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Monthly Report

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What Will Change after Donald Trump's Victory? Reflections by wiiw Researchers

On Sustainable Development in CESEE Countries

The Relevance of Public Social Expenditures in the EU Member States

History as a Determinant of Economic Development: The Habsburg Example

The Vienna Institute for International Economic Studies
Wiener Institut für Internationale Wirtschaftsvergleiche

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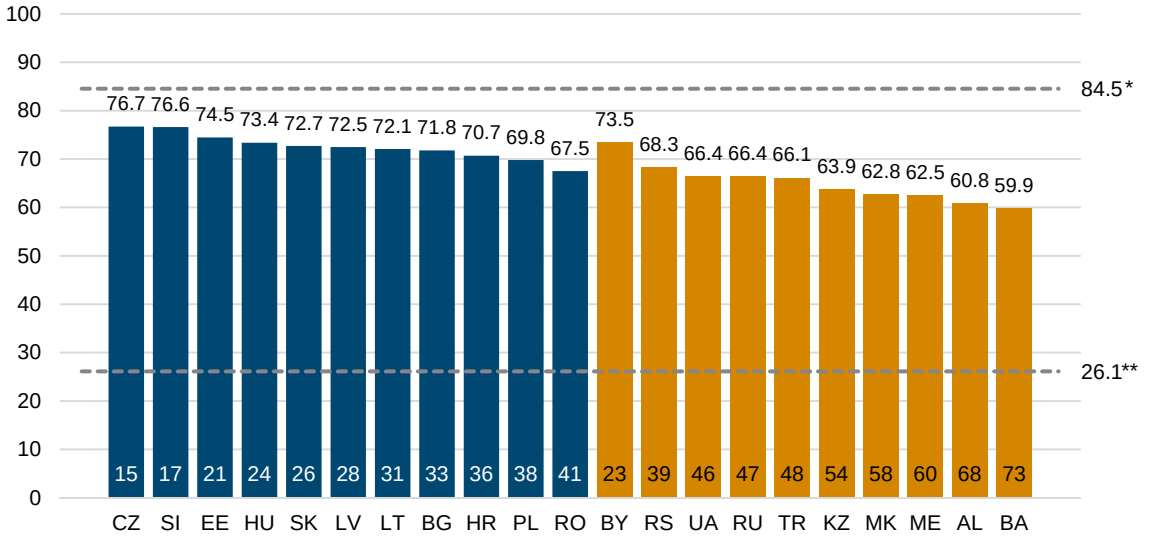
Sustainable Development Goals (SDG) scores and ranks of CESEE countries



Note: SDG scores above bars; SDG ranks above country abbreviations.
* Maximum score (Sweden)
** Minimum score (Central African Republic)
For detailed explanation see page 12.
Data source: J. Sachs, G. Schmidt-Traub, C. Kroll, D. Durand-Delacre and K. Teksoz (2016), SDG Index and Dashboards – Global Report, Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN), New York. – wiiw visualisation.

Opinion Corner: What will change after Donald Trump's victory? Reflections by wiiw researchers

ANSWERED BY VASILY ASTROV, MAHDI GHODSI, VLADIMIR GLIGOROV AND ROBERT STEHRER

Vladimir Gligorov:[1]

'The Times They Are a-Changin' – Bob Dylan

Three important facts or observations and one slightly theoretical assumption help to comprehend the results of the US elections and to forecast future policies.

First, Hillary Clinton won the popular vote, but lost the Electoral College. This suggests that there is significant gerrymandering in the way the Electoral College is elected. Clinton's elector, according to still preliminary results, was about one-fourth more expensive in votes than Donald Trump's. Put differently, the weight of Trump's voter was that much higher than that of Clinton's.

Second, the long-term strategy of the Republican Party has been to roll back the welfare state (the legacy of reforms undertaken by Roosevelt and Johnson), but not to challenge desegregation, and to accept, and sometimes push for, almost all advances towards equal rights (women's right to have an abortion, to decide on their body and health, is the main exception to the latter).

Third, the damage attributed to globalisation pales in comparison to the costs of the financial crisis, especially when it comes to loss of jobs. Jobs losses due to NAFTA are minimal, if there is even a loss at all. China's entry into the WTO led to the loss of between 1% and 2% of the US labour force (this is gross rather than net).[2] *The negative labour market effects of the 2008 financial crisis have been much larger and more recent too.*

Theoretically, populism tends to be explained on the assumption that the median voter does not change (though the ideological or political space may become more polarised), but for different strategic reasons (reputation, commitment, truthfulness), the decisive voter ends up being either to the left (mostly) or to the right (rarer in recent literature) of the median one.[3] *This is theoretically inadequate. Normally, there is*

[1] Thanks go to Richard Grieveson and Mario Holzner (wiiw).

[2] D.H. Autor, D. Dorn and G.H. Hanson (2016), 'The China Shock: Learning from Labour Adjustment to Large Changes in Trade', NBER Working Paper 21906.

[3] A classic study of left populism in Latin America is R. Dornbusch and S. Edwards (1989), 'Macroeconomic Populism in Latin America', NBER Working Paper 2986. They make the argument, prevalent in literature on populism, that it hurts its own supporters. A recent study that explains support for the left of median voter programme as a reputational device is by D. Acemoglu, G. Egorov and K. Sonin (2013), 'A Political Theory of Populism', *The Quarterly Journal of Economics*, Vol. 128, pp. 771-805. The latest entry revisiting the argument by Dornbusch and Edwards is A. Dovis, M. Golosov and A. Shourideh (2016), 'Political Economy of Sovereign Debt: A Theory of Cycles of Populism and Austerity', NBER Working Paper 21948.

a rearrangement of the ideological and the political spaces and the old median voter is pushed to one or the other side (e.g. the median voter by income is pushed aside by the median voter by ethnicity). In other words, either the right tail moves to the left, or vice versa, thus putting together a new majority.

This theoretical assumption explains the votes cast in the US election, though that would not have been enough without the gerrymandering because Clinton still won the plurality of the votes (and indeed the majority when third party votes and abstentions are accounted for). So, this is a populist movement that has yet to succeed, which is why policies that will be implemented are so important. This shift was made possible by the Republican Party dropping its commitment to equal rights for the first time. Even though the Republican Party's support in the South has been dependent on the unpopularity of the Democratic Party since Johnson's reforms, until now the party has never voiced open support for one or the other type of inequality by race, gender, religion, or style of life.

That is what Trump changed. He reached for the votes of the white majority, in particular in the states where they felt threatened or left behind. His slogan, Make America Great Again, was understood in the counterrevolutionary sense of the white majority taking their country back. In addition, that is congruent with the other part of the Republican agenda; to roll back the welfare state. Therefore, voters chose welfare reform and equal rights reversal.

In the past, because scaling back social welfare was unpopular, the Republican strategy was to 'starve the beast'. This means to reduce federal taxes on the better off, and to increase spending on defence, with the rising deficit financed by cuts in spending on social welfare and federal government programmes. That essentially means further privatisation of health care, social security and welfare transfers, and cuts in educational, scientific, and environmental programmes. Mr Trump is highly likely to add increased spending on infrastructure to this list, which should for one pay for itself but, if that fails, for another require further spending cuts. And given what the Federal government spends money on, that means social security, broadly conceived.

The other part of the traditional Republican agenda is support for owners of capital, i.e. entrepreneurs, through tax cuts, subsidies, and deregulation of the financial sector. When it comes to the latter, anti-trade rhetoric has proved useful. On the one hand, blaming foreigners helps to indict the Establishment for cosmopolitanism and corrupt disregard of national interests. On the other, it weakens the resistance to deregulation of domestic industries and of the financial industry in particular. It unites the interests of the capitalists and the workers into national interests contrasted with foreign interests – which is the characteristic of right populism.

Of the measures announced by Trump, tax cuts, changes to the Dodd-Frank Act (financial regulation), and at least partial repeal and replacement of the Patient Protection and Affordable Care Act ('Obamacare') should be expected relatively soon. This expectation seems to be what is supporting the positive reaction to Trump's election in the financial markets.

What will come for trade policy is hard to tell. NAFTA could certainly be renegotiated on the threat that the US is willing to pull out unilaterally. But even if that happens, trade would still be regulated by the WTO. The US can of course withdraw from the WTO too, but it is unlikely that such a far-reaching decision would be taken quickly. Barring that, the US could attempt to influence e.g. the exchange rate policy of China or taxation and labour market regulation in Mexico, but it is hard to see how it could

succeed with a stick alone, so some carrots will be needed too. With current rhetoric, it is not easy to see which those would be.[4]

Assuming increased public spending e.g. on infrastructure with lower taxation, increased fiscal deficits and rising public debt are likely. If, as in the past, it proves hard to cut spending on the social security system, inflation may rise, the economy being quite close to full employment, with the Federal Reserve increasing interest rates to counteract that development. That will lead to a far-reaching policy dilemma. Congressional Republicans prefer rule-based monetary policy, which would support monetary tightening in order to slow down inflation with the implication that the real value of public debt will be preserved. The Trump government, however, might prefer financial repression, i.e. erosion of public debt through inflation (Trump has even suggested an outright default on public debt, the part that is foreign owned mostly). In addition, higher inflation without monetary tightening should prevent the dollar from appreciating. The Fed, however, will certainly see its mandate in terms of fighting inflation, even though it has resisted Congress' calls to adopt a strict Taylor rule. The implication of all of that may be that cutting spending on social security and other federal government programmes is the only way to pay for tax cuts and increased infrastructure spending, which is what the Congressional Republicans want to do anyway.

That, however, has to survive the challenge of the mid-term elections. In two years, the House of Representatives and one third of the Senate will be re-elected. By then, social benefits are likely to have decreased, while the promised macro and trade policy benefits will have not had time to kick in. Therefore the liberal majority, the majority that voted for Clinton, may reassert itself. Then things will change.

Finally, though the pre-election pro-Trump propaganda painted a different picture, Obama is leaving behind a relatively positive foreign policy state of affairs, at least for the US. The anti-ISIS strategy seems to be working, with costs for the US contained, while the war in Syria is probably going to be prolonged as in Afghanistan, with no breakthrough for any of the sides involved. Trump would like to repeal the deal with Iran, but this is a multilateral agreement and there do not seem to be takers for this proposal among the other signatory parties (which would be needed to go back to the regime of sanctions once the US withdraws from the deal). Finally, terrorist threats will remain, even though they seem to be declining, but these developments will not be influenced all that much by walls or ethnic profiling. Eventual new terrorist strikes may speed up already existing plans for mass deportations, bans on Muslims, and erosion of civil liberties. Those may otherwise face resistance in the Congress. Also, relying on strong men in charge of unstable countries in the Middle East and elsewhere is mostly counterproductive, at least if history is to go by, though this is what Trump seems to be betting on.

Conspicuously, the relationship with the EU has not featured all that much or not at all so far on Mr Trump's agenda. The EU is a strong partner in trade, and not much can be done to change the world trade regime, in order to make it more protectionist, without the consent of the EU. Indeed, TTIP is going to be scrapped, as will TPP as things stand now, but that will not make a dent in the current level of globalisation of trade. Trump will also find that lower trade in goods also means less exports of US financial services, and that may not be in the interest of the financial industry he intends to boost by deregulation. The EU is not a geopolitical player, but it is an important geo-economic one, and while

[4] It is with these policies that Dornbusch's argument that macro-populism is self-defeating is usually invoked. Basically, it is hard to bias the relative prices in one's favour with macro policies.

emerging illiberal democracies within the EU are thrilled with Trump's nationalism and authoritarianism, most of those are strongly supportive of at least the single EU market and of EU trade power in global negotiations. In fact, the UK may be caught between a rock and a hard place because it may very well have less of an influence both in the USA and in the EU after Brexit.

Of course, if the EU disintegrates, things will certainly change. And Trump has expressed support for such a development arguing, at times, that the EU was set up only to harm American interests through increased competitiveness. On top of that, the threat to withdraw US support for NATO, even though unlikely to be followed through, is in part designed to nudge the EU to be more cooperative with the new protectionist and nationalist America. Trump's negotiating tactic is to threaten to walk away on the assumption that the costs of the threat going through are higher to the other side and will thus lead to further concessions. It is not clear that the assumption applies to this case if the EU does not disintegrate and the US's costs prove to be actually higher.

In conclusion, a traditional Republican programme of tax cuts and deregulation is likely to be enacted fairly quickly, increased spending on infrastructure will take some time to materialise, though there is bipartisan support for that, while the change in trade policy has yet to be designed, and so will not be implemented for some time. The Supreme Court will be expected to reverse some of the pro-equal rights laws and sentences, but whether it will indeed do so depends very much on how successful the overall policy shake-up proves to be. Similarly, a new foreign policy set-up with Russia on power-sharing in Europe and the Middle East and with China in trade may prove more difficult and costly than initially forecasted. Similarly, mass deportations of immigrants and the policy of pushing Mexico around may not bring the expected benefits. And then if mid-term elections deliver at least the Senate to the liberal majority, things will change again.

Robert Stehrer:

The 45th new president(-elect) of the United States, Donald J. Trump, announced a rude protectionist approach of the US against other countries in terms of trade relations which might impact not only on the US trade patterns but might have consequences for the whole world.

In his speech[5] *he announced a number of action points in line with his statements of 'Making America Great Again' and to 'protect the American workers'. These announcements on action points include (i) to renegotiate or withdraw from the North American Free Trade Agreement (NAFTA) which has been in place since the beginning of the 1990s, (ii) to withdraw from the just recently signed (though not yet ratified) Trans-Pacific Partnership (TPP) agreement, and (iii) to label China as a currency manipulator. Further, he announced (iv) to end foreign trade abuses which impact American workers unfairly, and (v) to end the offshoring act by establishing import tariffs to discourage companies from laying off their workers in order to relocate to other countries and ship their products back to the US tax-free. He also announced to raise tariff rates up to 45% on imports from China, which is against WTO rules (such an action might even lead to a US withdrawal from the WTO). Similar rhetoric has been used referring to trade with Mexico and Japan.*

[5] See http://www.vox.com/2016/11/10/13584390/donald-trump-first-100-days

Europe has not been in the focus of the trade policy debate in the US so far, probably because US trade with the EU is more balanced and a successful conclusion of the TTIP agreement has now become very unlikely. Though not that explicitly mentioned by Mr Trump, it is unlikely that the Transatlantic Trade and Investment Partnership (TTIP) will be finalised any time soon. Whereas TTIP has already been declared dead by many observers and commentators, the European Commission still wants to keep negotiations going even if at a much slower pace. As such, the direct effect of TTIP not coming into force can be expected to be rather small; most analyses projected only relatively minor effects of the agreement on income and employment. If the fiscal stimulus package in the US economy is implemented, this could even imply some positive effects on the European economies (as well as other economies).

An increasingly protectionist US trade policy would entail some other effects: First, if such harsh measures were in fact to be introduced, there are likely to be currency responses such as devaluations of the Chinese yuan or the Mexican peso (if only due to markets getting nervous) which would counteract the effects of higher import tariffs in the US. Second, specifically in the US case, hikes in tariffs against China would mean that particularly consumer goods would become more expensive in the US, which probably will not be matched by increases in US wages, thus making consumers poorer (and likely increase inequality even further). A similar argument holds when accounting for the fact that in some cases imports consist of parts and components which again would suffer from higher import tariffs. If US firms aim to preserve corporate profit margins, this would again lead to higher consumer prices in the end. Further, even if such protectionist measures were to bring production back to the US, this would again increase production costs as US workers are still more expensive than their counterparts in other countries. Therefore, such changes in trade deals could spoil other effects of the fiscal stimulus package.

It is further commonly argued that such protectionist measures would not only have devastating effects on the countries affected (in particular Mexico but also China); it would also hurt the US economy resulting both from tariff hikes themselves as well as the surrounding policy uncertainties. Further, if such measures were to be introduced on the US side – even if only partly – counteracting retaliation measures on the part of the countries affected are likely; this would increase the risks of trade and currency wars globally, which in turn are likely to affect global growth negatively.

Finally, a last question relates to the probability of such protectionist rules being really implemented after January 2017. As a matter of fact, Donald Trump and his team have already started to play down fears of a US trade war against China[6]. This is supported by the fact that parts of the Republicans party are supportive of free trade. However, a much harder stance on selected trade issues and for selected products and with respect to anti-dumping measures (such as on steel) is certainly to be expected. Also, more generally, it can be assumed that international economic relations in the near future will be characterised by a more protectionist stance.

[6] See 'Trump team plays down fears of US trade war with China', *The Financial Times*, 14 November 2016.

Vasily Astrov:

I view the possible impact of Donald Trump's victory in the US presidential elections on Russia and the CIS region with cautious optimism.

During the election campaign, there was much talk in the Democratic camp about the alleged links between Mr Trump and the Russian leadership, although it is difficult to verify whether those links really exist. It is true that at some stage there was an exchange of mutual compliments between Mr Trump and President Putin, and that the coverage of the US elections in Russian state media oriented towards an audience abroad was relatively more favourable towards Mr Trump. However, the latter probably had more to do with Russia's aversion towards Hillary Clinton – whose election campaign relied on the demonisation of Russia and President Putin as one of its cornerstones – rather than the person of Mr Trump per se.

Still, in my view, US-Russia relations under President Trump will at least not deteriorate further, and may even improve – albeit starting from a very low basis. The latter is far from certain, but the chances are certainly higher than they would have been under Ms Clinton. The United States will probably not impose additional sanctions on Russia and may even lift some of the present sanctions, e.g. if a deal on Crimea (recognising the latter as part of Russia) is reached. In return, Russia could e.g. commit not to make further inroads into Ukraine or possibly harden its stance on Iran as a concession to the US. In Syria, President Trump will probably be more 'hawkish' on ISIS than the outgoing Obama administration – and will likely enjoy Russia's support on this. Any improvement in US-Russia relations would certainly have positive repercussions also on Russia's relations with the EU, which will be less pressured by the US in dealing with its eastern neighbour and will generally have more room to manoeuvre.

One important factor which could play a role in such developments will be the likely US drive towards more isolationism under President Trump. The United States will be less eager to spread 'democracy' and 'US values' around the world than has been the case so far, it will be more pragmatic and more focused on domestic problems. For the post-Soviet region, the relative withdrawal of the US would not necessarily be a disadvantage, given that the Unites States' recent involvement e.g. in Ukraine (but also in the Middle East, for that matter) has proved ultimately destabilising. The pro-western and nationalist forces which came to power in Kyiv in the wake of the Maidan revolution – and especially the anti-constitutional way in which this happened – triggered a similarly strong reaction in the eastern parts of the country, leading to its de facto break-up. Post-Soviet countries like Ukraine and neighbouring Moldova (where the internal divide runs similarly deep) are 'sandwiched' between Russia and the EU not only in geographic, but – more importantly – also in economic and cultural terms. Therefore, stable and more cooperative Russia-EU relations (which in turn strongly depend on Russia-US relations) are crucial for those countries' internal stability – and indeed territorial integrity.

