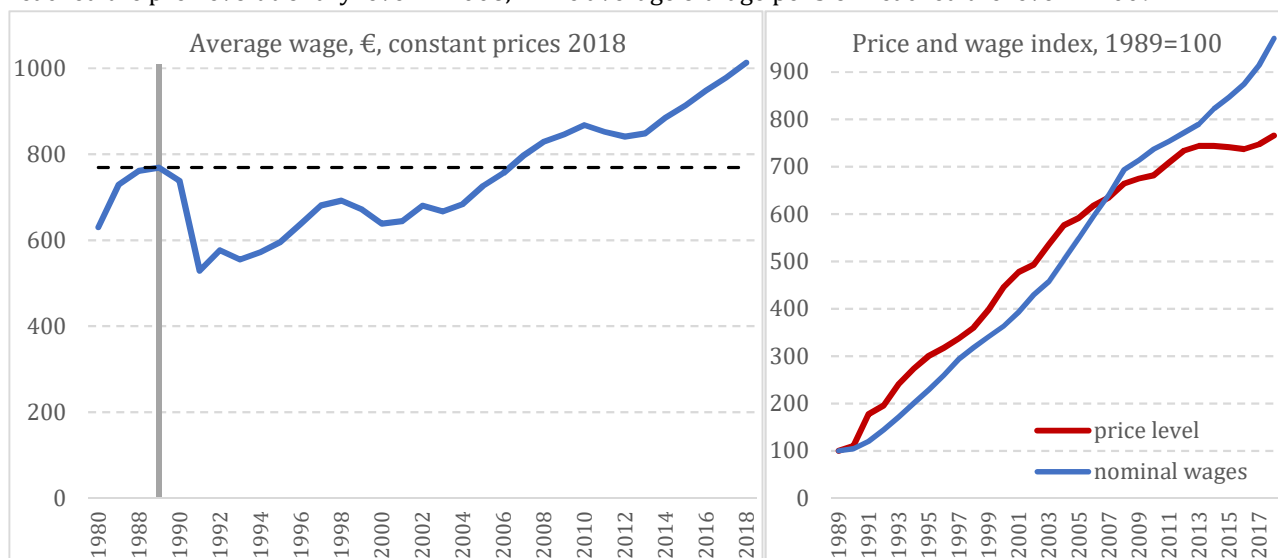


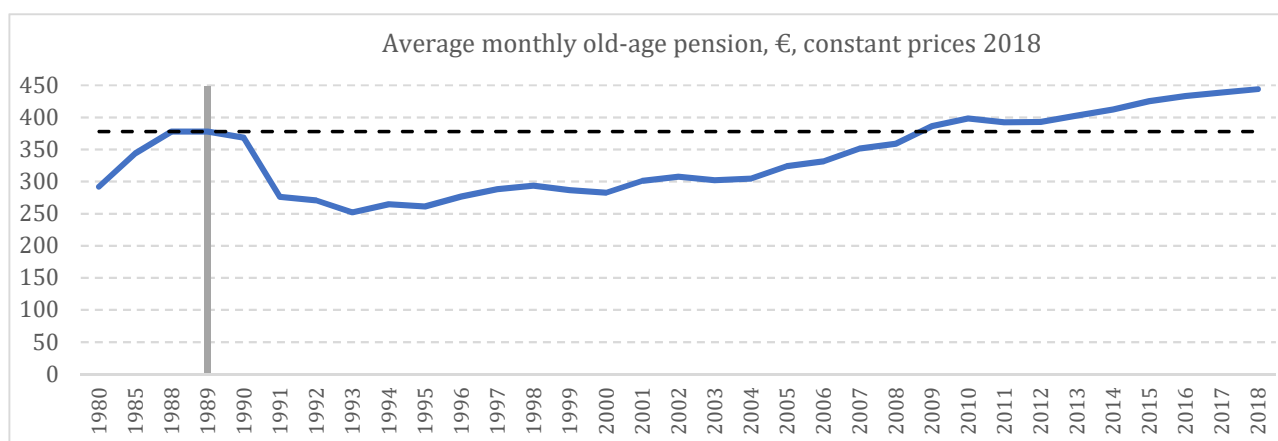
30 Years of Freedom – Was it worth it?

