several markets. The measurement scale for the indicators ranges from 1 to 4.3, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialized market economy. The reform scores reflect the assessments of EBRD country economists using the criteria described in the methodological notes (EBRD, 2015a: pp. 3).

**Column F**

**Goods market efficiency – World Economic Forum (WEF)**

The exact source of the Competition policy indicator’s data is the so called GCI\_Dataset\_2006-2015 data file of the World Economic Forum. Regarding the latest year’s (2015) value the 575th raw (in the case of two countries, Angola and Yemen, the latest data are from 2014, which can be found in the 1523rd raw counting from above). The goods market efficiency indicator refers to the form of a single composite index to the Intensity of local competition, the Extent of market dominance, the Effectiveness of anti-monopoly policy, and the Effect of taxation on incentives to invest. The scale ranges from 1 (worst) to 7 (best). For further information about the methodology see WEF, 2016a, pp. 13-15.

**Forms of politics and government -- Column G to M**

**Column** **G**

**Democracy Status - the Bertelsmann Transformation Index (BTI)**

The BTI assesses the transformation toward market economy in 129 countries, and BTI’s latest report covers the period from 1 February 2013 to 31 January 2015. The exact source of the Democracy Status quantitative value can be found in a data file (Bertelsmann, 2016c), the so called “BTI 2016” sheet’s 105th column, whose value is equal to the average of 14 indicators (cf. Bertelsmann, 2016a pp 2-3 and Bertelsmann, 2016b: pp. 15-24). The scale ranges from 1 (worst) to 10 (best).

**Column H**

**Democracy Status category – the Bertelsmann Transformation Index (BTI)**

The quantitative value of column G might be classified into qualitative categories. The exact source of the Democracy Status category’s data is Bertelsmann, 2016c Data file’s (BTI\_2016\_Scores.xlsx) sheet’s (BTI 2016) 107th column’s value, where the five sub-categories are: i. Democracies in consolidation, ii. Defective democracies, iii. Highly defective democracies, iv. Moderate autocracies, v. Hard-line autocracies

**Column I**

**Political System Total – the Bertelsmann Transformation Index (BTI)**

The exact source of the Political System Total’s data is Bertelsmann, 2016c Data file’s (BTI\_2016\_Scores.xlsx) sheet’s (BTI 2016) 98th column’s value, where there are further two sub-categories. The indicators on the state of political transformation are also used in determining whether a country is classified as a democracy or autocracy. This analysis comprises more than just whether sufficiently free and fair elections are held. In accordance with the Transformation Index’s comprehensive concept of democracy, seven thresholds (i. Monopoly on the use of force and Basic administration, ii. Free and fair elections, iii. Effective power to govern, iv. Association / assembly rights, v. Freedom of expression, vi. Separation of powers, vii. Civil rights) values marking minimum requirements are considered. The scale ranges from 0 (best) to 7 (worst).

**Column J**

**Status Index – the Bertelsmann Transformation Index (BTI)**

The Status Index is formed by calculating the average of the total scores given for the dimensions of political and economic transformation. The state of transformation in each analytic dimension is equivalent to the average of the scores of the associated criteria. The scale ranges from 1 (worst) to 10 (best).

**Column K**

**Democracy/Autocracy - the Bertelsmann Transformation Index (BTI)**

The country is classified as an autocracy if even one score out of the above (Column I) discussed seven indicators falls short of the relevant threshold: i. The sum of the values of Monopoly on the use of force and Basic administration is smaller than 3, ii. Free and fair elections is smaller than 6, iii. Effective power to govern is smaller than 4, iv. Association / assembly rights is smaller than 4, v. Freedom of expression is smaller than 4, vi. Separation of powers is smaller than 4, vii. Civil rights value is smaller than 4.

**Column L**

**Democracy Score – Freedom House**

Freedom House introduced a Democracy Score—a straight average of the ratings for all categories covered by Nations in Transit, which measures progress and setbacks in democratization in 29 countries from Central Europe to Central Asia. The democracy scores are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The 2016 ratings reflect the period January 1 through December 31, 2015.

**Column M**

**Nation in Transit Category – Freedom House**

After the value of the Democracy Score (DS) indicator, Freedom House’s Nations in Transit defines five further subcategories, which are the following: i. Consolidated Democracy (if DS higher than 1.00 and lower than 3.00), ii. Semi-Consolidated Democracy (if DS higher than 3.00 and lower than 4.00), iii. Transitional government/Hybrid Regime (if DS higher than 4.00 and lower than 5.00), iv. Semi-Consolidated Authoritarian Regime (if DS higher than 5.00 and lower than 6.00) and v. Consolidated Authoritarian Regime (if DS higher than 5.00). The 2016 ratings reflect the period January 1 through December 31, 2015. For further country reports please see Freedom House (2016b) and Schenkkan (2016: pp. 21-22). For further information regarding the methodology see Freedom House, 2016a: pp. 7-12. and Schenkkan, 2016: pp. 20.

**Further remarks regarding columns L and M**

The Freedom House Nations in Transit’s reports do not cover all of the post-communist countries according to our definition. In the case of those countries the Freedom House publishes both quantitative and qualitative reports (see Freedom House, 2016c). The values of those reports were taken into consideration in relevant parts of this paper, and also in Background material 3, and in the two world maps (Figures 1-2).

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