In practical terms, the victory of Mr Trump is not good news for Ukrainian President Poroshenko: less US support – financial and otherwise (including military) – to Ukraine will push him more towards the political centre or may potentially open the door to a change of power in the country. Although it remains to be seen which political forces might succeed President Poroshenko (a third 'Maidan' organised by nationalistic groupings certainly cannot be ruled out), there is a chance that more 'centrist' forces may come to power in Ukraine, which would pursue a more balanced foreign policy and attempt to reconcile the country's deep internal divisions – akin to policies pursued in the past by former presidents Kuchma

and Yanukovych (but which would hopefully be less corrupt). Such a scenario would prevent a further disintegration of the country – even if parts of Donbass (let alone Crimea) may not be realistically returned to Ukraine anymore.

Mahdi Ghodsi:

The prospects for US international relations under President Trump are as unclear as those for his other policies. Although he was calling the Iran deal a disaster during his campaigns, he did not present any plan for future interactions with Iran and left it ambiguously open. So it seemed to be yet another of his populist statements to challenge the Democratic Party in which Hillary Clinton played a major role as its earlier Secretary of State, though not as its negotiator with Iran. It was John Kerry in Obama's administration who was the only one to engage in public negotiations with Iran since the Islamic Revolution in 1979. In fact, Obama's intensified sanctions against Iran may be considered as one of the key factors that finally induced Iran to enter into negotiations.

A few days prior to the US elections, Ayatollah Ali Khamenei, the Supreme Leader of Iran, hailed Mr. Trump's speeches for clarifying the truth behind discrimination, inequalities, racism, and poverty in the US society which Americans were facing in their daily lives. Besides, hardliners and their media in Iran interpreted Mr. Trump's views as the true face of the United States and its constitution. These events occurred much more recently than Mr Trump's announcement to 'rip up' the atomic deal after being elected. While that statement had prompted the Supreme Leader of Iran to threaten to burn the deal in retaliation, his recent speech showed he could be more in favour of Trump over Clinton. This might be interpreted as a welcoming signal to the presidency of Mr Trump by the Iranian leader.

After Trump had been elected, the Iranian president reiterated that Iran's policies towards the United States had not changed with the election results. Iran's foreign minister, Javad Zarif, asked the US president-elect to remain committed to the signed atomic deal. These statements assert that the nuclear deal, signed by four other permanent United Nations Security Council members plus Germany and by Iran, could not be easily withdrawn or renegotiated. More precisely, as long as Iran does not violate its commitments, it will be difficult for a single counterpart member to withdraw from the agreement. However, even after the deal and under the Obama administration, some other barriers remained, such as the ban on banking transactions with Iran in US dollars. The new US president may potentially impose other restrictions for any alleged reason, such as human rights violations in Iran. In other words, atomic issues are unlikely to trigger any new sanctions, while other allegations could be made by the new US government against Iran.

Another important aspect affecting the relations between the US president-elect and Iran is associated with a third party, namely Russia. President Putin had been a key international figure signalling his supports for Mr Trump during the presidential campaign. It is thus important to take account of the recent collaboration of Iran with Russia in the Middle East conflicts, in addition to other previous ties between Moscow and Tehran such as nuclear cooperation and air defence systems. Therefore, a scenario in which the US turns against Iran will only take place if Mr Putin betrays his shadow ally in the Middle East. Such a betrayal, which in fact has already occurred several times, might be potentially possible again while bargaining for other conflict territories.

An important conclusion can be derived from the fact that the Islamic Republic of Iran has been an independent player in the region for almost four decades. Despite its isolation from the West, it is proud to be one of the most stable and secure countries in the region. However, western sanctions damaged its economy, as did the mismanagement of President Ahmadinejad's government. Iran has recently shown that it is preparing itself to play a more important role in international relations. Gaining higher trust in the European Union and negotiating with the US government for the first time are good examples. It is conceivable that such relationships continue under President Trump, given that Republican presidents in the US usually maintained better relations with the Islamic Republic than the Democrats.

On sustainable development in CESEE countries

BY JULIA GRÜBLER

The reduction and eventual elimination of extreme poverty around the globe was at the core of the eight Millennium Development Goals (MDGs) which were agreed upon by the UN General Assembly for the period 2000-2015. Fifteen years later, in September 2015, all members of the United Nations agreed to continue the anti-poverty agenda by adopting seventeen Sustainable Development Goals (SDGs) to be globally achieved by 2030. One year after the SDGs were passed, the Sustainable Development Solutions Network (SDSN) together with the Bertelsmann Stiftung presented a first global assessment to kick-start a new round of development goal evaluations.

WHAT ARE THE SUSTAINABLE DEVELOPMENT GOALS?

In the preface of the first SDG Index and Dashboards report, Aart de Geus (Chairman and CEO of the Bertelsmann Stiftung) and Jeffrey Sachs (Director of the Sustainable Development Solutions Network) highlight that the SDGs are certainly not *business as usual* (Sachs et al., 2016). Although progress has been observed regarding the achievements of the MDGs, specifically in the area of public health and education, the world is far from reaching the MDGs primary objective of ending extreme poverty (UN, 2015b). Figure 1 depicts the seventeen SDGs (UN, 2015a). They call for a holistic strategy of development, built on the three pillars of (i) economic development, (ii) social inclusion, and – as a major challenge for industrialised countries – (iii) environmental sustainability.

Figure 1 / Sustainable Development Goals

Source: United Nations, http://www.un.org/sustainabledevelopment/

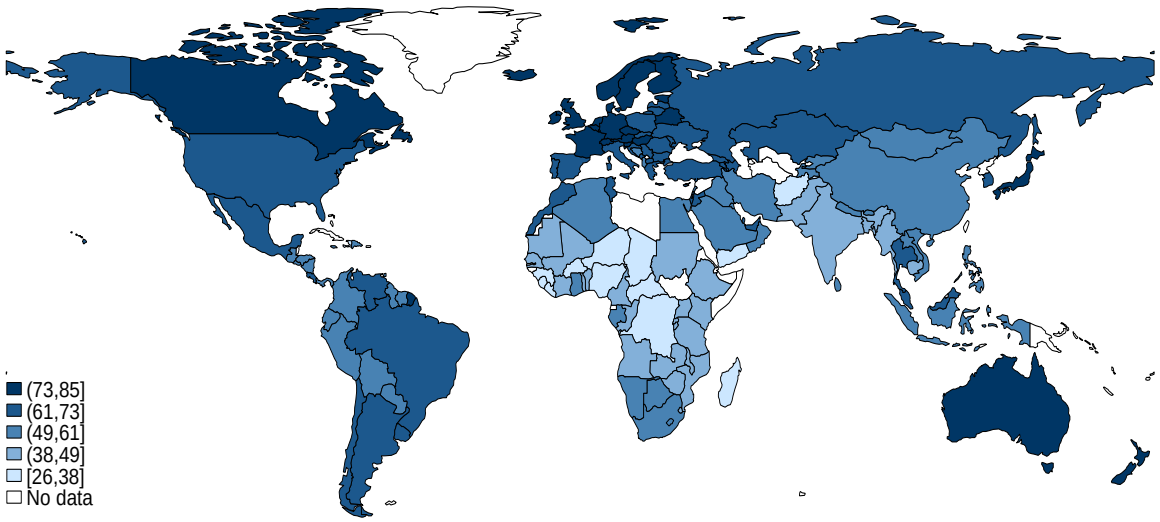
The new SDGs are just as ambitious as the MDGs, but are more specific in many areas, in particular with respect to responsibilities and duties of industrial countries. Being able to track progress towards the SDGs over time is key to identifying policy priorities and to ensuring accountability. Therefore the Inter-Agency and Expert Advisory Group (IAEG) is working on a global indicator framework, to translate the 17 SDGs with their corresponding 169 targets into a set of traceable indicators.[1] As of today, the UN Statistical Commission recommends a set of 231 indicators. Yet, for only 98 indicators there is agreement on methodologies and global data available.

The SDG Index and corresponding dashboards presented by the SDSN are not official SDG monitoring tools, endorsed by any members of the United Nations. But they are intended as a complementary tool, covering 149 out of 193 UN member states and 77 indicators, which are to support the official process of implementing SDG indicators and serve countries as a starting point for analysing the most pressing fields of action towards sustainable development.

WHAT DOES THE SDG SCORE MEASURE?

The SDG Index uses only published data referring to indicators for which data are available for at least 80% of all countries with a population greater than one million. It includes at least one indicator per SDG. For each indicator, data are ordered from worst to best, where 'best' is either the target line (e.g. 100% school completion) or, if this is not available (e.g. in the case of child mortality), the benchmark corresponds to the average of the top 5 best-performing countries. In order to enable comparisons across indicators, the values are transformed into indicators ranging from 0 (worst case) to 100 (best case). Taking the average across indicators results in one index score for each SDG in each country. The country scores as shown in Figure 2 are subsequently derived by computing the mean across each country's scores for each SDG.

Figure 2 / SDG Score World Map



Note: Arithmetic mean across SDG.
Data source: Sachs et al. (2016); wiiw visualisation.

[1] United Nations Statistics Division, 'IAEG-SDGs – Inter-agency Expert Group on SDG Indicators'; http://unstats.un.org/sdgs/iaeg-sdgs/

The best performing country is Sweden, with an average SDG score of 84.5. The example of Sweden illustrates, on the one hand, that high achievements towards sustainable development are possible while, on the other hand, it also highlights that even the best performing high-income countries fall short of achieving all SDGs and need to take action. In most OECD countries the need for action is pressing in the areas of climate change (SDG 13), ecosystem conservation (SDGs 14 and 15), sustainable consumption and production patterns (SDG 12), but also regarding their financial contributions for international development (SDG 17).

HOW DO CESEE COUNTRIES PERFORM?

The report's summary for the region 'Eastern Europe and Central Asia' highlights the region's achievements in providing social services and access to basic infrastructure. However, in addition to the challenges faced by most OECD countries, regional priorities should be set to achieve gender equality (SDG 5), sustainable agricultural practices (SDG 2) and widespread access to information and communication technologies (SDG 9).

The 'Graph of the Month' (on page 1) plots the SDG scores (on top of each bar) and corresponding country ranks (in bold) for the CESEE region, with dashed lines additionally pointing to the minimum score in the global sample of 26.1 corresponding to the Central African Republic and the respective maximum score of 84.5 assigned to Sweden. Blue bars represent countries of the CESEE region which are members of the European Union, while orange bars depict scores of non-EU members. EU members tend to perform somewhat better than non-EU members.

The full report additionally presents dashboards for each country in the sample, applying a three-colour scheme to each SDG. Figure 3 summarises these dashboards for CESEE countries. Orange cells of the matrix indicate that the country is on a good track of achieving the SDGs. Grey fields indicate that more effort is needed to get on the right path for sustainable development, whereas dark blue cells highlight where action is urgently needed.[2]

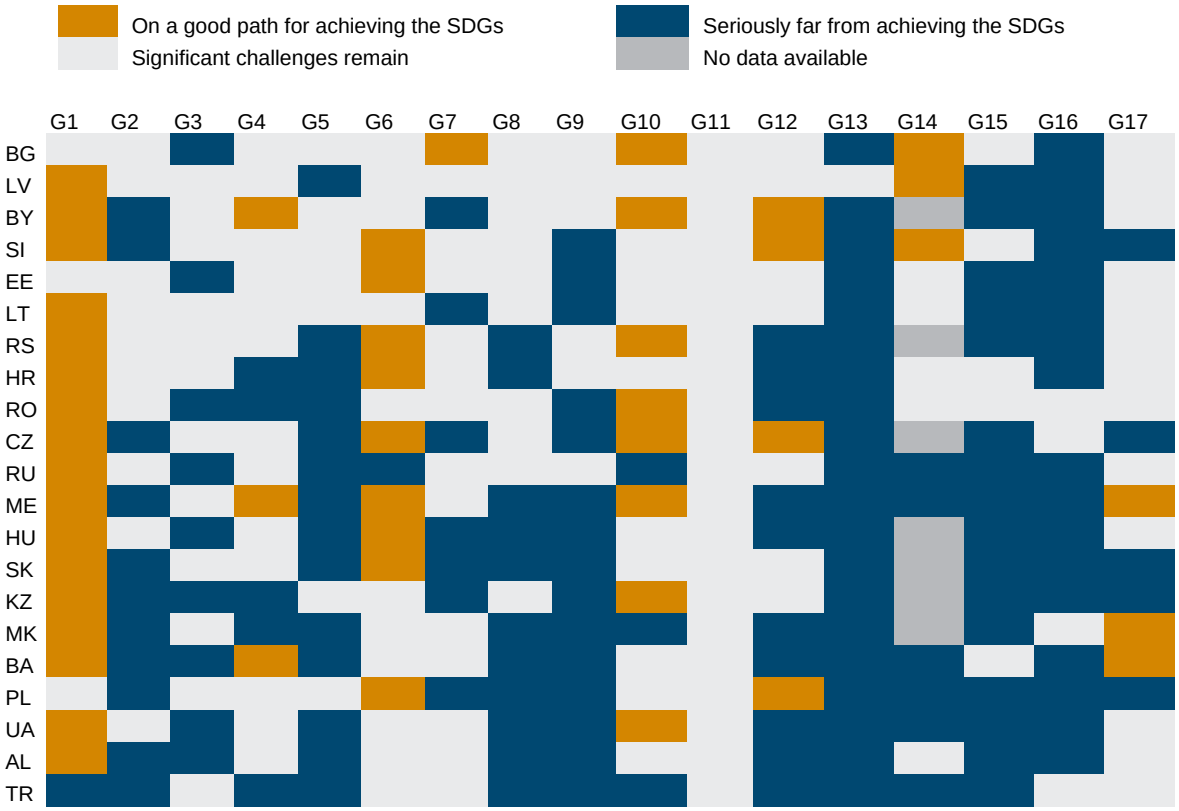
Looking first at the goals for which the CESEE countries are on track to achieve the SDGs by 2030, we find that the majority of countries are performing well in reducing poverty (SDG 1). Furthermore, nine countries are on track in providing access to clean water and sanitation (SDG 6) and in reducing inequalities within the society (SDG 10).

At the other end of the scale, we find three SDGs for which at least sixteen out of 21 CESEE countries need to undertake substantially more effort. These concern climate action (SDG 13), life on land (SDG 15) as well as the goal of establishing peace, justice and strong institutions (SDG 16).

Dark grey cells point towards lack of data for SDG 14 addressing life below water. But in fact, data availability is a greater concern than Figure 3 might suggest. The report considers a total of 77 indicators. However, data for the CESEE countries are available for only 63 indicators on average, ranging from a minimum of 51 indicators available for Belarus to 76 indicators for Poland and Turkey.

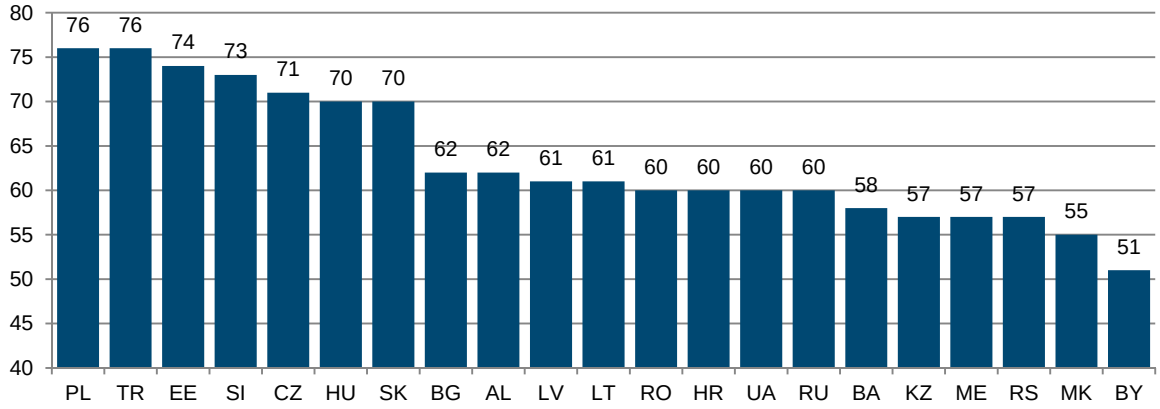
[2] Note, however, that colour schemes were not applied to the average achievements per goal, but take the colour of the worst performing indicator within each goal. Progress towards one SDG might be tracked with five different indicators. If four of them are on a good path (orange), but one of them is far from the SDG target (blue), the cell for this goal is shown in dark blue.

Figure 3 / Dashboard matrix for CESEE countries



Data source: Sachs et al. (2016); wiiw visualisation.

Figure 4 / Data limitations: Number of indicators available per CESEE country



Data source: Sachs et al. (2016); wiiw calculation.

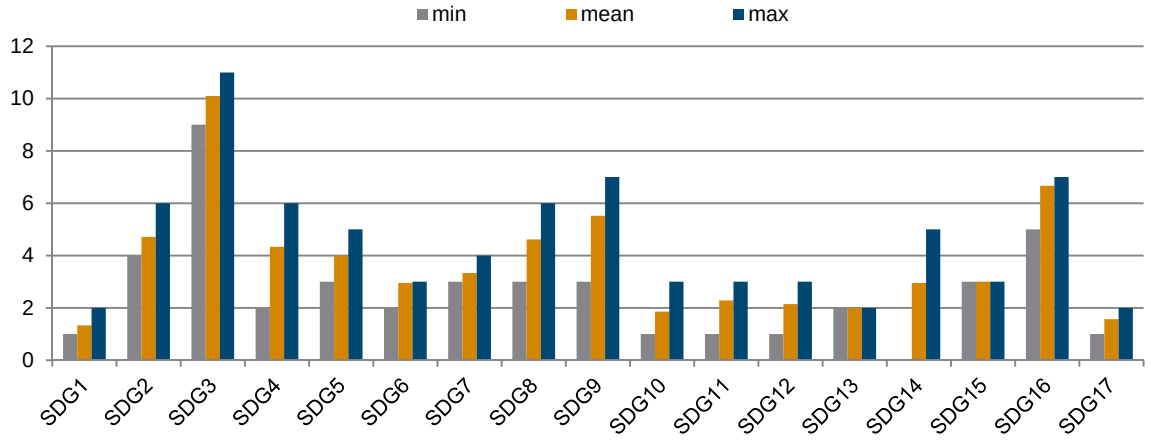
It should be mentioned here that fourteen indicators were included only for seven OECD members[3] which somewhat limits the comparability across countries with the three-colour scheme as the inclusion of additional indicators tends to decrease the countries' performance, in particular in the case of Turkey, for two reasons: First, these indicators correspond to goals that are particularly challenging for

[3] Czech Republic, Estonia, Hungary, Poland, Slovakia, Slovenia, Turkey.

industrialised countries. Second, as the dashboard colour scheme applies the minimum principle, i.e. shows the SDG accomplishment for the worst performing indicator per SDG, the inclusion of a greater number of indicators statistically raises the bar for OECD members.

Figure 5 shows the differences in the number of indicators available for CESEE countries per SDG. The greatest absolute differences are observable for goals on quality education (SDG 4), addressing industrial development, innovation and infrastructure (SDG 9) and life below water (SDG 14).

Figure 5 / Data limitations: Number of indicators per SDG across CESEE countries



Data source: Sachs et al. (2016); wiiw calculation.