30 years since the Velvet Revolution we celebrate a sound victory of freedom and human rights and we are also evaluating our expectations of being better off. From an economic point of view: the standards of living have almost doubled, real wages have risen by a quarter, most goods are more accessible, and we live 5 to 7 years longer. Is it enough to meet our expectations?

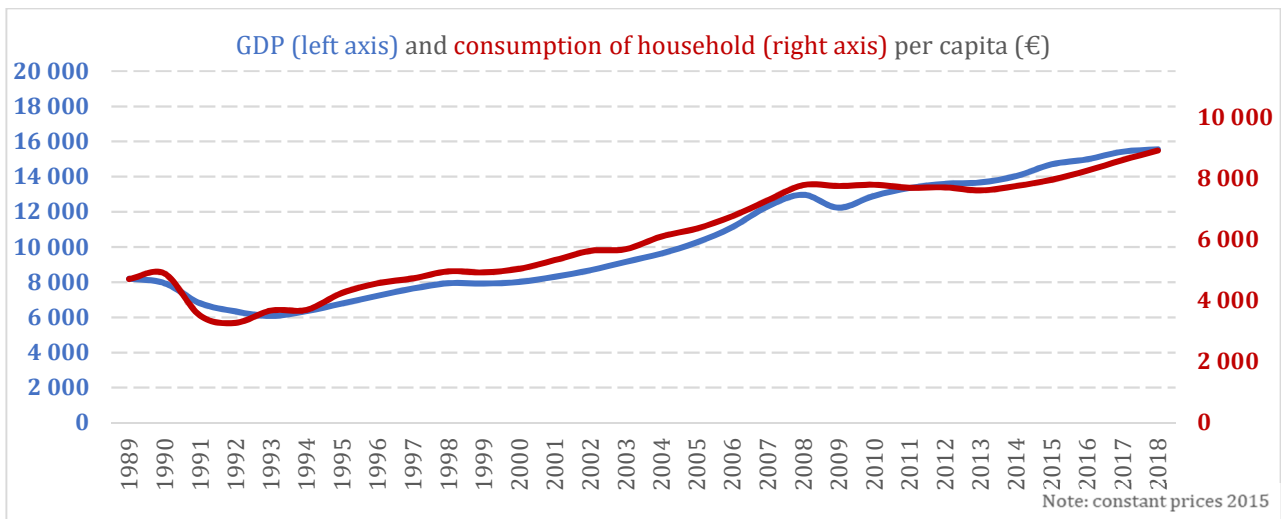
We are better off: the average real wage has risen by more than a quarter, while the real GDP per capita and real consumption of households almost doubled. Whereas before 1989 consumption of households relative to wages was low (there was frequent shortage of goods), today wages are not the sole source of household income (e.g. self-employment income, property income, income from business ownership ...). The level of real average wages reached the pre-revolutionary level in 2006, while average old-age pension reached the level in 2009.



Note: The average wage was 3090 Kcs in 1989, converting to euro we get € 102,6. Considering that there was a 7,5-fold increase in prices by 2018, the purchasing power of the average wage in 1989 represents € 769 at current prices (dashed line in the left chart).



