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A COMPARATIVE ANALYSIS OF ECONOMIC AND SOCIAL PERFORMANCES OF TRANSITION ECONOMIES: THE CASE OF BALTIC COUNTRIES

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Abstract

This paper aims to comparatively analyze the level of human capital in the transition economies. In order to explore level of human capital in these economies, we used the human development indexes. The chief findings of the paper are as follows: First, transition economies' progress in the transition process has different effects due to internal and external factors. Second, human development levels of these countries are relatively high in spite of a huge recession and very poor economic performance, thanks to previous investments made in social dimensions by previous regimes. Third, while the Baltic Countries which are among transition economies have also encountered serious transition cost since their independence in early 1990s, their qualified human potential is a chief factor in alleviating costs of the transition to market economics in these countries.

Keywords: Human Development, Transition Economies, Baltic Countries.
JEL Classification: O15, P36, I25.

Introduction

Human capital is one of the most fundamental dimensions of the economic development, in that physical capital, technological development and natural resources need a human element for functioning efficiently and effectively. Therefore, human development and social development potentials of countries are worth exploration in order to understand dynamics of economic development. Perhaps because of this fact, the issues of human capital development continue to get attention by both academics and policy makers.

After the collapse of the Soviet Union, former Soviet Republics have struggled to transform their closed and government-oriented economic systems into market-based and open economy. In order to successfully manage the transition process, they have strived to develop their human potential in addition to attempting to increase their economic indicators. This study aims to explore economic transition process in Baltic States, with a particular focus on their human and social development levels, human and social development and economic development relationship in a comparative perspective. The main measures utilized for comparison within this framework are education rate, enrolment ratio, the average life expectancy and people per capita, all are elements of Human Development Index (HDI), published by the United Nations Development Organization (UNDP) every year since 1990.

This study is divided into three sections. The first section gives main features of transition economies and the relationship between economic performance and the human and social development. The second section explains the concepts of human capital and human development index. The third section investigates Human Development levels of the transition economies of the Baltic Region, namely Estonia, Latvia and Lithuania.

1. Transition Economies and Economic-Social Performance

The term "Transition Economy" is used to describe the state of economy in the countries which are attempting to transform their economic systems from central plan based, socialist and closed system into market-based, open and liberal economic system. After the collapse the Soviet Union and Eastern Bloc in early 1990s, almost all of the former Soviet Republics and their allies have become transition countries and thus their economies have become transition economies. Even though these countries are classified in different group for several criteria, these countries classified as the geographical and their union categorical: CEE- Central and Eastern European Countries and the Baltic Countries (The Czech Republic, Poland, Lithuania, Latvia, Estonia), SEE- South-East European Countries (Romania, Bosnia and Herzegovina, Albania, and others) and CIS - the Commonwealth of Independent States (Georgia, Ukraine, Azerbaijan, and others).

It is a common belief among economists that, in order to get market price mechanisms working, liberalization and macroeconomic stabilization should proceed quickly at the beginning phase of the transition process, whatever economic hardships they might impose. The idea here is that if the transition process is dragged out over time, hardship will be permanent and more severe. Four chief elements of the transition process (liberalization, macroeconomic stabilization, privatization and legal and institutional reforms) were more or less common in all cases. IMF (IMF, 2000) defined them as follows:

- *"Liberalization*: the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies.
- *Macroeconomic stabilization*: primarily the process through which inflation is brought under control and lowered over time, after the initial burst of high inflation that follows from liberalization and the release of pent-up demand.
- *Restructuring and privatization*: the processes of creating a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and of transferring their ownership into private hands.
- *Legal and institutional reforms*: These are needed to redefine the role of the state in these economies, establish the rule of law, and introduce appropriate competition policies".

Transition from central plan economy to free market economy is a tough process and fundamental reforms are required. (Tridico, 2005). Furthermore, current economic problems within these countries make a large and multi-dimensional reform process difficult. In the early 1990s, Central and Eastern European Countries and the Commonwealth of Independent States left these countries in economic wreckage, poverty, increased the difference in income distribution, and unemployment rates increased. In particular in the Former Soviet Union countries life standards of the people were getting worse. In this situation, in these countries, the market economy transition process has been hard and makes putting faith in market economies difficult.

Transforming economies from a planned economy to a market economy involves many social costs. For example, there are no social security guarantees in a market economy, nor does a market economy mean personal prosperity of the individual. The larger budget deficit will decrease social services performed and education and health services are likely to focus on economic productivity and competition.

Even though, the transition economies show different characteristics, they have some similar properties. Some examples are a strong state administration with relative flexibility at a distance and a large public sector but an underdeveloped corporate infrastructure, and widespread poverty. (UNDP, 2005) In addition to these, due to the lack of infrastructure, crime and bribery are also serious fundamental problems for the development of a market economy. Education is the most important infrastructure component in these countries doing the best during this transition period.

