

# Appendix

## A Description of the data sample

Table A.1: Description of the variables

Variable name	Description	Data source
<i>y5</i>	five year GDP growth rate	The World Bank
<i>pop5</i>	total population	The World Bank
<i>gfcf</i>	gross fixed capital formation (% of GDP)	The World Bank
<i>emp</i>	ratio of employment to the working-age population (aged 15-64)	The World Bank
<i>rss</i>	working age to total population ratio	The World Bank
<i>ylag5</i>	inital level of GDP	The World Bank
<i>open</i>	GDP share of exports plus imports of goods and services (openness proxy)	The World Bank
<i>rent</i>	international tourism receipts divided by GDP (both in current US\$)	The World Bank
<i>FDI</i>	foreign direct investment (% of GDP)	The World Bank
<i>manuf</i>	value added in manufacturing (% of GDP)	The World Bank
<i>hbs</i>	price level deviation from the fitted HBS trend	The World Bank
<i>intpaid</i>	interest paid on public debt	The World Bank
<i>findev</i>	stock market capitalization to GDP ratio	The World Bank
<i>CorruptionControl</i>	Control of Corruption	WGI, the World Bank
<i>GovEffectiveness</i>	Government Effectiveness	WGI, the World Bank
<i>Stability</i>	Political Stability and Absence of Violence/Terrorism	WGI, the World Bank
<i>RegQuality</i>	Regulatory Quality	WGI, the World Bank
<i>RuleLow</i>	Rule of Law	WGI, the World Bank
<i>VoiceAccountability</i>	Voice and Accountability	WGI, the World Bank
<i>hc</i>	human capital index	Feenstra et al. (2015)
<i>tot</i>	price level of exports divided by the price level of imports (terms of trade)	Feenstra et al. (2015)
<i>Gexp</i>	share of government expenditure in GDP	EBRD
<i>Competition</i>	competition policy	transition indicators, EBRD
<i>Governance</i>	governance and enterprise restructuring	transition indicators, EBRD
<i>Lprivatisation</i>	large scale privatisation	transition indicators, EBRD
<i>Pliberalisation</i>	price liberalisation	transition indicators, EBRD
<i>Sprivatisation</i>	small scale privatisation	transition indicators, EBRD
<i>TFsystem</i>	trade and foreign exchange system	transition indicators, EBRD

**Notes:** Variable abbreviations are explained in the notes of Table 1.

Table A.2: Descriptive statistics

(1)					
	count	mean	sd	min	max
dlpop5	832	.0075381	.0520643	-.1532993	.1716273
mlgfcf	852	3.122273	.2920357	1.840369	3.917758
mlhc	705	1.027402	.2116568	.3555759	1.322701
dlemp5	768	.0028497	.0697331	-.2370378	.2263341
dlrss5	832	.0113277	.0282398	-.057194	.1112795
lylag5	745	8.781759	.867124	6.588451	10.38907
mlopen	865	4.445705	.3800418	2.594376	5.23541
mltot	937	.019036	.1103428	-.9251207	.3012387
mlrent	885	.6112772	1.458116	-4.128321	4.209762
mlFDI	813	1.091865	1.158942	-10.5712	3.613456
mCorruptionControl	734	-.4037626	.6722296	-1.527264	1.324171
mGovEffectiveness	727	-.182598	.6815517	-1.543039	1.095362
mPolStability	726	-.0341457	.7059243	-2.113897	1.310593
mRegQuality	727	-.0839574	.8450284	-2.115155	1.648109
mRuleLaw	734	-.3249681	.7474535	-1.648157	1.291533
mVoiceAccountability	734	-.2639507	.9678146	-2.226884	1.275353
mlCompetition	833	.6018197	.4150456	0	1.300192
mlGovernance	833	.6216807	.4220288	0	1.300192
mlLprivatisation	833	.8129571	.5059259	0	1.386294
mlPliberalisation	833	1.18006	.4164345	0	1.465568
mlSprivatisation	833	1.081646	.464781	0	1.465568
mlTFsystem	833	1.042601	.5199054	0	1.465568
mlmanuf	727	2.678601	.4648403	1.340006	3.719033
mlhbs	608	-3.062992	1.04803	-8.85322	-1.018109
mlintpaid	561	.013965	1.068263	-3.651931	2.382491
mlfindex	272	2.490924	1.388048	-2.682815	4.528819
mlGexp	530	3.574601	.2871046	2.797992	4.12552