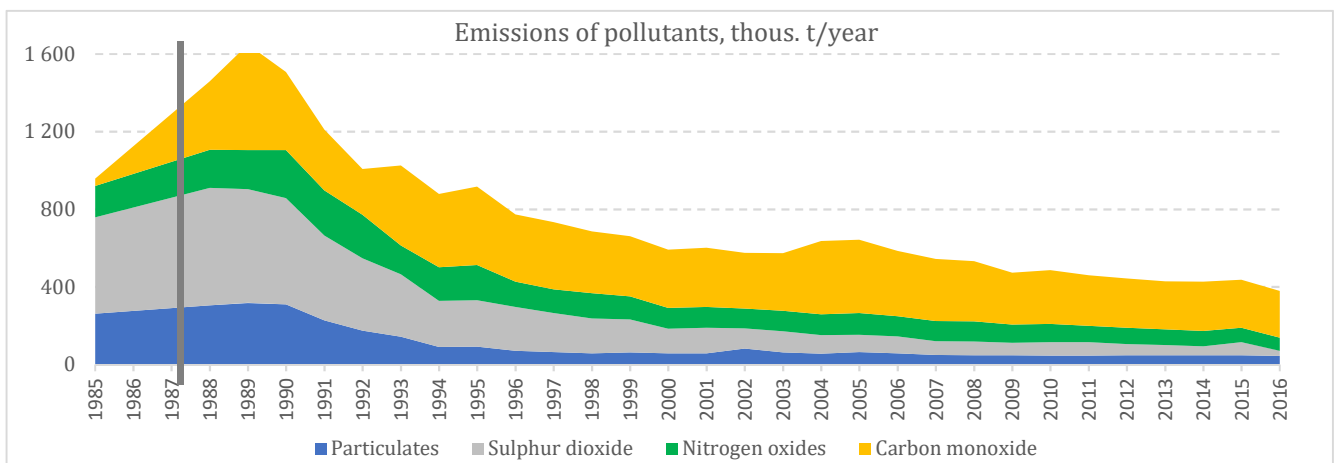
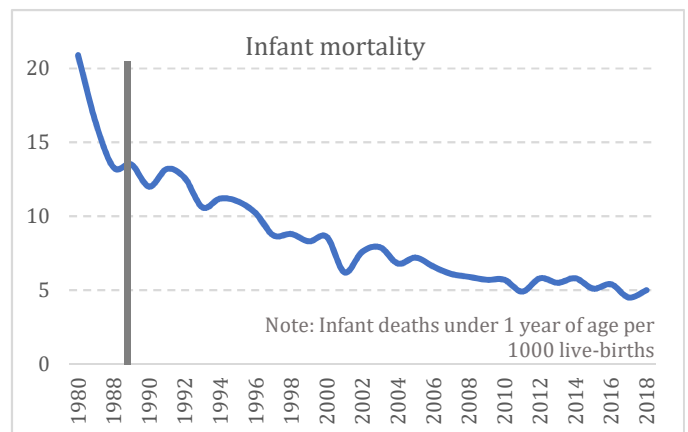
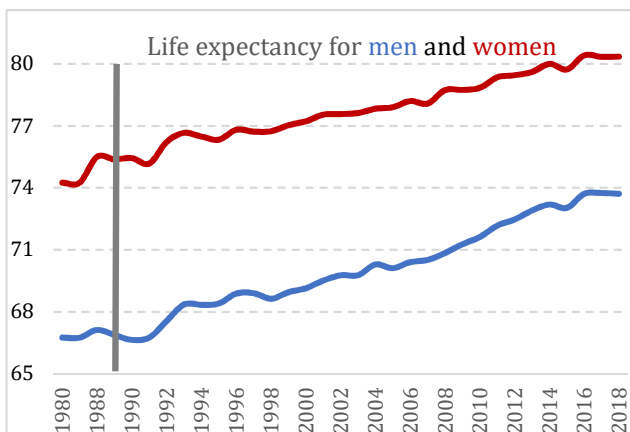
Discussion notes are not the official viewpoints of the National Bank of Slovakia. They present the views of Analysts of the Monetary, Statistics and Research Departments, respectively. © UMS analysts



Source: Eurostat, SO SR, NBS, own calculations.

We should consider the fact that the level of consumption, wages, and GDP per capita were not sustainable in 1989 – from today’s perspective we would say that the growth in 1980s was a bubble created by forced production of non-marketable goods, compulsory full employment and excessive environmental pollution. Since there was no effective demand for many goods, the equilibrium level of production was probably significantly lower.

We live a longer and healthier life: Life expectancy for men has increased by 7 years, for women by 5 years, and it is set to grow further. Infant mortality fell 2,5-fold and environmental pollution decreased 4 times.