The transition process varies widely between the Turkic Republics and the Central European countries and between those countries and the Baltic countries. There are also differences between the Baltic countries themselves. Therefore, assessments should not be based on the individual country. Assessments should be based on grouped countries. When we compare the transition economies with countries with low human infrastructure and low economic performance, due to social investments by the socialist regime, the human development level is relatively high. But economic crisis in the early 1990s, due to the low economic performance, affected human and social development negatively. In particular, The Baltic countries and the Commonwealth of Independent States had increased death rates, a shortening of average life expectancy, and a slowdown in the education and health investments.

By the first half of the 1990s, the transition recession had taken its toll but had bottomed out. Many of transition economies resumed positive growth only in the second part of the decade. Nevertheless, these countries had failed to accompany their economic growth with a satisfactory level of decrease in unemployment rates. Likewise, human development in the Western CIS as well as Central Asia had taken a similar path, by falling in the early 1990s and starting to rise in the second part of the 1990s. Income inequality had increased within and across sub-regions of the transition countries, which can be explained by such facts as poor data quality, shadow economy, uneven territorial coverage of household budget surveys, or inadequate sampling construction followed by some leveling off starting in 2000. However, the trend has been quite consistent, with different patterns of reform in countries and sub-regions. (UNDP, 2011).

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Table 1. Transition Economies and Economic Performances (GDP per capita in PPP terms-constant *2005 international $)*(UNDP, 2012)

Country	1990	1995	2011	1990/1995 %	1990/2011 % (Average)
Central Eastern Europe – The Baltic States					
Slovenia	16405	15926	24914	-2.9	51.8 (2.4)
Czech Rep.	16320	15599	21405	-4.4	31.1 (1.4)
Slovakia	12442	10571	19998	-15.0	60.7 (2.8)
Poland	8171	8999	17451	10.1	113.5 (5.4)
Estonia	10087	7774	16799	-22.9	67.1 (3.1)
Hungary	12282	10944	16581	-10.8	35.0 (1.6)
Lithuania	12497	7379	16234	-40.9	29.9 (1.4)
Croatia	13384	9923	15729	-25.8	17.5 (0.8)
Latvia	10078	6107	14293	-39.4	41.8 (1.9)
Commonwealth of Independent States (CIS)					
Russia	12626	7851	14561	-37.8	15.3 (0.7)
Belarus	6531	4262	13439	-34.7	105.7 (5.0)
Kazakhstan	7089	4499	10585	-36.5	49.3 (2.3)
Azerbaijan	4754	1854	8666	-61.0	82.2 (3.9)
Turkmenistan	3749	2047	7306	-45.3	94.8 (4.5)
Ukraine	8063	3899	6175	-51.6	-23.4 (-1.1)
Armenia	2936	1705	5188	-41.9	76.7 (3.6)
Georgia	5683	1730	4780	-69.5	-15.8 (-0.7)
Moldova	4588	1852	3058	-59.6	-33.3 (-1.5)
Uzbekistan	2002	1462	2967	-26.9	48.2 (2.2)
Kyrgyzstan	2505	1224	2036	-51.1	-18.7 (-0.8)
Tajikistan	3064	1069	1937	-65.1	-36.7 (-1.7)
South Eastern Europe Commonwealth of Independent States (CIS)					
Bulgaria	7527	6843	11412	-9.0	51.6 (2.4)
Romania	7849	7212	11046	-8.1	40.7 (1.9)
Macedonia	8341	6392	8804	-23.3	5.5 (0.2)
Albania	3909	3606	7803	-7.7	99.6 (4.7)
Bosnia-Herz.	-	1636	7664	-	368 (17.5)
Serbia	11712	5701	10236	-51.3	12.6 (0.6)

According to a study which covers 1985-2002 in the former Socialist Bloc countries (Bulgaria, Romania, Moldova, Ukraine, Macedonia, Bosnia and Herzegovina, Montenegro Serbia, Kyrgyzstan and Kazakhstan) both the income and the human development declined while in Albania, Latvia, Lithuania, Croatia, Estonia and Slovakia not only did humanities and social development levels remain steady, the income levels increased. In Tajikistan, Armenia, Georgia and Azerbaijan in the humanities and social development levels stayed the same but the level of income declined (Tridico, 2005).

According to another study, covering the years 1990-1997, 16 countries' human development levels declined. The basic reasons for the decline were economic recession and plague diseases (HIV/AIDS). The study included Belarus, Bulgaria, Azerbaijan, Kyrgyzstan and Tajikistan that had an economic recession and human development levels were are negatively affected. (Mendoza, 2001).

2. Human Development Index and Trend of the Transition Economies

"Human development" concept which serves as the analytical framework for UNDP's global, regional and national human development reports (HDRs) was developed UNDP in the 1990 Human Development Report. The concept draws a framework for human side of development and economic growth, particularly dealing people's lives, freedoms and capabilities. In UNDP's conception of "development", people are seen as both the chief beneficiaries of development and the agents who can improve their lives. "Resources, incomes, institutions, as well as political or social guarantees, are all important policy goals. Ultimately, however, success must be defined in terms of the lives people lead, and the capabilities they possess" (UNDP, 2011).

