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Disparity versus Convergence?

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Preface

In the James Clavell novel "Shogun" which plays in Japan around 1600, the *Jesuit Priest Martin Alvito* from Portugal, gained a great reputation and lived at the court of the local emperor, doing business with the mission to extend the power of his order and enhance trade with Asia. At the same time John Blackburn from England navigates his vessel "Erasmus" for the same reasons and landed as prisoner in Japan. The center of the Jesuit power in those days was the *Hieronymites Monastery,* a catholic order which is located in Lisbon (Belem), in Portugal, a huge building in front of the sea. On December 13, 2007, the Treaty of Lisbon was signed at the monastery, laying down the relight of the economy of the European Union and its growth.

Holland (2006) gives a sketch focus on the Lisbon Treaty and underlined that "The Lisbon strategy is an effort to universalize information access across European communities. This strategy set the ambitious goal of ensuring that every citizen would have the skills needed to live and work in the information society. The strategy aims to create equal access for all citizens to e-information, e-goods and e-services, e-learning, e-training and e-working opportunities. The main idea behind the Lisbon strategy is to erode the divide between information competent and -incompetent citizens, asking the question, "[c] and the Information Society, in fact, bridge the gaps in today's society, providing new opportunities to *all* parts of society. There are tensions between social exclusion and economic development that will make this challenging (Goodwin and Spittle 2002:226). The EU is aware of that challenge and has committed resources for both economic and cultural considerations. The EU identifies a high priority area as "eGovernment": information and communication technologies may not only make public services more effective, accessible, and responsive, they may change the underlying relationship between citizen and state (European Union 2004a)", (see Holland 2006, many months before the outbreak of the economic crisis).

This book discusses critically European changes of selected central, southern and eastern countries into their final hub. It analyzes key questions concerning the future development of the European Union and how it will be able to cope with concerns of stability, growth, and integration. An important issue is the way in which the ten non-eurozone economies will be absorbed in the complex EU structures.

The book mainly is a collection of articles examining the transition of Eastern European states from the post-Communist era to a more liberal era and culminating with their accession to the European Union. The authors believe that analyzing this period will allow for the development of new insight and will furthermore certainly lead to wider academic discussion. In this respect, it is hoped that this collection of studies will be of key interest for those who are involved in inner- and interdisciplinary research in social, economic, political, and technological fields. In particular, these analytical contributions are of critical value for current research issues in the study of the emerging information age. The central idea is to draw together research that is devoted to central questions examining the relationship between the various and widely discussed new developments of technological systems and their social impacts.

Major social and technological changes are reshaping everyday life all over Europe—and the world. Similar to the noticeable differences between regions, there are also various approaches to the study and understanding of what is often labeled the importance of technical progress. Recent developments, particularly in the political and economic systems of the global society, lead to the formulation of new ideas and subsequently increase the demand for studies concerning the relations between social and technological processes.

With the increasing economic, political, and social integration, Europe is being confronted with a fundamental change in its economy and its political legitimation. Is there a common European legacy to be defended?

Hardy Hanappi (Chap. 1) provides a preview of what governance in a better future state, *Shangri-La governance*, should take care of. The starting point for each policy feature, of course, is a contradiction that contemporary political economy cannot solve—what appears as problem already incorporates the ideas of its solution. Six problem areas are grouped as corners of a hexagon. A sketch of an overarching policy program derived from existing contradictions is presented. The main result is that the different policy areas are so tightly linked that only a holistic approach—taking care of all corners of the hexagon simultaneously—can promise success. Piecemeal engineering in isolated corners, i.e., what is currently happening, is bound to fail. A newly formulated overarching European economic policy clearly will include the particular role to be played by Eastern European countries.

In the second paper (Chap. 2), Christis Hassapis investigates in his study the degree of economic integration between Cyprus and the ten new accession countries and the European Union by using advanced econometric techniques. More specifically, the analysis looks at the financial and economic convergence between the above-mentioned groups of countries. With respect to the financial convergence, we examine convergence by looking at bond returns and the capitalization-to-GDP ratio. With respect to economic (real) convergence we examine the per capita GDP. Our results show that Cyprus does not show any degree of convergence when taking into account the capitalization-to-GDP ratio.

Of course, this is a general phenomenon: Even with respect to the old member states we find no convergence. As far as bond returns are concerned, we do find some partial convergence between Cyprus and the other groups of countries examined. Looking at the per capita GDP, the results are also disappointing in the sense that again we find no proof of any convergence between the countries involved. In the light of the above-mentioned results, one should expect the European Union to take additional and different measures in order to achieve faster integration (financial and real) between member states. Moreover integration might often be better viewed as a diverging specialization that runs counter the convergence of often imprecise aggregate variables.

