

Market Failure Versus Government Failure The Ways of the Emerging Market Economies

Vladimir Benacek

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Abstract

Transition is a global discontinuity in the evolution of a society. In economics it is characterized by an abrupt departure from one mode of economic behaviour, decision making and ownership to another: e.g. from a system of command to a system of market. Both polar concepts are described in the paper. The markets of a nation in transition out of the socialistic command system are highly under-developed, inefficient and liable to failure for many specific reasons. Markets are some of the most important public goods, thus there is a large reason remaining for the government to care about their buildup. However, the governments of societies in transition are also weak and prone to failure. Privatization is the paramount instrument of economic policy in their hands. The enforcement of new property rights is the most responsible task of the government in order to speed up the termination of the process of transition.