CONCLUSION

The SDG Index and Dashboards report is the first global assessment of the achievements towards sustainable development one year after the adoption of seventeen SDGs in September 2015. It covers 149 countries and 77 indicators, which are further aggregated to derive SDG indices per country. The methodologies applied and the format used to present results in an easily understandable and illustrative way in order to encourage policy action seem very well thought through. Yet, lacking data availability still is a major obstacle to tracking progress towards sustainable development – not only for the least developed regions in the world but also for countries in the CESEE region – restricting comparability across countries and partly biasing the picture of past achievements.

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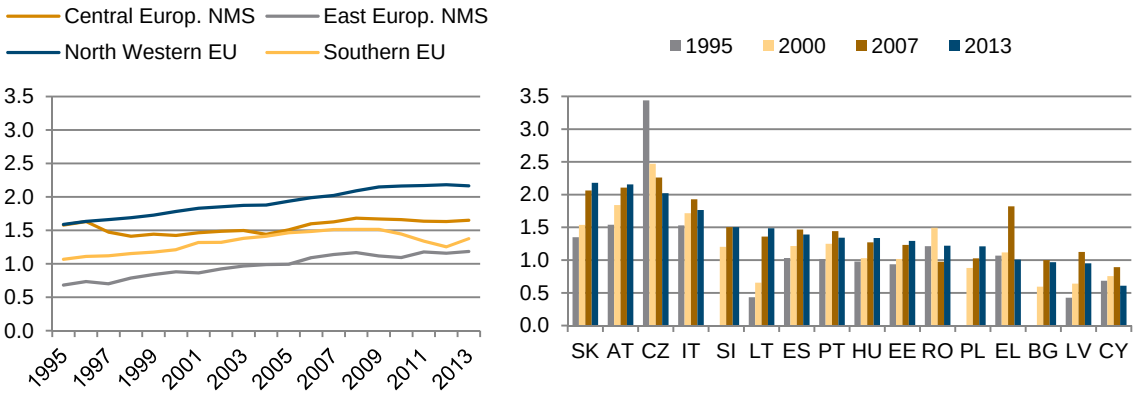
The relevance of public social expenditures in the EU Member States

BY SEBASTIAN LEITNER

In its communication 'Towards social investment for growth and cohesion' (2013) the European Commission stressed the need for more and efficient expenditures in order to 'invest in human capital throughout life and ensure adequate livelihoods' (ibid., p. 6) to attain the Europe 2020 target of a more inclusive European society. However, a few years after the onset of the economic crisis in 2008 most countries in the European Union introduced austerity measures in order to reduce their public deficits. In a recent EU-financed research project on productivity and growth effects of government investments (SPINTAN[1]) we analysed how public expenditures evolved in the field of health and other social issues. Moreover, we estimated the effect of these public expenditures on social outcome variables in the case of the EU countries. In order to make the figures comparable across time and countries, we chose to look at government expenditures in per capita terms and express them at 2010 prices converted to euro at constant 2010 purchasing power parities (PPPs). This is preferable to using figures in terms of shares in GDP since the latter approach often results in an upward bias of expenditure levels in times of economic crisis (mostly due to a decrease in GDP).

DEVELOPMENT OF PUBLIC SOCIAL EXPENDITURES OVER TIME

Figure 1 / Public expenditures on health per capita at constant prices and 2010 PPPs, in ths EUR



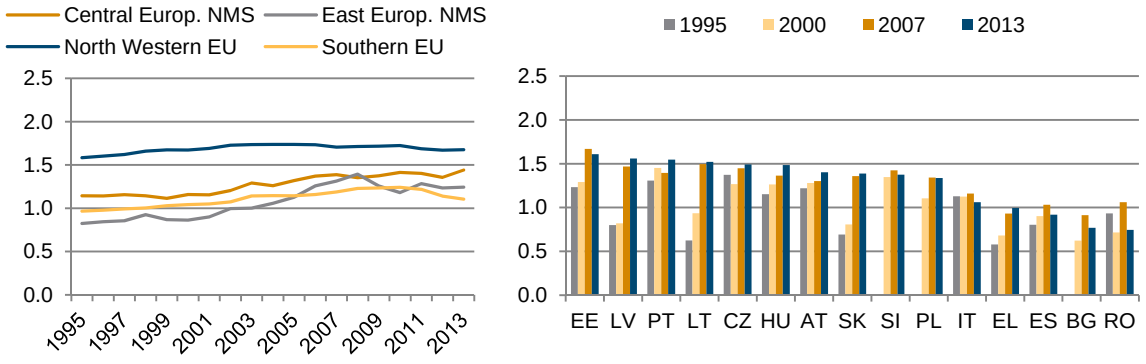
Note: Central Europ. NMS: CZ, HU, PL, SI, SK; East Europ. NMS: EE, LV, LT, BG, RO; North Western EU: AT, BE, DE, DK, FI, FR, LU, NL, SE, UK; Southern EU: CY, EL, ES, IT, PT; data for PL for 2000 from 2002.
Source: General government expenditures according to COFOG classification – Eurostat; wiiw calculations.

[1] This article summarises some of the research results on public health, education and social protection expenditures. A more extensive version of the analysis can be found in *wiiw Working Paper* No. 128 (Leitner and Stehrer, 2016).

In general, in the period 1995-2013, per capita public expenditures on health increased in the EU countries as shown in Figure 1. For the country group of Central European new EU Member States the growth was below average, partly due to a decline in the Czech Republic. Starting from the year 2009, however, expenditures decreased in the South European region – most strongly so in Greece but also slightly in Italy, Spain, Portugal and Cyprus – and remained more or less constant in the new EU Member States Slovenia, Romania, Bulgaria and Latvia. Thus, it seems that countries which were hit particularly hard by the crisis reacted by a reduction of public health expenditures per capita. Particularly remarkable is the wide range of public expenditure levels across countries.[2] In the more advanced EU countries, expenditures in 2013 varied between EUR 2,500 in the Netherlands and about EUR 1,700 in Sweden. For the remaining countries, comprising all new EU Member States and the South European countries, expenditures ranged between EUR 1,500 in Slovenia and only EUR 600 in Cyprus.

Public expenditures on education are at levels around EUR 1,500 per capita in a wide range of countries; they are highest in Luxembourg, with more than EUR 2,200. A few countries both in Southern and Eastern EU countries – Italy, Greece, Spain, Bulgaria and Romania – show only values at or even below EUR 1,000. In several of the new EU Member States (the Baltic countries, Hungary and Slovakia) but also in Luxembourg, the UK and Greece the increases in public spending was stronger over time, while only modest in Denmark, the Netherlands, Belgium, Portugal, the Czech Republic and Austria, but also Spain. A few countries, such as France and Germany, show longer-term declining trends of per capita expenditures on education over the whole period. Figure 2 shows that in terms of education expenditures, South, Central and East European regions in the EU caught up with the more affluent countries. However, over the crisis years declines could be observed in most countries, with a few exceptions. These declines were particularly strong in Bulgaria and Romania, but also evident in Finland, Estonia, Italy, Spain and the UK.

Figure 2 / Public expenditures on education per capita at constant and 2010 PPPs, in ths EUR

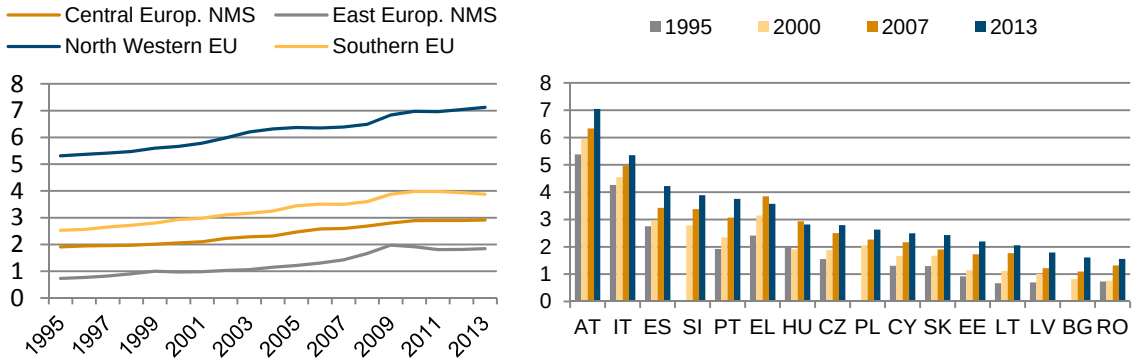


Note: Central Europ. NMS: CZ, HU, PL, SI, SK; East Europ. NMS: EE, LV, LT, BG, RO; North Western EU: AT, BE, DE, DK, FI, FR, LU, NL, SE, UK; Southern EU: CY, EL, ES, IT, PT; data for PL for 2000 from 2002.
Source: General government expenditures according to COFOG classification – Eurostat; wiiw calculations.

[2] Expenditure levels per capita in the new EU Member States increased strongly in comparison to other EU countries when expressed in PPP terms, e.g. due to low wage and overall price levels. Our country rankings thus diverge in part considerably from those of the OECD (2015, pp. 163-168). The OECD applied PPP rates of the whole economy (GDP) and excluded investment expenditures, which are included in our general government expenditure figures based on COFOG statistics.

The final category looked at is expenditures on social protection (see Figure 3). For this category the gap between new EU Member States and the affluent countries in the North and West of the continent is the largest: between EUR 8,000 per capita in Denmark (and even more than EUR 12,000 per capita in Luxembourg) to less than EUR 2,000 per capita observed in Latvia, Bulgaria and Romania. Over time, expenditures on social protection have increased considerably in the EU countries, inter alia due to a rising share of pensioners in the population, but also as a result of rising payments to unemployed during the crisis; here, only Greece and Hungary are exceptions with per capita expenditures on social protection decreasing from the onset of the crisis.

Figure 3 / Public expenditures on social protection per capita at constant and 2010 PPPs, in ths EUR



Note: Central Europ. NMS: CZ, HU, PL, SI, SK; East Europ. NMS: EE, LV, LT, BG, RO; North Western EU: AT, BE, DE, DK, FI, FR, LU, NL, SE, UK; Southern EU: CY, EL, ES, IT, PT; data for PL for 2000 from 2002.
Source: General government expenditures according to COFOG classification – Eurostat; wiiw calculations.

EFFECTS OF PUBLIC EXPENDITURES ON HEALTH AND SOCIAL OUTCOMES

Applying panel-data regression analysis we were interested in the effects public expenditures may have on social phenomena such as public health, the participation of the young generation in education and the labour market and the effect on crime rates. What we find (see Table 1) is that higher shares of public health expenditures in GDP indeed correlate positively with life expectancy and negatively with overall mortality (the latter result being less significant) when controlled for the level of GDP per capita but also private health expenditures for the group of EU countries. A secular trend of increasing life expectancy was captured by time fixed effects. In addition, in countries with higher dispersion at the bottom of the income distribution, i.e. with higher poverty rates, life expectancy is lower (and mortality rates higher, respectively).

Concerning the effects of education expenditures on the rate of young people not in education, training or employment (NEET rate) we find that public expenditures on education have been particularly important during the crisis (Table 2). While NEET rates fell in almost all EU countries before 2009, in the course of the crisis this development obviously reversed. The regression results show that in the period after 2008 the young population is better off not only in those countries with higher income but also in countries with relatively higher public spending on education.

Table 1 / Regression results for public health outcomes

Explanatory variables	Dependent variables (in logs, 2004-2012) Life expectancy	Mortality rates
GDP (in logs), per capita, at 2010 prices, PPP	0.081	-0.012
GDP (in logs)^2**,** per capita, at 2010 prices, PPP	-0.004	0.005
Public Health (in logs), share in GDP	**0.498*** **	**-1.545***
Public Health (in logs)^2, share in GDP	**-0.03*** **	**0.090***
Private Health (in logs) , share in GDP	-0.114	-0.548
Private Health (in logs)^2, share in GDP	0.007	0.039
Poverty rate (in logs), based on disposable household income	**-0.013***	**0.056****
Country fixed effects	yes	yes
Time fixed effects	yes	yes

*** p<0.01, ** p<0.05, * p<0.1
Source: Eurostat database; wiiw calculations.

Table 2 / Regression results for the share of young people not in employment, education or training (NEET rate)

Explanatory variables	Dependent variable: NEET rate, 15-24 (in logs) 2004-2008	2009-2013
Gross domestic product (in logs), per capita in real terms and PPP	**-1.390*** **	**-1.272*** **
Public Education (in logs), share in GDP	0.398	**-0.446*** **
Private Education (in logs), share in GDP	-0.028	0.069
Poverty rate (in logs), based on disposable household income	0.113	**0.381****
Country fixed effects	yes	yes
Time fixed effects	no	no

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Eurostat database; wiiw calculations.

Concerning social protection (excluding payments for pensions) we find that higher government spending is correlated with lower rates of vehicle theft but also lower rates of violent crime (homicide rates and mortality rates due to assault) – see Table 3. Further, property crime (domestic burglary and robbery) is correlated positively with the poverty rate, which in turn correlates strongly with public expenditures on social protection.

Our analysis shows in general the importance of public expenditures in shaping social outcomes in the EU countries. Moreover, the incidence of higher levels of income inequality (described by the poverty rate) tends to worsen social outcomes in the fields of health, education and crime, respectively.

Table 3 / Regression results for property and violent crime

	Dependent variables (in logs, 2004-2012)				
Explanatory variables	Vehicle theft	Domestic burglary	Robbery	Homicide	Mortality: assault
GDP (in logs), p.c., at 2010 prices, PPP	**-1.661*** **	**-1.717*** **	**-1.932*** **	**-0.849*** **	0.305
Social protection (in logs, share in GDP), excluding pensions	**-0.277*** **	-0.130	-0.001	**-0.090***	**-0.302** **
Poverty rate (in logs), based on disposable household income	0.130	**0.413** **	**0.709*** **	0.069	**0.567***
Country fixed effects	yes	yes	yes	yes	yes
Time fixed effects	yes	yes	no	no	yes

*** p<0.01, ** p<0.05, * p<0.1
Source: Eurostat database; wiiw calculations.

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History as a determinant of economic development: The Habsburg example

BY RICHARD GRIEVESON

INTRODUCTION

In the past 20 years, economists have increasingly studied the ways in which historical events have had an impact on economic development. They have found that historical events can shape institutions and cultural norms that survive long after the historical conditions that created them cease to exist.[1]

These studies have looked at a large number of areas. However, finding historical events significant enough to create a shock that reverberates today has led some to focus on empires, and in particular European empires and their effect on the countries they colonised. This is useful because a) the imposition of empires tends to provide a shock to institutional, social and political structures, and b) the imposition of European empires[2] was both recent and bureaucratic enough to leave large amounts of data that can be analysed.

HOW CAN HISTORY AFFECT A COUNTRY'S CURRENT LEVEL OF ECONOMIC DEVELOPMENT?

Nunn (2009) provides an overview of four ways in which historical events can permanently alter a country's growth potential:

› First, a large shock (such as a colonial take-over) can shift the economy's steady state equilibrium. In classical macroeconomic models the role of history is not clear. If all economies have a unique steady state equilibrium (at a given set of parameter values), at which capital and income per worker are constant, why should history matter? However, if one accepts that multiple equilibria are possible, then it is possible to see how a historical factor could cause a shift from one equilibrium to another.

› Second, a historical event can affect the determinants of long-term growth with respect to institutions. Several important studies on this point emerged around the turn of the millennium. They found, for example, that the type of legal system imposed by European empires, initial settler mortality, and the prevalence of slavery were all linked to economic development today.[3]

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1 Nunn (2009).

2 A large number of European states colonised other countries, either within Europe or outside, between the 15th and 20th centuries. The European countries engaged in colonialism during this period included Portugal, Spain, France, Russia, the Netherlands, England, Scotland (from 1707 together with England as Britain), Denmark, Sweden, Malta, Prussia (later as part of Germany), Austria, Belgium, Italy, Norway, and the Ottomans.

3 See for example La Porta et al. (1997, 1998), Acemoglu et al. (2001), Engerman and Sokoloff (1997).

› Third, historical shocks can influence cultural norms of behaviour. The link between behavioural norms and economic development has long been discussed (one notable example being Max Weber's 1930 hypothesis that the so-called protestant work ethic underpinned the industrial revolution in north-west Europe). A more recent example is evidence of higher social capital in Italian city states that became independent earlier (Putnam et al., 1993).

› Fourth, history can affect present development if knowledge and technology are introduced and then passed on down the generations. Several studies (e.g. Glaeser et al., 2004) have shown strong correlations between the historical extent of education and current income levels. Comin et al. (2008) found that the areas of the world using the most advanced technologies in 1000 BC were also the ones using the most advanced technology in 1500 AD and today.

THE HABSBURG EXAMPLE

One of the most long lasting European empires was that of the Habsburgs. In 1276 Count Rudolf of Habsburg became ruler of Austria, a position the family retained until 1918. The Habsburg Empire ruled large parts of Central, East and Southeast Europe (CESEE) for several centuries. At its maximum the Empire included part or all of modern day Poland, Ukraine, Romania, Serbia, Bosnia and Herzegovina, Croatia, Slovenia, the Czech Republic, Slovakia, Hungary, and Montenegro. The Habsburg Empire certainly had its faults. Nevertheless, many historians have viewed the running of the Habsburg Empire as relatively fair and competent, with effective local institutional structures in the areas ruled (Taylor, 1948; Judson, 2016). This is generally contrasted with the empires immediately to the east: those of Russia and the Ottomans.

A paper published in February 2016 attempted to establish whether a Habsburg legacy was visible in the territories formerly part of the monarchy (Becker et al., 2016). Using the micro dataset of the 2006 Life in Transition Survey (LiTS), the authors studied five countries that used to be partly Habsburg and partly non-Habsburg (Montenegro, Poland, Romania, Serbia and Ukraine), and limited their sample to people living within 200km of the former border. They controlled for education, religion, language, wealth and level of urbanisation.

The results show that despite the fact that the institutions of the Habsburg Empire ceased to exist almost 100 years ago, people living on the formerly Habsburg side of the historical border had higher trust in the courts and police. They are also much less likely to report the use of bribes when interacting with the courts and traffic police than those on the non-Habsburg side of the border. The authors also looked at evidence from the EBRD's Business Environment and Enterprise Performance Survey (BEEPS), conducted in CESEE in 2005. Results from this survey told a similar story to the LiTS: firms located on the Habsburg side of the border were much more likely to view courts as being fair and impartial.

The study by Becker et al. adds to evidence from earlier papers which found persistent effects of empires in CESEE. Grosjean (2011) found that in Eastern Europe, populations in areas that used to be part of the same Empire display similar trust values. Other studies, looking specifically at Ukraine and Poland, have also found evidence of a 'Habsburg' effect. Grosfeld and Zhuravskaya (2013) found that the legacy of Poland's division between the Prussian, Russian and Habsburg empires has a causal effect on voting patterns today. Meanwhile Peisakhin (2012) found that Ukrainians living close to the

former Habsburg border on the Habsburg side were much less likely to think that Ukraine's future should be oriented towards Russia than those living close to the former border on the Russian side.

