

JVI Conference: Comments

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Three points

- Theory and empirical generalizations
- Commitment and volatility
- Credit expansion in Southeast Europe

Which Theory?

- If it is argued that FDI is preferable to debt, why is that?
- If it is argued that the benefits of foreign investments are indirect, why would that be the case?
- How far can ad hoc theorizing go?

Transition and crisis

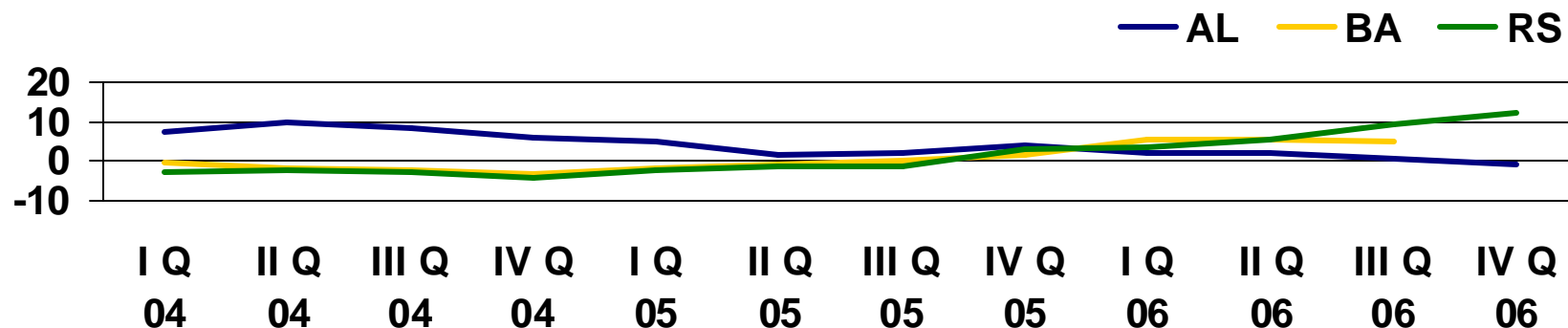
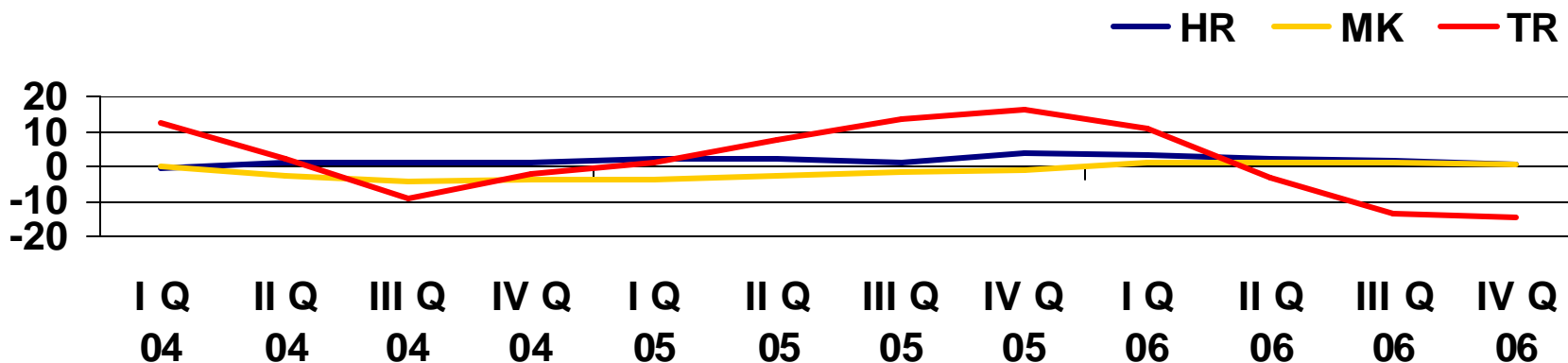
- Not too many crisis in the Central European transition economies after the initial transitional recession
- Even the effects of the Russian crisis in late 1990s were not as strong as in, for instance, Latin America
- A series of crises in Southeast Europe in the same period

Transition and Crisis

- Political, institutional and policy commitment is the key
- Trade and liberalization of financial flows is one of the indicators of this commitment
- The latter without the former lacks credibility

Real appreciation*, 2004-2006

EUR per NCU, CPI-deflated, year-on-year growth in %



* Increasing line indicates real appreciation.

