Sachs seems to have forgotten or subconsciously suppressed in his mind that the shortcomings of the capitalist system in general, and those of the leading economy, the US in particular are hardly accidental. For at least two centuries, the greediness of the bankers, the short-term thinking of the American consumers and the enterprising, self-exploiting workaholics have been important explanatory building blocks of the American success story. There is no way to cut them out from the system with a magical surgery. As János Kornai’s powerful metaphor suggests: these are integral parts of the genetic program of the capitalist system. We, the liberal minded economists in Central Europe, do not believe any more that economic and social problems can be solved through the re-education of the people living around us and through the purification of their life styles. Like it or not, their thoughts and their values primarily tend to be shaped by the political and economic circumstances. In the 1970s, many of us were taught to understand deeply Karl Marx’s famous quote: “It is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness.” I still think Marx was right.

Péter Mihályi

László Csaba – József Fogarasi – Gábor Hunya

*European Integration: First Experiences and Future Challenges*


The volume contains the presentations of the 1st International Conference of Emerging Economies organised by the Faculty of Economics of the Partium Christian University in Oradea (Romania), which took place in October 2009. It is noteworthy that this is the first state accredited Hungarian language university in Romania. The major objective of the book is to discuss and analyse the political and social aspects of European integration, particularly in the emerging economies of the Central and Eastern European countries. Although structural change induced by European integration is already a well-established topic in the economics of transition literature, it seems relevant to consider this problem, especially in the cases of Bulgaria and Romania, which are the late arrivals to the EU in its last accession wave. There exist very specific problems and issues which are somewhat different from other member states’. Taking stock of the initial experiences of those countries in the EU and the complications introduced by the world

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financial crisis make the volume interesting and relevant. Moreover, the volume discusses state-of-the-art research methods for economic analysis with the specific objective of generating an integrated view of the first experiences and future challenges of the integration process.

The editors and contributors of the volume include well-known experts in the region. To mention the most prominent names, Daniel Dăianu is a former Finance Minister of Romania; Gábor Hunya is a senior research economist at The Vienna Institute for International Economic Studies; László Csaba is Member of the Hungarian Academy of Sciences and a Professor at the Central European University in Budapest and at the Budapest Corvinus University, and Mária Vincze lectures at the Babeș-Bolyai University in Cluj, Romania. The book is composed of five sections, offering a comprehensive coverage of the research connected to experiences of EU integration: European Integration and the Crisis, European and Regional Challenges, Agricultural and Rural Economy, The Performance of Business Organizations, and Knowledge and Business Ethics in the Process of EU Integration.

This review will now highlight in more detail some of the most relevant contributions. Gábor Hunya’s chapter “Romania from EU Accession to Crisis and the Need of a New Growth Strategy” provides a description of economic developments and foreign direct investment (FDI) in the New Member States (NMS) and especially in Romania in the years leading to the financial crisis. It starts with an overview of the economic overheating that took place in Romania due to overspending based on the too lax risk assessment of investors. However, the economic crisis of 2008–2009 caused an extremely strong decline of the country’s GDP. The extent of the crisis was not a mere consequence of the global turmoil, but had domestic roots as well (overheating). The chapter then moves on to discuss the development strategy of the NMS which was based largely on the growth stimulus provided by FDI. Although the developmental effect of foreign capital was significant, it failed to develop an export base in some of the countries in the region and triggered huge income outflows which, unless reinvested, are the main source of external deficits. Finally, the paper examines the quite diverse growth prospects of the NMS. Hunya argues that recovery will depend on external demand and that a new growth strategy is needed, based more on domestic savings than on imported capital and with the help of EU funds.

László Csaba’s contribution addresses four major issues confronting the NMS in the coming decade. First, he contrasts the 2008–2009 crisis with the Great Depression and comes to the conclusion that the most recent one is more of a “cyclical slump” than a structural crisis because it was just a corrective mechanism to asset bubbles and was the end of “irrational exuberance” in the words of Alan Greenspan. Second, NMS can draw a number of lessons from the crisis period.

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For example, it became clear that there were policy mistakes like the blind belief growth is a panacea for any social ills, procrastinating with long overdue reforms or excessive populism leading to inconsistent policies. Third, the recovery from the crisis is not likely to be smooth and will not mean a return to the status quo. Csaba addresses the question of whether NMS should return to the previous path of export-led growth or rely more on domestic markets, and argues that outward orientation has historically been much more efficient, but only if combined with the necessary institutional and policy complementarities. Unfortunately, the economic situation of the EU core would not be particularly conducive to fast growth in NMS. Finally, on the question of what NMS benefited from EU membership, the author concluded that whatever the weaknesses of EU practices may be, introducing a community-wide transparency and accountability is a welcome development. In the end, the chapter puts forward the important insight that the EU, with its policies and institutions, constitutes a framework for, rather than a guarantee of, economic success.

Daniel Daianu's essay focuses on the root causes of the financial and economic crisis and its implications. His main thesis is that the crisis is closely linked to a financial system that "has gone astray". According to Daianu, the flaws of the financial system originate mainly from an inadequate economic paradigm (market fundamentalism) and too much deregulation. The author stresses that economic freedom is not synonymous with non-regulated markets. He also predicts that the impact of the crisis is enormous and will burden Western economies for years. The crisis also poses an ethical issue (bailouts of the financial sector from taxpayer's money), which is constantly shunned by vested interests. In conclusion, Daianu recommends a "return to common sense", a sharp increase in the level of the regulation and supervision of financial markets. He also praises the "pragmatic liberalisation" of China and is more critical than Csaba of the openness argument.

This review of particular chapters concludes with Mária Vincze's article, which is concerned with the specific characteristics of Romanian rural areas, the situation of rural employment and new challenges to rural development in the country, the most prominent of which are globalization, demographic change and climate change.

All in all, the volume "European Integration: First Experiences and Future Challenges" succeeds in offering material for debate (e.g. on the merits of economic openness) and generates an integrated view of experiences and challenges of the NMS in the crisis aftermath. The book would be a relevant read not only for the academic community, but also for policy makers and national administrations.

Blagoy Kitanov

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