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direct investment in Eastern Europe in the
time of transition. It is only a pity that the
concern with developing the discipline ap-
peared to prevent a sustained focus on the
politics and political economy aspects of
FDI. That would have made the answers to
the questions asked here even better.

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Joachim Becker – Rudy Weissenbacher
(eds.): Dollarization, Euroization and
Financial Instability. Central and Eastern
European Countries between Stagnation
and Financial Crisis?

Almost two decades have passed since the
fall of communism in Central and Eastern
Europe (CEE). This part of the world en-
joyed political sovereignty and independ-
ence in economic decision making in the in-
terwar period for the same amount of time.
But today CEE is in a completely different
situation: 1938 was marked by the Munich
Agreement and it was only a year before
the start of total destruction, while today
stability has been achieved through a dif-
ficult transformation, which for most coun-
tries was then crowned by accession to the
European Union. The symbolic start of new
era came when Slovenia adopted the Euro,
and now Slovakia, too, has just replaced the
Slovak Koruna with the Euro. It seems that
the time has come to summarise this period
and try to look into the future.

One such attempt is the book Dollar-
ization, Euroization and Financial Instability,
Central and Eastern European Countries be-
tween Stagnation and Financial Crisis? edit-
ed by Joachim Becker and Rudy Weissen-
bacher. The title suggests less than what
the book actually contains: alongside fi-
nancial issues, it looks at Euroisation, fi-
nancial crises, and there are passages on
development, transformation and the im-
plications of Foreign Direct Investments in
the region.

The first section consists of two ar-
ticles, which can be viewed as the back-
ground to the whole book. In the first ar-
ticle, ‘From Socialism to EU Membership’,
Jože Mencinger attempts to draw some
similarities in the process of transforma-
tion and its results in CEE. However, the
analysis concentrates mainly on the dark-
er sides of the transformation, mention-
ing the positive aspects only when they
are obvious, and usually without a deeper
analysis. This trend is best seen in the sec-
tion Outcome of Transition, which focuses
mainly on the costs: in the analysis of GDP
growth after 1993 the period of two years
2001–2002, when growth slowed to 2.4%
annually, seems to be more important,
than almost one-third GDP increase in the
whole 15 year time. The conclusion seems
gloomy: by joining the EU, CEE countries
lost their economic independence and be-
came just another region within an enor-
mous bureaucratic moloch that is unable
to solve its own problems. The second ar-
ticle, ‘Historical Considerations of Uneven
Development in East Central Europe’, is by
Rudy Weissenbacher and refers to a much
longer period. Following Anderson [1978]
it argues that the reasons for the econom-
ic split between Central-Eastern and West-
ern Europe are much older in origin and
can be traced back well beyond socialism
to the 12th century. The analysis takes us
up through the ages until the end of state socialism. The scope of this article logically places it as the very first and it should open the book.

By title the second section is devoted to Foreign Direct Investment, but here again we find more. The first article, by Jan Drahokoupil, ‘From National Capitalisms to Foreign-Led Growth: The Moment of Convergence in Central and Eastern Europe’, shows us a much broader perspective. FDI here is only a part of the picture, which in fact portrays the wider context of a state approach to firms and their restructuring. The next article, by Jože Mencinger, ‘Addiction to FDI and current Account Balance’, is a short study of the effects of FDI on the economies of CEE countries. The author points out that FDI is no ‘manna from heaven’, and the benefits cited by the OECD need not necessarily appear. However, even the OECD stresses that ‘These benefits do not occur automatically: Policies matter’ [Christiansen and Oman 2003]. Being very critical, Mencinger does not mention the reasons for having undertaken such FDI strategies that ignore the limitations faced by the countries. He offers the valuable conclusion that the important issue of current account deficits, the result of former FDI, could lead to financial crises similar in mechanism and consequences to the 1998 South-East Asian financial crash. But one question remains: whether the countries had any choice and whether the consequences of other options would have been even more severe. The current account balance trend that these countries have to face now poses a threat, but limiting FDI is not an option.