Source: wiiw Monthly Database

Too Much Credit?

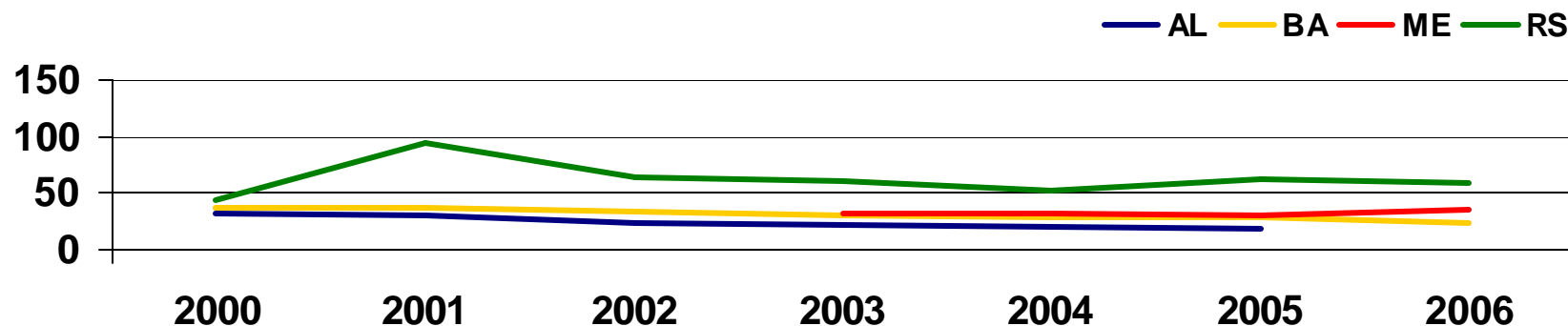
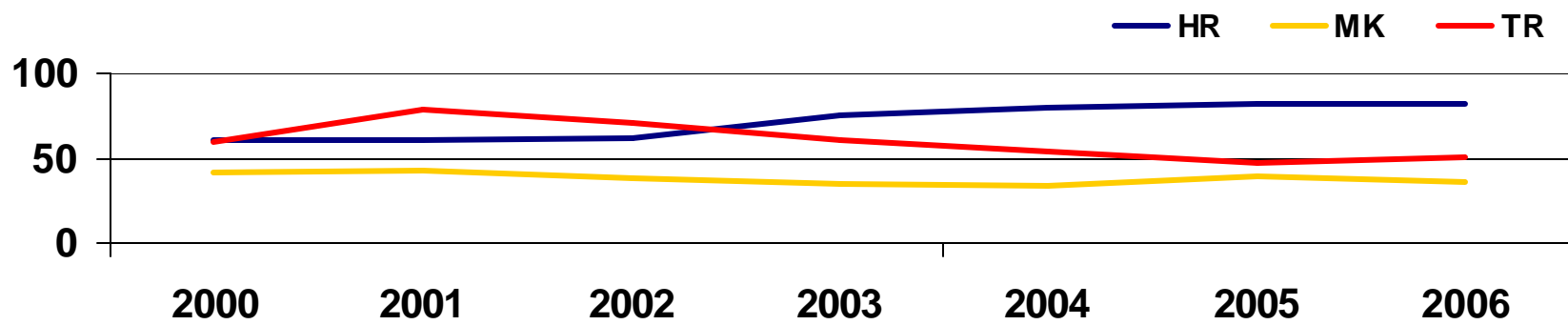
- The level of debt
- The speed of accumulation
- The distribution of liabilities
- Was Schumpeter right?

Share of total foreign debt in GDP

2000-2006

in %

- Foreign debt mostly stable, except in Croatia.



Share of private foreign debt in total foreign debt, 2000-2006 in per cent

- Private foreign debt continues to grow.