**Notes:** Variable abbreviations are explained in the notes of Table 1.

Table A.3: Correlation matrix

	dly5	dlpop5	mlgfcf	mlhc	dtemp5	dtrss5	mintpaid	mlhbs	dlmanuf5	dlrent5	dltourism5	mlopen	mfindev	mltot	mFDI	mGexp
dly5	1.0															
dlpop5	-0.3	1.0														
mlgfcf	-0.0	0.1	1.0													
mlhc	-0.3	0.6	0.4	1.0												
dtemp5	0.6	0.1	0.0	0.0	1.0											
dtrss5	0.5	0.0	-0.2	-0.1	0.0	1.0										
mintpaid	-0.1	0.2	-0.4	-0.3	-0.0	0.3	1.0									
mlhbs	-0.3	-0.1	0.2	0.1	-0.1	-0.2	0.1	1.0								
dlmanuf5	-0.1	0.0	0.1	0.1	-0.1	0.1	0.2	0.1	1.0							
dlrent5	-0.4	0.3	-0.2	0.2	-0.2	-0.2	0.1	0.1	0.2	1.0						
dltourism5	0.0	-0.0	-0.1	-0.0	0.1	-0.2	0.1	0.3	-0.0	0.1	1.0					
mlopen	-0.1	0.1	0.5	0.5	0.1	-0.2	-0.1	0.3	0.1	0.0	0.1	1.0				
mfindev	-0.2	0.2	-0.2	0.1	0.2	-0.4	-0.2	-0.2	-0.2	0.1	-0.3	-0.1	1.0			
mltot	-0.2	-0.1	0.4	0.2	0.0	-0.3	0.2	0.6	0.3	0.1	0.2	0.7	-0.2	1.0		
mFDI	-0.1	-0.1	0.1	0.0	0.1	-0.2	-0.2	-0.1	-0.0	0.1	-0.1	0.4	0.2	0.2	1.0	
mGexp	-0.3	0.3	-0.1	-0.0	-0.2	0.1	0.5	0.1	0.1	0.2	0.1	0.0	-0.1	0.0	-0.2	1.0

Notes: Variable abbreviations are explained in the notes of Table 1.

Table A.4: Data availability by country and by data source

COUNTRY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Albania	+	+	+	+		+	+	+	+
Armenia	+	+	+	+	+	+	+	+	+
Azerbaijan	+	+	+	+	+	+	+	+	+
Belarus	+	+	+	+		+	+	+	+
Bosnia and Herzegovina		+		+	+	+	+	+	+
Bulgaria	+	+	+	+	+	+	+	+	+
Cambodia			+	+			+	+	
China			+	+	+		+	+	+
Croatia	+	+	+	+	+	+	+	+	+
Czech Republic	+	+	+	+	+	+	+	+	+
Estonia	+	+	+	+	+	+	+	+	+
Georgia	+	+	+	+	+	+	+	+	+
Hungary	+	+	+	+	+	+	+	+	+
Kazakhstan	+	+	+	+	+	+	+	+	+
Kyrgyz Republic	+	+	+	+	+	+	+	+	+
Lao PDR				+	*		+	+	
Latvia	+	+	+	+	+	+	+	+	+
Lithuania	+	+	+	+	+	+	+	+	+
Moldova	+	+	+	+	+	+	+	+	+
Montenegro	+		+	+	*		+	+	+
North Macedonia		+		+	+	+	+	+	+
Poland	+	+	+	+	+	+	+	+	+
Romania	+	+	+	+	+	+	+	+	+
Russia	+	+	+	+	+	+	+	+	+
Serbia	+		+	+	+		+	+	
Slovakia	+	+	+	+	+	+	+	+	+
Slovenia	+	+	+	+	+	+	+	+	+
Tajikistan	+	+	+	+		+	+	+	+
Turkmenistan	+	+	+	+	*	+	+	+	+
Ukraine	+	+	+	+	+	+	+	+	+
Uzbekistan	+	+	+	+		+	+	+	+
Vietnam			+	+	+		+	+	+

+ indicates data is available for a specific country and from the specific data source. Data sources 1-9 are as follows: (1) EBRD - Transition indicators, (2) EBRD - Transition reports, (3) World Bank - Worldwide Governance Indicators, (4) World Bank - Open Data, (5) World Bank - The Global Financial Development Database, (6) World Bank - Transition, The First Ten Years, (7) World Bank - Data Catalog, (8) Penn World Table 9.1., (9) De Melo et al. (2001)

\* marks those countries for which all the variables from the World Bank Open Data are available except the percentage share of interest payments in GDP.