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From Ancient period philosophers and historians to the many contemporary intellectuals, many people made various assessments about human dimension of development and developing human potential. Further, it has been generally agreed in our times that a long and a healthy life, information acquisition and a good standard of living are the necessary conditions for the provision of the human and social development concept.

The relationship between human development and economic performance is very complex, in that while economic growth boost may contribute the human development level, economic growth and humanities would not occur at the same time. Therefore, transition countries' economic performances and the human development relationship could not be attributed to a certain factor, and countries economic performances and the human development performances are different.

Human development is about expanding the choices open to people to lead full and valuable lives. First articulated in the 1980's, the approach provides a means of understanding ant tracking economic and social progress which is rooted in the real-world experiences of ordinary people. A company values of property not only the value of the assets but also the value of the employees' information and skills level. Thus, the countries development level is not only measured by per capita income of citizens but also the information, knowledge, health level taking into consideration to evaluate. It Therefore, In order to measure and compare developed countries development level, we consider quantitative indicators and qualities indicators. Even though, the fact that there are different definitions of human capital represents the combination of ability of labor and individuals; human capital covers, information about people together with their skill, talent, attitude, reliability, commitment creativity dimensions (Abeysekera, 2004)

Human capital not only covers knowledge, information and skills but also covers several features, such as technical information and talent; Education; Professional qualities of Employees; a community participation in the Professional; development; Entrepreneurship spirit, innovation, progressive, Training programs; racial, religious and competition; equality Flawed equality; employment security; Syndicate operating; number of Employees, properties and effectiveness (Abeysekera, 2004). Due to above difficulties in measuring human capital and comparing countries, we need to find a new a practical way. Therefore, United Nations Development Organization (UNDP) measures the development level by education, health and revenue data of the Human Development Index (HDI). As it gives information about both economic development level and human development level, HDI it is generally considered as the most important index.

Certainly, as human development have several indicators and thus certain difficulties in measuring, limited number of indicator should be used. Therefore, three main indicators are generally utilized in almost all calculations of human development: health, education and living standards. The first dimension of human development index is measured by the long and healthy life, the average life expectancy. Life expectation is an indicator of health and nutrition in connection with a better life. If a country provides health and nutrition in good conditions to individuals, the average life expectancy there will be longer. The infant mortality rate is the most basic health indicator of the average life expectation. In particular, baby death rates are high in countries where the average life expectancy is very low to maintaining. The low rate of infant mortality rate shows high the average life expectation. The second dimension of human development index is education level. This dimension is the most important and easily calculable indicator among others. Since 2010, main measure of standard of living has been the gross national income (GNI) per capita at PPP, while in pre-2010 period it was gross domestic product (GDP) per capita at purchasing power parity (PPP). The chief difference between GDP and GNI can be explained as follows: “While GDP indicates the total value of final goods produced in a given territory (including the goods produced by foreign companies), the GNI is based on the income of the permanent residents of the country and also takes into account revenue acquired abroad” (EKK, 2011).

In order to remove disparities between countries, per capita of GDP figures are used and marginal contribution are taken into consideration. In each country, education and health indicators of certain calculations transferring 0 and 1 of value gathered after divide three and thus each country's index is calculated. This calculation, each of the indexes a points improvement in the middle of the same with the human development process marginal of the different effect on possible. For example, 0.1 point increase in the average life index contributes differently on 0.5 or 0.9, but the average will be the same at he end. Moreover, in health index, 0.1 points contribute on average for income or education index, this change differently human development index. Despite some difficulties, the human development index shows development level of countries and this still an important index.

Other significant changes made in 2010 are as follows: First, the methodology for calculating the HDI changed: instead of the geometric mean of the three dimension indices to be used to calculate the aggregate index, a new methodology has been used to recalculate all previous indices and their components in the sta-

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tistical database back to 1980. Second, instead of classifying countries into four groups – very high human development, high human development, medium human development and low human development, as it is used to be before 2010, all 169 ranked countries or territories have began to be divided into four equal groups of 42 countries (only the second group consisted of 43 countries). "The first group was classified as having very high human development, the second as having high human development and so forth" (EKK, 2011).

An assessment of Transition Economies' economic development taking to only income levels into consideration is not very meaningful. Because market economy transition process is still ongoing and the level of income citizens' welfare levels designation may be inadequate. Therefore, income, along with levels of economic with the development of the human development levels of development should also be taken into account.