MECHANISM BY WHICH THIS EFFECT OCCURS REMAINS OPEN QUESTION

While these studies show that the old Habsburg border has left important social, political and religious legacies, they do not provide conclusive evidence as to how this persistence has occurred. In the past century much of CESEE has seen massive movements of population, often particularly around former imperial boundaries, indicating that the explanation cannot be simply that norms and customs are passed down by generations. Neither is it likely that this is simply a story of institutional continuity. Although there is evidence for example in Poland that many institutional features of the Habsburg bureaucracy were retained into the 1920s, all areas of the CESEE region experienced totalitarian communism for at least several decades during the twentieth century, conditions under which significant institutional continuity would have been almost impossible.

What is more likely is that (as speculated by Becker et al., 2016) certain cultural norms of behaviour and interaction have survived. In effect, knowledge and behaviours at a local level were retained informally, not via formal national-level state institutions. This means that even those who were new in the region, and even came from different ethnic and religious groups to those who lived there under the Habsburgs, chose to at least partly abandon their previous ways of doing things and to adopt local customs.

WAS THE HABSBURG INFLUENCE ON CULTURAL NORMS POSITIVE FOR GROWTH?

To map these cultural norms onto economic development takes us into increasingly speculative territory. The role of institutions as a determinant of economic growth is well documented, but that of cultural norms much less so. Various studies have argued that the transmission of cultural norms has impacted economic development.[4] However, Nunn acknowledges the many open questions that remain in this area, and Spolaore and Wacziarg note the low R^2 (a measure of how well the independent variables explain the dependent variable) of the regressions in many of the studies identified, which indicates that a lot of other factors apart from cultural transmission are important for economic development.

Certainly, the 'Habsburg effect' identified by Becker et al., and apparently passed on via cultural norms, was not sufficient to bring income levels in CESEE anywhere close to the levels of Austria or Western Europe in general, despite the Habsburg Empire being present in large parts of CESEE for several centuries. For example, Maddison[5] data show that in 1820, what became Czechoslovakia had a per capita income of just 70% of the Austrian level, while Eastern Europe as a whole (including some parts that were Habsburg and some that were not) had a per capita income level of 56% of the Austrian level.[6] Moreover, the data show that between 1820 and 1913, wealth levels in Eastern Europe as a whole

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4 See for example Nunn (2009), Spolaore and Wacziarg (2013) and Becker et al. (2016) for an overview.

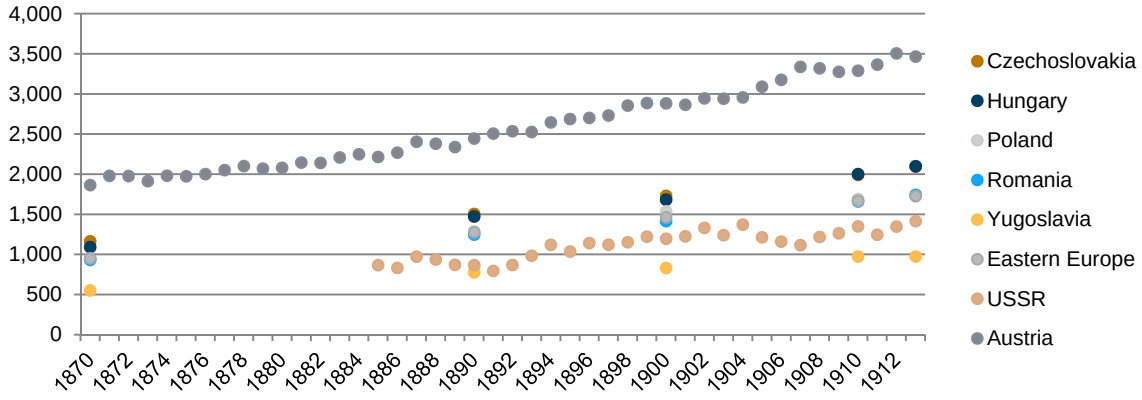
5 The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version.

6 The case of Czechoslovakia is a bit problematic, as the average masks huge differences between the modern day Czech Republic and Slovakia. Other studies which separate the two have shown the regions that became the Czech Republic (and particularly Bohemia) as much wealthier than the rest of CESEE and not far behind Austria and Germany in per capita GDP terms in the 19th century. See for example Good (1994).

increased more slowly than in Austria. Usefully, the Maddison Project provides per capita GDP data for the future Czechoslovakia over this whole period, allowing for a comparison of an Austrian colony with the region as a whole. However, in this case the story is similar. Czechoslovak per capita GDP decreased from 70% of the Austrian level in 1820 to 60% by 1913.

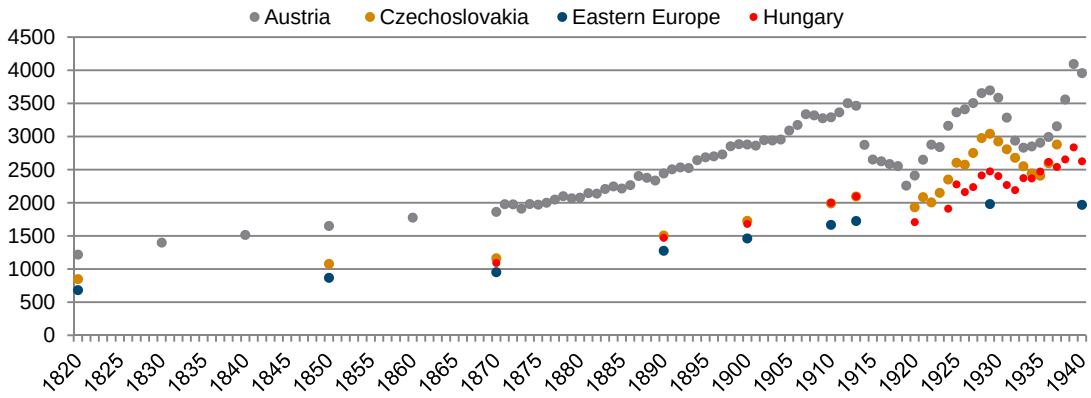
Moreover, Maddison Project data show that there was no significant catch-up growth in CESEE with Austrian per capita GDP levels between 1870 and 1913 (the time period for which the most complete data set is available). The gaps in per capita GDP between countries that were part of the Habsburg Empire and Austria in 1913 were very similar to those in 1870, and did not move much in between. Meanwhile the gap for CESEE as a whole narrowed.

Figure 1 / Per capita GDP in CESEE and Austria in 1870-1913; International 1990 GK$



Source: The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version.

Figure 2 / Per capita GDP in CESEE, Czechoslovakia, Hungary and Austria in 1820-1940; International 1990 GK$



Source: The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version.

As Figure 2 shows, it was only after the Habsburg Empire split apart that genuine convergence took place. First, between 1913 and 1920, both Hungary and Czechoslovakia made rapid jumps in per capita income versus Austria, as a result of the impact of the First World War and the immediate aftermath. In

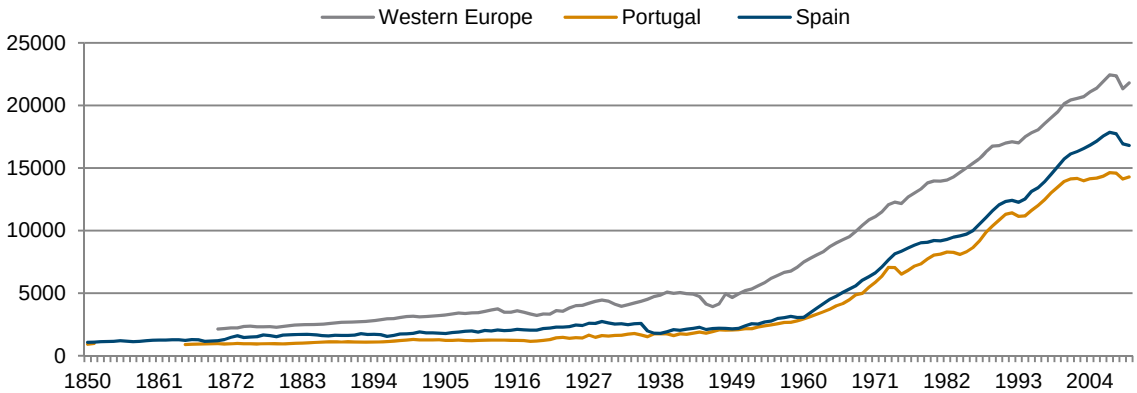
the inter-war period, Czechoslovakia, Hungary and the USSR all sustained for a time rapid convergence versus Austria. However, when the levels (rather than ratios) are considered, it is clear that the inter-war convergence was largely a result of a collapse in Austrian output rather than strong growth in CESEE.

CESEE STILL SUFFERING FOR MISSING OUT ON INDUSTRIAL REVOLUTION?

Today CESEE remains significantly poorer than most of Western Europe. Communism played a part in this, but as the data above show, this was also the case long before. Podkaminer (2013) has argued that history and geography have condemned the region to persistent economic backwardness.[7] Over several centuries in Western Europe the process of democratisation, urbanisation, and the introduction of capitalist market economies and a native entrepreneurial class created a socio-political and economic mix that produced an avalanche of innovations, and a legal system to protect and regulate them. In CESEE this did not happen to anything like the same extent. If the Habsburg Empire provided a boost to income convergence in the territories that it ruled, this does not seem to have been decisive.

Podkaminer has questioned whether we can ever expect convergence of these countries with Western Europe, or at least whether it can be achieved in a reasonable amount of time. Reasons for doubt include that convergence within Western European countries has not happened, even over relatively long periods of time, such as eastern Germany with west, or southern Italy with the north. Within Western Europe, peripheral countries such as Portugal appear to be de-converging from the core. And certainly, the story of convergence of CESEE towards West European levels in the past 25 years since the fall of communism has not been completely encouraging. Only two of the EU's NUTS II regions in CESEE – Bratislava and Prague – have a per capita income higher than the bloc's average at market exchange rates, and even in purchasing power parity terms the number only rises to five.[8]

Figure 3 / Per capita GDP in Western Europe, Portugal and Spain in 1850-2010; International 1990 GK$



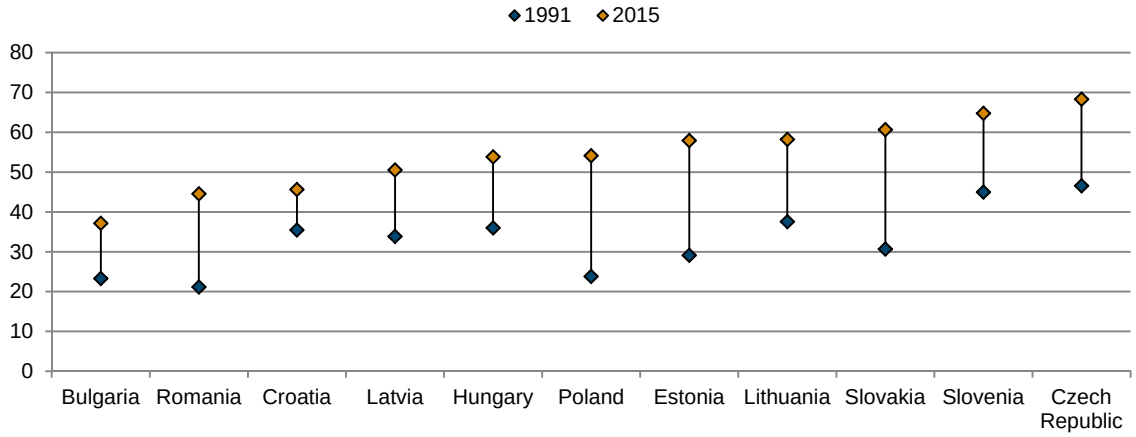
Source: The Maddison-Project, http://www.ggdc.net/maddison/maddison-project/home.htm, 2013 version.

7 See also Berend (2003).

8 Data from Eurostat for 2014. In PPP terms, the regions are Bratislava (186% of the EU average), Prague (173%), Bucharest (129%), Mazowieckie (which includes Warsaw; 108%) and Közép-Magyarország (which includes Budapest; 107%). Overall the poorest region in the EU in 2014 in PPP was Severozapaden in Bulgaria, with 30% of the bloc's average. The richest was inner London with 539%.

Nevertheless, convergence is happening, at least for some. The wealthiest CESEE countries in per capita GDP terms at purchasing power parity in 2015 (wiiw data) are the Czech Republic (68% of the Austrian level) and Slovenia (65%), as was the case in 1991 (47% and 45%, respectively). However, while the Czech Republic in particular has achieved respectable convergence during this period, others have caught up much more rapidly. Poland, Slovakia, Estonia, and Romania in particular have achieved fairly strong levels of convergence with Austria. On a 10-year trailing average of real GDP growth rates (2006-2015), of the CESEE EU Member States covered by wiiw only Croatia (0.1%) and Hungary (0.9%) did not grow faster than the EU-28 average for the period (1%). Most CESEE economies averaged over 2%, more than double the EU average. We expect a similar pattern during our forecast period, with all CESEE EU Member States covered by the wiiw forecast to grow by over 2% on average per year in 2016-2018. It may well be that the economic, institutional and political influence of the EU is having more success than the Habsburg Empire in driving convergence in CESEE.

Figure 4 / Per capita GDP at PPP, Austria = 100



Source: wiiw.

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The editors recommend for further reading*

US elections

George Selgin: The Election's Bearing on Monetary Freedom:
http://www.e-axes.com/content/elections-bearing-monetary-freedom

Evaluating Trump's trade policies, by Gary Hufbauer and Euijin Jung:
http://www.e-axes.com/content/evaluating-trump%E2%80%99s-trade-policies

Krugman on economic fallout: http://www.nytimes.com/interactive/projects/cp/opinion/election-night-2016/paul-krugman-the-economic-fallout

A more substantial assessment of Trump's economic policy choices and their potential effects by Blanchard:
https://piie.com/blogs/realtime-economic-issues-watch/light-elections-recession-expansion-and-inequality?utm_source=feedburner&utm_medium=%24%7Bfeed%7D&utm_campaign=Feed%3A+%24%7BRealTime%7D+%28%24%7BRealTime%7D%29

Useful numbers: http://www.lrb.co.uk/2016/11/14/rw-johnson/trump-some-numbers

Economics and politics

Wren-Lewis battles on:
https://mainlymacro.blogspot.co.at/2016/11/macroeconomics-and-ideology.html

On liberal order: http://www.newstatesman.com/politics/uk/2016/11/closing-liberal-mind

Mukand and Rodrik on liberal democracy:
http://www.voxeu.org/article/political-economy-liberal-democracy

Globalisation

A view from Daniel Gros: http://www.e-axes.com/content/globalisation-litany

Paul de Grauwe on globalisation:
http://escoriallaan.blogspot.co.at/2016/10/how-far-should-we-push-globalisation.html?m=1

History

Michael Polanyi (in parallel with Popper and Kuhn) on why mainstream views in science persist (and should be replaced only after being defended):
http://sciencepolicy.colorado.edu/students/envs_5100/polanyi_1967.pdf

Branko Milanovic on history and economics and the fiction called causality:
http://glineq.blogspot.co.at/2016/11/ancient-world-and-our-world-review-of.html

* Recommendation is not necessarily endorsement. The editors are grateful to Vladimir Gligorov, Peter Havlik and Mario Holzner for their valuable contributions to this section.

New wiiw Handbook of Statistics forthcoming

As a wiiw Member you will receive your free copy of the wiiw Handbook of Statistics (including a CD ROM with PDF files of the same content as the book) at the end of November / beginning of December.

By the same date, the **electronic version** of the book will be available. It offers **MS-Excel tables** (on CD-ROM or to be downloaded online) **with longer time series**, from 1990 onwards, permitting a wide range of own analyses according to your needs. (A PDF file with the content of the hardcopy is included).

For subscribers to the Premium Membership, the electronic version is included in their package.

Upon publication, you may place your order via the internet, wiiw.ac.at (> Publications), where you will find a detailed description of the Handbook of Statistics, illustrated by sample tables.

Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **20 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures tendencies in the real sector, pictures the situation in the labour market and inflation, reflects fiscal and monetary policy changes, and depicts external sector development.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: **http://data.wiiw.ac.at/monthly-database.html**. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

Conventional signs and abbreviations used

%	per cent
GDP	Gross Domestic Product
LFS	Labour Force Survey
HICP	Harmonised Index of Consumer Prices (for new EU Member States)
PPI	Producer Price Index
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
p.a.	per annum
mn	million (10^6)
bn	billion (10^9)

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RSD	Serbian dinar
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RUB	Russian rouble
BGN	Bulgarian lev	MKD	Macedonian denar	TRY	Turkish lira
CZK	Czech koruna	PLN	Polish zloty	UAH	Ukrainian hryvnia
HRK	Croatian kuna	RON	Romanian leu		

EUR euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before) and Slovenia (from January 2007, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

Online database access

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wiiw Monthly Database

wiiw FDI Database

The wiiw databases are accessible via a simple web interface, with only one password needed to access all databases (and all wiiw publications).