In Chap. 3 Marian Gorynia analyzes the Polish economy and its transformation that began in the 1990s. The transformation process has fundamentally restructured the economy, both in regulatory and real spheres. Numerous achievements during the period of economic restructuring are undeniable. This raises questions about the hierarchy of factors that will determine further stages of the transformation. In 2004, while still undergoing economic transformation, Poland acceded to the European Union, which coupled with the continuation of globalization created many dilemmas for Polish economic policy. Gorynia presents the determinants of, and recommendations for, economic policy. He identifies the three most important factors that determined Poland's economic position in the international context and the possibility of benefiting from the international division of labor, which could possibly lead to increasing prosperity.

In Chap. 4 Janusz Ruszkowski deals with Poland's foreign policy. Since 1989, Poland's foreign policy has been focused on its integration with the Western European structures, namely, the European Union (EU), NATO, and the Council of Europe (CofE). This orientation has naturally had an adverse impact on the development of the eastern and, to a lesser extent, the northern dimension in Poland's foreign policy. The concentration on the West has had perhaps the least negative influence on the southern and eastern directions of Poland's policy. Whereas the relations with Western Europe remain to be priority in Poland's foreign policy, her southern policy, with Poland's institutional presence in CEFTA (Central European Free Trade Agreement), CEI (Central European Initiative), and the Vysehrad Group (VG)[1] and eastern institutional relations between Poland and the Commonwealth of Independent States (CIS), appears to be subsidiary to the western policy, that is, one that contributes to integration with the Western European structures. This chapter clearly shows how important the overall institutional positioning of a transformation country is.

Jaroslaw Kundera (Chap. 5) deals with the main economic effects (in real terms) of Polish accession to the EU. Although the primary forces behind enlargement have always been political in nature, the final decision by the EU to adopt a new member is based, to some extent, on an evaluation of cost–benefit analysis. This raises many questions. For example, is EU enlargement good news for both, the current member states and new member state, and what would be the main cost and benefits for Poland from participating in the EU? This chapter rounds up the spotlights on Poland presented in Chaps. 3 and 4.

Moving to the Balkans, Mladen Maslarski, in Chap. 6, examines the Bulgarian transition starting in 1990 from a centralized to a market-oriented economy. Inconsistent changes and an almost permanently declining income, reduction in the employment rate, and high inflation characterize the period between 1990 and 1996. As a result, toward the end of 1996 and the beginning of 1997, Bulgaria found itself on the verge of a severe financial and economic crisis. The need to increase the speed of reforms was obvious. In the following period Bulgarian economic policy was able to stabilize the economy, as Maslarski shows by the use of a simple IS-LM framework. Though government debt could be kept small, Bulgaria nevertheless remained vulnerable to the current great economic crisis.

In Chap. 7 Nicholas C. Baltas, Athens University of Economics and Business, in his paper takes a more general perspective and analyzes this current global crisis. Most economies experienced negative rates of growth, the unemployment continues on the increase, a number of financial giants have closed or are having severe problems; the private consumption and investment have shrunk because of uncertainty and reductions in the value of financial assets. The global financial crisis has shown fundamental weakness in the fiscal and monetary policies in the eurozone. The sovereign debt crisis in the euro area during the spring of 2010 has revealed that the monetary and fiscal policy framework of the European Monetary Union (EMU) is still incomplete. In this paper a number of questions with respect to the current economic crisis are analyzed: What measures have been taken by the European authorities to confront the debt crisis in the eurozone? What is the role of European Central Bank? What kind of changes does the current crisis lead to in the legal and institutional basis of European integration?

In Chap. 8, Kristina Levisauskaite, Violeta Pukeliene, and Jone Sakalyte introduce readers to the efficiency of computerization in an enlarged Europe by analyzing the Lithuanian case. This chapter deals with the digitalization of the word as a result of the introduction of computers, microchips, and modern information and communication technologies, which have undoubtedly been some of the most important technological developments of the past few decades. Since the introduction of computers in the 1960s, the emergence of automation in the 1970s, the development of the Internet in the 1980s and 1990s, and recent innovations in the field of (mobile) telecommunications, the widespread use of personal computers (PCs) has caused fears among employees that (1) their job security may be threatened and (2) they are witnessing the creation of a digital division of society. These fears would eventually lead to social and economic problems—also within Lithuania. Finally, the authors question the peculiarities of the computerization process in Lithuania and specific effects on social and economic efficiency.

Rumiana Gladicheva deals in Chap. 9 with a different object of investigation, with the social partners and the information society in Bulgaria. Social partners had to survive and operate in a situation of *Chokerlebnis* ("shock experience"). They had to undergo a host of simultaneous changes, with the knowledge that even more shocking changes were still to come. Until today, the social partners have had to overcome ideological, political, and economical obstacles, but the future will certainly impose new and less understood and less manageable social spaces. This will probably happen in a situation where strong ideological associations are idle, politics and power are under question, and the economy moves away from the market "institution." In short, they may be forced to operate in a society of fluctuations and will have to adapt to an emerging culture of disorganization to "lift out" workers and production systems to nomadic multinational partners. This will involve more than a simple transition to the information society.