Table 2. Human Development Index (2011) and Transition Economies

	HDI rank	Country	Human Development Index (HDI)	Life expectancy at birth	Mean years of schooling	Expected years of schooling	Gross National Income (GNI) per capita	GNI per capita rank minus HDI rank	Nonincome HDI
			Value	(years)	(years)	(years)	(Constant 2005 PPP$)		Value
VERY HIGH HUMAN DEVELOPMENT	1	Norway	0.943	81.1	12.6	17.3	47557	6	0,975
	21	Slovenia	0.884	79.3	11.6	16.9	24914	11	0,935
	27	Czech Republic	0.865	77.7	12.3	15.6	21405	14	0,917
	34	Estonia	0.835	74.8	12.0	15.7	16799	13	0,890
	35	Slovakia	0.834	75.4	11.6	14.9	19998	8	0,875
	38	Hungary	0.816	74.4	11.1	15.3	16581	11	0,862
	39	Poland	0.813	76.1	10.0	15.3	17451	7	0,853
	40	Lithuania	0.810	72.2	10.9	16.1	16234	10	0,853
	43	Latvia	0.805	73.3	11.5	15.0	14293	12	0,857
	46	Croatia	0.796	76.6	9.8	13.9	15729	5	0,834
HIGH HUMAN DEVELOPMENT	50	Romania	0.781	74.0	10.4	14.9	11046	20	0,841
	54	Montenegro	0.771	74.6	10.6	13.7	10361	20	0,831
	55	Bulgaria	0.771	73.4	10.6	13.7	11412	14	0,822
	59	Serbia	0.766	74.5	10.2	13.7	10236	16	0,824
	65	Belarus	0.756	70.3	9.3	14.6	13439	-8	0,785
	66	Russian Federation	0.755	68.8	9.8	14.1	14561	-13	0,777
	68	Kazakhstan	0.745	67.0	10.4	15.1	10585	4	0,786
	70	Albania	0.739	76.9	10.4	11.3	7803	18	0,804
	74	Bosnia & Herz.	0.733	75.7	8.7	13.6	7664	16	0,797
	75	Georgia	0.733	73.7	12.1	13.1	4780	36	0,843
	76	Ukraine	0.729	68.5	11.3	14.7	6175	24	0,810
	78	Macedonia	0.728	74.8	8.2	13.3	8804	2	0,776
	86	Armenia	0.716	74.2	10.8	12.0	5188	22	0,806
	91	Azerbaijan	0.700	70.7	8.6	11.8	8666	-10	0,733
MEDIUM HUMAN	102	Turkmenistan	0.686	65.0	9.9	12.5	7306	-7	0,724
	111	Moldova	0.649	69.3	9.7	11.9	3058	21	0,746
	115	Uzbekistan	0.641	68.3	10.0	11.4	2967	19	0,736
	126	Kyrgyzstan	0.615	67.7	9.3	12.5	2036	19	0,734
	127	Tajikistan	0.607	67.5	9.8	11.4	1937	20	0,726
World			**0,682**	**69,8**	**7.4**	**11.3**	**10.082**	**—**	**0683**

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The human development level in transition economies is relatively high in spite of a huge recession and very poor economic performance, thanks to previous investments made in social dimensions by previous regimes. In fact, economic performance would suggest worse human development levels. Nevertheless, the transition process influenced the non-income dimensions of people, often worsening the main indicators (Ruminska-Zimny; 1997).

The place of Transition Economies in the human development index in terms of indicators and orders are shown in Table 2 above. The ranking in Table 2 clearly shows that Slovenia is in a better place among other transition countries in terms of index indicators in 2011. After Slovenia, Central Europe and the Baltic countries follow: Czech Republic, Slovakia, Estonia, Hungary, Poland, Lithuania, Latvia, Croatia. A second interesting result is that the countries of the Balkans Region have relatively lower levels of development. According to the human development index, the highest value among the Central Asia belongs to Turkmenistan and the lowest value to Tajikistan. This total of the 5 countries of the human development levels is above threshold level.