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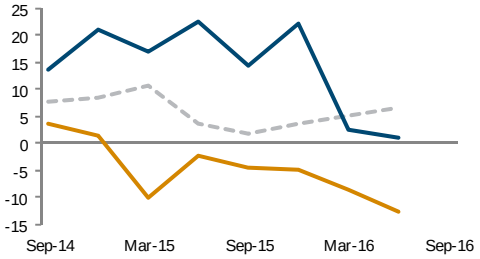
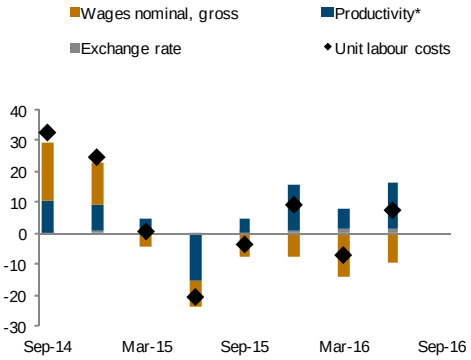
Albania

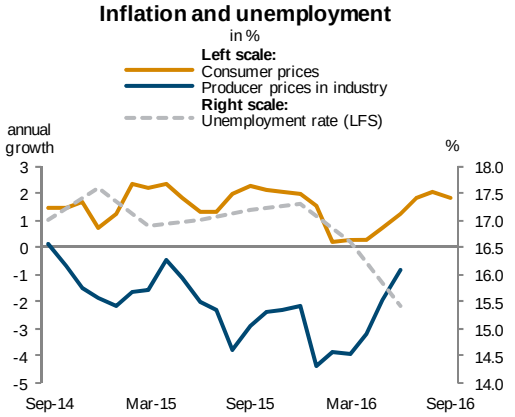
Real sector development
annual growth rate in %



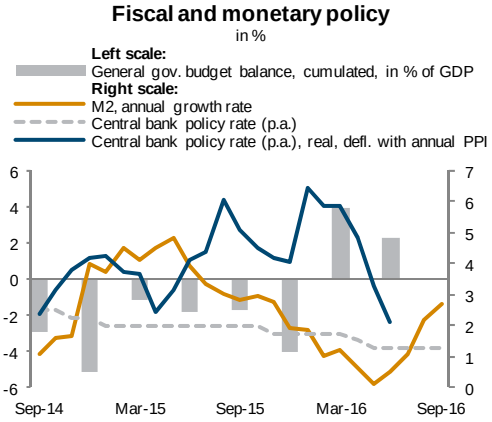
Unit labour costs in industry
annual growth rate in %



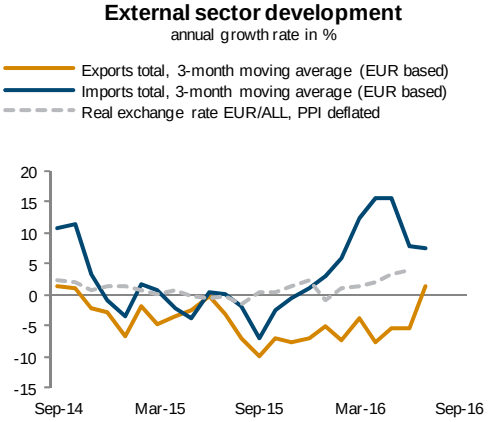
Inflation and unemployment
in %



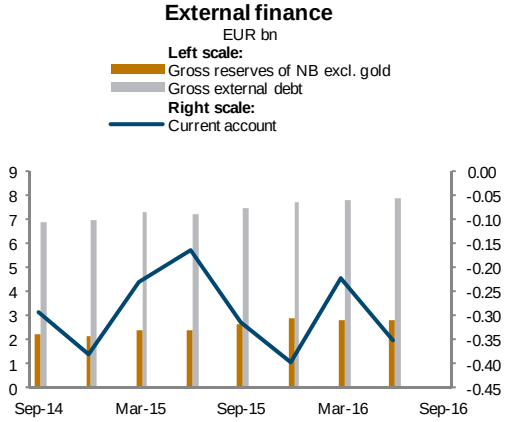
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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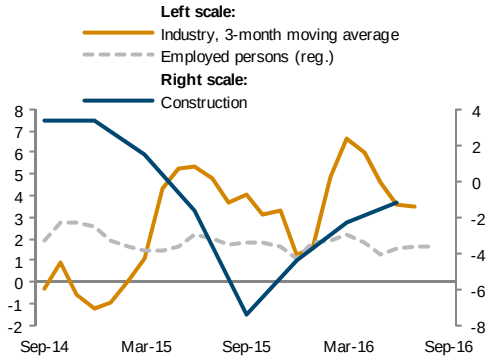
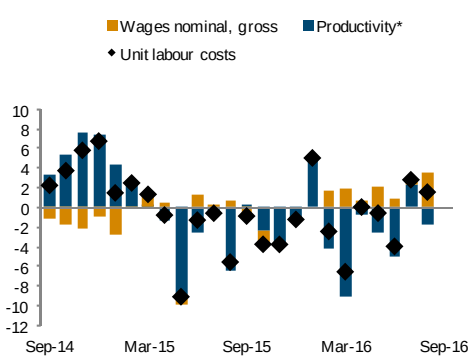
Bosnia and Herzegovina

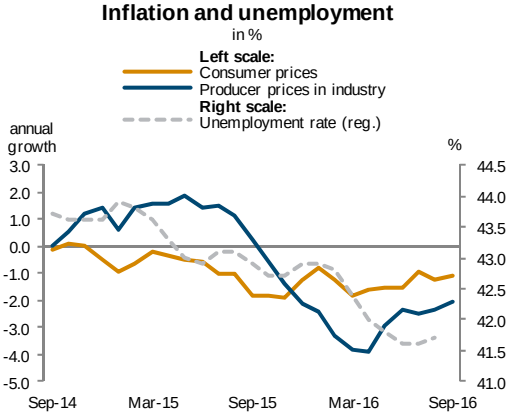
Real sector development
annual growth rate in %



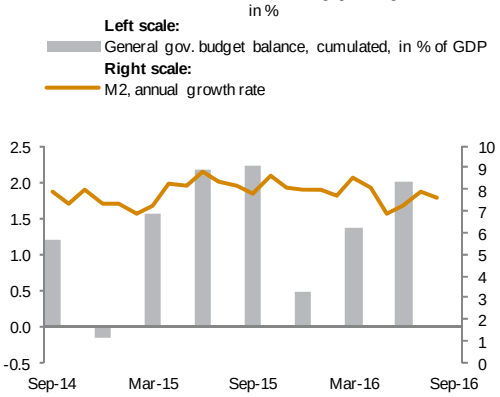
Unit labour costs in industry
annual growth rate in %



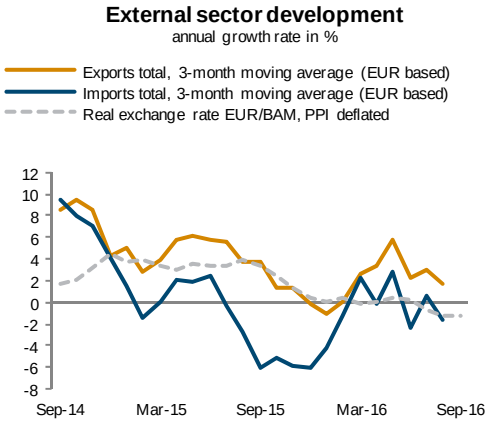
Inflation and unemployment
in %



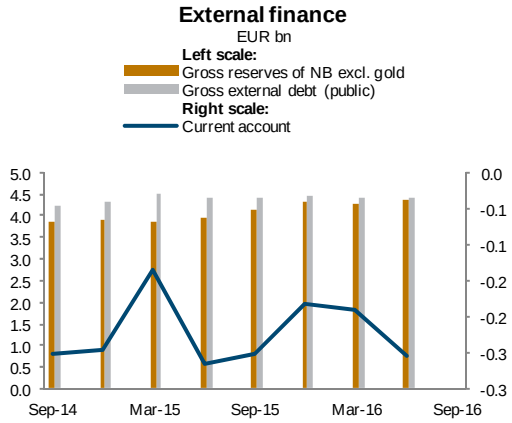
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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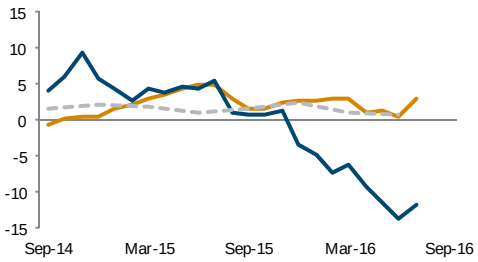
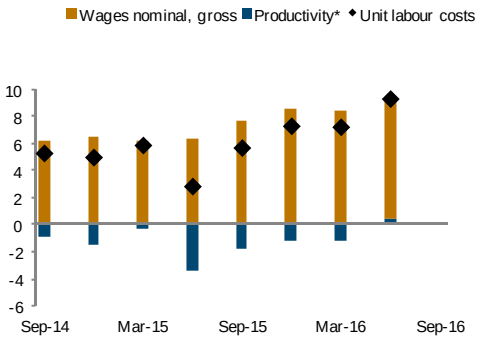
Bulgaria

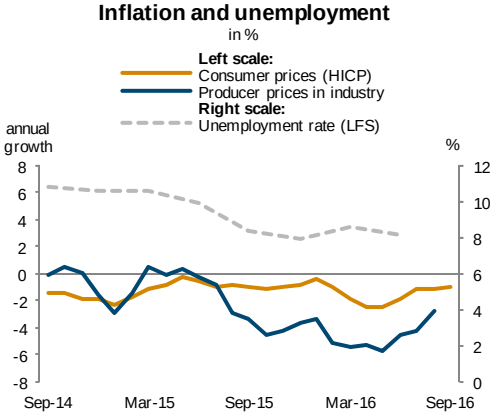
Real sector development
annual growth rate in %



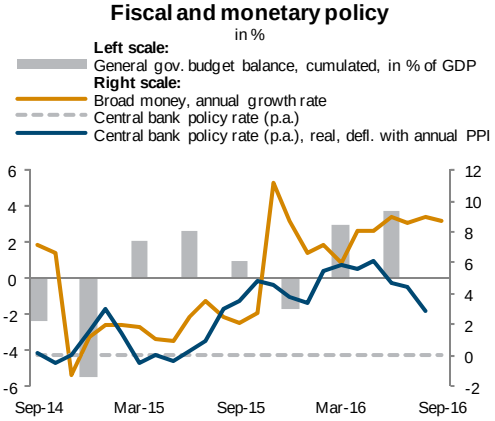
Unit labour costs in industry
annual growth rate in %



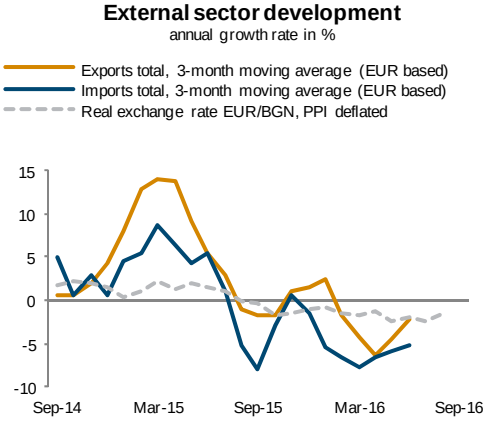
Inflation and unemployment
in %



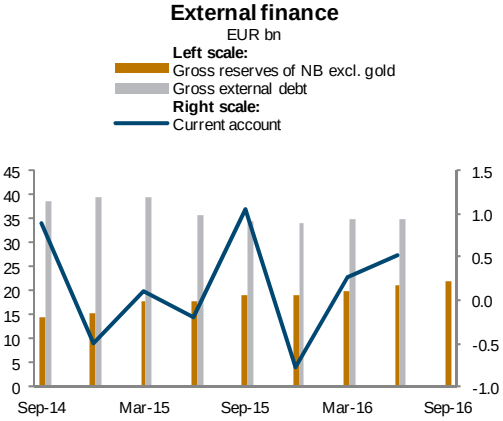
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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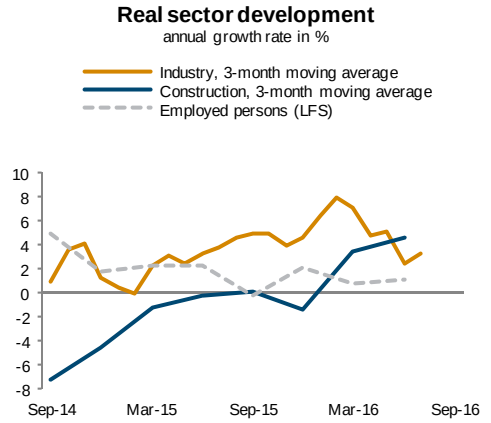
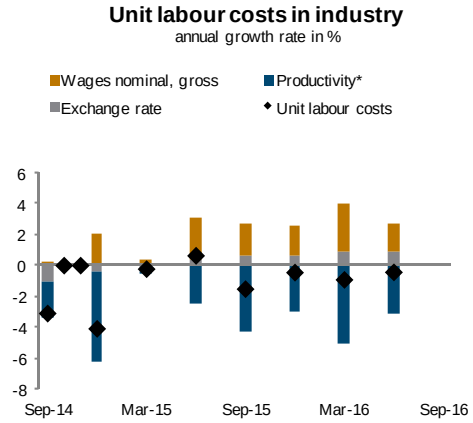
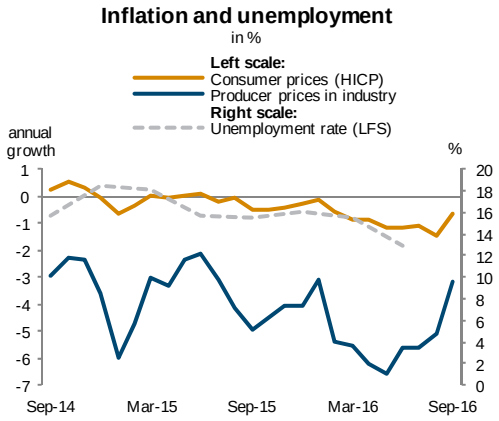
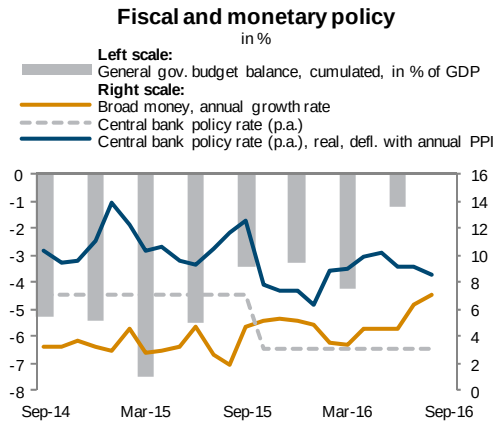
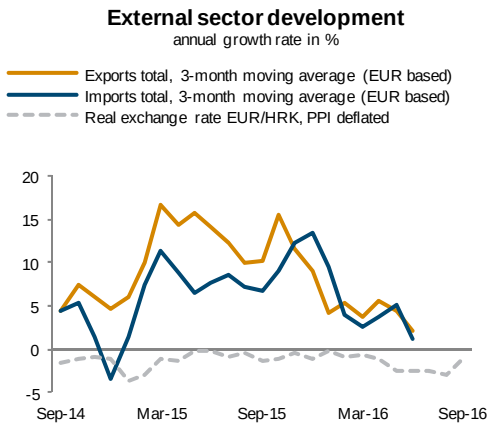
Croatia

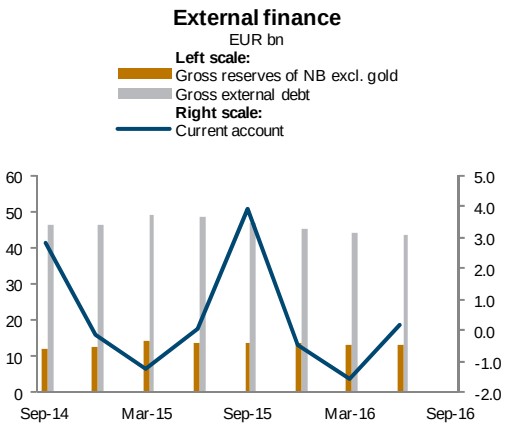












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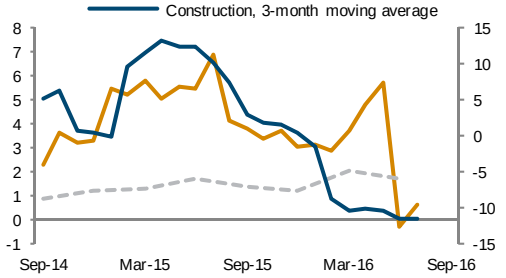
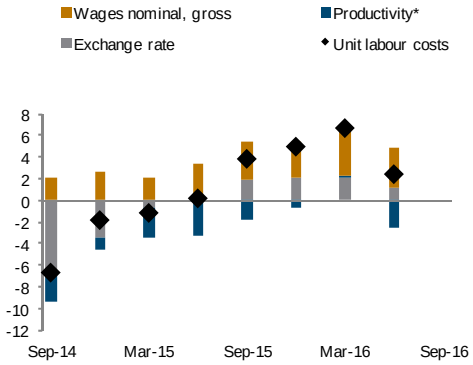
Czech Republic

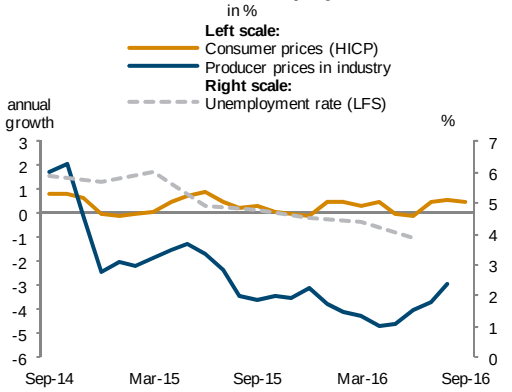
Real sector development
annual growth rate in %



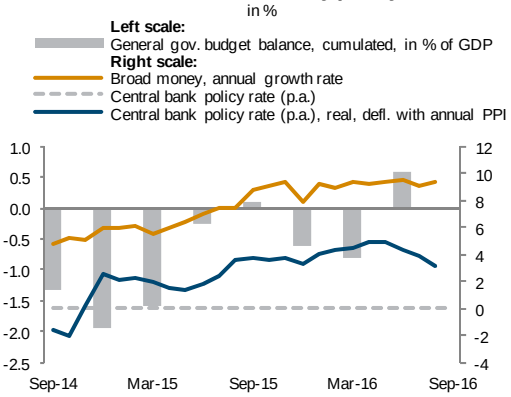
Unit labour costs in industry
annual growth rate in %



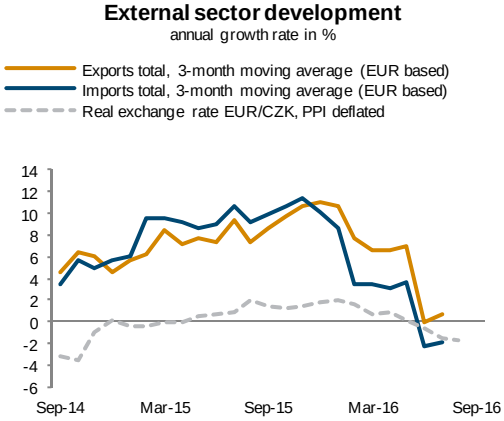
Inflation and unemployment
in %



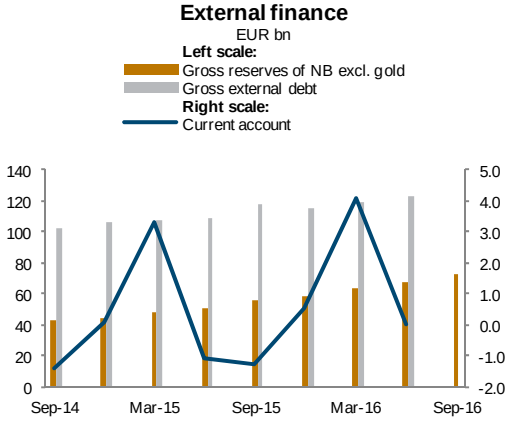
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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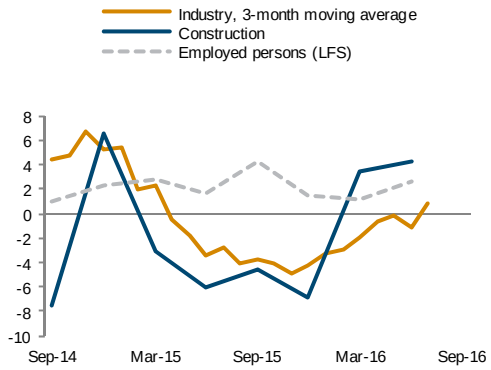
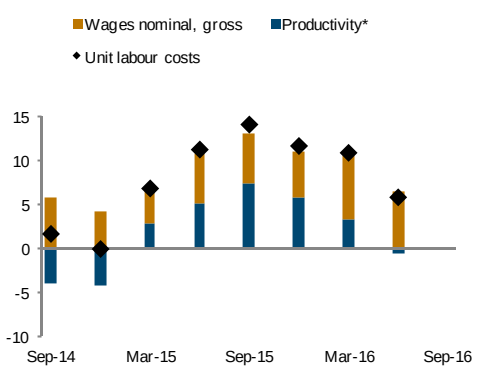
Estonia