The next section is a logical continuation of the Mencinger’s paper. It contains two articles: one by Ozlem Onaran, ‘International Financial Markets and Fragility in Eastern Europe: “Can it happen” here?’, and the other by Carolina Villalba und Paola Visca, ‘Foreign Debt on the Threshold of the 21st Century: Argentina, Brazil and Uruguay’. In the first article the author argues that owing to the fragility of their financial systems CEE countries are faced with the risk of financial instability. Furthermore, markets are not able to prevent this from happening, and what is worse, by delaying it they make it more severe. This market failure should be addressed in sound public policy, but authorities instead tend to adopt a ‘wait and see’ policy – like waiting for the gas blow upon discovering a leak.

In the next article Villalba and Visca present some Latin American cases of financial crises induced by policies of pegging domestic currencies to the dollar. This text is very valuable for understanding the mechanisms that lead to financial crisis and the role of dollar pegging in this. Argentina, Brazil and Uruguay are back on the growth path now, but the burden of the crises can still be felt there. The mechanism of financial crisis fuelled by pegging is important for economic policy-making in CEE countries, but the lack of any references to their situation or to the Euro is a drawback to the text.

The final part introduces readers to the zone of the Euro. First, in ‘Potential Impacts of the Adoption of the Euro for the CEE New Member States’, Béla Galgóczi analyses the situation of the four Visegrád countries: the Czech Republic, Hungary, Poland, and Slovakia in the eve of adopting the Euro. He points out that the Maastricht criteria are not suited to the economies of CEE countries; for example, the Balassa-Samuelson effect implies an inflation rate higher by 1–3 percentage points in CEE countries. The article also discusses the EU’s refusal to give Lithuania the ‘go ahead’ to join the Euro zone in 2006. At the time of publication, with an inflation rate of 2.66% in 2005, this seemed a tough political decision, but today, when the IMF forecast for inflation in 2008 is 8.27%, the conclusions are totally different [IMF 2008].
The next two articles are devoted to case studies of the Czech Republic and Hungary. In the first, ‘Debate on the Eurozone Accession in the Czech Republic’, Petr Gocev presents arguments for and against adopting the Euro. However, more interesting here is the identification of vested interest groups, and the conclusion that 2012 is unlikely to be the year that the Czech Republic adopts the Euro. In the other article, ‘Three Jumps to Cross the River: An Inquiry into the Hungarian Eurozone Accession Failure’, László Andor informs readers about the history of the transformation in Hungary and its failed attempt to comply with the Maastricht criteria. Again, like in Béla Galgóczi’s contribution, one of the conclusions is that the criteria are not suited to CEE economies. The author also poses the question of whether there is a need to find an alternative to Euro monetary arrangements for CEE. This would open up a new but in fact unnecessary area of research.

The final article, ‘Dollarisation in Latin America and Euroisation in Eastern Europe: Parallels and Differences’, by Joachim Becker, has much more in common with the Villalba and Visca text. A comprehensive analysis of the role of the dollar in Latin America and the Euro in CEE ought to have been grouped together in one section.

Although heterogeneous this volume is a very valuable contribution to the discussion about the past and future of Central and Eastern European countries, especially the former members of the Visegrád group. It should certainly be recommended to academics and policy-makers, especially those who are enthusiastic about adopting the Euro. By pointing out some possible adverse effects of Euroisation, the book fills a gap in the literature and could serve as a useful tool for shaping a successful policy for the full introduction of the Euro into CEE countries. On the other hand, there seems to be too much pessimism and ambivalence in the book, and the authors appear unable to decide whether the transformation results and future prospects are positive or not.

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Katrina Z. S. Schwartz: Nature and National Identity after Communism: Globalizing the Ethnoscape

Katrina Z. S. Schwartz’s Nature and National Identity after Communism is concerned with the hopes for (and threats to) the Latvian landscape brought about by the independence of Latvia from the former USSR and its accession to the EU in 2004. Environmentalists in the old EU member states were excited by the natural assets that the new countries were bringing to the EU, assets that old Europe had destroyed by production pressures and demanding lifestyles. Decades of an inefficient economy and the military occupation of large areas had had a catastrophic impact on nature, but also had some positive outcomes. But it also became clear that natural assets in Central and Eastern Europe were at risk from fast, unregulated economic growth. Katrina Schwartz thus poses, albeit indirectly, a well-known question about the en-