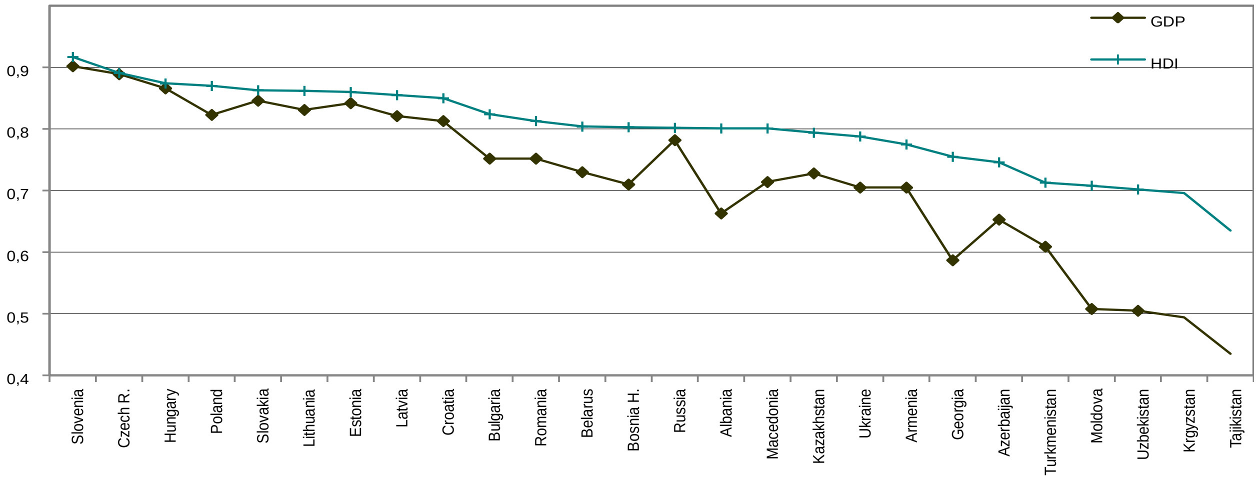

Figure 1. GDP Index and HDI for Transition Economies (UNDP, 2007)

In general, only countries which experienced an increase in their human development level had a sustained economic growth. Hence it seems that, in transition economies, human development is a sufficient, yet not a necessary, condition for economic growth. This means that there can be economic growth without human development, but if there is human development then there will be better economic growth (Tridico, 2005).

3. Common and Different Characteristics of the Baltic Countries in Terms of Human Development

The Baltic countries have achieved remarkable steps forward in order to integrate their economies into the world system and to establish a democratic political system since their independence from the Soviet Union in early 1990s. Their transition programme includes economic and political liberalization, market-oriented structural reforms and a macroeconomic stabilization programme. In fact, the need for extensive reforms was felt when a remarkable output fall in early nineties happened. Thanks to macro economic and structural reforms, these countries witnessed a gradual economic growth in 1994-95 periods, and a faster growth in 1997. Although The Russian crisis in 1998 lessened the pace of growth, the trend of growth continued (OECD, 2000:9). Broadly speaking, the Baltic economies are on the track to sustainable growth, despite the fact that sporadic deterioration of macroeconomic indicators has raised concerns about the transformation process.

On the issue of similarity and divergence of the transition processes in Baltic countries, one can reasonably argue that while the Baltic countries had similar starting points, they adopted a different management of the transition process. Although different management styles of the transition process created some divergence among Baltic Countries in the economic situations up to the mid-1990s, the prospects of

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EU enlargement stimulated convergence across the Baltic States through creating a common policy framework and goals. “Facilitated by the cyclical upswing there was convergence in macroeconomic policies and in some important areas of structural reform. However, the impact of the Russian crisis on these economies brought back into focus the differing pace of structural adjustment that the apparent convergence had obscured”(OECD, 2000:10). Therefore, Baltic countries diverged in terms of their reaction against the Russian crisis.

In order to bring market-based mechanisms into the economy, the three countries felt a strong need for institutional reform and establishing new institutions which will serve as reform champion. Further, not only institutions for designing and controlling economic activities, institutions for effective management of central and local government and main functions of government have been established. The idea behind this development is that bureaucratic inefficiency and complexities would undermine the pace of economic growth (OECD, 2000:11-12).

Taking care of two decades of human development in Estonia, Latvia and Lithuania, the connections between human development and the outcomes of economic reforms during the transition from socialism to capitalism seems to be a major part of the transition history in these countries. In fact, human development is based on a society’s ability to ensure the well-being of its members through developing economic conditions and state institutions and enabling the provision of public services such as health care, education and social security. In addition, how the new policies and reforms affect people’s subjective well-being, individuals’ satisfaction with their standard of living and opportunities for self-fulfillment are, perhaps, more important than material well-being. Furthermore, these indicators are dependent on institutional and environmental factors such as democratic government, social relations and culture (EKK, 2011:10).

