

Comments for E-Economics submission 'Welfare against Growth Gains in Post-Transition Countries. What Are the Consequences for Stability?'

The paper sets out on page 2 to argue that: "changes in the labour market of post-transition countries together with the pressure of consumerism and availability of credit enabled by foreign financing brought about an endogenous process resulting in rapid growth of household indebtedness."

The paper then has three things to do to convince the reader.

1. Show us the data that this has indeed happened. This won't be hard.
2. Provide a model of the mechanism(s) underpinning this endogenous process and
3. Push 1 in to 2 to see whether the model is any good using simple time series econometrics.

The author does a good job of part 1 in section 2. The exposition is really clear, as are the tables. I felt a bit more exposition on the tables might be warranted, but that is a minor quibble. I don't feel the third section on previous approaches needs to be this long—merely point us to the main studies and move on. The rest of the paper deals specifically with post-transition countries, and here the author is at pains to show us her mastery of the available data, which is clear.

The problem I have with the paper is that it doesn't contain a model, or a part 2, to explain why "the pressure of consumerism and availability of credit enabled by foreign financing brought about an endogenous process resulting in rapid growth of household indebtedness".

So in a nutshell, let me recommend the work of Onaran, (2009, 2011, 2012) on wage and profit-led growth, which I've learned a lot from, as well as the standard work in this area which is Naastepad (2006). Marc Lavoie has a great piece in *Metroeconomica* (2011) which could also provide interesting hints in this direction.

I recommend moving from the descriptive work in the paper, which is fine, towards a more analytic approach. The data is already there, to be a really interesting contribution, the paper just needs a model to test it against.

References

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