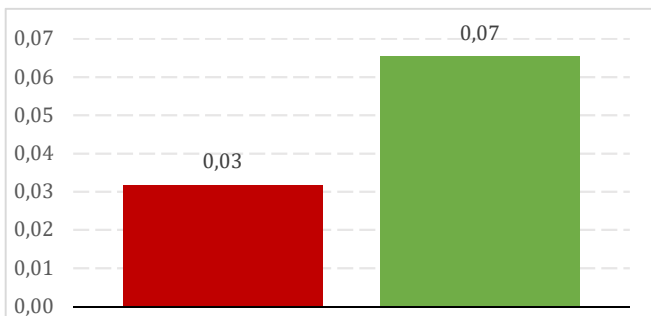
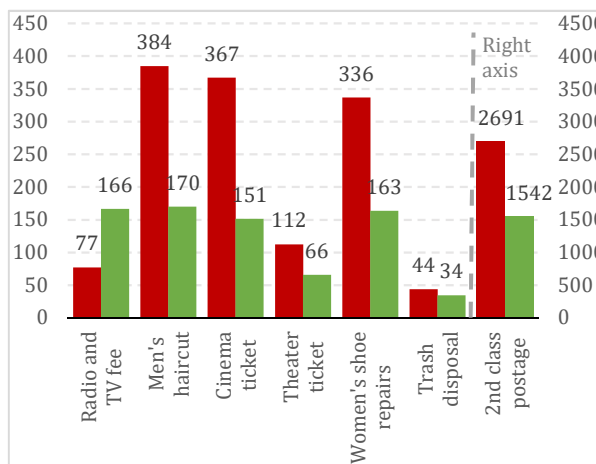
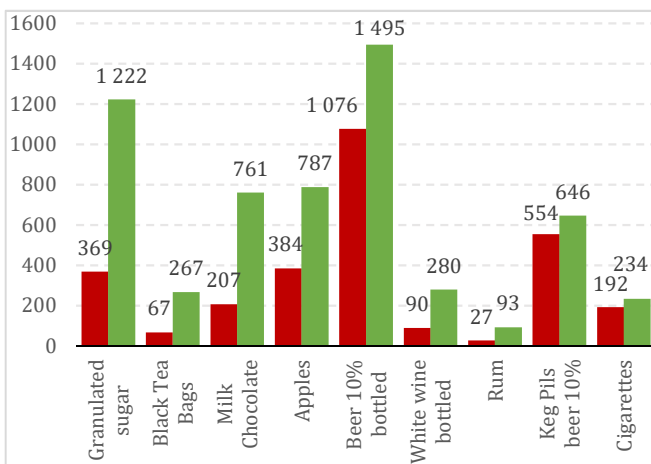
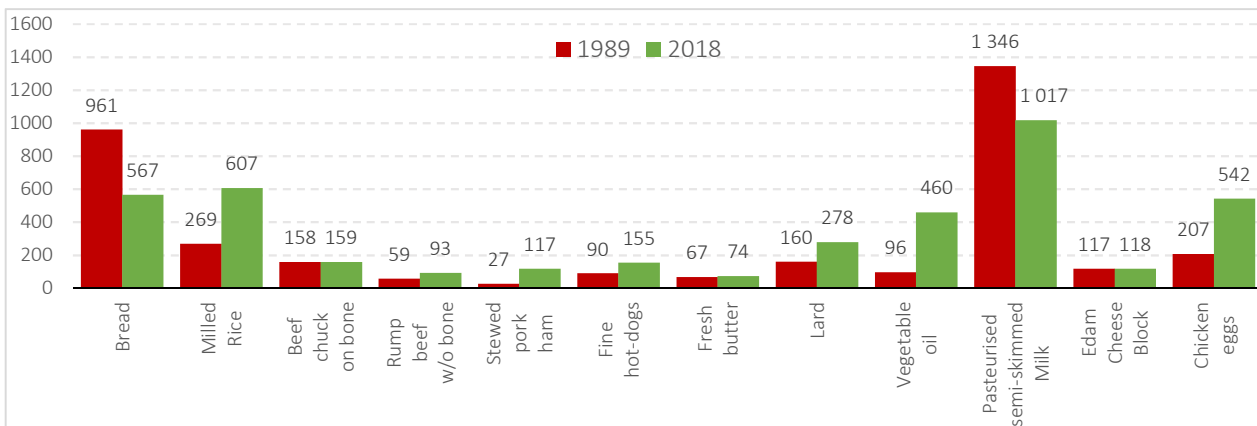
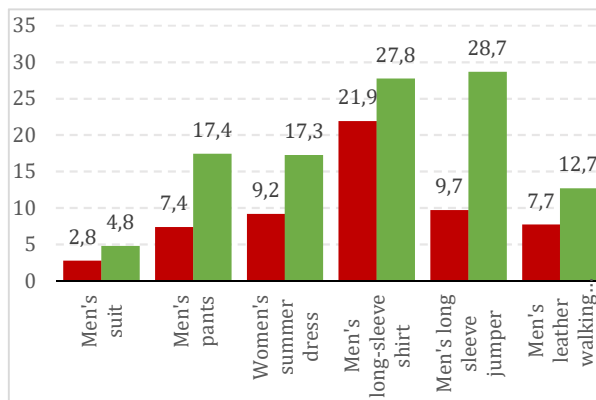
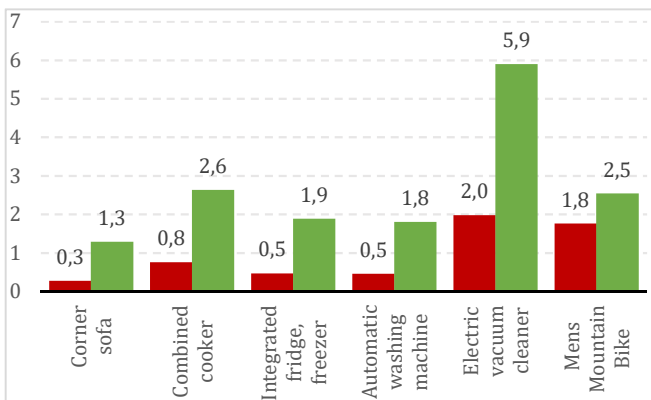