\*\* marks those countries for which terms of trade data is and human capital data isn't available

Table A.5: De Melo et al. (2001) initial conditions data

COUNTRY	state	prgr	rich	tdep	blcmkt	indist	urban	locat	marmem	repr
Albania	2	3.6	0	6.6	434	3	37	1	47	4.3
Armenia	0	2.7	0	25.6	1828	20	68	0	71	25.7
Azerbaijan	0	0.8	1	29.8	1828	8	54	0	70	25.7
Belarus	0	5.2	0	41.0	1828	12	66	0	72	25.7
Bulgaria	2	2.7	0	16.1	921	23	68	0	43	18.0
China	2	9.0	1	1.0	208	3	18	1	46	2.3
Croatia	1	0.2	0	6.0	27	1	62	1	46	12.0
Czech Republic	1	1.6	0	6.0	185	21	65	1	42	-7.1
Estonia	0	2.7	0	30.2	1828	10	72	1	51	25.7
Georgia	0	2.4	1	24.8	1828	8	56	0	70	25.7
Hungary	2	1.6	0	13.7	47	-1	62	1	42	-7.7
Kazakhstan	0	4.3	1	20.8	1828	-4	57	0	71	25.7
Kyrgyz Republic	0	5.2	0	27.7	1828	6	38	0	71	25.7
Latvia	0	3.5	0	36.7	1828	10	71	1	51	25.7
Lithuania	0	2.9	0	40.9	1828	10	68	1	51	25.7
Moldova	0	5.7	0	28.9	1828	2	47	0	51	25.7
North Macedonia	1	0.2	0	6.0	27	9	59	0	47	12.0
Poland	2	2.8	1	8.4	277	13	62	1	41	13.6
Romania	2	-0.8	1	3.7	728	22	53	0	42	16.8
Russia	1	3.2	1	11.1	1828	7	74	1	74	25.7
Slovakia	0	1.6	0	6.0	185	23	57	1	42	-7.1
Slovenia	1	-0.4	0	4.0	27	5	62	1	46	12.0
Tajikistan	0	1.9	0	31.0	1828	0	32	0	71	25.7
Turkmenistan	0	5.0	1	33.0	1828	-1	45	0	71	25.7
Ukraine	0	2.4	1	23.8	1828	4	67	0	74	25.7
Uzbekistan	0	3.9	1	25.5	1828	-4	41	0	71	25.7
Vietnam	2	5.0	1	7.2	464	-7	19	1	21	15.0

In line with De Melo et al. (2001), *state* is a dummy variable taking a value of 0 for new nation states, 1 for members of decentralized states such as the former Yugoslav republics or core countries of centralized federal states such as the Soviet Union, and 2 for countries that were independent states before 1989. *Prgr* captures prior growth rates, *rich* is a dummy variable taking a value of 1 if a country has significant natural resources, and *tdep* measures how dependent a particular country was on trading with Council of Mutual Economic Assistance countries. *Blcmkt* measures the black market exchange rate premium, *indist* measures the degree of over-industrialization, while *urban* measures the percentage of the population living in urban areas in 1990. Dummy Variable *locat* takes a value of 1 if a country is geographically close to thriving market economies, *marmem* measures years under central planning, and *repr* measures repressed inflation in the 1987-1990 period. The original paper includes much more detail regarding the definitions and reasoning behind including each of these variables as a measure of initial conditions.

Table A.6: [De Melo et al. \(2001\)](#) principal components loadings

Variable	Comp1	Comp2	Unexplained
state	-0,3877	-0,1709	0,2697
prgr	0,1233	-0,458	0,4849
rich	0,0805	-0,3978	0,6335
tdep	0,4103	0,1046	0,2285
blcmkt	0,4557	0,0054	0,07709
indist	-0,0932	0,4988	0,4305
urban	0,0571	0,5846	0,2562
locat	-0,3156	0,0197	0,5563
marmem	0,4079	0,015	0,2599
repr	0,4172	-0,0238	0,2252

Coefficients of the linear combination (loadings) next to each of the initial conditions variables are shown for both principal components. Similarly to [De Melo et al. \(2001\)](#), the first two components explain around 66 percent of the total variability in the ten initial conditions variables.