

The great transformation of Central and Eastern Europe—success and disappointment

János Kornai

The study first examines the changes in the Central-East European region in the context of world history, using historical comparisons to confirm this was indeed unique, the one total transformation to occur peacefully, non-violently, yet astonishingly fast, and in the main directions of economic and political change in Western civilization. In world-history terms, it was a story of exceptional success. But the picture looks different in terms of daily life. The study pinpoints the serious economic troubles experienced by a considerable proportion of the population. The perception of these losses is intensified by cognitive problems, such as disillusionment following unrealistic expectations, a shift in the reference points for comparison, and confusion around causal analysis of the problems. Basing the analysis on the experience of today's generation, it is unwarranted to talk of unequivocal success. Both approaches are justified; it would be wrong to combine the two and weigh them on the same scales.

Fiscal divergence and business cycle synchronization: irresponsibility is idiosyncratic

Zsolt Darvas, Andrew K. Rose and György Szapáry

Using panels of 115 countries of world – including 21 OECD countries – and 40 years of annual data, the authors find that countries with similar government budget positions tend to have business cycles that fluctuate more closely. Thus fiscal convergence (in the form of persistently similar ratios of government surplus/deficit to GDP) is systematically associated with more strongly synchronized business cycles. Evidence is also found that reduced fiscal deficits increase business-cycle synchronization. The Maastricht ‘convergence criteria’, used to determine eligibility for EMU, encouraged fiscal convergence and deficit reduction. So they may, indirectly, have moved Europe closer to an optimum currency area, by reducing countries’ abilities to create idiosyncratic fiscal shocks. The empirical results of the study are economically and statistically significant, and robust.

Election-time economic policy and current-account developments in Central-East Europe

Attila Károly Soós

Governments of democratic countries are generally inclined to prepare for elections by distributing benefits, and the new democracies of Central and Eastern Europe seem to be no exception in this respect. The article examines the specific regional characteristics of

electoral economic policy. Here too, such distributive behaviour is mainly fiscal in character, yet budgetary signs of it are not always found easily, on the one hand because of problematic accounting practices (especially in the first half of the 1990s), and on the other because the state in the early years of economic transition could easily distribute material concessions out of state or even private corporate capital. On the other hand, the small size of the countries examined—a good deal smaller than the lesser EU member-states used as a comparison—makes it easier to observe the effect of election-time distribution on deterioration in the current account, although what benefits the analysing economist observing them does serious damage to the countries concerned.

Computer use and creativity

Judit Rimler

An attempt was made to explore the connections between creativity and computer use using in-depth interviews. A sample of people in various occupations were asked how and why they used the computer at work, how they had learnt to use it, how use of this new technology had changed their work, and what their general views were on the spread of computers. Analysis of the interviews led to the conclusion that the scope offered by the new technology is being exploited more fully by those in more creative jobs, but the method of computer use depends not only creative opportunities in the work but on the character of the occupation. There is an example of this in the difference between artists and technicians. The former may be more creative traditionally, but the character of their work means they have less use for computers than the less artistic technicians, for whom using the latest technology is essential.