Source: SO SR, VDC, own calculations.

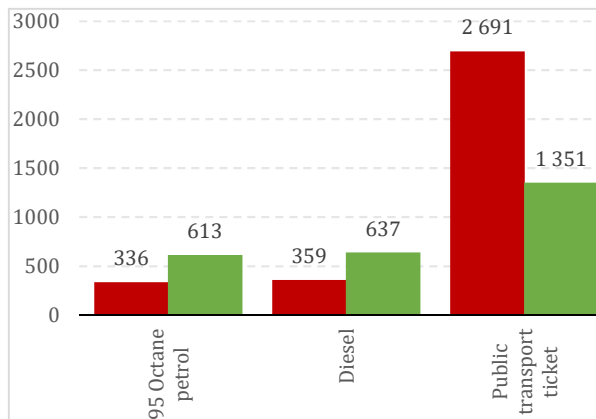
We can afford more goods and services from an average income than 30 years ago: We work relatively more just for goods and services that were subsidised during socialism (bread, milk, 2nd class postage, public transport) or some services provided with personal human labour (e.g. haircuts or shoe repair). For example, from a net average monthly wage one could purchase 6 vacuum cleaners in 2018, while in 1989 it was only 2. In 1989 we

needed 31 average monthly wages for Skoda Favorit 136L, while in 2018 we needed just 15 net wages for a similar small car Skoda Fabia 1,0 TSI.

Amount (unit, pack/package) of goods from net average wage

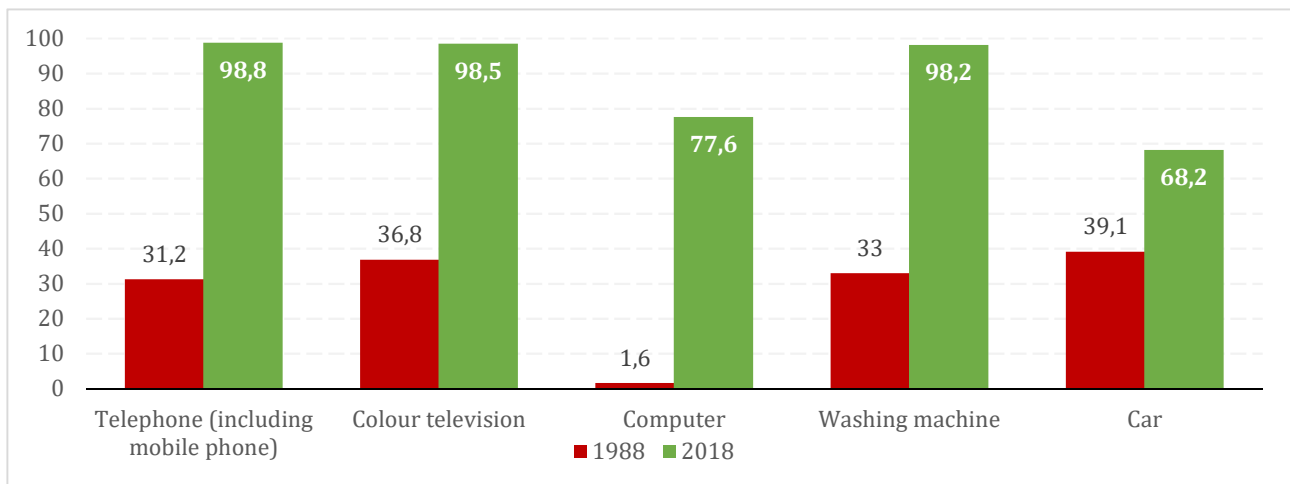


Note: The chart shows that in 1989 a net wage could buy approximately 3% of the price of a new car. In other words, for a new car we needed 31 paychecks, in 2018 just 15 paychecks.