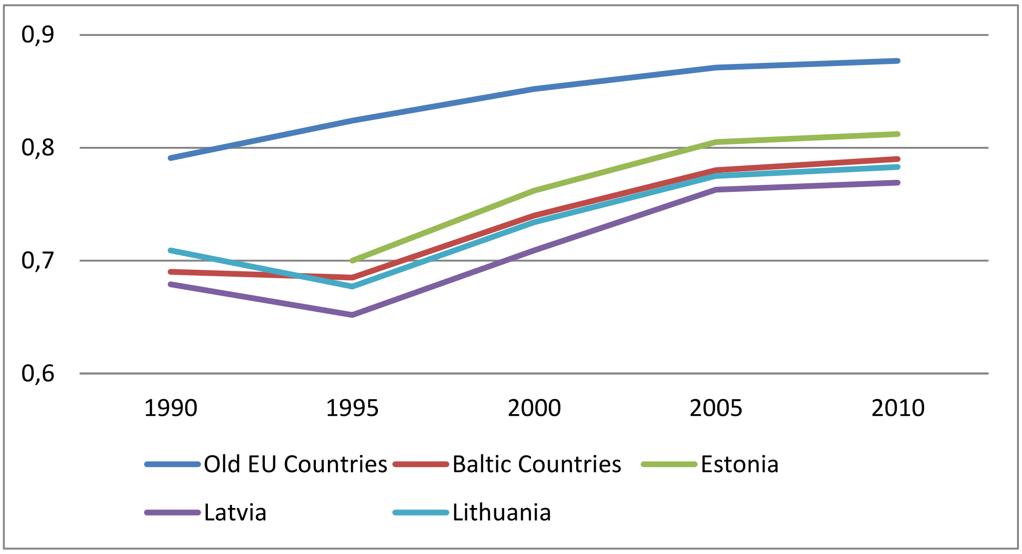

Figure 2. HDI in the Baltic Countries: Estonia, Latvia and Lithuania 1990–2010 (EKK,2011)

It would be possible to broadly divide societal development, particularly in terms of human development, in three Baltic countries after their independence from the Soviet Union into third stages. These stages are more or less common in all three countries. The first stage was characterized by establishing basic institutions of the government and economy. In this stage, basic economic reforms were carried out in order to escape economic crisis after the collapse of the communist system and to integrate the economy into the capitalist world order. The chief characteristic of the second stage was accession talks with European Union, in that Estonia was invited to join the EU in 1997 and an official invitation by European Union was conveyed to all three countries just after two years. In the third stage, Baltic States enjoyed European Union access, in 2004, and the reflection of this development over their economies was very positive. This stage can be analyzed as the end of the period of transition process in these countries (EKK, 2011:10-11).

Looking back to the past 20 years, as can be seen in Figure 2, there has been a significant difference between the developments of the Baltic region. What seems to be interesting here is that the early stage of the transition period was characterized by a decline in terms of economic and social development indicators? “Comparing the mutual development dynamics of the Baltic States is made somewhat more difficult by the fact that the 2010 Human Development Report lacks the data on the recalculated Estonian index for 1990. The 2009 Human Development Report contains the 1990 HDI data calculated on the basis of the old methodology. The index value for Estonia is listed as 0.817, Latvia's index value is 0.803, and Lithuania's is 0.828 and Russia's stands at 0.821. According to this data, Lithuania was slightly ahead of Estonia and Latvia in terms of its level of human development in 1990. Estonia's quick development in the beginning of the period of transition allowed it to outpace Lithuania by the mid-1990s, and its lead persists to this day" (EKK, 2011:15).

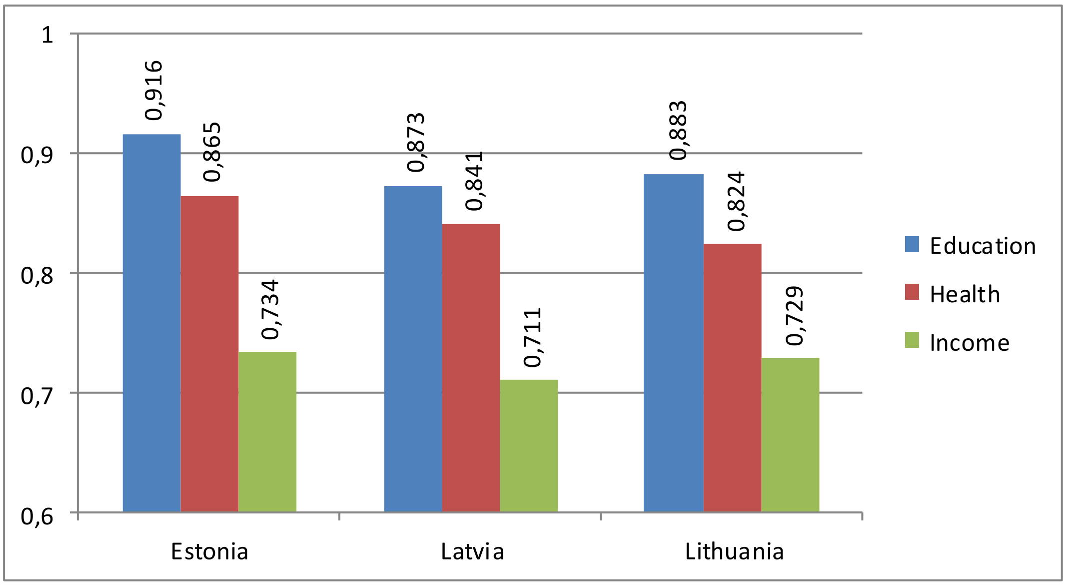

Figure 3. HDI Components' for Estonia, Latvia and Lithuania (UNDP, 2011)

A recent comparison between three Baltic States in terms of basic development indicators, namely education, health and income, provide interesting results, as can be seen in Figure 3. First, Estonia is in a better position than other neighboring states in all indicators. The education index value for Estonia is listed as 0.916, Latvia's index value is 0.873, and Lithuania's is 0.883. The health index value for Estonia is listed as 0.865, Latvia's index value is 0.841, and Lithuania's is 0.824. The income index value for Estonia is listed as 0.734, Latvia's index value is 0.711, and Lithuania's is 0.729.