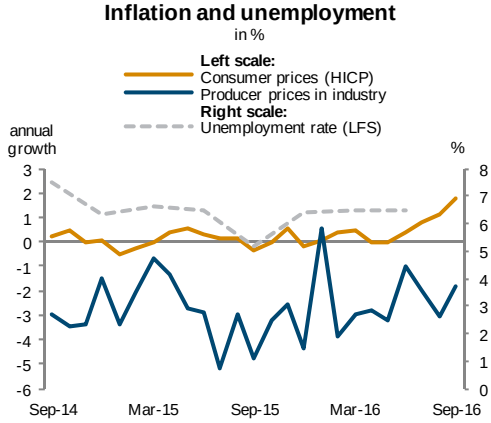
Real sector development
annual growth rate in %



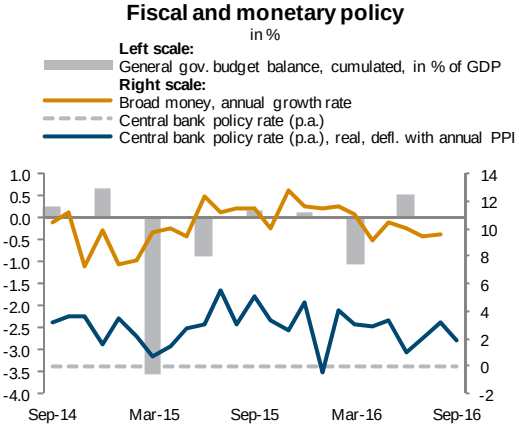
Unit labour costs in industry
annual growth rate in %



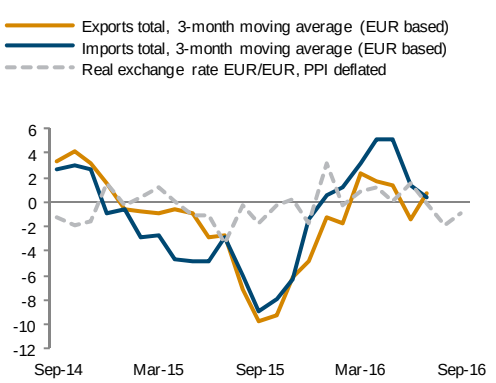
Inflation and unemployment
in %



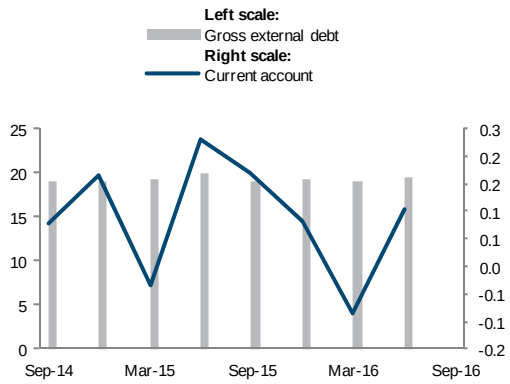
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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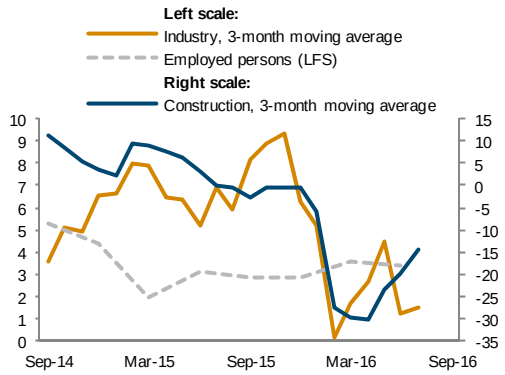
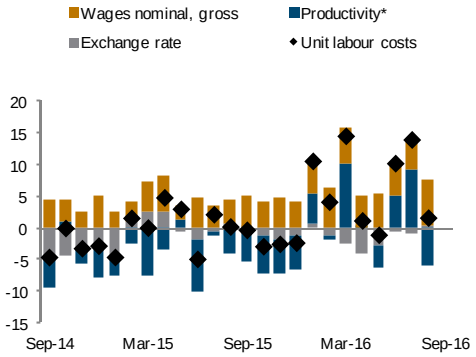
Hungary

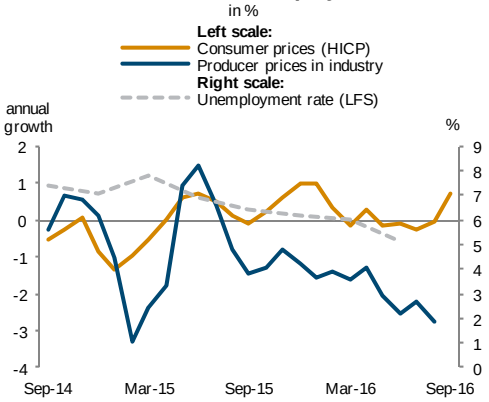
Real sector development
annual growth rate in %



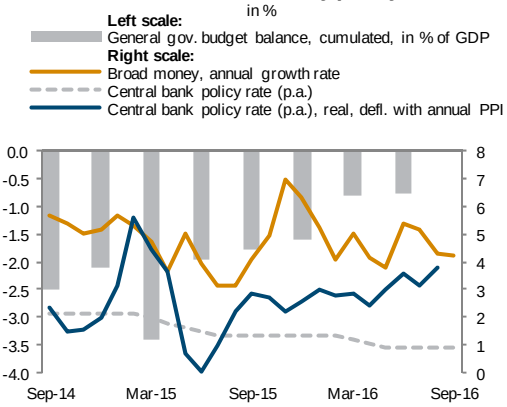
Unit labour costs in industry
annual growth rate in %



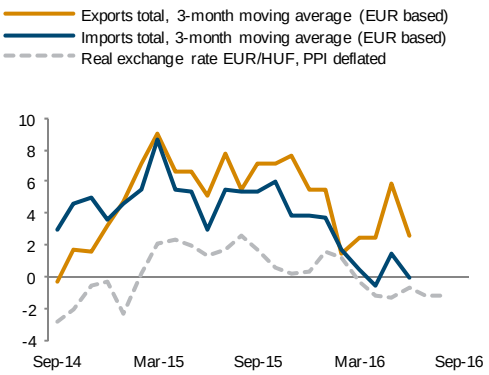
Inflation and unemployment
in %



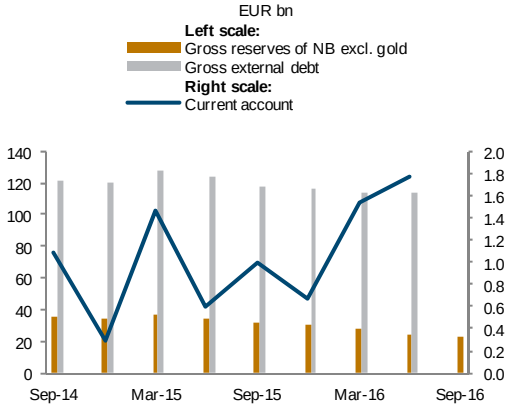
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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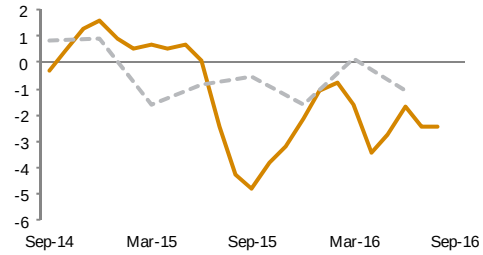
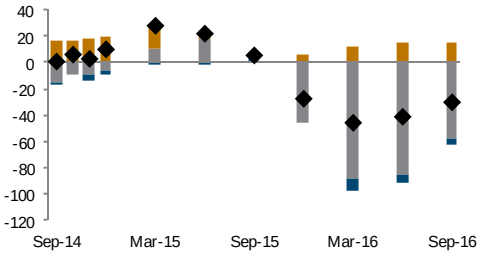
Kazakhstan

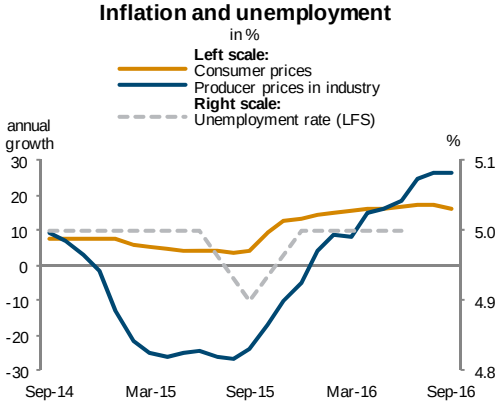
Real sector development
annual growth rate in %



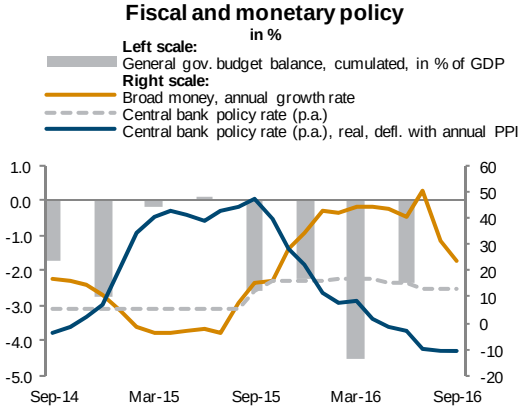
Unit labour costs in industry
annual growth rate in %



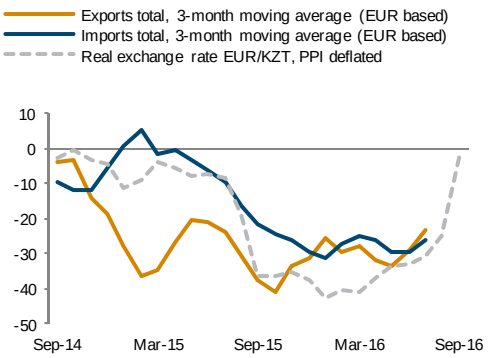
Inflation and unemployment
in %



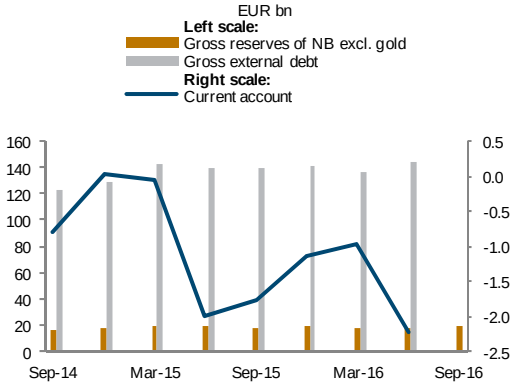
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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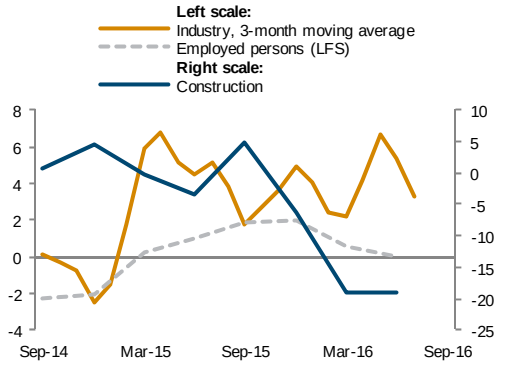
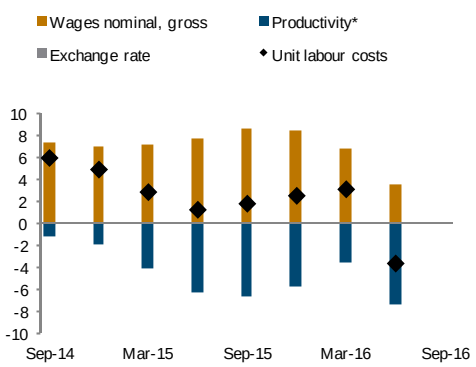
Latvia

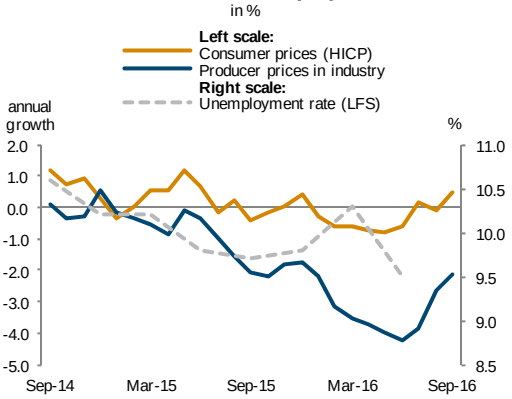
Real sector development
annual growth rate in %



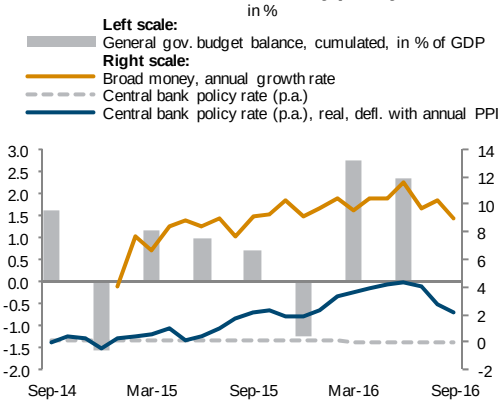
Unit labour costs in industry
annual growth rate in %



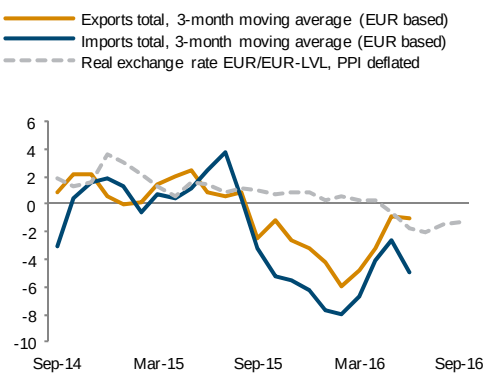
Inflation and unemployment
in %



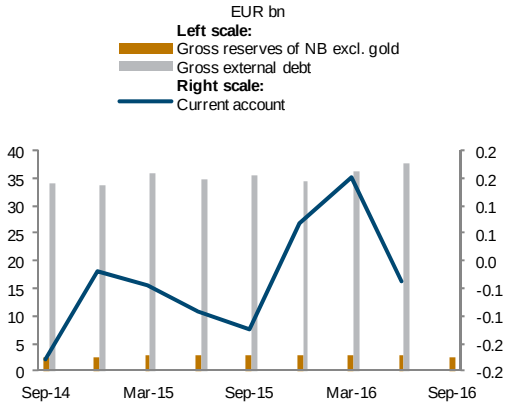
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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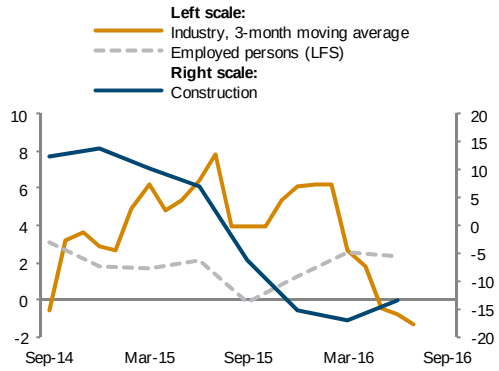
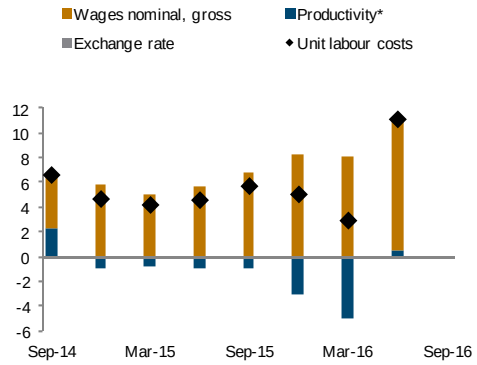
Lithuania

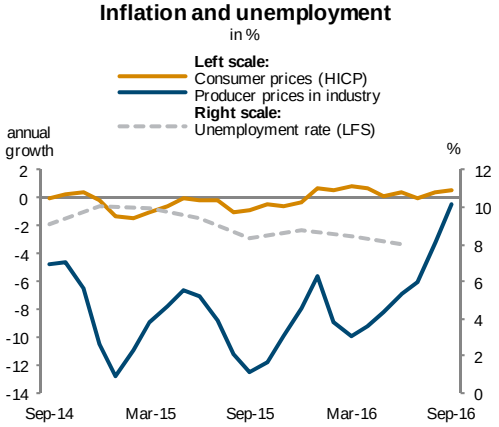
Real sector development
annual growth rate in %



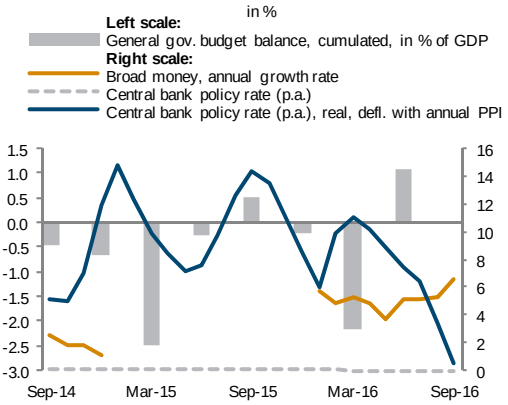
Unit labour costs in industry
annual growth rate in %



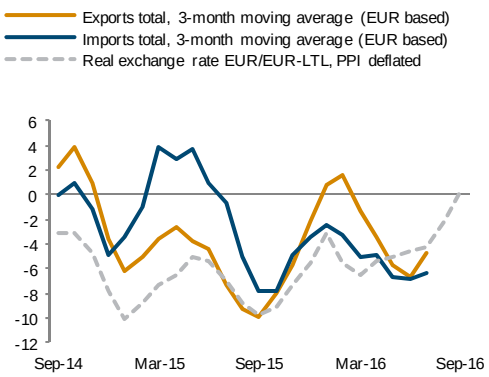
Inflation and unemployment
in %



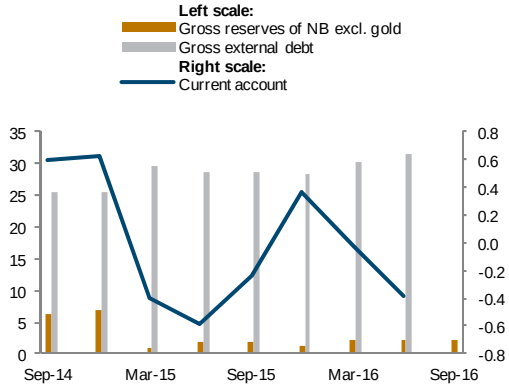
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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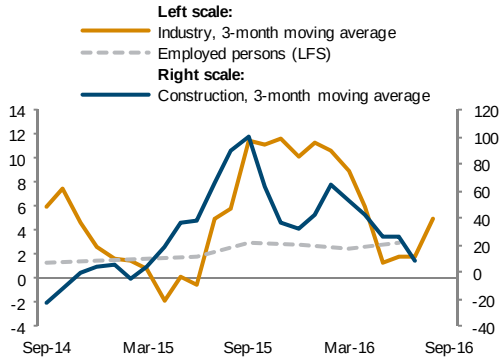
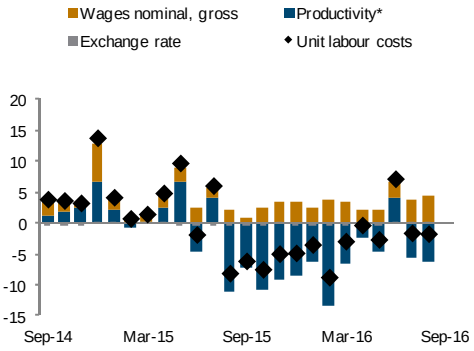
Macedonia