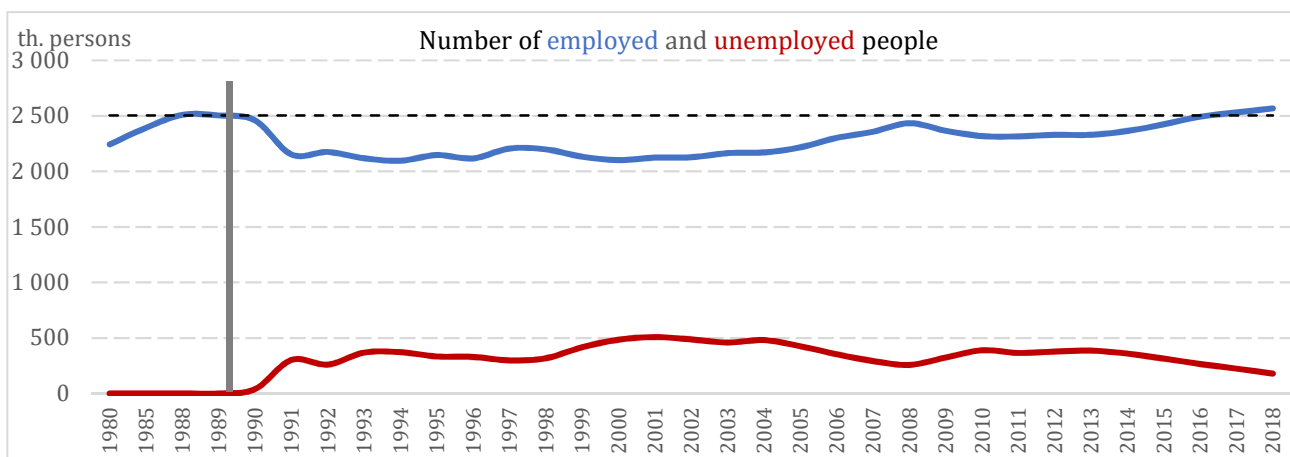
Source: SO SR, CSO, own calculations.

Our households are better equipped with appliances and durable goods. Relatively lower prices of goods support their purchases and thereby improve standards of households' equipment.



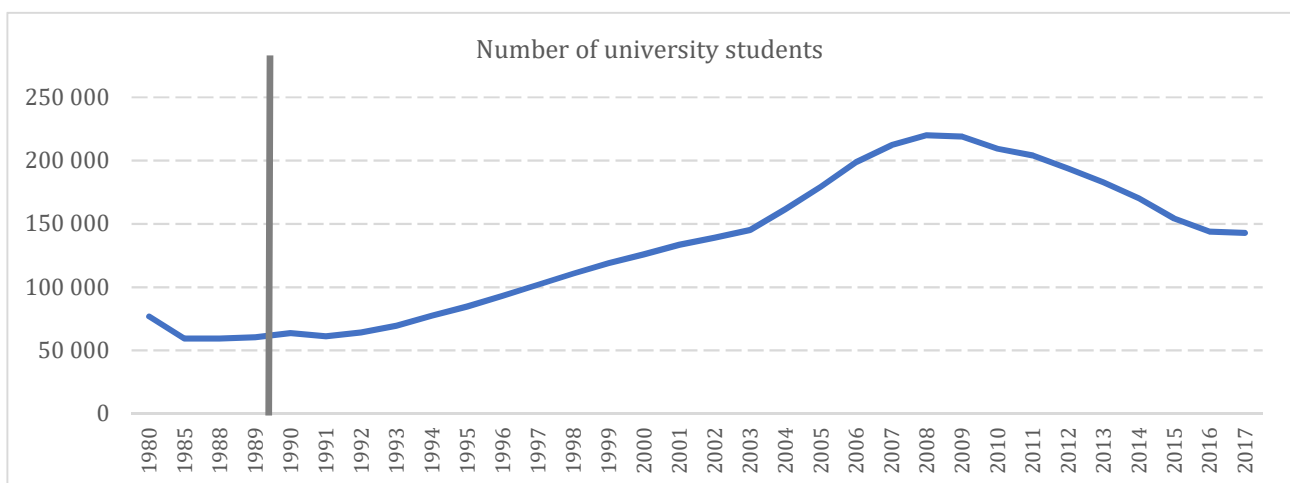
Source: SO SR.