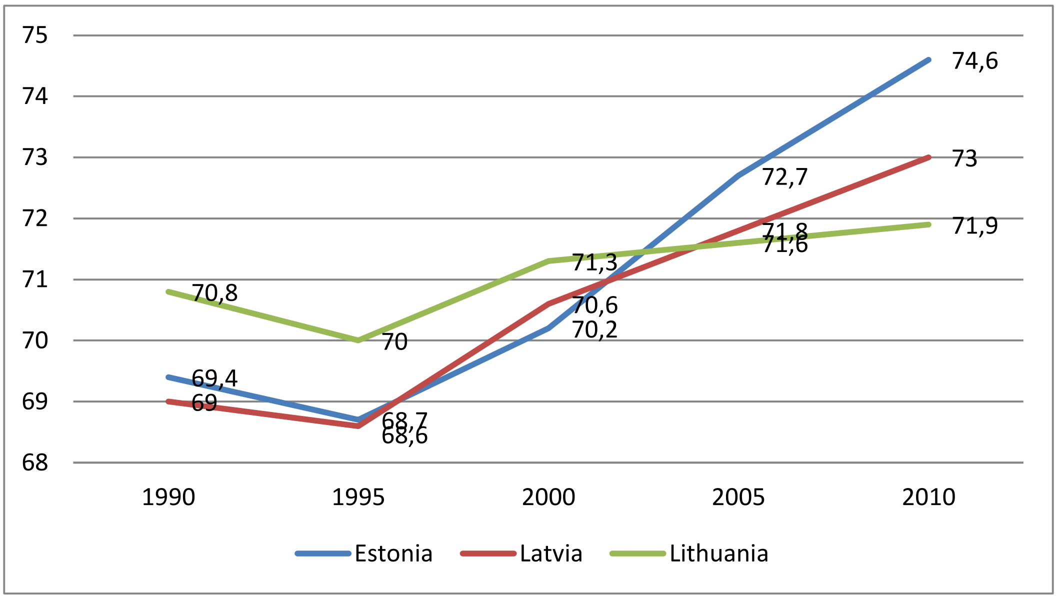

Figure 4: Dynamics of life expectancy in the Baltic Countries, 1990–2010 (years) (UNDP, 2012)

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When it comes to the dynamics of life expectancy, it would be possible to identify a definite difference between early and late stages of the transition process in all three Baltic States. This fact further supports our hitherto proposition that early stages of the transition period were characterized by a decline in terms of economic and social development indicators. Figure 4 shows that, life expectancy in Estonia in 1990 was 69.4 years, with the actual low point in life expectancy having occurred in 1995; life expectancy in Estonia was 68.7 years. By 2010, however, the country's average life expectancy had risen to 74.6 years. A similar trend can also be observed in other Baltic countries, as can be seen in Figure 4.

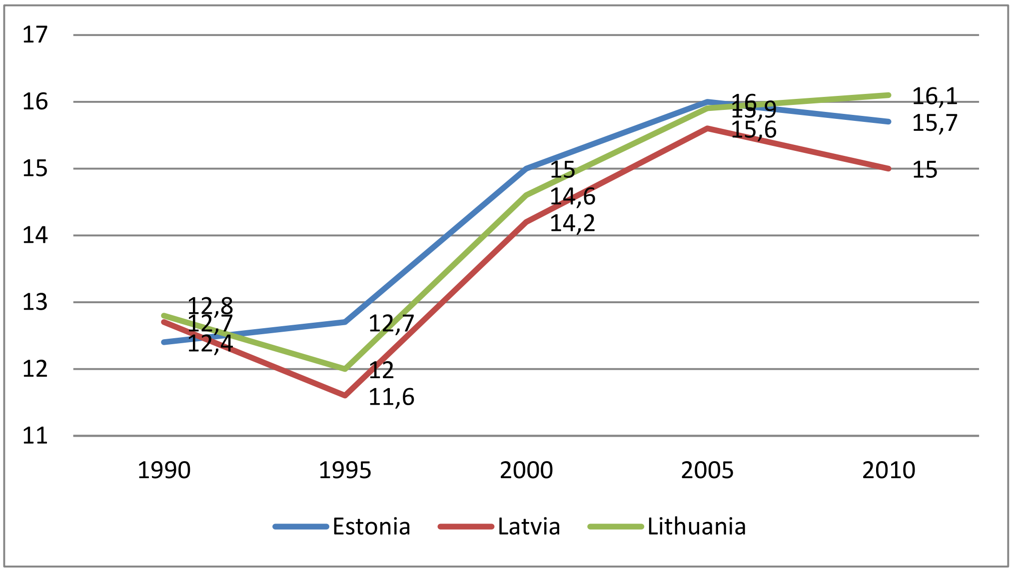

Figure 5. Expected years of schooling in the Baltic Countries (of children under 7-years) (UNDP, 2012)

"The situation was even more balanced in the countries of the Baltic Sea region in terms of the second indicator: the differences between countries in the expected years of schooling (of children under 7) amounted to less than a year and a half both in 1990 and in 2010". As can be seen from Figure 5, "expected years of schooling in Lithuania in 1990 was 12,8 years, with the actual low point in expected years of schooling having occurred in 1995, expected years of schooling in Estonia was 12,7 years. By 2010, however, the country's expected years of schooling had risen to 16.1 years" (UNDP, 2012).