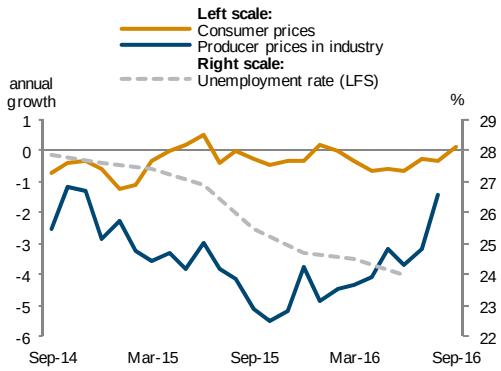
Real sector development
annual growth rate in %



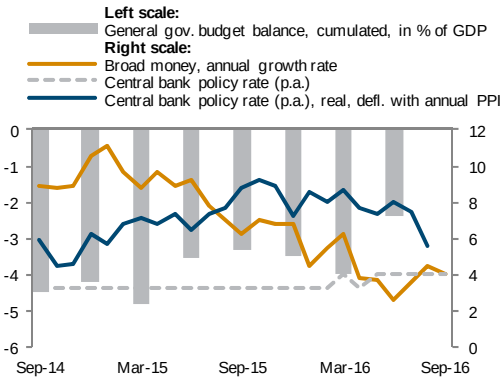
Unit labour costs in industry
annual growth rate in %



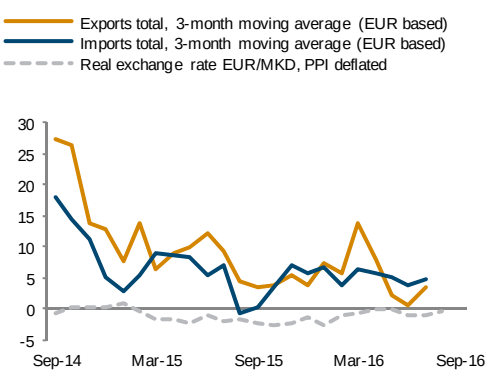
Inflation and unemployment
in %



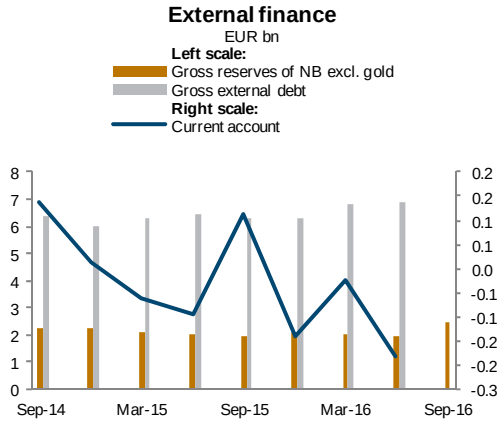
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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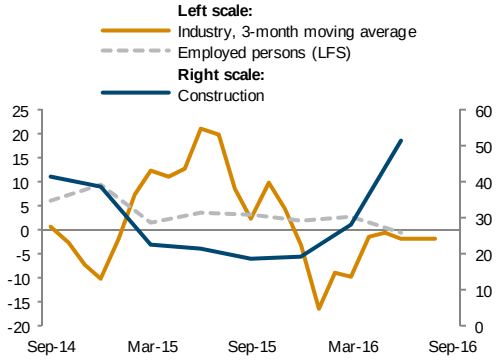
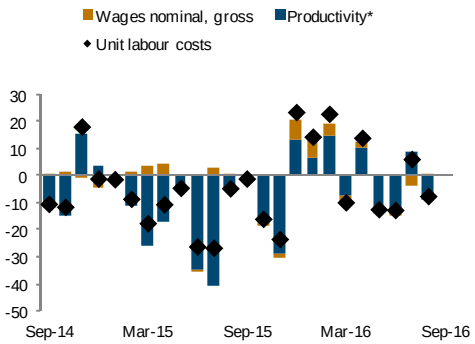
Montenegro

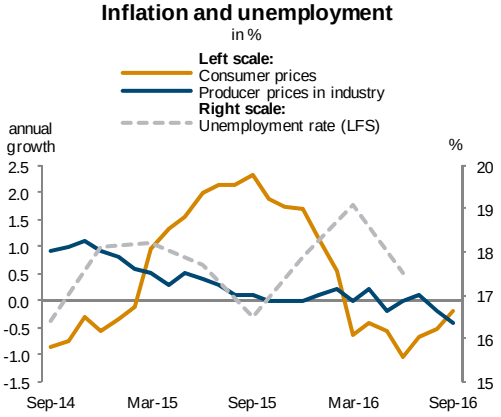
Real sector development
annual growth rate in %



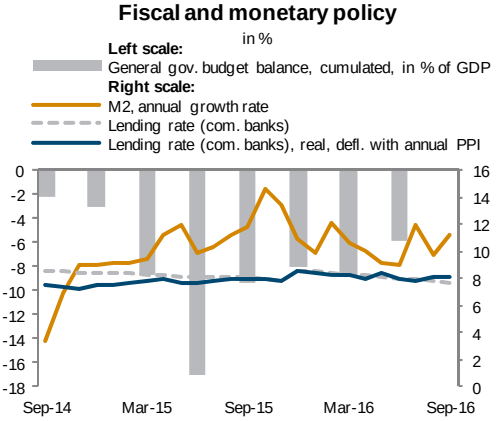
Unit labour costs in industry
annual growth rate in %



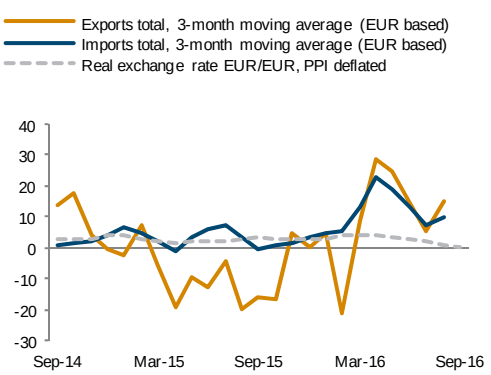
Inflation and unemployment
in %



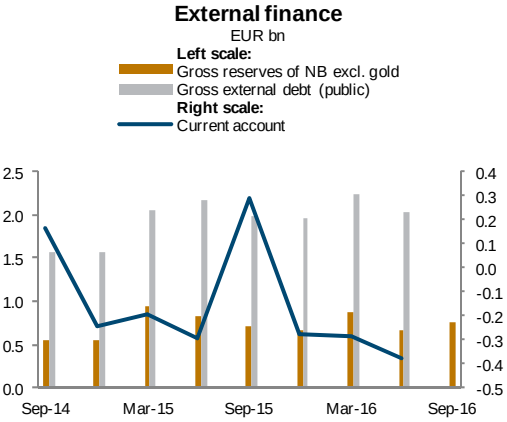
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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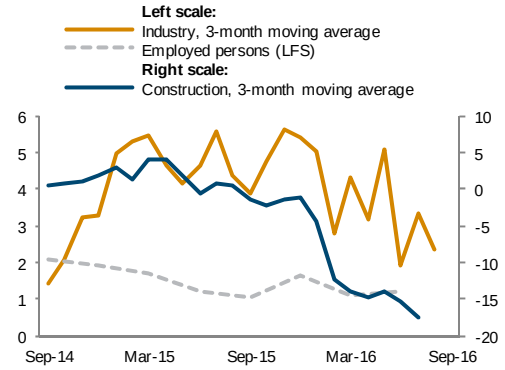
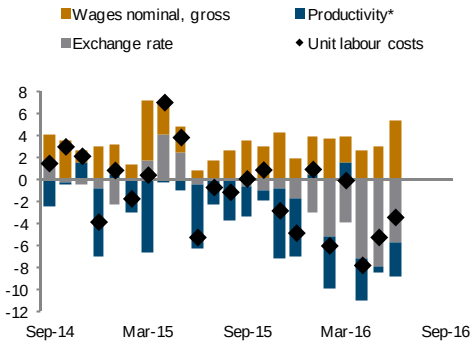
Poland

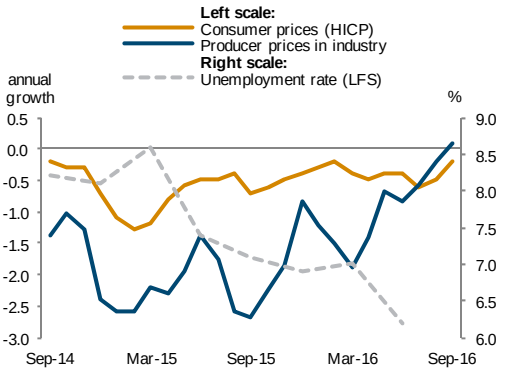
Real sector development
annual growth rate in %



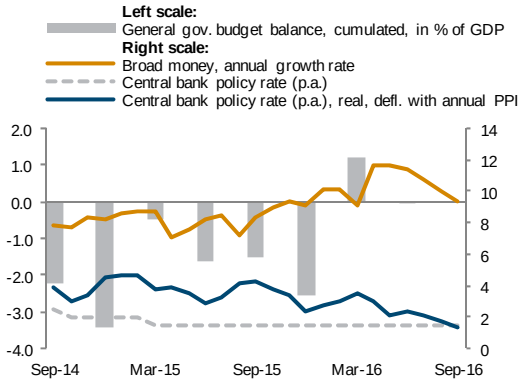
Unit labour costs in industry
annual growth rate in %



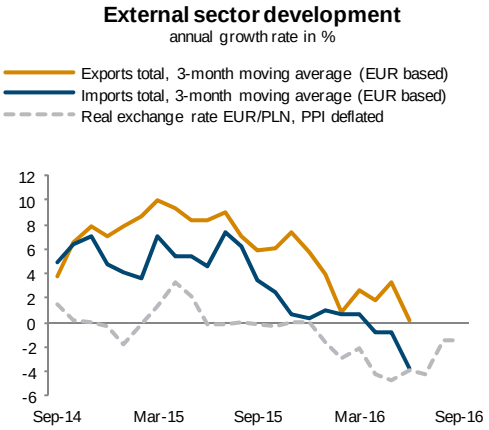
Inflation and unemployment
in %



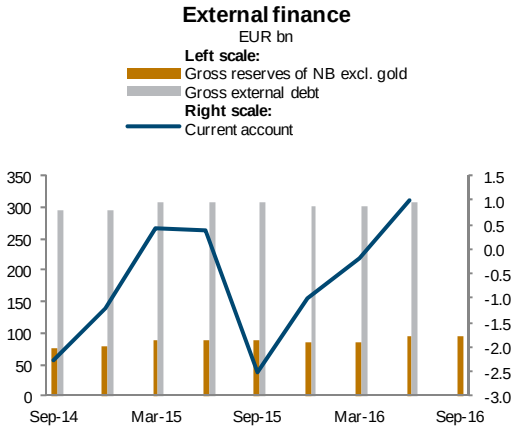
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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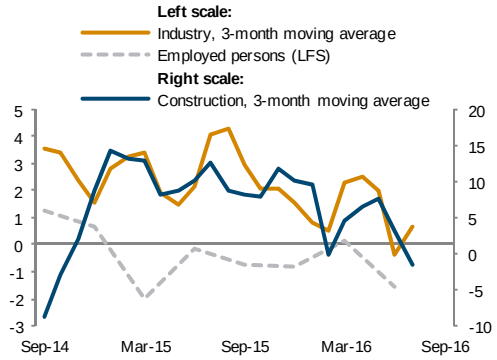
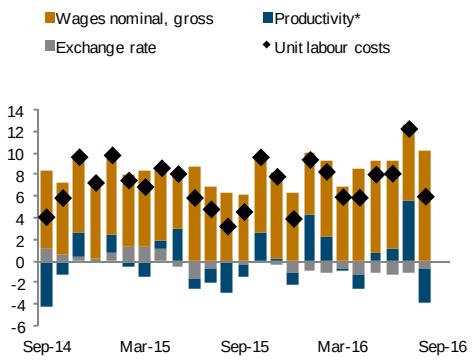
Romania

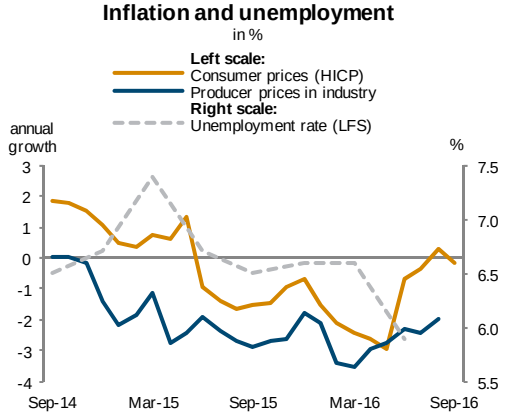
Real sector development
annual growth rate in %



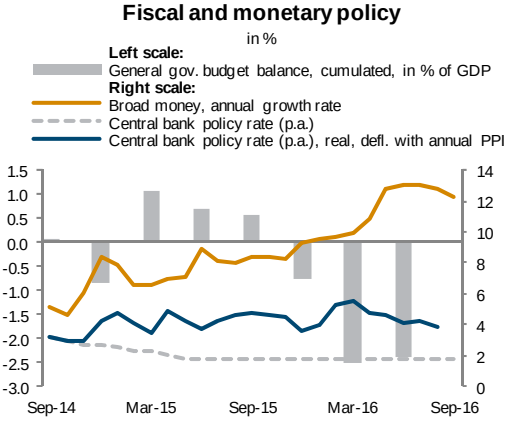
Unit labour costs in industry
annual growth rate in %



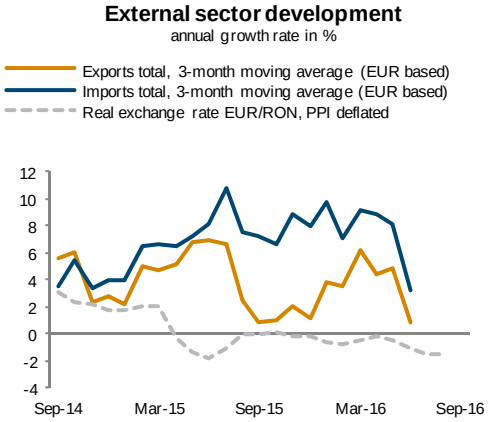
Inflation and unemployment
in %



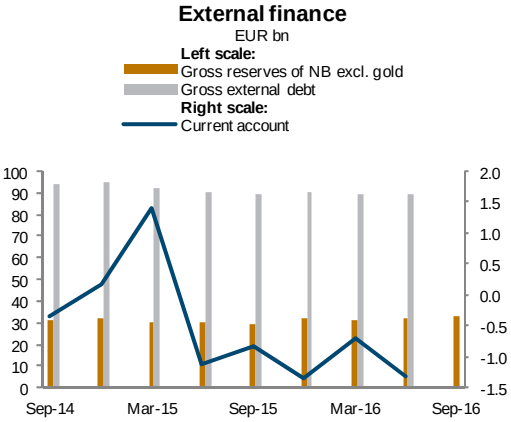
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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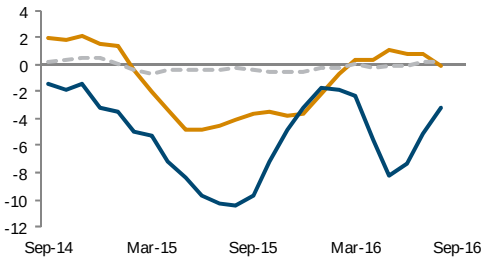
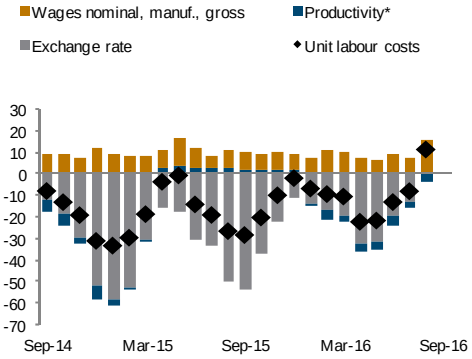
Russia

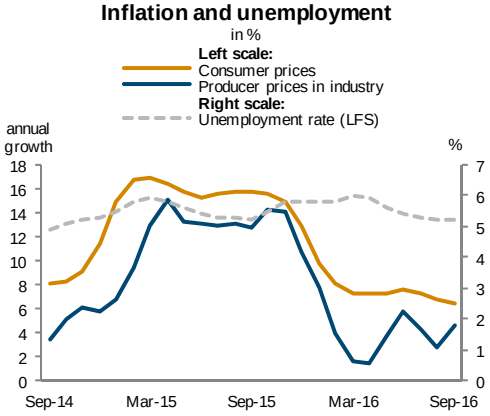
Real sector development
annual growth rate in %



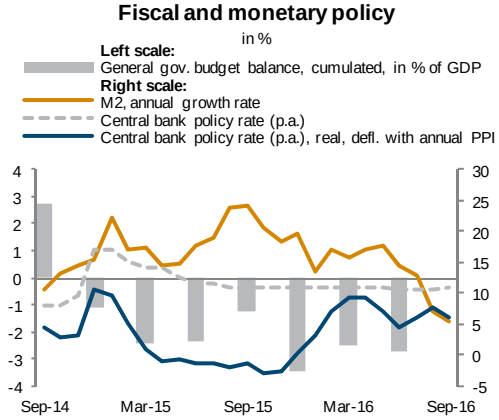
Unit labour costs in industry
annual growth rate in %



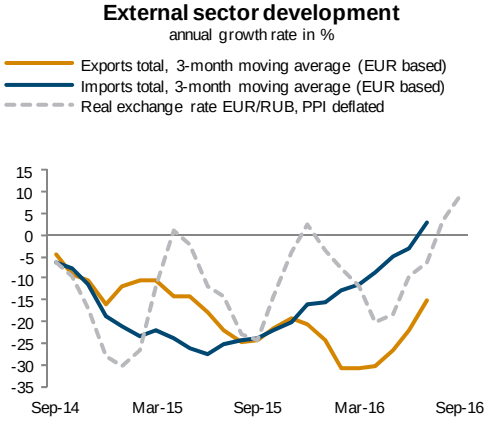
Inflation and unemployment
in %



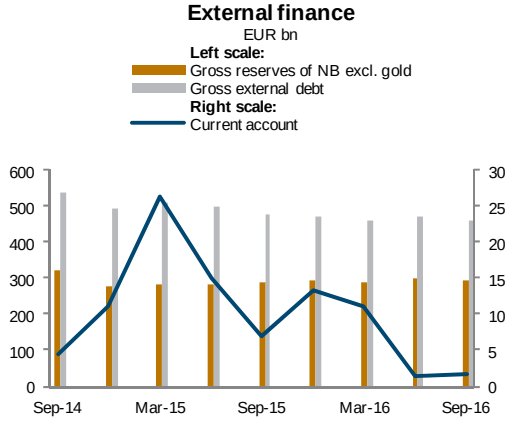
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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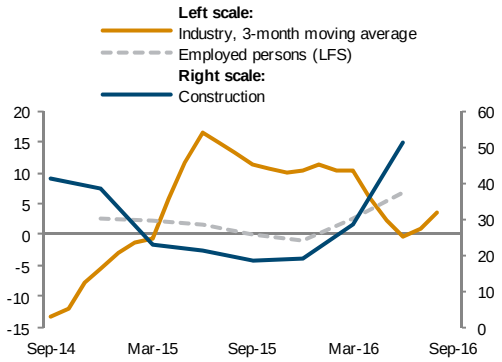
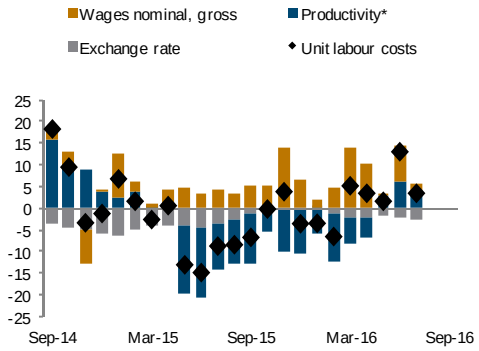
Serbia

