Narrowing the gaps: 30 years after the transition started and 14 years after enlargement – where are we on convergence?

What does research tell us about upwards convergence?

Remarks to the presentation by Jan Drahokoupil and Martin Myant

Magdolna Sass, Centre for Economic and Regional Studies, Hungarian Academy of Sciences
First of all

- Importance of the work of Martin and ETUI

- Objective and positive analyses of problems, which came to the forefront only recently in econ.-polit.econ. research and are usually not addressed sufficiently by „mainstream” economic research

- Among others, addressing the limits of the transition-growth-development strategies of CEE, Visegrad countries; working condition, inequality, introducing new approaches: VoC

- Martin’s focus on CEE/Visegrad/Czech Republic
Wages

• Persistent wage gap, but
• A recent spectacular increase in wages, esp. after 2015 – if we cut the chart at 2014, this could be more apparent (temporary?)
• Induced partly by the outflow of workers – relative labour shortage in CEE – but other factors as well (productivity growth and still large differences wage)

• **New developments**: possible impact of increased economic nationalism; technology developments: automation, robotisation, digitalization fundamental changes may be induced in production organisation, affecting CEE
• Hungarian company cases (R. Bosch, Suzuki) – to be researched – regional divergence?
Tax base erosion

• Tax heavens and tax competition (within EU as well)-opportunities for „tax optimisation” for MNCs
• plus less progressivity in certain MS –
• considerable fiscal erosion, especially for profit tax (and VAT)

• Limits the manoeuvring room for fiscal policy plus state financing in areas important from the point of view of development (welfare, education, health etc. – Jan’s slides on wage gaps)

• Plus: Ownership matters – „home country bias” of multinational companies – low number of MNCs (and locally owned large companies) in CEE (sources of private financing)

• Another important factor increasing inequality between and within MSs and reducing the capacities (of the state) to change for a new growth model (Martin)
### Breakdown of the top (according to sales) companies by ownership (number of companies)

Source: based on Deloitte (2016)

<table>
<thead>
<tr>
<th></th>
<th>Central European company</th>
<th>Foreign individual</th>
<th>Local company</th>
<th>Local individual</th>
<th>Multinational company from outside Central Europe</th>
<th>State-owned</th>
<th>Central European individual</th>
<th>Total</th>
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