

# **Title: The causes of the slow growth of the Czech economy, 1990-2000**

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## **ABSTRACT**

The Czech Republic experienced a 'transformation depression' in 1991-2, followed by partial recovery in mid decade and then a renewed decline in GDP after 1997 with only very partial recovery in 2000. It is a poor performance relative to other transition economies in east-central Europe and leaves real GDP slightly below its 1989 level. There have been various explanations for the failure to sustain recovery (closely linked to disputes between political parties), including excessively harsh monetary policies, the consequences of over-hasty privatisation and the failure to create an adequate legal and institutional framework. The impact of institutional factors appears plausible in view of specific features of the Czech transformation, but is necessarily difficult to quantifying. Their effects can be seen primarily in a failure to improve competitiveness especially in manufacturing industry, in the maintenance of high levels of employment and in the expansion in credits that ultimately could not be repaid. This paper aims to disentangle the possible causal factors and to show their interaction by using and analysing the following data;

1. Changes in the components of GDP.
2. The sectoral breakdown of changes in industrial output.
3. Changes in export performance and import penetration.

Appropriate comparisons are made with other CEFTA countries in which the approaches towards privatisation and institution building have differed.

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