Unemployment is considered the greatest economic and social disadvantage of a market economy relative to socialism. **Despite the emergence of unemployment after 1989, our economy now provides more jobs than 30 years ago.** Considering population growth of about 150 thousand people, today's total employment rate is just 0,4pp lower than in 1989.



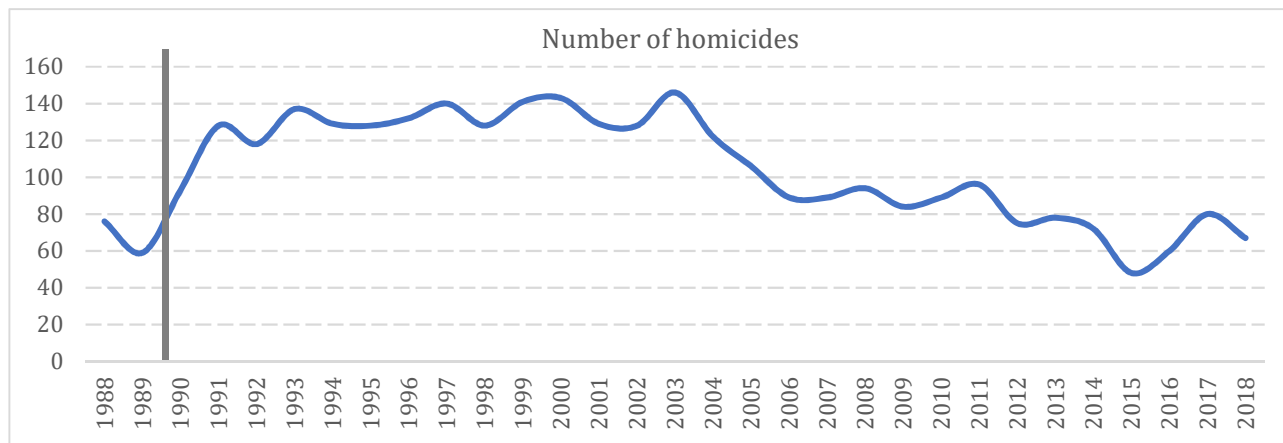
Source: Eurostat, SO SR, NBS.

We are a more educated society with a greater potential for future growth: The decline in the number of students in recent years is caused by a decrease in the population of young adults.



Source: SO SR.

Greater freedom initially led also to a higher crime, but after the “wild” 1990s criminality has decreased to the same or lower levels as in the 1980s. During socialism, it was possible to suppress ordinary criminality using the repressive state apparatus. Crime thus increased in the 1990s. However, as the society gradually became better off and new institutions matured, criminality returned to low levels.



Source: SO SR, MI SR.

The differences in the assessments and challenges for the economy and society are very well illustrated in the New Year's speeches of the President of Czechoslovakia in 1990, a few weeks after the Velvet Revolution, and the President of the Slovak Republic in 2019.

1990



You did not nominate me for this office so I, too, would lie to you. **Our country is not flourishing.** ... Entire branches of industry are producing goods that are not demanded by anybody, while we lack the things we need. A state which calls itself a workers' state humiliates and exploits the workers. Our obsolete economy is wasting the little energy we have available ... adults in our country die earlier than in most other European countries ...

Source: [Vaclav Havel, New Year's Speech, 1.1.1990.](#)

2019



... In the Velvet Revolution we did away with a tyrannous regime that had trampled on our rights and freedoms for 40 long years. Thanks to the courage and combined efforts of many people and the ability to decide well at critical moments, **we have become part of a modern, free and prospering Europe...**

Source: [New Year's Address by President Andrej Kiska 1.1.2019.](#)

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¹ We thank for excellent research assistant Maroš Antol, Alica Belanová and Martin Kyselica from FSEV UK.