Pavlos I. Koktsidis in Chap. 10 focuses on the contemporary political adjustments and militant manifestations of Albanian ethno-nationalism in the western Balkans. The paper puts forward the argument that Albanian political actors in Kosovo, FYR Macedonia, and Albania have generally adopted the narratives of "Europeanization" aiming at the peaceful resolution of their long-standing ethno-territorial grievances on grounds that territorial integration will replace the aggressive ethno-nationalist calls with a reasonable European agenda. However, in spite of this moderate political adjustment, the analysis emphasizes the continual threat posed against this project by organized Albanian politico-criminal networks active in the region, with a capacity to influence politics and generate instability.

In Chap. 11, Csaba Mako analyzes Hungarian labor relations and goes into a deep analysis of the former Committee for the Reconciliation of Interests (CRI), regarded as the most significant "tripartite" institution of the post-socialist states of the Central and Eastern European regions. Social partners had various levels and forms of participation in decision making. More concretely, they could enforce their right to be informed, express opinions, and make agreements (as well as to make common decisions). For example, in the case of the national minimum wage, they were entitled to make joint decisions; in the case of urgent issues they could directly or indirectly affect the interests of the social partners. Since unemployment and labor relations are at the core of the EU's current crisis the contribution of Mako provides man important insights into this processes.

In Chap. 12, Georgia Yiangou examines NATO enlargement in 2004, commonly referred to as the fifth wave of enlargement. It was one of the biggest expansions in the history of the alliance and demonstrated not only the quantitative growth of this military-political organization but also confirmed its qualitative shifts. During the Cold War, the Baltic Sea was an inner sea of the Warsaw Pact and saw a heavily concentrated military presence on its southern shore. Since the collapse of the Soviet Union and the Warsaw Pact, there have been two waves of NATO enlargement, as the Baltic is now becoming an inner sea for NATO. During the Prague summit of 2002, NATO decided to accept seven new members. Among them three former Soviet republics: Latvia, Lithuania, and Estonia. This phase of enlargement was viewed as moving NATO directly into Russia's backyard. Yiangou discusses Russian vital interests in the Baltic region, especially after the last NATO enlargement and the current situation of Russian–NATO relations. She also stresses the justifiable consternations of some observers concerning the propriety of the invitation of the Baltic States to join NATO and the possible areas of future friction between the West and Russia. The current crisis in the Ukraine makes Yiangou's contribution extremely relevant.

In Chap. 13 Evangelos Charos, Hossein S. Kazemi, Anthony J. Laramie, and Douglas Mair take a close look at the theory of investment, reminding the reader that investment behavior is pivotal for the overall increase of welfare—and thus for the success of the European project. To do so, they use a Kalecki–Courvisanos model of new orders of non-defense capital goods. The chapter follows Kalecki's "golden rules" under which historical materialism and econometrics can be reconciled provided that changes in the superstructure are not of such a magnitude as to invalidate the use of econometrics to estimate the relationships between the economic variables in the sector of productive activity and that productive relations are explicitly included in the model. Since the best data for econometric estimation of this relationship is US data they use this data: USA 1992–2010. Econometric estimates of the determinants of non-farm, non-financial capital goods are presented. Statistically significant relationships are found between investment orders and cyclical variations in output, the interest rate spread, net cash flows, and the net increase in financial liabilities, the net increase in financial assets, and the value of non-defense manufacturing shipments.

In Chap. 14, Konstantinos Vergos, Apostolos G. Christopoulos,* Quyan Pan, Petros Kalantonis are examining another highly relevant relationship, namely the connection between the IT industry and the economic crisis. The best data for empirical findings on this topic come from the USA. In their study they investigate the effect of ICT investments on the economy and vice versa in the context of an economic crisis. The empirical analysis examines US data during the period 1969–2011. Initially, they have estimated the effect of GDP growth on the ICT industry by examining: The relation of economic growth to ICT sales; ICT profitability; changes in employment rate. In the sequel they estimate the effect of ICT investments on the economy. This chapter shows that indeed ICT investments are affected by GDP growth—but not during the recession period. They also find that ICT investments can lead to significant GDP growth and employment growth. The lessons to be drawn from this chapter for the EU in a state of crisis are rather pessimistic; IT only can serve as an amplifier if the recovery has already started.

In Chap. 15 Savvas Katsikides and Georgia Yiangou examine the Cyprus banking crisis of 2013. The paper investigates the reasons behind the collapse of the island's largest and most productive sector. It is argued that the bail-in strategy used in the Cyprus case may have set a precedent for future treatment of illiquid banks, (in the EU) as it has demonstrated the fragility of the fractional reserve banking system.

Reference

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