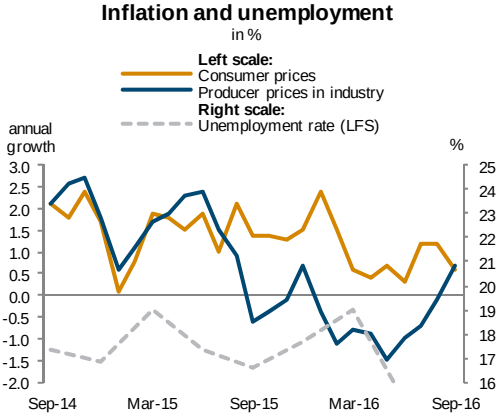
Real sector development
annual growth rate in %



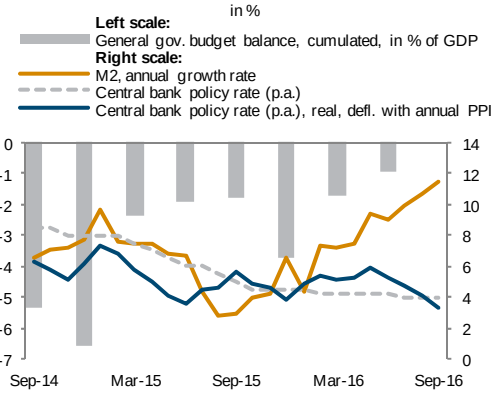
Unit labour costs in industry
annual growth rate in %



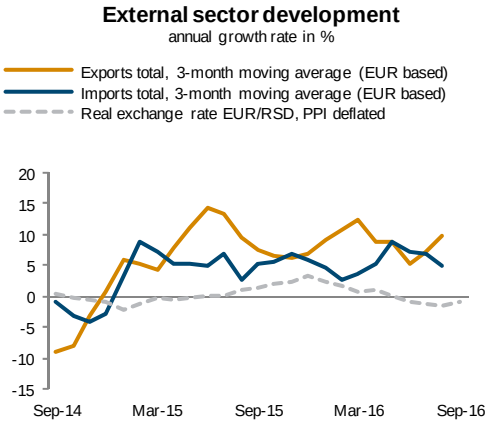
Inflation and unemployment
in %



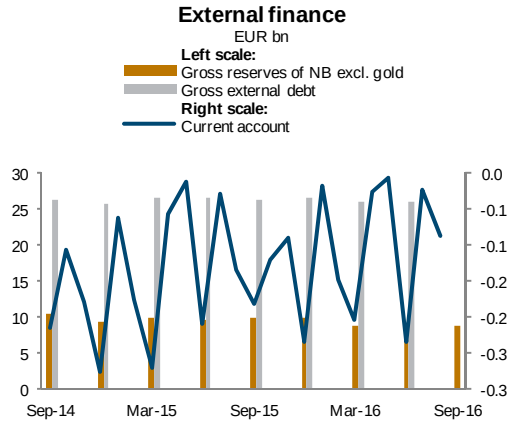
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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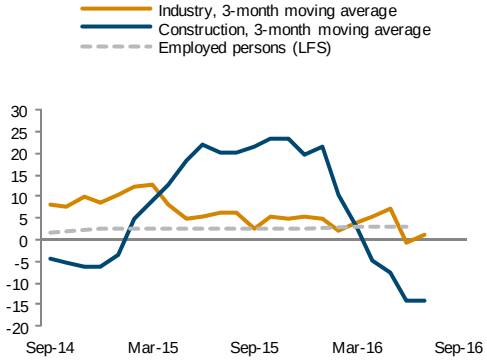
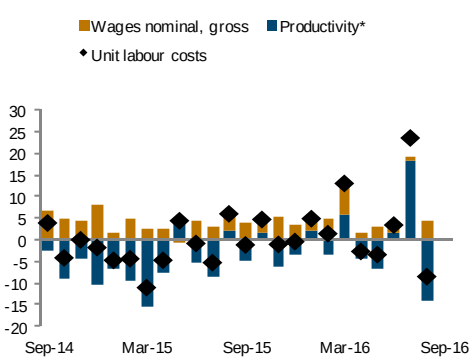
Slovakia

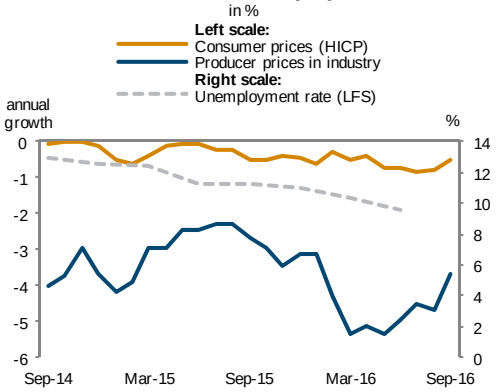
Real sector development
annual growth rate in %



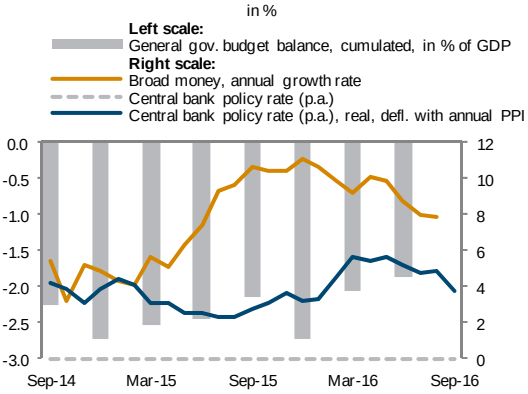
Unit labour costs in industry
annual growth rate in %



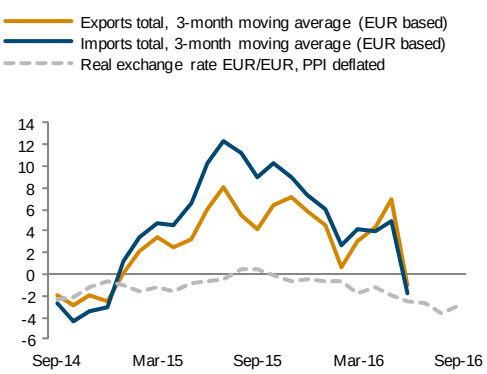
Inflation and unemployment
in %



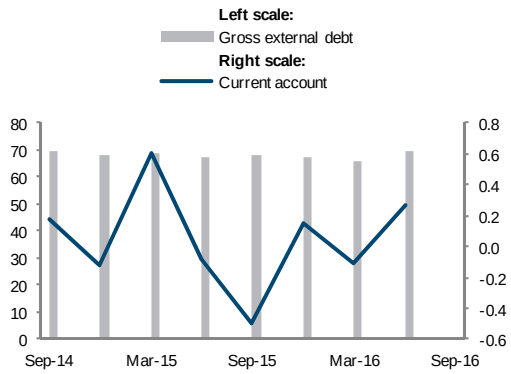
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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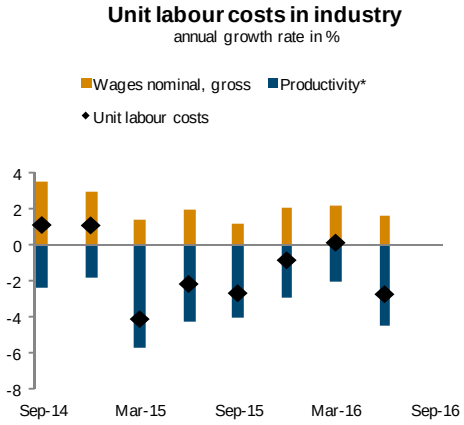
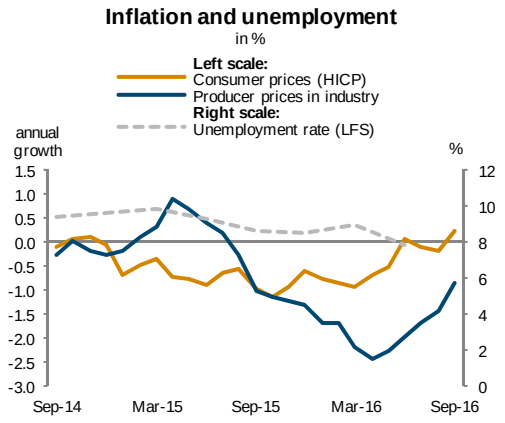
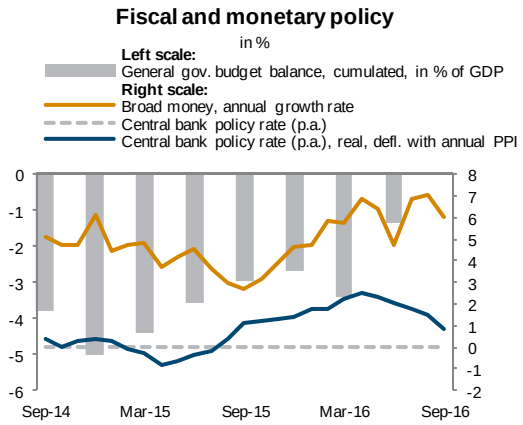
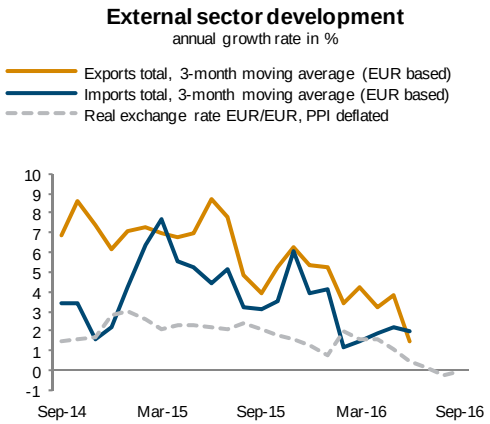
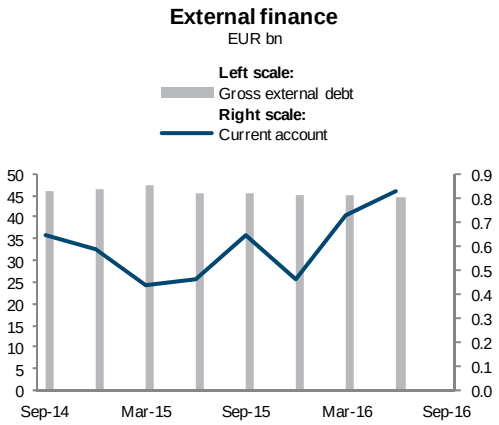
Slovenia











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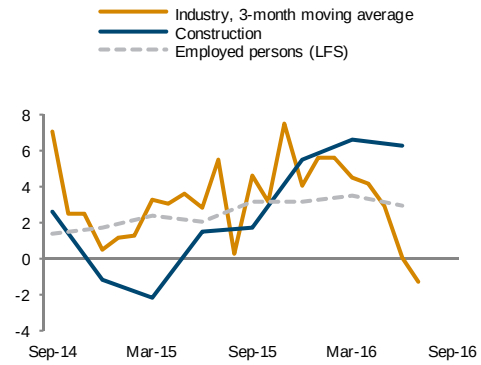
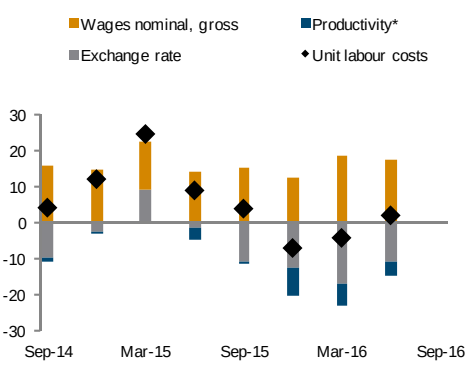
Turkey

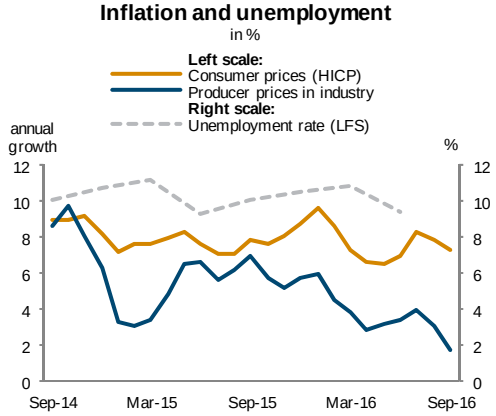
Real sector development
annual growth rate in %



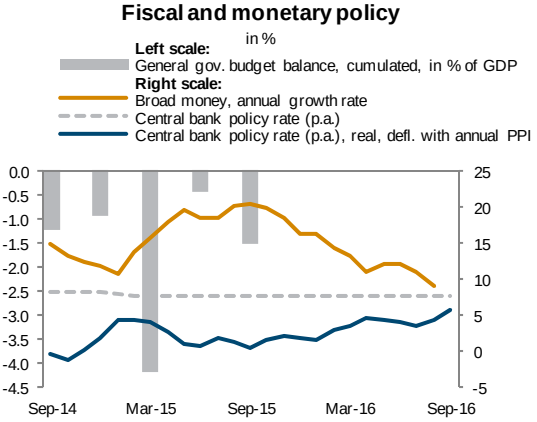
Unit labour costs in industry
annual growth rate in %



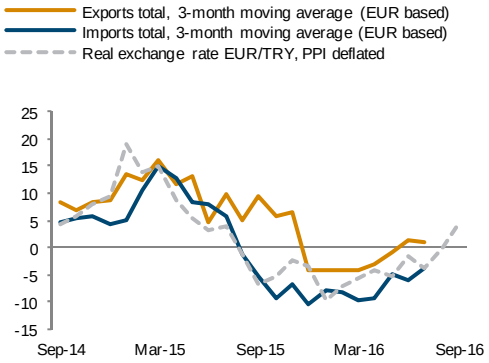
Inflation and unemployment
in %



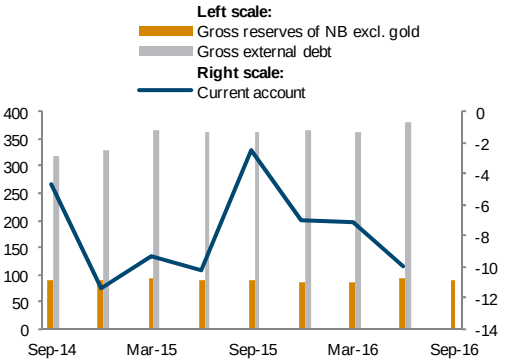
Fiscal and monetary policy
in %



External sector development
annual growth rate in %



External finance
EUR bn



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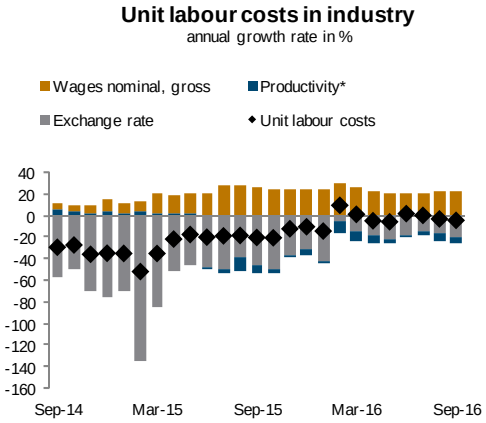
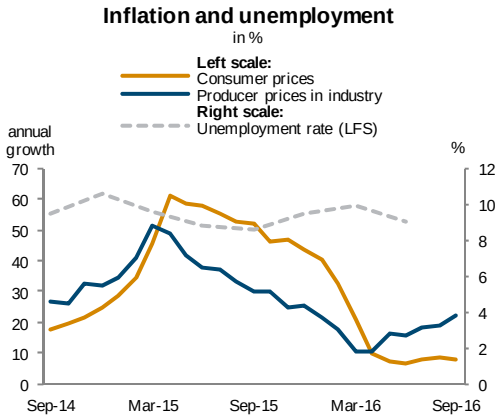
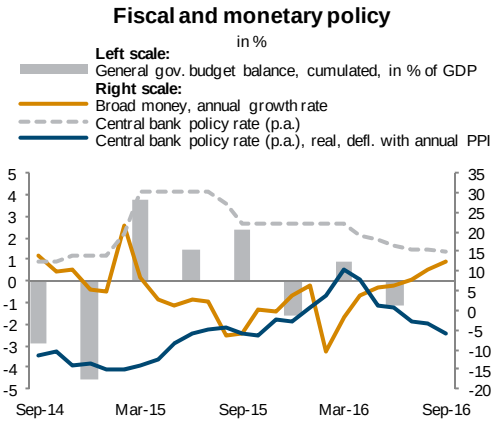
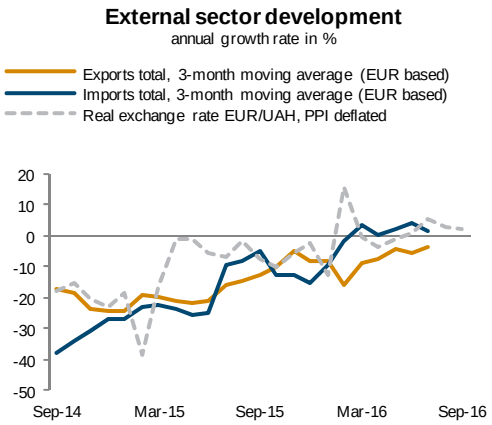
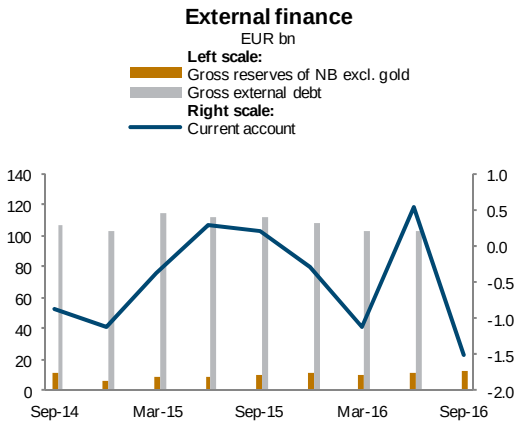
Ukraine











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