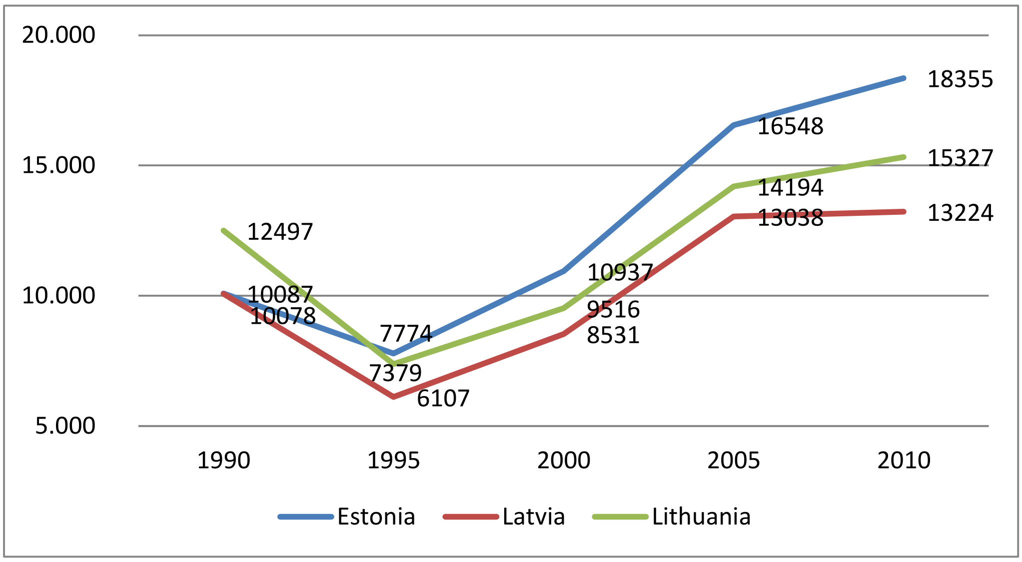

Figure 6. Gross domestic product (GDP) dynamics in the countries of the Baltic Countries, 1990–2010 (USD per capita at PPP) (UNDP, 2012)

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Figure 6 shows the dynamics of economic development in Baltic Countries over the course of 20 years, from 1990 up to 2010. As can be clearly seen, Lithuania was in a better position than other Baltic Countries in 1990 in terms of GDP per capita. In other words, taking this criterion into account, Lithuania's economic starting position was significantly better than that of other Baltic states, namely Estonia and Latvia. However, this state of affairs had changed by 2000, and Estonia had gained a clear lead over other countries. Taking the big picture into account, it would not be overoptimistic to suggest that the first part of the first decade of 2000s were seen a very quick economic development in the Baltic economies in terms of their level of GDP, while the second part of the decade the ratio of development started to decrease.

Conclusion

After the collapse of Soviet bloc, these countries have found them in the transition process of the free market economy. All the country's market economy transition process preceded in different ways, these countries area called transition economies. Transition economies has effected in the transition process due to internal and external factors. Transition economies, the Central European Countries and the Baltic countries are on the top for that human development index and South East Europe follow up these countries. Commonwealth of Independent States is ranked at the lowest level. In the CIS, Turkic Countries are lower situated among them.

These countries, many sectors as the education and health are transforming from previous system to market based economy and this gives soma difficulties for the people and new system is face to be failure. Liberalization also comes with social and economic costs for humanities and this bring difficulties to use social potential capital uses. With market economy based on the system and firmly economic stability, countries human capital potential will drive economic developments.

The post-communist transformation increased the economic and social differences between the Baltic States. Further, as hitherto explored, there are a number of major differences among these countries in terms of general political choices as well as choices affecting economic development, and also in people's general opinions, despite the fact that foreign observers tend to see these countries as similar to each other.

To conclude, one would reasonably suggest that after 20 years of post-communist transition, the Baltic States have become chief examples of emerging and still immature liberal market economies. However, "while the capitalist semi-core country of Estonia is poised for another spurt to join the capitalist core after joining the Europe and Monetary Union, semi-peripheral Latvia and Lithuania are struggling to restore their macroeconomic balance and not fall back into the periphery of the world economy due to their failure to build export basis" (EKK, 2011).

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